November 4, 2014

PJM Board of Managers
PJM Interconnection, LLC
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

Re: Ex Parte Communication to the PJM Board regarding Capacity Performance and Fixed Resource Requirement Entities

The Staff of the Virginia State Corporation Commission ("Virginia SCC") hereby submits this letter in general support of the October 28, 2014 letter of the Indiana Utility Regulatory Commission, the Michigan Public Service Commission, and the Indiana Office of Utility Consumer Counselor ("FRR States"). Additionally, the Staff of the Virginia SCC asks for PJM to recognize the importance and flexibility of pumped storage resources in any proposal to change the Reliability Pricing Model ("RPM") market.

The fixed resource requirement ("FRR") option was designed to recognize the different regulatory models implemented by states in the PJM region. While most States in PJM have deregulated, other States, like Virginia, have retained regulatory jurisdiction over electric generation. For regulated States, the FRR option has provided generation units owned by vertically integrated utilities, like Appalachian Power Company, an option that is more consistent with their oversight and cost recovery.

PJM is now considering proposals that will place additional requirements not only on generation units that participate in the RPM market but also on FRR generation units that do not. The Staff of the Virginia SCC generally shares the concerns raised by the FRR States about sweeping state-regulated FRR units into the broad proposals for the RPM market in which those units do not participate and therefore asks the PJM Board instead to continue to recognize the historic, legal, and practical differences between FRR and RPM units.

The Staff of the Virginia SCC also asks that PJM craft any new proposal to change its RPM market such that it recognizes the importance and flexibility of pumped storage resources. Pumped storage units have the ability to cover both winter and summer peaks. They have low forced outage rates and are very flexible in terms of their ability to follow marginal load requirements and serve as reliable, effective large scale peak shaving assets. Pumped storage can be optimized in day-ahead and real-time markets for economic and/or reliability
drivers and can be committed/de-committed within 10 minutes. PJM should recognize the benefit of assets like pumped storage that have been developed and paid for by load. PJM should not finalize any capacity proposal which would prevent pumped storage resources from providing their capacity benefit to the market. Furthermore, pumped storage resources should not be penalized if they cannot operate beyond 10 hours a day.

Sincerely,

[Signature]

William H. Chambliss
General Counsel
Virginia State Corporation Commission

WHC:kam