



Ascend Analytics to Arrange 3GWh of Merchant Storage Guarantees

04-01-2022

Andrew Cavenagh

The guarantees are designed to improve the bankability of merchant projects.



Energy markets software services company Ascend Analytics is to arrange guarantees for the revenue streams of 3GWh of merchant energy storage – through various hedging and insurance contracts – by the end of this year.

Adam Hise, Managing Director of Storage Risk Solutions at Ascend, said the firm expected to announce the first deals within the coming weeks and to have most of the revenue-support arrangements in place by the middle of the year. “We aim to have 1,800MWh under contract by the end of June,” he confirmed.

Market Maker

Ascend’s EnSurance team is working with nine separate insurers or ‘risk-takers’ with the balance sheets required to provide such guarantees. “We see our role as market maker for these risk-taking structures,” Hise explained.

The EnSurance operation currently offers developers of merchant storage facilities three distinct products for hedging their revenues, but it plans to have a further two ready to offer commercially by mid-year.

Improved Bankability

The products are designed to improve the bankability of merchant projects and accelerate their deployment across the US – at a time when the high cost of capital otherwise needed to compensate investors for merchant risk is threatening to delay investment in this type of storage.

By protecting against downside risks while preserving upside opportunity for project sponsors, the revenue guarantees enable developers to secure debt leverage of up to 80% of a project’s capital cost – or alternatively ensure a full return for low-risk equity investors.

ERCOT Merchant Project

A 200MW, two-hour merchant project in the Electric Reliability Council of Texas (ERCOT) region is

currently in the final stages of selecting one of two offers to mitigate its merchant revenue risk in order to increase the available leverage on its financing.

Algorithmic Services

The EnSurance team draws on Ascend's algorithmic services, such as PowerSIMM, BatterySIMM, and SmartBidder, to assess all the risks associated with a merchant project – technical, operational, market, and settlement – and creates models that insurers can then use to make the necessary actuarial determinations for offering developers appropriate contracts for cover.

The Ascend products can stretch to a term of up to ten years, although Hise said the current sweet spot seemed to be between seven and eight.

About Volatility

Volatility is the home of indispensable market intelligence & data for Energy Storage developers, investors & advisors.

Used by the industry's top IPPs, renewables & energy storage developers, as well as clean energy investment funds.

Want a free trial of Volatility? Email us at team@volatility.net

Volatility.net