Policy Position on Multiple Use Storage

In this document, the Energy Storage Association (ESA) outlines its official principles and policy positions regarding energy storage resources serving a combination of services, also known as "multiple use." 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 assets should be able to provide multiple services in any domain[1] and receive compensation for those services.[2]**

To that end, ESA holds the following POLICY POSITIONS:

a. Regulators and wholesale market designers must ensure that rate design, metering requirements, and interconnection processes minimize constraints on multiple use applications and services.

2. **PRINCIPLE: Customer-sited energy storage should be allowed and encouraged to compete and provide benefits to both the distribution grid as well as the host customer.**

To that end, ESA holds the following POLICY POSITIONS:

a. Regulators working with utilities should review and revise regulatory frameworks and programs to allow customer-sited resources to provide grid services where beneficial and receive compensation for the services provided.

b. All participation models must account for energy storage systems providing bidirectional services.

[1] For the purposes of this Working Group, "domain" is defined as the line item on customer bill (see Table 1 above for further information), rather than the physical domain (e.g. customer-sited, distribution level, transmission-level or wholesale market). This approach was determined by the Working Group as a more appropriate way of defining "services" and addressing issues of incrementality.

[2] This is in line with California Public Utilities Commission Decision 18-01-003 On Multiple-Use Applications Issues, January 11, 2018 (available at: http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M206/K462/206462341.PDF); State of New York Public Service Commission Order Establishing Energy Storage Goal and Deployment Policy, December 13, 2018 (available at: http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={FDE2C318-277F-4701-B7D6-C70FCE0C6266}); and Federal Energy Regulatory Commission policy statement in Docket No. PL 17-2-000, January 19, 2017.

3. **PRINCIPLE: Distribution connected energy storage resources, including behind-the-meter storage, should be eligible to fully and fairly participate in the wholesale market.**

To that end, ESA holds the following POLICY POSITIONS:

a. Wholesale market operators should craft their operations, planning and markets frameworks to enable full wholesale participation by energy storage assets at all points of interconnection.
b. All participation models must account for energy storage systems providing bi-directional services.

4. **PRINCIPLE: Compensation and credit to energy storage assets should be permitted to the extent that the service provided incremental value to that domain. Assets should be able to receive compensation in those programs relative to the incremental value or services they can provide.**

To that end, ESA holds the following POLICY POSITIONS:

a. Instead of focusing on "double compensation[3]," rules should focus on requiring that assets demonstrate that they have provided an incremental service to the domain. This applies only to values or services that *can be quantified* and sometimes the asset will only receive partial value, reflecting the incrementality.

    i. The baseline for determining incremental value is what the market was expecting the asset to do **and** is priced in already to the market, rather than what the asset was going to do anyway.

b. The service buyer in each domain is responsible for resolving overcompensation for non-incremental services within that entity's transaction settlement processes.

c. In procurement of new services (e.g., asset deferral for a utility), the service being procured from a storage resource must be incremental to what the service buyer, prior to the solicitation, could have reliably assumed would be provided by that asset absent a procurement contract.

[3] Double compensation is defined as: a utility, utility distribution company or the ISO paying for a service that the entity has already planned and paid for.

5. **PRINCIPLE: Restrictions on storage resource participation in retail programs and wholesale markets must be justified on a case-by-case basis and demonstrate a proven risk to reliability or risk of market distortion.**

To that end, ESA holds the following POLICY POSITIONS:

Distribution jurisdiction

a. There should be no blanket prohibition against participation in two distinct programs or two distinct services.

b. If regulators and distribution utilities seek to restrict a combination of services, a robust showing must be made to demonstrate that this is creating an operational or market distortion risk.

c. Regulators and distribution utilities should not prohibit distribution connected resources participating in the wholesale market from participating in retail or other utility programs unless there is a demonstrated reliability risk or where there is no opportunity for incremental (or partial) value.

   i. States can ensure safety through interconnection process, which is done with its jurisdiction (reasonable study assumptions or technical requirements in Interconnection Agreements, for example).

   ii. Distribution utilities can allocate costs of associated operating and maintaining their system borne to them by resources at the distribution level who might be participating in wholesale markets.

Wholesale markets

d. There should be no blanket prohibition against participation of storage resources providing a service in another domain in the wholesale market.

e. If the wholesale market seeks to restrict a combination of services across domains, a robust showing must be made to demonstrate that this is creating an operational or market distortion risk.

6. **PRINCIPLE: The wholesale market functions best when there are a variety of resources providing a variety of services.**

To that end, ESA holds the following POLICY POSITIONS:

a. Wholesale market rules and tariff design should not exclude energy storage resources that provide a combination of services across domains.

b. Any wholesale market participation requirement that unduly prevents resources providing services in other jurisdictions from participating in the wholesale market should be removed.

7. PRINCIPLE: Wholesale market and transmission and distribution system rules should evolve to allow energy storage systems that participate in multiple jurisdictions.

To that end, ESA holds the following POLICY POSITIONS:

a. Market rules that require a storage asset to commit entirely to market participation and which exclude assets that also provide out-of-market services (e.g., reliability) are not in the best interest of customers and should be removed.

b. Advance RTO/ISO market rules and participation models that allow a storage asset to meet multiple use cases (e.g., reliability and market participation): *simultaneously* (e.g., reserving a certain portion for reliability purposes, while being able to provide frequency regulation services), *seasonally* (e.g., reliability in summer, participation in wholesale market at other times), or *in other ways* (e.g., reserve reliability portion for self-dispatch even when out of economic merit).

i. Assets should have the flexibility to offer additional services in the wholesale markets when doing so does not conflict with an asset's ability to meet primary reliability obligations.