



Recent FERC Orders Bolster Energy Storage

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On November 22, 2013, the Federal Energy Regulatory Commission (FERC) issued Order 792, Small Generator Interconnection Agreements and Procedures, amending a previous order establishing terms and conditions for public utilities to provide just and reasonable interconnection service for small generators. Specifically, Order 792 added energy storage to the category of resources eligible to interconnect with the electric grid. With this approval by FERC, energy storage can receive rates, terms and conditions for interconnection with public utilities that are just and reasonable and not unduly discriminatory.

Also in November, FERC Order 784, Third-Party Provision of Ancillary Services and Accounting and Financial Reporting for New Electric Storage Technologies, went into effect. Passed in July 2013, Order 784 requires PJM and other transmission providers to consider speed and accuracy in acquiring regulation resources, removes obstacles to selling such services at market-based rates and creates new accounting categories for tracking investments in electric storage. In sum, Order 784 is recognition by FERC of the growing need for ancillary services to support grid functions in the face of potential changes in the portfolio of generation resources and the growing interest of transmission providers to have flexibility in meeting service needs.

Combined, Orders 792 and 784 significantly pave the way for the increasing importance of energy storage as part of the electric grid. The lag in development of energy storage technologies has long been seen as an impediment to greater adoption of renewable energy technologies. Cost-effective energy storage directly addresses the intermittency issue of renewable energy sources. With this purpose in mind, California recently passed the United States' first energy storage mandate, requiring the state's three major power companies to have in place electricity storage capacity that can output 1,325 MW by the end of 2020, and 200 MW by the end of next year.

PJM is currently evaluating how to enable the direct participation of advanced energy storage resources in PJM's Reliability Pricing Model. Virginia-based AES Energy Storage, LLC (AES) plans to bring an additional 40 MW of advanced energy storage resources to PJM Interconnection. The facility is located at Dayton Power & Light's Tait generating station, just south of Dayton, Ohio. The AES battery array will provide frequency regulation service to the PJM market and is the first of its kind in the state.

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