COMMENTS OF THE ENERGY STORAGE ASSOCIATION

Pursuant to the Notice of Proposed Rulemaking issued in this docket on March 20, 2020,¹ by the Federal Energy Regulatory Commission (“Commission”), the Energy Storage Association (“ESA”) is pleased to submit these comments. ESA encourages the Commission to adopt transmission incentives for technologies, such as energy storage, that can enhance the flexibility and efficient use of existing transmission facilities. Doing so will more fully comply with Congressional direction in Section 219(b)(3) of the Federal Power Act.

I. COMMUNICATIONS

Andrew O. Kaplan
Pierce Atwood LLP
100 Summer Street, Suite 2250
Boston, MA 02110
Phone: 617-488-8104
akaplan@pierceatwood.com

Jason Burwen
Vice President of Policy
U.S. Energy Storage Association
901 New York Ave, NW #510
Washington, DC 20001
Phone: 202-318-5325
j.burwen@energystorage.org

II. COMMENTS

A. Storage-as-Transmission Should be Eligible for Transmission Incentives.

As the Commission noted in its NOPR, Section 219(b)(3) of the Federal Power Act directs the Commission to encourage investments in technologies and other measures that increase the capacity and efficiency of existing transmission facilities and improve the operation of those facilities. Yet, as long ago as 2011, the Commission observed that, while “the vast majority” of transmission incentives were sought for expanding transmission, “few applications have focused on the improvement, maintenance, and operations of transmission facilities or on increasing their capacity or efficiency…” This remains the state of affairs today.

ESA agrees with FERC that it is sound public policy to implement transmission incentives to help ensure that the grid is operating efficiently. However, returns for transmission owners are largely based on allowed rates of return from capital investment. Even if less expensive investments can attain operational capabilities that achieve equal or superior outcomes as a conventional transmission solution, transmission owners would face a reduction in return by undertaking the less expensive investment. As the US Department of Energy recently observed: “Transmission owners generally can recover their prudently incurred expenditures for transmission under FERC’s rules. However, under the current U.S. regulatory cost-of-service model, transmission owners receive a return on invested capital rather than a premium for delivering more power over existing lines or reducing transmission congestion.”

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2 16 U.S.C. 824s(b)(3).


observed how better performance can result from different regulatory policies: “By contrast, other countries, such as the United Kingdom, have provided more direct and more comprehensive incentives for transmission line optimization, which may have led to greater deployment of advanced transmission technologies.”

Transmission facilities that are made flexible with energy storage technologies can adapt more readily to changing system conditions. For example, fast-acting energy storage can provide rapid injections pre- or post-contingency events to maintain reliability of the transmission system and reduce congestion on key lines or interfaces. Use of storage in this way can be far less expensive than building redundant transmission conductors which is the standard way to handle transmission contingencies. Examples of consideration of storage for these type of transmission applications are available in other international markets like Germany and Australia. In recent PJM market efficiency windows, energy storage projects have also been proposed to relieve transmission congestion on key interfaces. These examples continue to highlight the importance of considering storage for improving the efficiency and utilization of our overall transmission system.

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Section 219(b)(3) encourages improvements that are not historically considered part of the transmission system, and in this interpretation, FERC would rightly include energy storage technologies explicitly. Storage-as-transmission is a measure to increase the capacity and efficiency of existing transmission facilities and therefore ESA respectfully requests that FERC explicitly identify such resources as qualifying for an Advanced Technology or operations incentive.

B. Storage-as-Transmission Qualification Should Follow Best Practices on Ownership and Use.

Energy storage technologies are eligible to provide a transmission reliability function and be cost-recoverable via transmission rates and have been since 2010, but there are many unresolved questions about the ownership, use, and compensation for storage-as-transmission. ESA recognizes and appreciates that the Commission has undertaken a review of Storage-as-a-Transmission-Only-Asset in Docket ER20-588, which we among others requested. ESA provided comments in that docket which include principles we suggest the Commission use. We recognize that qualification of storage-as-transmission and the rules around ownership and qualification for transmission rate base cost recovery will be addressed in that and perhaps other dockets and we believe that is appropriate. This incentives docket need not also cover that issue. Rather we urge that whatever storage-as-transmission is allowed for transmission cost recovery should be eligible for the incentives in this docket.

8 The Commission’s NOPR listed certain technologies that should be eligible for transmission incentives including, (1) advanced line rating management, (2) transmission topology optimization and (3) power flow control. See NOPR at P 101.


