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FERC Votes to Encourage Electric Storage

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On February 15, 2018, the Federal Energy Regulatory Commission (FERC) voted to require all Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs) to revise its tariffs to establish a participation model for electric storage resources that consist of market rules that properly recognize the physical and operational characteristics of electric storage resources.

FERC's goal is to remove barriers applicable to electric storage resources in the capacity, energy and ancillary services markets operated by RTOs and ISOs.

Market rules designed for traditional generation resources can create barriers to entry for emerging technologies, such as electric storage. FERC hopes to enhance competition and promote greater efficiency in the nation's electric wholesale markets, and to support the resilience of the bulk power system by helping to remove such barriers.

The participation model, however, must ensure that a resource using the model is eligible to provide all capacity, energy and ancillary services that it is technically capable of providing, can be dispatched, and can set the wholesale market clearing price as both a seller and buyer consistent with existing market rules. The model also must account for the physical and operational characteristics of electric storage resources through bidding parameters or other means, and it must set a minimum size requirement that does not exceed 100 kilowatts.

With the improvement of battery technology, battery energy storage is starting to target peak demand hours. Peak demand in the U.S. usually happens on summer afternoons when people return home from work and turn on their air-conditioners to cool their homes. Normally, this peak demand is met with "peaker" natural gas or coal burning combustion engines, but FERC's ruling should make it easier for storage to serve this demand. Theoretically and over time, this could help smooth out peak period wholesale prices, as storage units are designed to charge when prices are low and discharge when prices are higher.

FERC's final rule will begin a process over the next two years during which individual RTOs and ISOs will develop, propose and eventually implement responsive tariff revisions. The order is available at: <https://www.ferc.gov/whats-new/comm-meet/2018/021518/E-1.pdf>

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