

Reactive Rate Process

Under Schedule 2 of the PJM Tariff, generation owners may submit for filing at FERC pursuant to Section 205 of the Federal Power Act and Part 35 of the Commission's regulations a rate schedule for Reactive Supply and Voltage Control from Generation Sources Service for VAR capability. The Rate Schedule specifies the generator's revenue requirement for Reactive Supply and Voltage Control from Generation Sources Service from the generating facility.

Issue Source

Dominion Energy

Key Work Activities

It is recommended that the MIC complete the following key work activities:

- 1) Provide education on topics, but not limited to:
 - a) Existing FERC Reactive Rate filing process.
 - b) Examination of Reactive Rate recovery mechanism in ISO -NE.
 - c) identify potential gaming risks.
 - d) Review the inputs for the determination of reactive revenues
- 2) Discuss improvements to the Reactive Power cost recovery process and examine alternative Reactive Power Rate recovery mechanisms.
 - a) Examine alternative Reactive Power cost recovery mechanisms. Determine the documentation required to be submitted by generation owners and developers to PJM, the IMM, and the FERC if necessary, to support rate recovery.
 - b) Examine PJM market mechanisms that would recover Reactive Rates.
 - c) Identify potential gaming risks and develop protective provisions to be included in any cost recovery mechanism, if necessary.
- 3) Discuss the possibility of expanding resource eligibility for LOC revenue due to provision of reactive power
 - a) a) Examine the expansion of Lost Opportunity Cost (LOC) revenue rules to other resources (e.g. solar), which currently are only available to combustion turbine units, combined cycle units, steam electric generating units, storage resources, and hydro units.

Out of Scope:

- 1) Modifications to cost-based energy offers and fuel cost policies.
 - 2) Modifications to capacity offers.
 - 3) Any existing FERC-approved reactive service rates.
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Expected Deliverables

- 1) A recommendation to the MRC on a proposed market rule change that would establish rate mechanism that would reduce the risks and costs associated with existing methodology, if appropriate.
 - a) If the stakeholders determine that a Reactive Power rate mechanism should be modified, updates to the PJM Manuals, Operating Agreement and Tariff to reflect the proposed changes.
 - b) Determine the documentation required to be submitted by PJM and generation owners to implement the modified rate mechanism.

Decision-Making Method

Tier 2 decision-making will be used.

Identify the decision-making method adopted for this issue: Tier 1, consensus (unanimity) on a single proposal (preferred default option), or Tier 2, multiple alternatives.

Stakeholder Group Assignment

This Group will be assigned to the MIC

Expected Duration of Work Timeline

The educational activities (Stage 1) will be expected to be completed by August 2021. Upon completion of the Stage 1 activities, the improvement of the Reactive Power rate recovery mechanism (Stage 2) will be completed in 6 months. This timeline will be revised if necessary.

Start Date	Priority Level	Timing	Meeting Frequency
5/1/2021	<input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

Charter

(check one box)

<input checked="" type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in M34; Section 6
