



For Immediate Release

For further information:
Julia Frayer
(617) 933-7200

**US regulation markets are not fully remunerating new energy storage technologies,
according to a recent study by LEI**

BOSTON, June 21, 2011 - Julia Frayer of London Economics International LLC (LEI) presented the results from an economic study of the commercialization of new energy storage technologies at the 34th International Association for Energy Economics (IAEE) Conference in Stockholm, Sweden. LEI studied five US markets where regulation service is procured on a market basis. These markets include: California ISO (CAISO), Electric Reliability Council of Texas (ERCOT), New England (ISO-NE), New York ISO (NYISO) and PJM Interconnection (PJM). According to the LEI study, emerging regulation supply technologies like lithium ion ("li-ion") batteries and flywheels need an average price of \$33 and \$44 per MWh, respectively, to break-even on their respective investment and operating costs as well as earn a commercially reasonable return. Market prices for regulation service have come down in recent years, trending along with electricity market dynamics. Therefore, without subsidies, these new technologies are currently not able to recover their target levelized costs from market revenues.

"The current low market prices in the energy markets - due in part to low gas prices - have also depressed regulation market prices. In addition, new supplies have put downward pressure on regulation market prices in certain markets. As a result, these new storage technologies are not fully economic on the basis of spot market revenues alone," noted Ms. Frayer, Managing Director of LEI. "However, the gap between target break-even levels and market prices is not insurmountable. Indeed, European regulation market dynamics suggest a better opportunity right now; and in the US, as gas prices increase and more favorable institutional policies are established, we expect regulation prices and overall remuneration to these new technologies to improve significantly," Ms. Frayer added.

A summary of LEI's study and the IAEE presentation made by Julia Frayer is available at: www.londoneconomics.com/about-us/publications.php.

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London Economics International LLC (LEI) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. The firm combines detailed understanding of specific network and commodity industries, such as electricity generation and distribution, water and wastewater provision, and natural gas distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results. For further information on LEI, please contact Julia Frayer at (617) 933-7200 or go to www.londoneconomics.com.