

PJM Interconnection, L.L.C. 2750 Monroe Boulevard Audubon, PA 19403

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January 28, 2025

The Honorable Debbie-Anne A. Reese Secretary Federal Energy Regulatory Commission 888 First Street, N.E. Room 1A Washington, D.C. 20426

Re: *PJM Interconnection L.L.C., Docket No. ER25-1073-000 Order No. 904 Compliance Filing of PJM Interconnection, L.L.C.*

Dear Secretary Reese,

In compliance with the Federal Energy Regulatory Commission's ("FERC" or the

"Commission") Order No. 904,1 PJM Interconnection, L.L.C. ("PJM") hereby submits

proposed revisions to the PJM Open Access Transmission Tariff ("Tariff").²

PJM respectfully requests an effective date of April 1, 2025 for the Tariff revisions

proposed herein, in accordance with Order No. 904.³

I. BACKGROUND

A. Order No. 904

In Order No. 904, the Commission found that allowing Commission-jurisdictional

transmission providers to charge transmission customers for a generating facility's

¹ Compensation for Reactive Power Within the Standard Power Factor Range, 189 FERC ¶ 61,034 (2024) ("Order No. 904").

² The Tariff is currently located under PJM's "Intra-PJM Tariffs" eTariff title. *Tariff Browser, PJM Interconnection, L.L.C. – Intra-PJM Tariffs,* PJM Interconnection, L.L.C., https://etariff.ferc.gov/TariffBrowser.aspx?tid=1731 (last visited Jan. 28, 2024). Terms not otherwise defined herein shall have the same meaning as set forth in the Tariff, the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), and the Reliability Assurance Agreement among Load-Service Entities in the PJM Region ("RAA").

³ Order No. 904 at P 224 ("For all transmission providers in an RTO/ISO or non-RTO/ISO region, we direct a compliance filing within 60 days of the effective date of the final rule, *including a proposed effective date within 90 days from the date of the compliance filing, as proposed by the NOPR.*" (emphasis added)).

provision of reactive power within the standard power factor range is unjust and unreasonable, and revised Schedule 2 of its *pro forma* open-access transmission tariff, section 9.6.3 of its *pro forma* large generator interconnection agreement ("LGIA"), and section 1.8.2 of its *pro forma* small generator interconnection agreement ("SGIA") to prohibit the inclusion in transmission rates of charges related to the provision of reactive power within the standard power factor range by generating facilities.

As relevant here, the Commission directed all jurisdictional transmission providers to submit compliance filings within 60 days of the effective date of Order No. 904,⁴ and include "a proposed effective date within 90 days from the date of the compliance filing."⁵

However, the Commission explained that

in recognition of the concerns raised by commenters with respect to the interplay between existing reactive power revenue compensation mechanisms and energy and capacity market rules in ISO-NE, NYISO, and PJM, we will permit those RTOs/ISOs to each request a later effective date, for the Commission's consideration, in order to allow them to develop and propose any changes to their market rules that may be necessary in order to accommodate this final rule's elimination of compensation for the provision of reactive power within the standard power factor range.⁶

The Commission further explained that "[t]his flexibility would accommodate the potential section 205 filings that some RTOs/ISOs mentioned may accompany any final rule compliance filings, such as PJM's adjustments to market rules to remove the offset in auction parameters."⁷

⁴ *Id*.

⁵ Order No. 904 at P 224.

⁶ Id.

⁷ *Id.* at P 225.

B. PJM's December 9 FPA 205 Filing

On December 9, 2024, PJM submitted a Federal Power Act ("FPA") section 205⁸ filing in Docket No. ER25-682-000.⁹ The December 9 FPA 205 Filing proposed a number of changes to PJM's capacity market construct, known as the Reliability Pricing Model.

As relevant here, and consistent with the Commission's encouragement in Order No. 904 "to propose any necessary conforming changes to [PJM] market rules in section 205 filings,"¹⁰ PJM proposed in the December 9 FPA 205 Filing two discrete revisions severable from all other aspects of the filing¹¹—to remove the impact of reactive power revenues from the capacity market beginning with the upcoming 2026/2027 Base Residual Auction ("BRA"). First, PJM proposed to remove the addition of \$2,546/MW-year in reactive service revenues to the calculation of the Net Energy and Ancillary Services Revenue Offset ("EAS Offset") used to determine the Net Cost of New Entry ("CONE") of the Reference Resource for the 2026/2027 BRA. In other words, reactive services

⁸ 16 U.S.C. § 824d.

⁹ *PJM Interconnection, L.L.C.*, Revisions to Reliability Pricing Model, Docket No. ER25-682-000 (Dec. 9, 2024) ("December 9 FPA 205 Filing").

¹⁰ Order No. 904 at P 143.

