

# Stakeholder Comment Matrix – Dec. 10, 2020

## Bulk and Regional Tariff Design Stakeholder Engagement Session 4



<b>Period of Comment:</b> Dec. 10, 2020 through Jan. 12, 2021	<b>Contact:</b> Evan Wilson
<b>Comments From:</b> Canadian Renewable Energy Association	<b>Phone:</b>
<b>Date:</b> 2021/01/12	<b>Email:</b> ewilson@renewablesassociation.ca

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **Jan. 12, 2021**.

***The AESO is seeking comments from Stakeholders on Session 4. Please be as specific as possible with your responses. Thank you.***

	Questions	Stakeholder Comments
1.	Please comment on Session 4 hosted on Dec. 10, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	
2.	Do you have a view on whether an embedded or marginal cost allocation approach will more appropriately meet the AESO's rate design objectives? Why?	CanREA submits that a balanced approach is most appropriate. To remove price signals completely will result in inefficient behaviour by market participants. It is reasonable to motivate participants to limit both their NCP and CP demand.
3.	<p>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</p> <p>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</p> <p>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</p>	<p>Mitigation is necessary to reduce unexpected economic disruption to industry and to reduce stranded capital for those market participants that have made investments under the current tariff structure.</p> <p>To reduce immediate adverse impacts to industry in the middle of economically difficult circumstances, CanREA suggests that it may be appropriate for the AESO continue to design a sustainable tariff structure, but delay implementation for two or three years. This approach will:</p> <ol style="list-style-type: none"> <li>1) Provide a sustainable cost recovery structure in the long term</li> <li>2) Avoid adding to the current economic turmoil experienced by industry</li> <li>3) Allow market participants to plan and invest based on the long term structure.</li> </ol> <p><b><i>However, the tariff treatment of energy storage resources needs to be addressed immediately as the current tariff treatment is a roadblock to energy storage development.</i></b></p>

Questions	Stakeholder Comments
<p>4. Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Price signals matter               <ul style="list-style-type: none"> <li>○ Tariff charges provide incentives for customer behavior</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Recognize that more than just load behavior drives transmission development</li> <li>• We are dealing with an evolving system               <ul style="list-style-type: none"> <li>○ Current and future use may differ from what was that originally planned</li> </ul> </li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Transmission costs have risen               <ul style="list-style-type: none"> <li>○ Tariff charges are more important now than ever before</li> </ul> </li> <li>• Minimize disruption, mitigate rate shock               <ul style="list-style-type: none"> <li>○ It is not in anyone's interest to reduce the number of ratepayers</li> </ul> </li> </ul>	<p><b>Efficient Price Signals</b></p> <p>CanREA submits that price signals matter. Significant system savings can be realized through appropriate market participant behaviour.</p> <p><b>Minimal Disruption</b></p> <p>Minimizing disruption will reduce the risk of stranded capital for those market participants that have already made investments based on the current tariff rate structure.</p>
<p>5. Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Are status quo price signals are efficient?               <ul style="list-style-type: none"> <li>○ Price signals in tariff have reduced the cost of energy to other load</li> </ul> </li> <li>• Are price signals forward looking?               <ul style="list-style-type: none"> <li>○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs</li> </ul> </li> </ul>	<p><b>Minimal Disruption</b></p> <p>CanREA understands the AESO's argument that the current tariff structure may not be sustainable. CanREA also understands the concern from industry that the sustainability of the tariff design can be addressed once the current economic turmoil has subsided.</p> <p>CanREA submits that a delay of major tariff design changes of up to three years is unlikely to destroy the long term ability to pay for the transmission system. At the same time, it would be helpful to provide certainty to industry about what the ultimate tariff structure will be. Providing clarity now will allow industry to plan and make investments based on a future structure without contributing to immediate economic difficulties.</p>

