

Stakeholder Comment Matrix – Dec. 10, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 4



Period of Comment: Dec. 10, 2020 through Jan. 12, 2021	Contact: Justin Rangooni
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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 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?	Energy Storage Canada (ESC) found Session 4 valuable for building a shared understanding of agreement and disagreement on future tariff design as the AESO intended.
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?	<p>The status quo embedded cost approach divides the costs between a demand allocation and energy allocation based on minimum system needed to serve load (i.e., demand allocation) and the actual or optimal system (i.e., energy allocation). The marginal cost allocation approach is derived by determining the change in cost to serve one more customer/MW with next increment of capacity.</p> <p>A core issue the AESO has focused on is the rapid growth of network investments (see slide 47) over the past decade and the need to ensure sufficient funding is collected. While a focus on existing total costs is important in the near-term, that focus may not address the drivers for future network investments that could reduce the compounding of additional network investment costs. ESC supports a cost allocation approach to incentives consumption behavior that maximizes the use of existing network investments and decreases the potential for future network investments.</p> <p>At this time, it is not clear to ESC whether an embedded or marginal cost allocation approach is better suited to address the challenge of maximizing existing investments and minimizing future investments.</p>
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>	ESC supports interruptible/standby rates as mitigation options in rate design. Rate design that provides both adequate cost recovery and increased optimization of network investments is an appropriate path forward. Interruptible/standby rates can recover a portion of total costs while providing a signal for consumption that avoids future costs in the system due to constraints.

	Questions	Stakeholder Comments
4.	<p>Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Price signals matter <ul style="list-style-type: none"> ○ Tariff charges provide incentives for customer behavior <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Recognize that more than just load behavior drives transmission development • We are dealing with an evolving system <ul style="list-style-type: none"> ○ Current and future use may differ from what was that originally planned <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Transmission costs have risen <ul style="list-style-type: none"> ○ Tariff charges are more important now than ever before • Minimize disruption, mitigate rate shock <ul style="list-style-type: none"> ○ It is not in anyone's interest to reduce the number of ratepayers 	<p>Yes, ESC believes generally the AESO has captured areas of disagreement as presented in Session 4.</p>

<p>5.</p>	<p>Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Are status quo price signals are efficient? <ul style="list-style-type: none"> ○ Price signals in tariff have reduced the cost of energy to other load • Are price signals forward looking? <ul style="list-style-type: none"> ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Is the primary objective cost causation, or cost responsibility? • Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behavior has not influenced those costs? <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> ○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively • Does rate mitigation need to be permanent or will customers adapt if temporary? 	<p>Yes, ESC believes generally the AESO has captured areas of disagreement as presented in Session 4.</p>
<p>6.</p>	<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 (refer to question 5 above)? Please specify.</p>	<p>The AESO states that total costs are not changing; however, there are a number of potential transmission network investments under consideration. It would be beneficial for the AESO to describe the future system development expected and how much total costs may change over the next decade as a new tariff design might be implemented. This would provide guidance on the difference between cost causality and cost responsibility.</p>

<p>7.</p>	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of agreement:</p> <ul style="list-style-type: none"> • Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter • Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> ○ Energy Price arbitrage ○ Operating Reserves ○ Non-wires solutions for transmission deferral • Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner 	<p>Yes, ESC supports the areas of agreement identified by the AESO in Session 4. ESC has consistently agreed with the AESO that energy storage is a unique asset that should be considered as so in tariff design.</p> <p>In addition to the list of participation in Alberta’s electricity use-cases presented by the AESO, ESC notes that new market products are being developed that energy storage can offer (e.g., fast-frequency response)</p>
<p>8.</p>	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of disagreement:</p> <ul style="list-style-type: none"> • Is energy storage a user of the grid or a component of the grid or both? • Does energy storage use the network for the Alberta specific use-cases? • Should energy storage pay for inflows and outflows like every other network user or not? • Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges? 	<p>In general, ESC is supportive of the areas of disagreement for energy storage presented in Session 4. The areas of disagreement accurately summarize the key topics that must be addressed in developing a unique energy storage participation type within the AESO tariff design. The attributes of energy storage are different that other network users (i.e., load and generators) and should be considered when developing energy storage tariffs.</p> <p>As discussed during Session 4, tariff treatment of energy storage as a transmission alternative must be considered carefully. As an efficiency tool for electricity systems, the value proposition of energy storage is different than other resources. If storage should pay charges for the transmission system, the value provided in avoiding future transmission investments and maximizing the use of the existing system should be appropriately attributed to storage.</p>

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>If energy storage is considered to be both a user of the grid and a component of the grid (e.g., storage as a transmission alternative), it would be beneficial for the AESO to describe how the value of using storage to avoid higher cost options (e.g., wires solutions) to meet electricity system needs is reflected in storage tariff design.</p> <p>Related, if storage is expected to pay for system charges (e.g., administration, O&M, POD, regional, bulk), it would help for storage entities to understand how the natural operation of energy storage assets (i.e., charge during unconstrained off-peak hours and discharge during constrained on-peak hours) will be considered by the AESO for cost allocation. Under the AESO's third option presented in Session 1, there would be a lower rate applied to storage under an interruptible service. As presented by ESC, administration and O&M costs are appropriate charges for energy storage to pay. What portion, if any, of POD/Regional/Bulk charges that should be included in the lower interruptible service rate for storage is a key area of discussion. The portion should reflect the increase in utilization of the existing and future electricity system by the actions of energy storage.</p>
10	<p>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?</p>	<p>None at this time.</p>
11	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>None at this time.</p>
12	<p>Additional comments</p>	

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.