

## Some Considerations for Comments to FERC on Electric Storage Notice Of Proposed Rulemaking

Article By:

Environmental Practice Group

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As we have previously reported [here](#), the **Federal Energy Regulatory Commission (FERC)** issued a notice of proposed rulemaking (NOPR) last month with the goal of requiring organized wholesale electricity markets (RTO/ISO markets) to modify their tariffs and rules to accommodate electric storage resources. FERC has received several comments and recently agreed to extend the deadline for filing comments until February 13, 2017.

FERC's NOPR focused on requiring RTO/ISO markets to establish a participation model for electric storage resources. A participation model is a set of tariff provisions that accommodate the participation of resources with particular physical and operational characteristics in the RTO/ISO market. For example, in MISO, an electric storage resource may currently be eligible to participate as a Stored Energy Resources, which is only eligible to provide regulation service. Under FERC's proposal, MISO would amend its definition of Stored Energy Resource or create a new type of resource that will not be so limited in the services in is qualified to offer.

While establishing a participation model to allow electric storage resources to participate in each RTO/ISO market is a laudable goal and a necessary step to integration of storage resources, it should not be the only concern in this NOPR process. In practice, to ensure that wholesale markets are opened to storage resources, FERC must address the economics driving the development and financing of storage resources.

One of the chief ways of allowing storage resources to be developed economically is to allow storage resources to "stack" their services, or perform multiple services they are technically capable of performing. For example, a battery may be deployed for a primary application, such as demand charge reduction, but that primary service may utilize only a small percentage of the battery's useful life. Allowing batteries to provide multiple services, such as demand charge reduction as well as frequency regulation service and energy arbitrage, creates additional value to the market and additional revenue streams for the storage resource. Several recent studies of the economics of electricity storage concluded that stacking of services is crucial to unlocking the full value of storage.

FERC's NOPR indicates that the agency will allow electric storage resources to stack services by proposing that the any participation model must make storage resources "eligible to provide any capacity, energy, and ancillary service that it is technically capable of providing in the organized

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wholesale electric markets.” However, FERC has not addressed stacking of services in detail.

Another aspect of the advancement of electric storage resources that is not emphasized in the NOPR is the ability of storage to defer far more costly investments in line and substation upgrades. For example, one utility experiencing reliability problems caused by capacity expansion that normally would have required constructing new transmission lines instead added a two megawatt sodium-sulfur battery into its existing substation. Adding electricity storage deferred the construction of eight miles of new 138-kV transmission lines and increased reliability. While transmission upgrade deferrals provide value to transmission owners, FERC has not yet addressed compensation mechanisms for storage resources providing this service.

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