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## FERC Issues Policy Statement on Cost Recovery by Electric Storage Resources

The Federal Energy Regulatory Commission (FERC) today issued a policy statement providing additional guidance for electric storage resources that seek to concurrently recover their costs through cost-based and market-based rates. The policy statement helps ensure that these resources can operate at maximum efficiency to benefit the electric system and consumers.

Electric storage resources can charge and discharge electricity, and they can provide a variety of grid services in multiple markets or to multiple entities, including regional grid operators and transmission and distribution utilities. Because they can almost instantaneously provide multiple services and switch from providing one service to another, these resources may fit into one or more of the traditional asset functions of generation, transmission and distribution.

The policy statement, which also clarifies existing FERC precedent on electric storage resources, was prompted by a November 2016 technical conference highlighting different ways in which the industry is considering using these resources. Participants at the technical conference discussed using electric storage resources as transmission assets compensated through transmission rates, for grid support services that are compensated in other ways, and for multiple services.

Allowing electric storage resources to recover costs through both cost-based and market-based rates concurrently has raised issues that must be addressed, including: double recovery of costs to the detriment of cost-based ratepayers, potential for adverse competitive impacts in wholesale electric markets to the detriment of other competitors, and the need for independence of regional grid operators from market participants.

Today's policy statement provides guidance related to those three issues. It details possible approaches for avoiding double recovery of costs. With regard to adverse market impacts, FERC is not convinced there will be a detriment to other market competitors. Finally, the policy statement offers guidance on coordination between grid operators and electric storage owners or operators to ensure independence.

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