10 W. Grid Dev., LLC, 130 FERC ¶ 61,056, order denying reh’g, 133 FERC ¶ 61,029 (2010).

C. The Commission Should Adopt a Performance-Based Incentive for Grid-Enhancing Technologies as a Means of Encouraging Transmission System Efficiency.

As demonstrated above, storage-as transmission can make existing transmission facilities more efficient and flexible.

A different incentive structure is necessary to ensure that storage-as-transmission and other grid-enhancing technologies are deployed to improve operations of existing transmission lines. ESA respectfully submits that the Commission create a specific incentive that rewards maximization of value, delivery of cost-savings, or both, through investments that increase flexibility and other operational capabilities of transmission facilities. Indeed, FERC is already required to do so under Section 219 of the Federal Power Act (FPA), which directs the Commission to “establish, by rule, incentive-based (including performance-based) rate treatments for the transmission of electric energy in interstate commerce by public utilities for the purpose of benefitting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion.” FPA Section 219(b)(3) directs the Commission to “encourage deployment of transmission technologies and other measures to increase the capacity and efficiency of existing transmission facilities.”

A performance-based incentive could take a several forms. For example, returns could be performance-based by awarding the transmission owner “shared savings” from the expected operational savings in place of the conventional transmission solution. Alternatively, the Commission could develop a formula that accounts for other factors in addition to cost-savings, such as whether the arrangement provides key resilience benefits, avoids environmental impacts, etc. Another possibility to achieve the goal of a performance-based rate is to create a portfolio

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approach wherein transmission owners can earn incentives by keeping the expected benefits-cost ratio of the whole portfolio above a certain threshold.

Ultimately, the exact performance-based mechanism to incent investments that increase transmission system capabilities is a subject meriting further deliberation in this docket, should the Commission seek to create such a benefits-led framework.

While different from what the Commission specifically proposed, a performance-based incentive is a logical outgrowth of the NOPR proposals and can be adopted in this proceeding. The Commission stated in the NOPR, “The widespread use of benefit-to-cost ratios for evaluating economic transmission projects in RTO/ISO transmission planning regions demonstrates the reasonableness of employing benefit-to-cost ratios to determine whether transmission projects merit ROE incentives premised upon economic benefits.”\(^{13}\) The Commission also stated, “We also propose to provide a rebuttable presumption that economic benefits measured in benefit-to-cost ratios derived by RTOs/ISOs for transmission projects within their footprints should be included in the determination of an applicant’s transmission project’s benefits.”\(^{14}\)

We support those comments in this proceeding that seek an ex ante performance-based incentive to provide certainty to the entities undertaking the investment.\(^{15}\) Use of an ex ante determination of benefits and the incentive is consistent with the NOPR: “Additionally, we propose that the appropriate benefit-to-cost ratio for purposes of the ex-ante evaluation is measured at the time the RTO/ISO finalizes its analysis of potential economic transmission

\(^{13}\) NOPR Par. 47
\(^{14}\) NOPR Par. 50.
\(^{15}\) See, e.g., Comments submitted by WATT.
projects within its region.”\textsuperscript{16} The Commission further stated, “We considered using ex-post benefits versus projected benefits in this analysis, but concluded that the burden of determining and measuring such benefits, and the potentially significant amount of potential changes in transmission project benefits for reasons outside of the control of developers, makes such ex-post review inappropriate.”\textsuperscript{17}

\textbf{III. CONCLUSION}

For the reasons detailed herein, ESA respectfully requests that the Commission ensure that storage-as-transmission assets are eligible for transmission incentives. An incentivized structure, such as the one ESA proposes with respect to performance-based rates is consistent with the legislative mandates under FPA Section 219(b)(3) and would ensure that transmission owners consider modifications to the system that are efficient and cost effective and result in just and reasonable rates.

Respectfully submitted,

\textbf{ENERGY STORAGE ASSOCIATION}

By its attorney,

\begin{center}
Andrew O. Kaplan \\
PIERCE ATWOOD LLP \\
100 Summer Street \\
Boston, MA  02110 \\
Email: akaplan@pierceatwood.com \\
Telephone: 617.488.8104
\end{center}

\textbf{Dated:} July 1, 2020

\textsuperscript{16} NOPR Par 50

\textsuperscript{17} NOPR Par 59, 60.
CERTIFICATE OF SERVICE

I, hereby certify that I have this day served via electronic mail the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated in Boston, MA this 1st day of July, 2020.

Anne O’Hanlon, Executive Legal Assistant
PIERCE ATWOOD LLP
100 Summer Street
Boston, MA 02110
Phone: 617.488.8123
aohanlon@pierceatwood.com