

## Table of Contents

|   |                 |
|---|-----------------|
| <b>Executive Summary</b>  | <b><i>i</i></b> |
| <b>1 Introduction to Energy Storage - Technologies and Market Landscape</b> | <b>1</b>        |
| <b>1.1 The Fundamentals of Energy Storage</b>                               | <b>2</b>        |
| <b>1.2 Storage Technologies</b>   | <b>3</b>        |
| 1.2.1 Description of Storage Technologies                                   | 3               |
| 1.2.2 Energy Storage Technologies - Performance Characteristics             | 6               |
| <b>1.3 Benefits of Storage</b>  | <b>9</b>        |
| 1.3.1 Energy Storage is “Dispatchable”                                      | 9               |
| 1.3.2 Energy Storage is a Proven Technology                                 | 9               |
| 1.3.3 Energy Storage and Ease of Siting                                     | 9               |
| 1.3.4 Energy Storage is “Quick to Market”                                   | 10              |
| 1.3.5 Energy Storage is Modular in Design                                   | 10              |
| <b>1.4 Energy Storage Applications</b>                                      | <b>11</b>       |
| <b>1.5 U.S. and Global Market for Advanced Energy Storage</b>               | <b>12</b>       |
| 1.5.1 Advanced Energy Storage Market by State                               | 15              |
| 1.5.2 State Policies  | 16              |
| <b>1.6 Opportunities for Storage in Massachusetts</b>                       | <b>21</b>       |
| 1.6.1 Projects in Massachusetts   | 21              |
| 1.6.2 Storage is an Important Part of Massachusetts Clean Energy Economy    | 22              |
| <b>1.7 Conclusion</b>   | <b>23</b>       |
| <b>2 Massachusetts Energy Challenges and Storage Applications</b>           | <b>25</b>       |
| <b>2.1 Introduction</b>   | <b>25</b>       |
| 2.1.1 Massachusetts Energy Policy   | 26              |
| <b>2.2 Massachusetts’ Energy Challenges where Storage can play a role</b>   | <b>27</b>       |
| 2.2.1 System must be Sized to Peak Demand to Maintain Reliability           | 27              |
| 2.2.2 Peak Demand is Growing  | 31              |
| 2.2.3 Generation Retirements are Creating a Need for New Resources          | 33              |
| <b>2.3 Renewable Generation Integration</b>                                 | <b>37</b>       |
| 2.3.1 Capacity Market and Renewable Integration                             | 40              |
| <b>2.4 Emissions Reductions</b>   | <b>40</b>       |
| <b>2.5 Non-Wires Alternative to Transmission Infrastructure Investments</b> | <b>42</b>       |
| <b>2.6 Outages and Reliability</b>  | <b>42</b>       |
| <b>2.7 Grid Modernization and Integrating Distributed Renewables</b>        | <b>47</b>       |
| 2.7.1 Aggregating Demand Response   | 50              |
| 2.7.2 Community Energy Storage  | 51              |
| <b>2.8 Customer-Level Energy Storage in Massachusetts</b>                   | <b>51</b>       |
| 2.8.1 Reducing Customer Demand Charges                                      | 52              |
| 2.8.2 Assisting Combined Heat and Power Systems to Meet Objectives          | 55              |
| 2.8.3 Net-Metering: Solar Plus Storage                                      | 55              |
| <b>2.9 Conclusion</b>   | <b>56</b>       |

