



June 24, 2011

The Honorable Jon Wellinghoff, Chairman
The Honorable Philip D. Moeller, Commissioner
The Honorable Marc Spitzer, Commissioner
The Honorable John R. Norris, Commissioner
The Honorable Cheryl A. LaFleur, Commissioner
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: PJM's Proposal for Calculating the Regulation Market Clearing Price

Dear Chairman Wellinghoff and Commissioners Moeller, Spitzer, Norris and LaFleur:

As you are aware, a critical issue for the development of advanced energy storage technologies in the PJM region is the need to have a uniform Regulation Market Clearing Price ("RMCP") inclusive of opportunity cost. This issue has been under consideration by the Commission since June 2010 (in Docket No. ER09-1063), when PJM submitted its proposal to calculate a RMCP every five minutes during real-time dispatch to incorporate the marginal unit's opportunity cost. For the reasons outlined below, the Electricity Storage Association ("ESA") respectfully requests that FERC issue its decision approving PJM's proposal pertaining to the calculation of a uniform RMCP.

As recognized by PJM and its Market Monitor, calculating the RMCP every five minutes will greatly reduce unit-specific opportunity cost payments, ensure that the RMCP fully reflects the market value to provide Regulation, and will provide a more accurate and transparent price signal to all resources. The current calculation method systematically undervalues the RMCP causing consumers to incur high out-of-market uplift costs and sending the wrong price signal to traditional resources as well as those looking to invest in new technologies to provide Regulation in PJM, thus creating a barrier to the financing of storage projects in PJM. Until FERC approves PJM's proposed RMCP calculation methodology, the funding of new storage projects is severely inhibited. This ultimately results in PJM's ratepayers not receiving the economic and reliability benefits of having fast, accurate, low-cost clean storage technologies competing to provide service.

Thank you for your immediate consideration of our request. ESA thanks each member of the Commission for your efforts to ensure the continued development of electricity storage facilities that can competitively meet the needs of the electric system of the United States.

Respectfully submitted,

A handwritten signature in black ink that reads "Brad Roberts". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brad Roberts, Executive Director
Electricity Storage Association