

In this document, the Energy Storage Association (ESA) outlines its official principles and policy positions regarding the ownership of and competition in provision of energy storage resources. ESA's principles reflect the fundamental values that we seek to uphold in our policy and regulatory advocacy. ESA's policy positions reflect specific matters that we will work to operationalize through laws, administrative rules, programs, and other policy or regulatory activities. The principles and policy positions presented herein are interdependent and, as such, ESA intends that the following principles and policy positions be referenced as a whole and not in part.

- 1. PRINCIPLE: Energy storage ownership should be open to all stakeholders—vertically-integrated and restructured utilities, customers, competitive suppliers, and other third-parties.**
- 2. PRINCIPLE: Markets and regulations should seek to maximize the value of energy storage by removing barriers to storage providing all of the services it is technically capable of providing.**

To that end, ESA holds the following POLICY POSITIONS:

- a. Rules on energy storage ownership, operation, and market participation should facilitate flexible and versatile usage wherever possible while ensuring reliable operation.
 - b. Energy storage resources should always be considered an option for meeting electric system needs alongside investments in generation, transmission, distribution, and/or demand response resources. Energy storage should be evaluated both as a substitute and as a complement to such investments.
 - c. In restructured markets, energy storage assets should be enabled to provide both cost-recoverable transmission and distribution services and revenue-based generator market services, provided that doing so does not unduly interfere with market price formation, grid operator independence, or the ability of the energy storage asset to meet service obligations reliably.
 - d. Grid-connected energy storage systems should be enabled to provide end-user services, distribution system services, and/or bulk system services interchangeably over time. The provision of interchangeable services should not compromise the ability of the energy storage asset to meet service obligations in a reliable manner.
 - e. Grid-connected energy storage systems should be enabled to provide end-user services, distribution system services, and/or bulk system services simultaneously. The provision of simultaneous services should not compromise the ability of the energy storage asset to meet service obligations in a reliable manner. Regulations should be updated to ensure appropriate accounting and maintain integrity of the performance of each of the simultaneous services.
- 3. PRINCIPLE: Energy storage technologies are a unique asset class. New and/or updated regulations and policies on asset classification, ownership, and competition are necessary to recognize and enable the unique functionalities of energy storage.**

To that end, ESA holds the following POLICY POSITIONS:

- a. In restructured markets, regulated utilities should not be restricted from owning and operating energy storage. Policies that restrict utility ownership by classifying energy storage only as generation should be modified to eliminate this restriction.
- b. Where regulations require classification of energy storage assets into traditional categories of generation, transmission, distribution, or load, initial classification of energy storage by primary function is appropriate. Categories and criteria for primary function should be defined.
- c. Regulations should be updated such that energy storage is not forced into the classification of other asset types. All stakeholders should be enabled to receive compensation for their beneficial operation of an energy storage asset, whether as a utility-owned and managed asset that is cost-recovered as part of its total embedded capital investments, or as a payment to the service provider owning and managing the asset.
- d. Regulations should allow hybrid business models where utility and non-utility entities provide and are compensated for separate, distinct services provided by a single energy storage asset.

4. PRINCIPLE: Energy storage services should be provided through a framework that promotes competition and does not discriminate against specific ownership models or vendors.

To that end, ESA holds the following POLICY POSITIONS:

- a. Regulations and market rules should allow all providers of energy storage to be paid fairly and equitably for services they are eligible to provide and technically capable of providing.
- b. In jurisdictions that have established frameworks for 3rd-party and/or customer-owned energy storage to provide services to regulated utilities, storage should be procured by utilities via mechanisms that allow offers from diverse business models to be evaluated competitively.
- c. Where procurements of energy storage are competitively bid, 3rd parties should have equitable access to relevant electric system data, with appropriate confidentiality safeguards in place for privacy, system security, and public safety.
- d. Where procurements of energy storage are competitively bid, the method and criteria used to evaluate 3rd-party offers should be transparent to all stakeholders.
- e. Regulators should identify criteria or circumstances where reliability obligations of a utility necessitate ownership and/or operation of energy storage by the utility, as well as criteria or circumstances where either utility or 3rd party or customer offers of storage for system benefit are appropriate.
- f. All providers or prospective providers of energy storage should have fair access to grid interconnection. Interconnection processes for 3rd-party and customer-owned energy storage should be transparent, fair, and reasonable with respect to requirements, cost, timeline, and data access.

- g. To enable most cost-effective energy storage provision, regulations and market rules should be updated to allow utility contracts for service from 3rd-party or customer-owned storage to be recoverable and subject to earning a return by the utility procuring the service.

5. PRINCIPLE: Differences in ownership models merit special considerations in the design and implementation of behind-the-meter (BTM) energy storage programs.

To that end, ESA holds the following POLICY POSITIONS:

- a. Regulators should identify opportunities and mechanisms for BTM energy storage to provide value to the greater electric system. Those opportunities should be open to end-use customers, 3rd-parties, and utilities.
- b. Regulators should ensure utility ownership of BTM energy storage neither precludes nor disadvantages ownership of BTM energy storage by end-use customers or 3rd parties. Regulators should consider ways to mitigate structural differences between regulated utilities and 3rd parties and customers in cost, risk, and compensation associated with BTM storage deployment. Absent any mechanisms that do so, regulators should consider a pilot or other program that promotes BTM storage provided by 3rd parties and customers.
- c. With respect to grid services whose benefits accrue to the broader base of utility customers and for which there are no current market mechanisms, regulators should provide a means of compensation to end-use customers and 3rd parties for the value their BTM energy storage delivers to ratepayers. In approving BTM energy storage programs, regulators should develop methods to quantify the value of those services and ensure that net benefits accrue to all customers.
- d. Where utilities offer BTM energy storage, they should utilize a transparent and fair process for selecting storage products and vendors.