



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

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PJM Legal

Market Implementation Committee
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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 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 anticipates including 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 will textually state that it is “effective for the 2026/2027 Delivery Year.”
 - Formal notice and consultation of the proposal and draft tariff language under Tariff, sec. 9.2(b) and CTOA, sec. 7.5.1(ii) will occur at the Nov 20 TOA-AC meeting and the Nov 21 MC meeting.
- PJM's Order No. 904 compliance filing will be submitted early, at or around the same time as the 205 filing removing reactive revenues from the EAS Offset.
 - PJM will review and receive feedback on the contemplated redlines to Schedule 2 and the GIA at the December MIC.

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Reactive Power Compensation (FERC Order 904)



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