



STATEMENT

Statement of Commissioner Richard Glick on Electric Storage Participation in Markets Operated by RTOs and ISOs

Date: February 15, 2018

Docket Nos.: RM16-23-000;
AD16-20-000
Item No.: E-1

"Today's order marks an important step forward in the Commission's regulation of wholesale electricity markets. By eliminating barriers to energy storage resources' participation in RTO and ISO markets, today's order will facilitate the development of a class of technologies—ranging from batteries to pumped hydro—that has the potential to play a leading role in the transition to the electricity system of the future, but that has heretofore been hindered by market rules that were designed primarily to accommodate more conventional means of electric generation.

"The elimination of these barriers is, in my opinion, required not only by our statutory mandate to ensure just and reasonable rates, but also by the Federal Power Act's (FPA) prohibition against undue discrimination or preference. Simply put, because energy storage resources are capable of providing wholesale market services on a basis that is equal to or, in some cases, superior to conventional forms of generation, the maintenance of barriers to these resources' participation in the wholesale market is, on its face, discriminatory and preferential.

"As the cost of energy storage continues to decline, these resources are poised to play an even more important role in the generation mix, leading to the development of a more robust grid that can, among other things, help to accommodate the ever-increasing demand for clean, renewable resources from states, corporations, and residential consumers. In addition, where these resources are permitted to participate in wholesale markets, they will enhance the reliability and resilience of the grid while reducing rates. Today, the cost of using lithium-ion battery technology is less than one quarter of what it was at the start of the decade.¹ Partly as a result of those declining costs, industry forecasts project that the nation's installed energy storage capacity will increase by 750 percent in just five years.² By eliminating barriers to energy storage resources' participation in wholesale markets, today's order will help to further this remarkable trajectory.

"The Commission's notice of proposed rulemaking also contemplated requiring RTOs and ISOs to permit aggregated distributed energy resources to participate in wholesale markets where they are technically capable of doing so. Today, the Commission announced that, before acting on this proposal, it will convene a technical conference to consider several issues raised by commenters.

¹ See Claire Curry, *Bloomberg New Energy Finance, Lithium-ion Battery Costs and Market: Squeezed margins seek technology improvements & new business models* (July 5, 2017), available at <https://data.bloomberglp.com/bnef/sites/14/2017/07/BNEF-Lithium-ion-battery-costs-and-market.pdf>.

² See gtmresearch, U.S. Energy Storage Monitor: Q4 2017 Executive Summary 10 (2017).



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"I believe that this technical conference will help to develop the record needed to provide a workable model for permitting these aggregated resources to participate in the RTO and ISO markets. Like energy storage, distributed energy resources are capable of providing energy, capacity, and ancillary services efficiently and cost-effectively, while also improving the reliability and resilience of the bulk power system. For example, CAISO is already using its Distributed Energy Resources Provider model to enhance wholesale market competition while improving visibility into the distribution system. I believe that the FPA requires the Commission to eliminate the unduly discriminatory and preferential impact of RTO and ISO rules that act as barriers to the participation of distributed energy resources in wholesale markets.

"I look forward to the upcoming technical conference and to the Commission's subsequent action to finalize a rule regarding the participation of distributed energy resources in RTO and ISO markets. These resources, no less than energy storage, have the potential to play a leading role in the electric grid of the future and the Commission should act promptly to eliminate any unnecessary barriers to their participation in wholesale markets."