

May 9, 2022

To: The Market Surveillance Administrator, market participants and other interested parties
("Stakeholders")

Re: **Letter of Notice for Draft Proposed Amendments to ISO rules and Definitions to Enable Energy Storage ("Energy Storage ISO Rule Amendments")**

Pursuant to Alberta Utilities Commission Rule 017, *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission* ("AUC Rule 017"), the Alberta Electric System Operator ("AESO") is providing notice and seeking feedback from Stakeholders on the Energy Storage ISO Rule Amendments

Issue

The AESO is mandated to promote the fair, efficient and openly competitive exchange of electric energy. The current regulatory framework supports a traditional model, where electricity is produced by generators and transported through transmission and distribution systems to customers who purchase the electricity. Current ISO rules were not generally developed in contemplation of the integration of energy storage technologies to the interconnected electric system, resulting in a lack of clarity in their application to energy storage. Specifically, ISO rules lack the clarity required for market qualification and participation, and to enable efficient, effective connection, monitoring, and control of energy storage facilities when connected.

Purpose

The AESO is consulting with Stakeholders on the development of the proposed Energy Storage ISO Rules Amendments that will facilitate the integration of energy storage, improve the clarity required for market qualification and participation, and enable efficient, effective connection, monitoring, and control of energy storage facilities when connected.

Legislation Update

The Energy Storage ISO Rule Amendments are premised on the legislative changes to the *Electric Utilities Act* and *Hydro and Electric Energy Act* proposed in *Bill 86: Electricity Statutes Amendment Act, 2021* ("Bill 86") during the 2nd session of Legislature 30. Bill 86 did not pass second reading.

On April 27, 2022, the Government of Alberta introduced Bill 22, *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022* ("Bill 22") in the current Legislative session. The proposed amendments to the *Electric Utilities Act* and *Hydro Electric Act* to enable energy storage appear to mirror those in Bill 86.

Bill 22 passed second reading on May 5, 2022. The AESO will continue to monitor the progression of Bill 22 and will assess the need for any further revisions to the ISO rules and definitions after the current Legislative session has concluded.

Scope of Amendments

The Energy Storage ISO Rule Amendments include substantive changes to: (i) integrate energy storage into the market; (ii) clarify energy storage technical and operating requirements; and (iii) incorporate provisions for Fast Frequency Response Service and Adjustment for Load on the Margin. In total, 43

existing ISO rules and 43 existing definitions¹ have been amended. In addition, one new ISO rule and 2 new definitions are proposed.

Several of the ISO rules containing substantive changes also contain administrative amendments². Administrative amendments are highlighted in grey within each ISO rule blackline to distinguish them from the substantive changes.

To assist Stakeholders with their review of the Energy Storage ISO Rule Amendments, the AESO has provided the following:

1. The **Energy Storage ISO Rule Amendments Webinar** is a 35-minute presentation that provides an overview of the key Energy Storage ISO Rule Amendments and context for ISO rule development issues that the AESO is seeking specific stakeholder input on.
2. The **Energy Storage ISO Rule Amendments Map** showcases how the various ISO rules were amended, as well as what ISO rules did not change.
3. The **Consolidated Draft ISO Rule Book** allows Stakeholders to efficiently search through the whole set of ISO rules and understand how the amended or new definitions impact ISO rules that contain or do not contain other substantive changes.

Completing and Remaining Consultation Steps

The Energy Storage ISO Rule Amendments are the product of an extensive engagement with stakeholders that extends back to 2019. The table below summarizes the consultation steps that have occurred to date, as well as the steps that remain prior to the AESO filing the Energy Storage ISO Rule Amendments with the Alberta Utilities Commission for approval.

The AESO is piloting some new engagement approaches for the Energy Storage ISO Rule Amendments, including: (i) using a webinar to review key rule changes and provide context for issues; (ii) providing fit-for-purpose tools to assist Stakeholders in their review and comprehension of the proposed amendments; and (iii) hosting issues-based modular stakeholder sessions to discuss and solution outstanding items. While doing so, the AESO is committed to maintaining a flexible approach to the Energy Storage ISO Rule Amendments. If, after the initial round of Stakeholder feedback, the AESO determines that there is a more effective and efficient way to manage priorities and achieve objectives, the AESO will alter its approach to the remaining consultation steps listed below.

Completed Step
 Remaining Step

	Date	Consultation Step
Energy Storage Roadmap Consultation	August 7, 2019	AESO published the Energy Storage Map
	June 19, 2020	AESO posts ID #2020-013, <i>Energy Storage Guide</i>
	October 1, 2020	AESO posted the <i>Energy Storage Long-term Markets Participation Options Paper</i>
	October 14, 2020	AESO hosted virtual stakeholder session on <i>Energy Storage Long-term Markets Participation Options Paper</i> , among other energy storage matters
	October 30, 2020	Stakeholder feedback on the <i>Energy Storage Long-term Markets Participation Options Paper</i> received
	February 17, 2021	AESO posted the Letter of Notice for Development of the Energy

¹ After the April 26, 2022 Energy Storage Update 3 letter, the AESO identified that: (i) no substantive changes to Section 302.1 of the ISO rules, *Real Time Transmission Constraint Management* are required; and (iii) the definition of “electric distribution system” required updates to align with Bill 22.

² As defined by *AUC Rule 017: Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*

AUC Rule 017 Consultation		Storage ISO Rule Amendments & the <i>Long-term Energy Storage Market Participation Draft Recommendation Paper</i>
	February 24, 2021	AESO hosted virtual stakeholder session on the <i>Long-term Energy Storage Market Participation Draft Recommendation Paper</i>
	March 31, 2021	Stakeholder feedback on the long-term energy storage market participation recommendations received
	May 31, 2021	AESO Energy Storage Update 1
	November 30, 2022	AESO Energy Storage Update 2
	April 26, 2022	AESO Energy Storage Update 3
	May 9, 2022	AESO posted draft Energy Storage ISO Rule Amendments
	June 9, 2022	Initial Stakeholder feedback on draft Energy Storage ISO Rule Amendments due
	June - August 2022	<i>Consultation Break</i>
	September 2022	Virtual or hybrid Stakeholder module sessions to discuss and solution outstanding questions and issues <i>*Targeting the second or third week of September</i>
	October-December 2022	AUC Rule 017 ISO rule written comment process on final proposed Energy Storage ISO Rule Amendments

Stakeholder Comments

The AESO is providing three comment matrices to organize feedback on ISO rule amendments, definition amendments, and specific issues of interest to the AESO:

- *Stakeholder Comment Matrix – Draft Proposed New and Amended ISO Rules*
- *Stakeholder Comment Matrix – Draft New and Amended Terms and Definitions*
- *Stakeholder Comment Matrix – Energy Storage ISO Rule Amendments Specific Questions*

The deadline for Stakeholders to provide comments is **June 9, 2022**, to rules_comments@aesoc.ca. When submitting comments to the AESO. Stakeholders should ensure that comments provided represent all interests within their organization. The AESO will post all comments it receives on the AESO’s website.

Related Materials

1. Energy Storage ISO Rule Amendments Webinar;
2. Energy Storage ISO Rule Amendments Map;
3. Consolidated Draft ISO Rule Book;
4. *Stakeholder Comment Matrix – Draft Proposed New and Amended ISO Rules*;
5. *Stakeholder Comment Matrix –Energy Storage ISO Rule Amendments Specific Questions*; and
6. *Stakeholder Comment Matrix – Draft Proposed New and Amended Terms and Definitions*.

Sincerely,

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