

FERC STAFF SEEKS COMMENTS ON PARTICIPATION OF ELECTRIC STORAGE RESOURCES IN WHOLESALE ELECTRICITY MARKETS

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Energy Alert

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Last week, the Federal Energy Regulatory Commission ("FERC") opened a proceeding in Docket No. AD16-20 for FERC Staff to consider a wide range of issues related to electric storage resources, including whether barriers exist in the United States' organized wholesale energy markets that are frustrating the participation of electric storage resources in those markets and leading to unjust and unreasonable wholesale electricity prices. The new proceeding was also a topic of discussion during FERC's monthly meeting on Thursday, April 21, 2016, with each Commissioner expressing significant interest in the energy storage issues to be considered and studied by FERC Staff. For purposes of the proceeding, FERC Staff has taken a broad view of electric storage resources, defining such resources to include all facilities "that can receive electric energy from the grid and store it for later injection of electricity back to the grid . . . regardless of their size and storage medium, or whether they are interconnected to the transmission system, distribution system, or behind a customer meter."

To kick-off the proceeding, FERC Staff sent letters to [California Independent System Operator Corp.](#), [ISO New England, Inc.](#), [Midcontinent Independent System Operator, Inc.](#), [New York Independent System Operator](#), [PJM Interconnection L.L.C.](#), and [Southwest Power Pool, Inc.](#) (collectively, the "RTOs and ISOs"), requesting that by May 2, 2016, they submit information about current market rules and procedures applicable to electric storage resources' participation in each respective market. In a concurrent [notice](#) issued in the same docket, FERC Staff also invited other comments on whether current market rules are blocking the participation of electric storage resources in the organized markets and whether there are specific rule changes that could facilitate the participation of such resources. FERC Staff is asking other commenters to specifically address the RTOs' and ISOs' May 2, 2016 responses, and set May 23, 2016 as the deadline for such other comments. The types of data requested from the RTOs and ISOs and the related topics on which FERC Staff is seeking comment are outlined below.

- ***Eligibility to participate in the organized wholesale electric markets.*** FERC Staff has asked each of the RTOs and ISOs to explain whether electric storage resources are currently eligible to participate in capacity, energy, and/or ancillary services markets, and if not, what justifies their ineligibility. FERC Staff is also seeking comments on whether clarification of particular market rules or tariff provisions would remove undue barriers to the participation of electric storage resources.
- ***Minimum technical criteria and performance requirements to participate in the organized wholesale electric markets.*** In addition to requesting information from the RTOs and ISOs on the

current technical criteria and performance requirements (e.g., minimum capacity sizes, bid sizes, or run times) that must be met to participate in the wholesale markets, FERC Staff is seeking input on whether certain technical criteria or performance requirements are unjustified and unfairly prevent market participation by electric storage resources. FERC Staff has also requested input on alternative minimum criteria or eligibility requirements and the potential effect of such alternatives on system reliability and market operations.

- ***Bid parameters applicable to electric storage resources.*** The operational capabilities of electric storage resources to receive, store, and later sell electricity distinguish electric storage resources from conventional generation. Thus, FERC Staff is seeking input on whether current market rules for bid parameters could and should be revised to better reflect electric storage resources' operational capabilities, and whether making such revisions would improve RTOs' and ISOs' ability to model and dispatch electric storage resources. Given the broad array of technologies encompassed by FERC Staff's definition of electric storage resources, FERC Staff also asks that commenters address whether specific technologies warrant different bid parameters or whether a general set of rules could apply to all types of electric storage resources.
- ***Electric storage resources interconnected at the distribution level and aggregation of electric storage resources.*** FERC Staff recognized that electric storage resources may be able to participate in the wholesale markets despite being interconnected at the distribution level. Therefore, FERC Staff is seeking input on what market opportunities are or should be available for distribution-connected electric storage resources and the impact of electric storage resources participating in the wholesale markets while simultaneously providing distribution-level services. FERC Staff has also asked the RTOs, ISOs, and other commenters to address opportunities and means to aggregate multiple electric storage resources into a single resource that serves as the wholesale market participant.
- ***Energy purchases by electric storage resources and pricing of energy purchases by electric storage resources.*** FERC Staff asked the RTOs and ISOs to explain the current bid requirements for electric storage resources that are purchasing energy and whether they must pay the locational marginal price for their energy purchases or instead pay a different rate for their receipt of energy from the grid. FERC Staff is also interested in understanding whether the appropriate pricing of energy purchases may be affected by what services the electric storage resources are providing or whether the electric storage resources is interconnected to the transmission system, distribution system, or behind the meter.

This proceeding is yet another signal that energy storage issues are at the forefront of FERC's regulatory initiatives. As noted in a [prior blog post](#), FERC is already scheduled, in a technical conference on May 13, 2016, to address issues and potential impediments to the interconnection of electric storage resources. Parties interested in the development and deployment of electric storage resources will want to be involved in these proceedings and keep a close eye on the issues raised by commenters. These proceedings and the issues spotlighted for FERC could be precursors to new rulemakings and regulatory changes with the potential to affect the development and direction of new or expanded markets and revenues streams for electric storage resources. We will certainly be monitoring these proceedings and will keep you posted.

UPDATE: As an update to our earlier alert on FERC's latest proceeding related to electric storage resources, on April 27, 2016, FERC issued an order extending the deadline for RTOs and ISOs to submit their responses to

FERC's data requests. The RTOs' and ISOs' responses are now due on May 16, 2016. FERC also granted an extension to June 6, 2016 for other comments.

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