



**National Hydropower Association - Pumped Storage Development Council
Summary of Call on FERC NOI: 3rd Party Provisions of Ancillary Services; Accounting
and Financial Reporting for New Electric Storage Technologies**

The following presents a summary of the FERC NOI and the results of the NHA Pumped Storage Development Council (PSDC) call on July 29, 2011 and a potential NHA response.

Background Information

The PSDC is requesting action by its members to develop a response to the current FERC Notice of Inquiry (NOI) on Ancillary Services and Accounting/Financial Reporting for New Electric Storage Technologies. Comments to the NOI must be submitted by August 22, 2011.

Many PSDC council members note that the NOI focuses on FERC accounting rule as they relate to new storage technologies, and the NOI doesn't accurately reflect how existing pumped storage projects or new pumped storage projects might hope to engage in the FERC ancillary services (revenue) markets. Furthermore the NOI supports the notion that the Commission presumes that accounting and financial reporting for pumped storage related transactions is in place already, and that they do not plan to include pumped storage hydropower in their decisions on how energy storage technologies are to be treated in a new ancillary services rate accounting mechanism.

- *For example, on page 25 of the NOI, FERC has a footnote that indicates that FERC has already adequately dealt with pumped storage and that FERC "does not seek comment of whether the current accounting and reporting requirements for pumped storage hydroelectric assets or operations should be revised."*

It is critical for NHA to file comments on the NOI, and we believe is a great opportunity to provide meaningful comments and any new concepts that could foster investment and growth of pumped storage.

The PSDC has decided to retain outside assistance (FERC rates accountant, specialist and/or power market attorney) in drafting or reviewing our response to FERC with funds approved by the NHA Board to do so, with additional financial assistance from member companies. We have not identified this person or resource at this time but hope to very soon.



Summary of Topics Discussed on the Call:

There are two questions in the NOI for us to address.

1. FERC seeks comments on how they can facilitate the development of robust competitive markets for ancillary services for all resources.
2. FERC is interested in issues unique to energy storage devices and the role they play in providing multiple services, including ancillary services.
 - a. Comment on existing restrictions on 3rd party provisions of ancillary services (AS)
 - b. Adequacy of current accounting and reporting requirements for energy storage (ES) devices/technologies.

Main Points for NHA Response to FERC

- NHA would plan to discuss that ES is a separate asset class, neither transmission nor generation.
- FERC should consider developing a storage asset model for pumped storage, similar to gas storage model.
- Kim Johnson will develop language regarding what a gas storage model used for pumped storage could look like.
- Rick Miller will develop language regarding the NOI footnote indicating how current reporting requirements for pumped storage exist and are adequate.
- PSDC members will email Mike Manwaring (Michael.manwaring@hdrinc.com) and Jeff Leahey (Jeff@hydro.org) regarding (i) their willingness to actively participate in developing the response to FERC and (ii) suggestions for external help answering the questions listed in the FERC NOI (above).
- Specific issues to include in NHA's response are likely to include:
 - We understand that there is a concern with how existing pumped storage projects (and upgrades) and new pumped storage projects are to be treated in a new asset class (as well as big hydro that also provides some AS benefits).
 - There are regions of the country where the AS benefits are treated differently and there may not be a one-size fits all model.
 - A pumped storage project, similar to a gas storage project could have pieces of the project (e.g. one unit) turned over to the ISO/BA for dispatch providing fast ramping or other grid-related services.
 - Appreciating FERC's efforts for developing the NOI, for acknowledging new market entrants have higher costs, and welcoming how new markets could reflect this.
 - Indicate we would be interested in providing more details of what a gas storage model could look like, adapted for pumped storage or other bulk storage technologies.



- NHA would also reference the long term nature of pumped storage and that there are significant energy security benefits provided by PS.
- Also potential reference to FERC Order 1000 regarding regional planning of storage and transmission issues.

Summary Discussion with CAREBS (Jason Makansi)

- Jason is drafting a response and will coordinate with their legal folks on the bulk storage messaging (including pumped storage).
- CAREBS is planning a narrow, targeted response that will discuss:
 - There should be competitive, transparent pricing (liquid markets) of assets providing AS to any BA/ISO (may vary based on regions of the U.S.),
 - Stressing the pumped storage should be its own asset class, neither generation or transmission,
 - A new asset class could be outside the organized markets – developed for competitive bidding and open to all ES technologies
 - There could be varying revenue layers in a revenue model, including those that fit the varying business model for different ES (pumped storage business models differ from fly wheel or other distributed storage technologies).

Next Steps Moving Forward

- NHA will develop a small group to develop a targeted response on the NOI. This will include a response to both questions in the NOI (there may be different people engaged across the two questions).
- NHA and PSDC leadership will work with Jason Makansi (CAREBS) on the two organizational responses to provide complimentary messaging to FERC (where appropriate).
- NHA and PSDC will determine if NHA and CAREBS will respond to FERC in a joint filing or separate filings with coordinated responses.

Proposed Timeline For Response

1. Identification of specialist or options by beginning of next week
2. Develop NOI response for Consultant/Legal/Board review by COB August 16
3. Board review response by COB August 18
4. Finalize response based upon NHA Board comments August 19
5. File Response by noon August 22