## STATE OF CHARGE

### Massachusetts Energy Storage Initiative Study

|            |   |           |
|------------|---|-----------|
| <b>3</b>   | <b>Energy Storage Stakeholder Perspectives</b>                                | <b>57</b> |
| <b>3.1</b> | <b>Introduction</b>   | <b>57</b> |
| 3.1.1      | Overview of Key Stakeholders and Input Process                                | 57        |
| 3.1.2      | High Level Findings (Barriers and Solutions)                                  | 58        |
| 3.1.3      | Ranking Stakeholder Priorities  | 58        |
| <b>3.2</b> | <b>Stakeholder Feedback</b>   | <b>61</b> |
| 3.2.1      | Definition and Classification for Energy Storage                              | 61        |
| 3.2.2      | ISO-NE Market Rule Clarity  | 61        |
| 3.2.3      | Coordination of Energy Storage Regulatory Initiatives                         | 62        |
| 3.2.4      | Net Energy Metering (NEM) and Renewable Portfolio Standard (RPS) Solar Policy | 62        |
| 3.2.5      | Storage as a Non-Wires Alternatives   | 62        |
| 3.2.6      | Allow Distributed Generators to Support System Capacity Needs                 | 63        |
| 3.2.7      | Load Reconstitution with Energy Storage                                       | 65        |
| 3.2.8      | Financeability and Cost   | 67        |
| 3.2.9      | Enable the Prosumer Model   | 68        |
| 3.2.10     | Availability of and Access to Advanced Metering and Customer Data             | 69        |
| 3.2.11     | Data Availability on Locational Benefits and Constraints                      | 69        |
| 3.2.12     | Address Value Proposition for Renewable Integration                           | 70        |
| 3.2.13     | Diversity of Energy Storage Technologies                                      | 71        |
| 3.2.14     | Energy Storage Research and Development                                       | 71        |
| 3.2.15     | Interconnection Review Process  | 72        |
| 3.2.16     | Safety Codes and Standards  | 74        |
| <b>3.3</b> | <b>Stakeholder Suggestions for Areas of Further Investigation</b>             | <b>74</b> |
| <b>3.4</b> | <b>Conclusion</b>   | <b>74</b> |
| <b>4</b>   | <b>Modeling Grid Benefits of Storage in Massachusetts</b>                     | <b>77</b> |
| <b>4.1</b> | <b>Introduction</b>   | <b>77</b> |
| <b>4.2</b> | <b>Modeling Results</b>   | <b>77</b> |
| <b>4.3</b> | <b>Value and Benefits Summary</b>   | <b>78</b> |
| <b>4.4</b> | <b>Need for Modeling</b>  | <b>79</b> |
| <b>4.5</b> | <b>Alevo Analytics</b>  | <b>81</b> |
| <b>4.6</b> | <b>Modeling Scope</b>   | <b>81</b> |
| 4.6.1      | Modeling and Optimization Description   | 81        |
| 4.6.2      | Energy Storage Technologies   | 82        |
| 4.6.3      | Location Selection  | 83        |
| 4.6.4      | Capacity Optimization   | 84        |
| 4.6.5      | Production Cost Optimization with Energy Storage                              | 85        |
| <b>4.7</b> | <b>Optimization Results</b>   | <b>85</b> |
| <b>4.8</b> | <b>Assessment of Benefits</b>   | <b>86</b> |
| 4.8.1      | Massachusetts Benefit Analysis  | 86        |
| 4.8.2      | Revenues to Storage   | 87        |
| 4.8.3      | System Cost-Benefit Analysis  | 88        |
| <b>4.9</b> | <b>Description of the Benefits</b>  | <b>88</b> |
| 4.9.1      | Energy Cost Reduction   | 89        |
| 4.9.1.1    | Price of Electricity Reduction  | 89        |
| 4.9.1.2    | Storage Benefit for Winter Fuel Program                                       | 90        |

## STATE OF CHARGE

### Massachusetts Energy Storage Initiative Study

|             |   |            |
|-------------|---|------------|
| 4.9.2       | Reduced Peak Capacity   | 91         |
| 4.9.3       | Ancillary Services Cost Reduction   | 92         |
| 4.9.3.1     | Storage Provide Reserve Services  | 92         |
| 4.9.4       | Wholesale Market Cost Reduction   | 94         |
| 4.9.4.1     | More Efficient Use of Conventional Generation, Lower Uplift Costs, and Reduction in Generator Variable Operations and Maintenance (O&M) Costs | 94         |
| 4.9.4.2     | Emissions Reductions  | 95         |
| 4.9.5       | T&D Cost Reduction  | 96         |
| 4.9.5.1     | Transmission and Distribution Deferral Benefits   | 96         |
| 4.9.5.2     | Storage Provides Critical Power System Reliability  | 97         |
| 4.9.6       | Distributed Renewable Generation Integration Cost Reduction   | 98         |
| 4.9.6.1     | Solve Reverse Power Flow Problem Caused by Distributed Generation   | 99         |
| 4.9.7       | Over-Arching Renewable Integration Benefits That Are Captured in Multiple Benefit Categories  | 99         |
| 4.9.7.1     | Storage Helps Renewable Integration   | 99         |
| 4.9.7.2     | Time Shift of Renewables and Peak Reduction   | 100        |
| 4.9.7.3     | Provide Flexible Capacity to Integrate More Renewable   | 101        |
| 4.9.8       | Utilization of Canadian Imports   | 102        |
| <b>4.10</b> | <b>Storage Economic Development Impact Study</b>  | <b>102</b> |
| <b>4.11</b> | <b>Conclusion</b>   | <b>103</b> |
| <b>5</b>    | <b><i>Use Cases of Specific Applications in Massachusetts</i></b>   | <b>105</b> |
| <b>5.1</b>  | <b>Introduction</b>   | <b>105</b> |
| <b>5.2</b>  | <b>Overview of Use Cases</b>  | <b>106</b> |
| <b>5.3</b>  | <b>Overview of Cost Benefit Modeling</b>  | <b>107</b> |
| 5.3.1       | Cost Benefit Analysis   | 109        |
| <b>5.4</b>  | <b>Cost Benefit Analysis Methodology</b>  | <b>110</b> |
| 5.4.1       | Alevo Methodology   | 110        |
| 5.4.2       | Key Assumptions in ESVT   | 111        |
| 5.4.3       | Limitations of ESVT   | 114        |
| <b>5.5</b>  | <b>Cost Benefit Analysis Results</b>  | <b>115</b> |
| 5.5.1       | Investor-Owned Utilities (IOU) Utilizing Energy Storage as Grid Modernization Asset   | 115        |
| 5.5.2       | Municipal Light Plant   | 119        |
| 5.5.3       | Load Serving Entities/Competitive Suppliers   | 121        |
| 5.5.4       | Behind-the-Meter Use Cases  | 123        |
| 5.5.4.1     | Behind-the-Meter Commercial & Industrial Energy Storage Working with Solar Power Generation   | 124        |
| 5.5.4.2     | Behind-the-Meter Residential Energy Storage, Dispatched by the Utility  | 126        |
| 5.5.5       | Merchant  | 127        |
| 5.5.5.1     | Alternative Technology Regulation Resource  | 127        |
| 5.5.5.2     | Energy Storage with Merchant Solar Power Plant  | 128        |
| 5.5.5.3     | Energy Storage with Gas Generator   | 129        |
| 5.5.6       | Microgrid   | 131        |
| <b>5.6</b>  | <b>Conclusion</b>   | <b>132</b> |
| <b>6</b>    | <b><i>Programs and Policies that Benefit the Storage Industry in Other States</i></b>   | <b>135</b> |
| <b>6.1</b>  | <b>State Policies in Support of Energy Storage</b>  | <b>135</b> |
| <b>6.2</b>  | <b>Characteristics of Energy Storage State Policies</b>   | <b>138</b> |

## STATE OF CHARGE

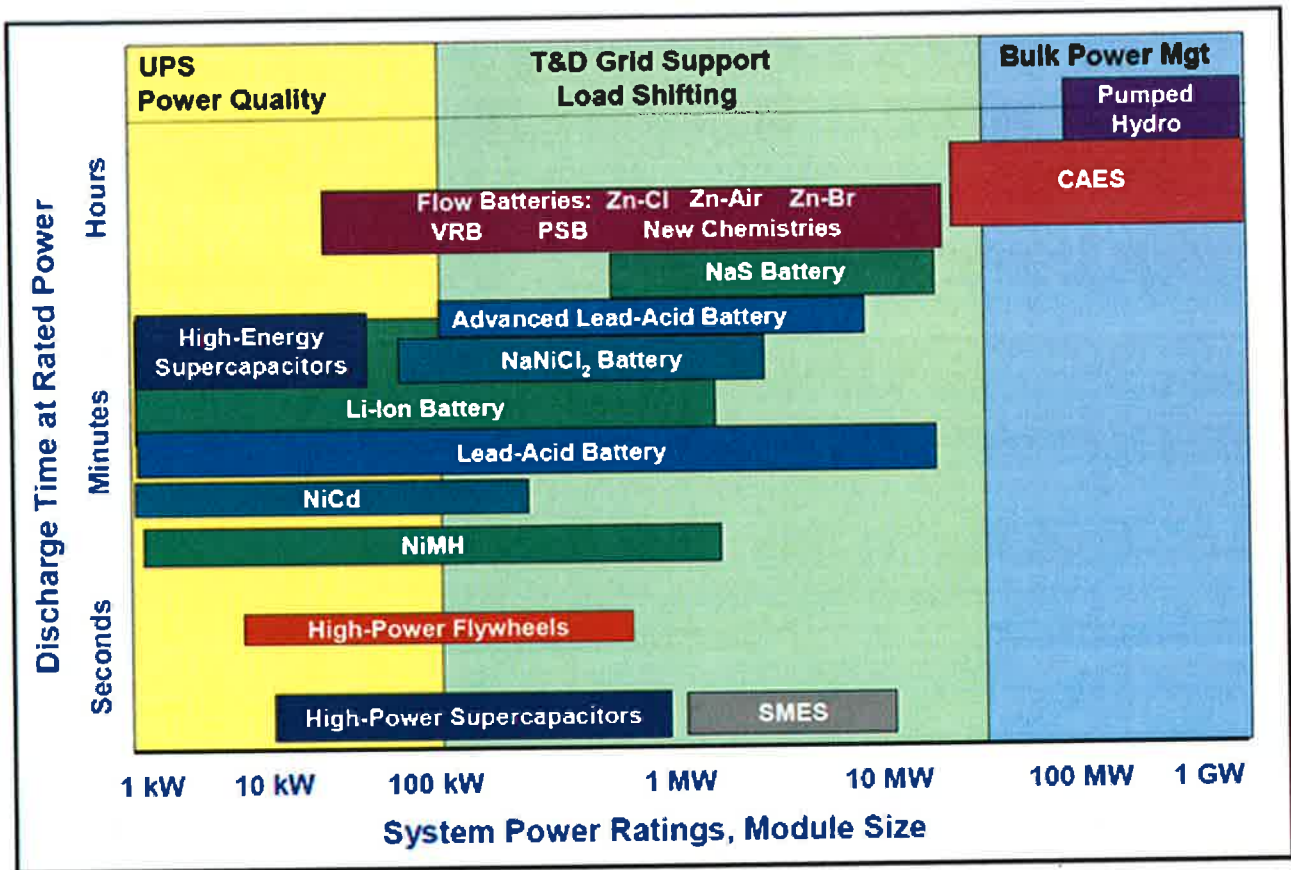
### Massachusetts Energy Storage Initiative Study

|            |   |            |
|------------|---|------------|
| 6.2.1      | Grants and Loans  | 138        |
| 6.2.2      | Rebates and Incentives  | 140        |
| 6.2.3      | Procurement Authorizations by State Commission  | 143        |
| 6.2.4      | Mandates/Targets  | 144        |
| 6.2.5      | Distributed Energy Resource Programs  | 145        |
| <b>6.3</b> | <b>Energy Storage Initiatives and Programs in Other ISO-NE States</b>                                   | <b>146</b> |
| <b>6.4</b> | <b>Conclusion</b>   | <b>148</b> |
| <b>7</b>   | <b><i>Policy Recommendations to Grow the Deployment of Advanced Energy Storage in Massachusetts</i></b> | <b>149</b> |
| 7.1        | Introduction  | 149        |
| 7.2        | The DOER & MassCEC Grant and Rebate Programs  | 151        |
| 7.2.1      | Energy Storage Initiative (ESI): RFP for Project Demonstrations   | 151        |
| 7.2.2      | Massachusetts Offers Rebates for Storage ("MOR-Storage") Program  | 151        |
| 7.2.3      | Grant Funding for Feasibility Studies at C&I Businesses   | 153        |
| 7.2.4      | Community Resiliency Grants – Part III  | 154        |
| 7.2.5      | Green Communities Designation and Grants  | 155        |
| 7.2.6      | Grant Program to Demonstrate Peak Demand Savings  | 156        |
| 7.3        | Storage in State Portfolio Standards  | 157        |
| 7.3.1      | Amend Alternative Portfolio Standard (APS) to Include All Types of Advanced Energy Storage              | 157        |
| 7.3.2      | Consideration of Storage in Next Generation Solar Incentive Program                                     | 158        |
| 7.4        | Establish/Clarify Regulatory Treatment of Utility Storage   | 160        |
| 7.4.1      | Storage as Grid Modernization Asset   | 160        |
| 7.4.2      | Storage as Peak Demand Savings tool in Energy Efficiency Investment Plans                               | 162        |
| 7.5        | Options that Require Statutory Change   | 164        |
| 7.5.1      | Allow Storage to be Considered in Any Possible Future Procurements                                      | 164        |
| 7.6        | Other Changes   | 166        |
| 7.6.1      | Enable Storage Readiness in Building Codes and Standards  | 166        |
| 7.6.2      | Consider Clarifying and Streamlining Interconnection Requirements for Storage                           | 167        |
| 7.6.3      | Market and Education  | 168        |
| 7.6.4      | Application Specific Load Data  | 169        |
| <b>8</b>   | <b><i>Recommendations for ISO-NE to Facilitate Energy Storage Growth</i></b>                            | <b>171</b> |
| 8.1        | How Energy Storage Can Participate Today at ISO-NE  | 171        |
| 8.1.1      | Pumped Storage  | 171        |
| 8.1.2      | Frequency Regulation  | 172        |
| 8.2        | Challenges for Advanced Energy Storage at ISO-NE  | 173        |
| 8.2.1      | Advanced Energy Storage Is Not Yet Modeled in ISO-NE Systems beyond Frequency Regulation                | 174        |
| 8.2.2      | Dispatchable Resources – Why It Matters   | 176        |
| 8.3        | Dispatchable Storage beyond Frequency Regulation in Other Markets                                       | 178        |
| 8.3.1      | California ISO – Energy Storage Energy and Ancillary Services   | 178        |
| 8.3.2      | PJM – Energy and Ancillary Services   | 180        |
| 8.4        | Other Market Design Issues  | 180        |
| 8.4.1      | ISO-NE Capacity Market and Energy Storage   | 180        |
| 8.4.2      | Other RTOs/ISOs and Energy Storage and the Capacity Market  | 181        |
| 8.5        | ISO-NE Demand Response and Energy Storage   | 181        |

**STATE OF CHARGE****Massachusetts Energy Storage Initiative Study**

|             |  |            |
|-------------|--|------------|
| 8.5.1       | Other RTOs/ISOs and DR   | 182        |
| <b>8.6</b>  | <b>Transmission Planning and Energy Storage</b>  | <b>182</b> |
| 8.6.1       | Other Markets and Transmission Planning  | 182        |
| <b>8.7</b>  | <b>ISO-NE Interconnection and Energy Storage</b>   | <b>183</b> |
| 8.7.1       | Interconnection – Energy Storage in Other Markets  | 183        |
| <b>8.8</b>  | <b>ISO-NE Issue of “Load Reconstitution”</b>   | <b>184</b> |
| <b>8.9</b>  | <b>New Products in Other Markets</b>   | <b>185</b> |
| <b>8.10</b> | <b>Recommendations</b>   | <b>186</b> |
| 8.10.1      | Create an Advanced Storage Working Group at ISO-NE   | 186        |
| <b>9</b>    | <b><i>Policy and Program Recommendations to Grow the Advanced Energy Storage Industry in Massachusetts</i></b> | <b>189</b> |
| <b>9.1</b>  | <b>Promoting Energy Storage Company Growth in Massachusetts</b>  | <b>189</b> |
| <b>9.2</b>  | <b>Supporting Energy Storage Technology Development in Massachusetts</b>                                       | <b>190</b> |
| 9.2.1       | New Technology Development and Technology Improvement  | 192        |
| 9.2.2       | Technology Testing   | 195        |
| 9.2.3       | Support for Early Stage Technology Demonstration   | 198        |
| 9.2.4       | Support for Energy Storage Manufacturers   | 201        |
| <b>9.3</b>  | <b>Support Energy Storage Company Growth</b>   | <b>204</b> |
| 9.3.1       | Equity   | 205        |
| 9.3.2       | Debt   | 207        |
| <b>9.4</b>  | <b>Workforce Development Initiatives</b>   | <b>209</b> |
| <b>9.5</b>  | <b>Other Resources for Energy Storage Companies</b>  | <b>211</b> |
| <b>9.6</b>  | <b>Conclusion</b>  | <b>212</b> |









**FIGURE ES2**  
BATTERIES CAN PROVIDE UP TO 13 SERVICES TO THREE STAKEHOLDER GROUPS

