

January 25, 2022

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Acting Chief of Staff
Office of the Associate Minister of Natural Gas and Electricity

Stephanie Clarke
Associate Deputy Minister of Natural Gas and Electricity
Government of Alberta

RE: Energy Storage Canada Comments on Bill 86

We are pleased to provide comments on Bill 86, The Electricity Statutes Amendment Act, 2021.

Energy Storage Canada (ESC) is the only national industry association dedicated solely to the representation of, and advocacy for, energy storage in Canada. We work with the diverse companies that comprise our membership to enable a more resilient, sustainable, and affordable electricity grid through the continued development of the industry. Our members represent all parts of the energy storage value chain and a diverse cross-section of all types of storage technologies and chemistries.

Our comments are as follows:

With respect to the definition of “energy storage” our primary concern is the definition of “energy storage resource”, which is proposed as follows:

“energy storage resource” means the component of an energy storage facility that uses a technology or process that is capable of using electric energy as an input, storing the energy for a period of time and then discharging electric energy as an output, and includes a share of the following associated facilities that are necessary for the safe, reliable, and economic operation of the energy storage resource, which may be used in common with other energy storage resources:

- (i) fuel and fuel handling equipment;
- (ii) cooling water facilities;
- (iii) switch yards;
- (iv) other items;

Our interpretation is that for a facility to be considered an “energy storage resource,” it would need to have fuel and fuel handling equipment, as well as cooling water facilities. While some energy storage technologies require such equipment, not all technologies would need these materials. In example, a fly-wheel storage system would have neither. A pumped storage facility would not require cooling water facilities. Additionally, some batteries utilize air conditioning rather than cooling water facilities.

We would therefore recommend for the removal of the first two items from the list.

- To ensure system planners (i.e., AESO for transmission system, and DFO for distribution system) have the most up to date price information for Non-Wires Alternatives (NWAs), and to enhance competition in the Alberta electricity sector, the legislation should require AESO/DFO's to perform a price discovery RFP for NWA's in the first stage of their planning framework to properly assess and compare against traditional wire solutions. Since reliability services from NWAs include future costs (both capital and operating) as well as expectation of future market revenues by market participant, system planners must seek market feedback to appropriately assess the cost effectiveness of NWAs to wires solutions.
- ESC is concerned regarding the inherent bias of utilities to pursue wires solutions since there is a clear path to capitalization compared to potential third-party contracts for reliability services. The bias will likely inhibit utilities from proposing third-party contracts to the AUC based on uncertainty of approval and potential lost returns. ESC respects that short-term contracts with third parties may still be appropriate to be recovered as O&M costs; however, longer-term contracts should more appropriately be capitalized similar to the wired solutions those contracts are bypassing. The legislation should be adjusted to clearly state that long-term third-party contract solutions can be capitalized by utilities and leave the definition and application of long-term versus short-term to the AUC through applications brought before the commission.
- Under the Self Supply provisions in Bill 86, does this include "energy storage" located behind the meter?
- ESC believes that storage owned by TFOs and DFOs should be excluded from participating in other competitive markets, not just the energy market (i.e., ancillary services).
- Putting more specificity and explicit direction on the requirement for DFOs to demonstrate to the AUC that it has considered lower-cost non-wires alternatives in all of the distribution system planning. The current language requires the DFOs to "have regard to non-wires services." This is not definitive statement and "non-wires services" is not defined in the legislation. Bill 86 appears to expect the AUC to have the capacity to review DFO long-term plans and identify opportunity for lower-cost, competitively procured storage. ESC does not believe the AUC has that capability and likely should not have the capacity of a regulatory oversight body. Instead, the DFO should be responsible under their distribution system planning obligations.

We appreciate the opportunity to provide feedback and would be happy to speak in greater detail on any of our comments.

Sincerely,



Justin W. Rangooni
Executive Director
Energy Storage Canada