<p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Is the primary objective cost causation, or cost responsibility?</li> <li>• Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs?</li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> <li>◦ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively</li> </ul> </li> <li>• Does rate mitigation need to be permanent or will customers adapt if temporary?</li> </ul>	<p>CanREA reiterates that immediate changes to the tariff are required where they relate to the treatment of energy storage. <b><i>In fact, it is essential that the next tariff filing to remove the unfair barrier represented by the current tariff treatment and allow energy storage to provide the many system benefits that are being realized in many other jurisdictions.</i></b></p>
<p>6. Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement (refer to question 5 above)? Please specify.</p>	
<p>7. Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of agreement:</b></p> <ul style="list-style-type: none"> <li>• Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter</li> <li>• Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> <li>◦ Energy Price arbitrage</li> <li>◦ Operating Reserves</li> <li>◦ Non-wires solutions for transmission deferral</li> </ul> </li> <li>• Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner</li> </ul>	<p>CanREA is supportive of all the areas of agreement relating to energy storage presented at Session 4.</p> <p>We agree that energy storage is a unique technology. However, because storage is unique, it is neither fair nor efficient to treat it like other technologies. Because they are unique, load, generation and provincial inerties receive different tariff treatment. By that measure, storage is unique and it follows that fair and efficient tariff treatment should be applied to tariff facilities.</p> <p>The current tariff treatment, which does not fully consider the unique nature of storage, has created an artificial barrier to investment.. If the tariff barrier is not removed, it is unlikely that the full range of services provided by provided by energy storage technologies will be deployed to benefit the grid.</p>
<p>8. Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of disagreement:</b></p>	<p><b>Energy Storage as a User of the Grid or Component of the Grid</b></p> <p>There may be storage facilities that operate as users of the grid or components of the grid or both.</p>

<ul style="list-style-type: none"> <li>• Is energy storage a user of the grid or a component of the grid or both?</li> <li>• Does energy storage use the network for the Alberta specific use-cases?</li> <li>• Should energy storage pay for inflows and outflows like every other network user or not?</li> <li>• Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges?</li> </ul>	<p><b>Payments for Inflows and Outflows</b></p> <p>The phrase “like every other network user” is not useful in this context. This phrasing suggests that storage should pay the current tariff, as if it is simply a load customer. This is not appropriate, as storage is not load.</p> <p>If storage is operating like a component of the grid, such as providing a non-wires solution to reduce transmission congestion, providing grid support services or deferring transmission construction, then the storage facility is supporting the grid, rather than using it. In this case, no tariff charges should be levied.</p> <p>When a storage facility is a market participant and is operating like a user of the grid, it is appropriate for the facility contribute to network system costs. To identify a just and reasonable share of the costs, the AESO should examine the justification for the rate for Export Opportunity Service (XOS) and Demand Opportunity Service (DOS) as these are the two existing ISO tariff services that use the system in a manner that is closest to the way storage will use the system.</p> <p>It should be noted that this discussion does not address the “double double” problem that had been raised by CanREA and Solas Energy Consulting during previous stakeholder sessions. The “double-double” problem refers to the fact that electrons stored and returned to the grid are already charged STS tariff rates to the original generator and DTS tariff rates to the ultimate end user. Therefore, charging tariff rates to the storage facility results in double charging for those electrons for both the grid injection and grid withdraw behaviour. CanREA has previously proposed that an Administration Fee is an appropriate mechanism to avoid the “double-double” problem, but recognize that the limits of the current Bulk and Regional Tariff discussion may not be sufficiently flexible support this approach.</p> <p>Other mechanisms that have been considered include:</p> <ol style="list-style-type: none"> <li>1) A storage specific tariff rate which recognizes the uniqueness of energy storage but does not address the “double-double” problem.</li> <li>2) A new Interruptible Demand Service that would not be technology specific and does not address the “double-double” problem, but may be more acceptable to a larger group of stakeholders and which the AESO may feel more able to justify.</li> </ol>
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9.	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement for energy storage (refer to question 8 above)? Please specify.</p>	<p>Energy storage is considered to be unique because it shares characteristics with a number of different – and sometimes competing – technologies, including those that operate as market participants and as components of the grid. The key to supporting fair, efficient, and openly competitive market participation is enabling the purchase of certain reliability products that can be provided by energy storage and other facilities.</p> <p>The AESO should consider the three mechanisms described in our response to Q 8. Given the minimal incremental system costs of storage, the tariff rate for withdrawing energy from the grid under the chosen mechanism should be far below the rate resulting from current DTS. We reiterate that the proposed rate should be similar to those resulting from XOS and DOS treatments. More discussion will be required to establish the details of the chosen mechanism.</p>

10	Do you have any comments on the AESO's proposed stakeholder engagement process, including the mitigation process, for the remainder of the Bulk and Regional Rate Design engagement?	More time is requested to address energy storage issues during the upcoming consultation sessions.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	
12	Additional comments	

Thank you for your input. Please email your comments to: [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca).