

# WHAT DOES THE ENERGY STORAGE CAPACITY COMPENSATION COST INCLUDE



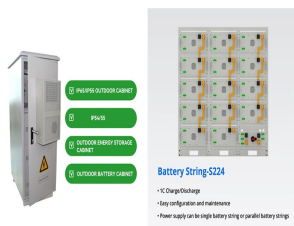
Should capacity remuneration mechanisms account for the value of electricity storage? Capacity mechanisms should account for the capacity value of electricity storage. In electricity markets around the world, the substantial increase of intermittent renewable electricity generation has intensified concerns about generation adequacy, ultimately driving the implementation of capacity remuneration mechanisms.



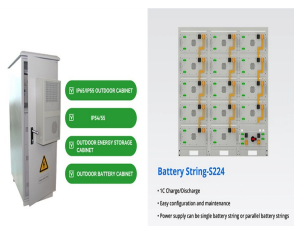
How does a capacity mechanism affect electricity storage? Barriers exist for electricity storage to participate in some capacity mechanisms. Specification of a capacity mechanism affects technology mix and generation adequacy. Call options with a strike price increase the competitiveness of electricity storage. Low storage capacity credits create a strong bias towards conventional power plants.



Does storage duration affect the cost of a power plant? In this setting, the conventional power plant has constant difference costs since it is not affected by the required storage duration. Contrary, the capacity of the small storage unit is already derated under relatively low storage duration requirements due to its limited storage volume.



How does capacity remuneration affect storage investments? The additional capacity remuneration then leads to more storage investments as compared to an EOM. This effect is particularly important in countries with high capacity needs in the medium-term (2030-2040), where storage technologies are still rather expensive to build. 4.4.3.



How does a capacity mechanism affect power generation adequacy? Specification of a capacity mechanism affects technology mix and generation adequacy. Call options with a strike price increase the competitiveness of electricity storage. Low storage capacity credits create a strong bias towards conventional power plants. Capacity mechanisms should account for the capacity value of electricity storage.

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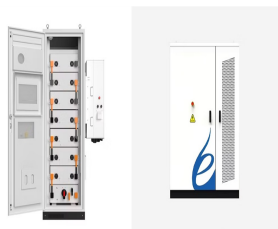
Should storage units be remunerated if a strike price is implemented? If call options with a strike price are implemented, storage units gain a competitive advantage over conventional power plants in the capacity auctions. The additional capacity remuneration then leads to more storage investments as compared to an EOM.



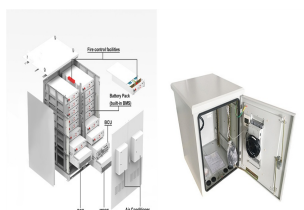
Battery cell capacity does not degrade linearly; at some point they reach an end of life condition at which point they are no longer able to meaningfully hold a charge: If project life exceeds warranty term, include augmentation or ???



This should include energy efficiency, demand response, energy storage and renewable energy. The policy allows for new coal power to be eligible for payments. This could stimulate continued overinvestment in coal power ???



A generator producing 2 MW per hour of energy would receive \$80 for each hour the generator is producing 2 MW of energy, assuming no price changes occur. but since it has little to do with "capacity", let's at least call it ???



[14],,,, ???

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Grid-Scale Battery Storage . Energy capacity. is the maximum amount of stored energy (in kilowatt-hours [kWh] or megawatt-hours [MWh]) ???

Storage duration. is the amount of time ???