

February 17, 2021

To: Market Surveillance Administrator, market participants and other interested parties (“Stakeholders”)

Re: Letter of Notice for Development of Proposed Amendments to ISO rules to Enable Energy Storage

Pursuant to Section 5.2 of 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 development of proposed amendments to ISO rules to enable energy storage (“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.

The AESO has developed draft high-level market design recommendations that outline how energy storage could be integrated into the energy market. The AESO’s draft high-level market design recommendations are described in the AESO’s *Long-term Energy Storage Market Participation Draft Recommendation Paper*. Once finalized, implementing these recommendations will require amendments to ISO rules.

Purpose

The AESO proposes to consult with Stakeholders on the development of the proposed Energy Storage ISO Rule 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.

At this time, the AESO does not have a definitive list of ISO rules that will be included in the proposed Energy Storage ISO Rule Amendments. However, the AESO anticipates that more than 30 ISO rules may be impacted in order to address various matters, including, potentially:

- market participation;
- fast frequency response;
- technical, qualification, and connection requirements;
- technology agnostic application of requirements;
- adjustment to load on the margin; and
- opportunities to reduce red tape.

Consultation Completed to Date

On August 7, 2019, the AESO launched its Energy Storage initiative by posting its *Energy Storage Roadmap*, which sets out the AESO's plan to facilitate the integration of energy storage technologies into AESO authoritative documents, including the ISO rules. The AESO also held a Stakeholder engagement session to discuss the *Energy Storage Roadmap* and requested written feedback on that plan.

On October 1, 2020, the AESO developed its *Energy Storage Long-term Markets Participation Options Paper*, which provided potential high-level market design options. The AESO also held a Stakeholder engagement session to discuss the options and requested written feedback on that paper.

Information related to the Energy Storage initiative is available on the AESO website.

Proposed Consultation and Timeline

The AESO appreciates that this is an exceedingly busy time for industry and that Stakeholders are being asked to provide their input on a number of consultations and initiatives in addition to those from the AESO. The AESO is seeking Stakeholder feedback on priorities and timing prior to developing a detailed consultation plan for the development of the proposed Energy Storage ISO Rule Amendments.

At a minimum, however, the AESO proposes to host a number of Stakeholder sessions to discuss the matters set out above. Following each Stakeholder session, the AESO will determine further consultation steps and anticipates such steps could include seeking written feedback on specific issues identified in the Stakeholder session, on proposed draft ISO rule language, and on any other matters the AESO considers valuable in advancing the development of the proposed Energy Storage ISO Rule Amendments.

The AESO is committed to maintaining a flexible approach to the development of the proposed Energy Storage ISO Rule Amendments and anticipates that as this initiative progresses, it may be appropriate to divide the development into stages. The AESO will propose such an approach if it determines that it is the most effective and efficient way to manage priorities and achieve objectives.

Stakeholder Comments

Stakeholders may submit:

- (i) written comments;
- (ii) a notice of intent to participate in consultation; and
- (iii) comments on the form of consultation.

Please use the *Stakeholder Comment Matrix – Development of Proposed Energy Storage ISO Rule Amendments* when submitting comments to the AESO. Stakeholders should ensure that comments provided represent all interests within their organization.

The deadline for Stakeholders to provide comments is March 17, 2021, to rules_comments@aeso.ca. Adherence to deadlines is essential to the integrity of the comment process, and as such, the AESO may choose not to consider any Stakeholder comments received after the deadline.

The AESO intends to post all comments it receives on the AESO website on or before March 26, 2021.

Related Materials

1. [Long-term Energy Storage Market Participation Draft Recommendation Paper](#), and
2. [Stakeholder Comment Matrix – Development of Proposed Energy Storage ISO Rule Amendments](#).

Sincerely,

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