¹¹ December 9 FPA 205 Filing at 2 ("Except for sunsetting of reactive revenues to be responsive to Order 904, each of the remaining discrete aspects of this filing is part of a package of reforms to the RPM and is not intended to be severable."); *id.* at 2 n.3 ("Given its unique tie to Order 904, PJM agrees to the severing of the discrete proposal to sunset the inclusion of reactive power revenues as inputs to the VRR curve should the Commission's action on that proposal differ from its action on the other components of this filing."); *id.* at 81 ("As a severable component from the rest of this filing, PJM proposes Tariff revisions to remove reactive power revenues from PJM's calculation of Net CONE and the default Minimum Offer Price Rule Floor Offer Price of relevant Generation Capacity Resources pursuant to Order No. 904, Compensation for Reactive Power Within the Standard Power Factor Range, issued on October 17, 2024.").

revenues would only be included in the calculation of the EAS Offset for the Reference Resource through the 2025/2026 Delivery Year.¹²

Second, for Generation Capacity Resources subject to the provisions of the Minimum Offer Price Rule ("MOPR") and required to have an offer price no lower than the applicable MOPR Floor Offer Price, PJM proposed to add language that sunsets the inclusion of reactive services revenues or ancillary services revenues (which consist entirely of expected reactive service revenues¹³) in the EAS Offset revenue estimate component of default New Entry MOPR Floor Offer Prices. Specifically, the revision limits inclusion of reactive/ancillary services revenues in those default MOPR Floor Offer Prices only through the 2025/2026 Delivery Year. In other words, beginning with Delivery Year 2026/2027, the EAS Offset revenue estimate component of default MOPR Floor Offer Prices would *not* include a reactive/ancillary services revenues component.¹⁴

¹² *Id.* at 82.

¹³ *PJM Interconnection, L.L.C.*, Compliance Filing Concerning the Minimum Offer Price Rule, Request for Waiver of RPM Auction Deadlines, and Request for an Extended Comment Period of at Least 35 Days, Docket Nos. ER18-1314-003, et al., at 62 (Mar. 18, 2020); *id.*, Attachment E (Affidavit of Adam J. Keech on Behalf of PJM Interconnection, L.L.C.) ¶ 21 n.14 ("The \$3,350/MW-year ancillary service revenue value is based on information from *State of the Market Report for PJM*"); *see State of the Market Report for PJM* – *Volume 2: Detailed Analysis*, Monitoring Analytics, LLC, Table 7-3 (Mar. 12, 2020), https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2019/20 19-som-pjm-volume2.pdf ("Table 7-3 includes reactive service revenues plus reactive capability revenue of \$3,350/MW-year for all unit types plus reactive service revenue.").

¹⁴ December 9 FPA 205 Filing at 83.

II. ORDER NO. 904 COMPLIANCE FILING

A. Amendments to Tariff, Schedule 2

The amendments to Tariff, Schedule 2 proposed herein are divided into two distinct sections: (i) the prohibition on charging Transmission Customers for costs associated with reactive compensation within the standard power factor range specified in an interconnection agreement; and (ii) the transition mechanism. Each is addressed in seriatim below, in subsections II.A.i and II.A.ii.

i. The prohibition on charging Transmission Customers for costs associated with reactive compensation within the standard power factor range specified in an interconnection agreement.

The first section of PJM's proposed amendments takes the existing language of

Tariff, Schedule 2, and supplements as follows:

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.

PJM respectfully requests that the Commission accept this proposed language as

"consistent with or superior to"¹⁵ the Commission's specific language prescribed in Order

¹⁵ Order No. 904 at P 206 ("In evaluating compliance filings made by RTOs/ISOs, the Commission will apply the 'consistent with or superior to' standard to deviations from the adopted pro forma Schedule $2 \dots$ ").

No. 904.¹⁶ As a threshold matter, PJM's proposed language is substantially similar to the Commission's language in Order No. 904, and accomplishes the same objective, which is, as the Commission articulated, to prohibit the assessment on transmission customers of "any charges associated with the compensation to a generating facility for the supply of reactive power within the power factor range specified in its interconnection agreement."¹⁷

However, PJM has included four primary modifications to the language prescribed in Order No. 904. First, PJM's proposed language uses the phrase "the power factor range specified in its *Generation Interconnection Agreement or any other interconnection agreement*."¹⁸ Generation Interconnection Agreement ("GIA") is an appropriate term here, as the GIA currently serves as the unified interconnection agreement under the PJM Tariff for all Commission-jurisdictional interconnections.¹⁹ However, not all generators that have sought and received cost-based revenues in PJM under Tariff, Schedule 2 are interconnected pursuant to a GIA. Many are interconnected pursuant to the GIA's predecessor *pro forma* interconnection agreement under the PJM Tariff, known as the Interconnection Service Agreement ("ISA").²⁰ Others are interconnected pursuant to state

¹⁷ Id.

¹⁶ *Id.* at P 203 ("We revise Schedule 2 of the Commission's pro forma OATT to include the following sentence at the end of Schedule 2: 'However, such rates shall not include any charges associated with the compensation to a generating facility for the supply of reactive power within the power factor range specified in its interconnection agreement.' This revision prohibits separate compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement.").

