First Look: Federal Energy Regulatory Commission's Order to Open Wholesale Markets to Energy Storage

Requires operators of wholesale power markets to establish new market rules to integrate energy storage resources into the grid.

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WHAT IT DOES

On February 15, 2018, the Federal Energy Regulatory Commission (FERC) voted to require that wholesale electric power markets create new market rules that will allow electric energy storage resources to participate fully in those markets. Previously, these markets were designed with only power producers (i.e., power plants) and power buyers (load serving entities such as local utilities) in mind. Oftentimes, this meant that rules and regulations governing these markets made it difficult for energy storage resources such as grid-scale batteries to be paid for the full range of services they can provide.

The new order applies only to markets operated by Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs). Therefore, the requirement will affect most customers east of the Rocky Mountains (except in Texas and the Southeast) and most customers in California. The cost of energy storage - in particular, the cost of batteries - has fallen rapidly in recent years. This potentially makes energy storage a cost-effective way to store energy at times when supply is abundant for use later. Those later uses could fetch high prices depending on what service (capacity, energy, or other ancillary services) the stored energy provides. Under the new FERC rules, it will be easier for energy storage to offer more of these services. In addition, the new order could consequently allow for greater utilization of variable energy sources like wind and solar, which are better enabled by the use of storage to balance supply and demand.

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