



# Reactive Power Compensation Order No. 904 Compliance & EAS Offset Modification

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MIC  
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- FERC ruled that allowing transmission providers to charge transmission customers for a generating facility's provision of reactive power within the standard power factor range is unjust and unreasonable under FPA section 206.
  - Amended the *pro forma* OATT (Schedule 2), LGIA, and SGIA to prohibit the inclusion in transmission rates of any charges related to the provision of reactive power within the standard power factor range by generating facilities.
- Compliance filings due 120 days after publication in the *Federal Register*.
- All FERC-jurisdictional transmission providers must make the changes effective within 90 days after submission of compliance filings.
  - PJM, ISO-NE, NYISO may propose later effective dates to effectuate a “transition mechanism” that synchronizes the removal of reactive revenues with market timelines.

- PJM will include the removal of reactive revenues from the EAS Offset as a severable part of the upcoming filing making targeted adjustments to the capacity market.
  - The specific language implementing this removal in the tariff sheets textually states that it is effective “for the 2026/2027 Delivery Year and subsequent Delivery Years.”
  - Formal notice and consultation of the proposal and draft tariff language under Tariff, sec. 9.2(b) and CTOA, sec. 7.5.1(ii) occurred at the Nov 20 TOA-AC meeting and the Nov 21 MC meeting.
- PJM's Order No. 904 compliance filing will be submitted early (Dec 2024), at or around the same time as the 205 filing removing reactive revenues from the EAS Offset for the 2026/2027 Delivery Year.

- Existing text of Tariff, Schedule 2 maintained to facilitate payments during transition mechanism.
- Transition mechanism is “carved out” from language effectuating Order No. 904 via the phrase “except as otherwise provided for in this Tariff, Schedule 2.”
- Language covers the various forms of interconnection agreements under which customers have been charged under Tariff, Schedule 2 (e.g., GIA, ISA, state-jurisdictional IA & WMPA)

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider. The Transmission Customer must purchase this service from the Transmission Provider. However, except as otherwise provided for in this Tariff, Schedule 2, the Transmission Provider shall not include in any charges to any Transmission Customer any costs associated with the compensation to a generating facility for Reactive Supply and Voltage Control from Generation or Other Sources Service within the power factor range specified in its Generation Interconnection Agreement or any other interconnection agreement, and shall not credit any Generation Owner or other source owner for such costs.

- Gating criteria tied to *Opinion No. 538* (184 FERC ¶ 61145); *Gaucha Solar* (185 FERC ¶ 61014).
- January 27, 2025 = effective date of Order No. 904.
- Transition mechanism and all payment/charge provisions of Schedule 2 sunset June 1, 2026, to align with removal of reactive from EAS Offset.

The following provisions titled “Charges” and “Payment to Generation or Other Source Owners” shall apply only to a Generation Owner or other source owner that: (i) owns a generator or other source that the Transmission Provider determines is operational and physically capable of providing Reactive Supply and Voltage Control from Generation or Other Sources Service in a manner that can be relied on by the Transmission Provider to maintain transmission voltages within appropriate limits; (ii) has successfully interconnected to the Transmission Provider’s transmission facilities pursuant to an executed Generator Interconnection Agreement or any other executed interconnection agreement that has been accepted by the Commission; and (iii) has an effective monthly revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service that has been accepted by the Commission as of January 27, 2025.

All provisions under this section titled “Transmission Mechanism,” including the following provisions titled “Charges” and “Payment to Generation or Other Source Owners” shall cease to be effective in their entirety on June 1, 2026.

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