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October 20, 2011

Commissioner Cheryl A. LaFleur

FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

Docket Nos. RM11-7-000 & AD10-11-000

Item No. E-28

Statement of Commissioner Cheryl A. LaFleur on Frequency Regulation Compensation in the Organized Wholesale Power Markets

"I would like to thank the team for your hard work on this Final Rule, specifically for the outreach that you performed in assessing the best practices of RTOs and ISOs in regards to frequency regulation compensation. Thank you also to all who commented on our proposed rule.

As I noted in my original comments on the NOPR, new technologies are pushing the limits of market rules. Targeted changes to market rules can help these technologies bring new capabilities to grid operations. This can benefit customers who rely on the grid through more precise matching of resources to loads, reduced cost, and enabling the greater use of variable resources. In this Final Rule, we adopt a revised construct to compensate frequency regulation resources based on actual service provided under a two-part payment structure.

I believe that the Final Rule properly recognizes the value of fast ramping resources without being overly prescriptive in terms of compliance; while the NOPR contemplated a specific methodology for establishing the performance payment, we recognized based upon the comments that flexibility was required due to the existing market designs and the challenges associated with two-part bidding solutions.

I look forward to the compliance filings and to following the continuing evolution of market designs which properly recognize the value of fast-ramping devices like batteries and flywheels to contribute to the grid in myriad ways."