Energy Storage Design Project – Feedback Form – June 24, 2020

Date Submitted:	**Feedback Provided By:**	
2020/07/17	Company Name:	Capital Power Corporation ("Capital Power")
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Following the June 24, 2020 Energy Storage Advisory Group (ESAG) meeting to discuss the Energy Storage Design Project, the IESO is seeking feedback from participants on the draft redlined Market Rules and Manuals and the recommended approach to uplift charges. The IESO will work to consider feedback and incorporate comments as appropriate and post responses on the engagement webpage. The referenced presentation and associated redlined Market Rules and Manuals can be found under the June 24, 2020 entry on the ESAG webpage.

Please provide comments relating to the section of the draft amendments in the corresponding box in table 1 below. Please include any views on whether the draft language clearly articulates the requirements for either the IESO or market participants, and provide any alternative language by inserting the draft language and red-lining the suggested changes (example below). Further, please provide comments relating to the uplift proposal in table 2 below.

Redlined Market Rules and Market Manuals		
Chapter or MM Name	**Section Reference**	**Stakeholder Comments**
E.g., Ch7	*E.g., Section 21.2*	*Stakeholder comment*
E.g., MM 4.2	*E.g., Section 1.2*	*Stakeholder comment*

Please provide feedback by July 15, 2020 **to engagement@ieso.ca.** Please use subject: *Feedback: Energy Storage Design Project*. To promote transparency, this feedback will be posted on the ESAG webpage unless otherwise requested by the sender.

Thank you for your time.

Energy Storage Design Project - Feedback

Table 1- Relined Market Rules and Market Manuals

Chapter or Market Manual Name	Section Referenc e	Stakeholder Comments

Table 2 – Uplift Changes

Topic	Feedback
Proposal: Storage should be exempt from uplift charges on 'fuel'	**Capital Power appreciates the IESO's efforts to thoughtfully consider whether ESRs should be exempt from uplift charges on charging fuel. Based on information provided, Capital Power understands the high-level rationale for exempting ESRs from uplift on charging fuel, but it would be helpful to better understand the reasons for the IESO's disagreement with its own initial assessment that ESRs should not be exempt from uplift charges. Specifically, it would be helpful if the IESO could provide additional details as outlined below:** • **Support for the uplift exemption through the application of a cost causation framework.** EPRI has stated that decisions regarding the application of uplift charges should be supported by the principles of cost causation. This analysis would help to demonstrate that design decisions do not result in an increase in

	system-wide uplift costs. If such analysis is not possible, then it would be helpful to understand the reasons why it cannot be undertaken. • **Analysis showing that the decision to exempt ESRs from uplift on charging fuel would not result in an inconsistent application of the principle of cost allocation across resource types.** Under the IESO's MRP, competing resource types must include the incremental costs of grid supplied power in their competitive offers. For example, gas-fired generators will need to include incremental Station Service costs (which include uplift) in their competitive three-part offers. Exempting ESRs from uplift while continuing to charge other generation types is disparate treatment. Capital Power understands there may be a rationale for the disparate treatment but would like to understand the analysis undertaken in support of this design decision. **Capital Power would also like to better understand the IESO's description of uplift costs as a "fuel tax". Uplift costs are costs directly tied to the economic generation and delivery of electricity. Accordingly, it is unclear to Capital Power what principled reason there is for reclassifying uplift charges as a "fuel tax" for ESRs.** Whereas taxes are designed to raise revenue for the government accounts and spending, uplift charges and costs reflect the need for payment mechanisms and programs that enable the recovery of costs associated with generating power (i.e. "fuel") and delivering it to customers and consumers. It is unclear to Capital Power why the IESO would refer to these costs as a tax.

General Comments/Feedback