CAE-033

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CAE-033 Q:

OCC Comments, July 6, 2026, p. 6.[1] Explain whether a standalone FTM storage resource operating solely under a revenue neutral bidirectional retail TOU tariff could create cost shifts between customer classes. If yes, describe the potential cost shifts, explain how they would occur, and describe how they could be mitigated.

CAE-033 A:

Whether cost shifts occur would depend on the specific tariff design and the extent to which the rate structure appropriately reflects cost causation principles. Cost shifts may arise if the costs associated with serving standalone FTM storage resources, including distribution system costs or other program-related costs, are not fully recovered from participating customers and are instead allocated across the broader customer base. In such circumstances, non-participating customers could bear costs attributable to services or benefits provided to participating storage resources.

In addition, the potential for cost shifts should be evaluated considering both the costs and benefits associated with standalone FTM storage participation. To the extent that storage resources provide measurable system benefits, such as reducing peak demand, improving utilization of existing distribution infrastructure, or lowering overall procurement costs, those benefits may offset costs that would otherwise be borne by customers. A properly designed revenue-neutral bidirectional retail TOU tariff should therefore incorporate mechanisms that align charges and credits with the underlying costs and operational benefits created by participating resources, thereby minimizing the potential for cross-subsidization among customer classes and ensuring that costs are allocated in a manner consistent with regulatory ratemaking principles.

[1] OCC Written Comments Docket No. 26-08-05 July 6, 2026