¹⁸ Proposed Tariff, Schedule 2 (emphasis added).

¹⁹ See Tariff, Part IX, Subpart B.

²⁰ See, e.g., Mechanicsville Solar, LLC, 176 FERC ¶ 61,076, at P 3 (2021) ("Mechanicsville states that it is a party to an interconnection service agreement (ISA) with VEPCO and PJM (Mechanicsville ISA)."); *Camp Grove Wind Farm, LLC,* 177 FERC ¶ 61,125 at P 3 (2018) ("Camp Grove explains that it, ComEd, and PJM are parties to an interconnection service agreement (ISA)."); *Cambria CoGen Co.,* 164 FERC ¶ 61,213, at P 3 n.7 (2018) ("As noted in its filing, Cambria is a party to an Interconnection Service Agreement with PJM and Penelec.").

or local-jurisdictional interconnection agreements and participate in PJM's markets via Wholesale Market Participation Agreements ("WMPAs").²¹ The addition of "*or any other interconnection agreement*" in PJM's proposed language is designed to capture these resources and any others that have interconnected pursuant to agreements *other* than the GIA. PJM submits that this language sufficiently effectuates the stated purpose of the Commission's prescribed language in Order No. 904, which is to "prohibit[] separate compensation for the provision of reactive power within the standard power factor range specified *in an interconnection agreement*."²²

Second, PJM's proposed language uses the phrase "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 range²³ The Commission's prescribed language in Order No. 904 uses the phrase "the supply of reactive power," but given that, as explained below, PJM is proposing to permit generators to recover the costs of equipment capable of providing reactive power through the capacity market, PJM did not want to create the appearance that Tariff, Schedule 2 prohibits PJM from charging Transmission Customers for those costs appropriately cleared through the

²¹ See, e.g., Pilesgrove Solar, LLC, 161 FERC ¶ 61,122 at P 4 (2017) ("Pilesgrove notes that the Pilesgrove Facility began commercial operation in August 2011, via an interconnection with a distribution facility owned by Atlantic City Electric Company (ACE). According to Pilesgrove, it participates in PJM in accordance with a Wholesale Market Participation Agreement among Pilesgrove, PJM, and ACE that was accepted by the Commission on November 4, 2010, in Docket No. ER11-38-000."); *Frenchtown III Solar, LLC*, 162 FERC ¶ 61,292, at P 5 (2018) ("Frenchtown III notes that the Facility began commercial operation in December 2013, via an interconnection with a distribution facility owned by Jersey Central Power & Light (JCP&L). According to Frenchtown III, it participates in PJM's wholesale markets in accordance with a Wholesale Market Participation Agreement among Frenchtown III, PJM, and JCP&L that the Commission accepted on August 29, 2012.").

²² Order No. 904 at P 203 (emphasis added).

²³ Proposed Tariff, Schedule 2 (emphasis added).

capacity market. Accordingly, PJM proposes to use the name of the service designated under Tariff, Schedule 2—Reactive Supply and Voltage Control from Generation or Other Sources Service—to specify the kind of service that the prohibition on cost inclusion applies to.

Third, for completeness PJM has added the phrase "*and shall not credit any Generation Owner or other source owner for such costs*" to cover the latter half of PJM's settlement process—the *payment* of credits. This addition will eliminate any conceivable ambiguity between the prohibition on *charging* Transmission Customers for costs associated with compensation to a generating facility for the supply of reactive power within the power factor range specified in its interconnection agreement, and the *crediting* of such costs in PJM's settlement process. This addition ensures compliance with the Commission's stated purpose of the prescribed language in Order No. 904, which is to "prohibit[] separate compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement."²⁴

Fourth, PJM proposes two changes to effectuate the "transition mechanism" described below in subsection II.A.ii. First, PJM proposes to add the phrase "*However, except as otherwise provided for in this Tariff, Schedule 2,*" to narrowly exclude application of the rule contemplated by Order No. 904 to the "transition mechanism" described in Tariff, Schedule 2 itself. Second, PJM proposes to retain the remainder of Tariff, Schedule 2 under a new heading, titled "Transition Mechanism" to effectuate the continuation of charges and payments until June 1, 2026, as described below.

²⁴ Order No. 904 at P 203.

ii. The transition mechanism.

The second section of PJM's proposed amendments to Tariff, Schedule 2 is designed to effectuate a "transition mechanism." In essence, PJM proposes to permit Generation Owners or other source owners who meet certain criteria to continue to receive the revenues identified in their Commission-accepted rate schedules until June 1, 2026, when the proposed amendments from the December 9 FPA 205 Filing described above would go into effect for the 2026/2027 BRA.

PJM respectfully requests that the Commission accept this proposed language as "consistent with or superior to"²⁵ the Commission's specific language prescribed in Order No. 904,²⁶ because this proposed language effectuates, in conjunction with the December 9 FPA 205 Filing, the "transition period" that the Commission permitted PJM to propose as part of its Order No. 904 compliance filing.²⁷

In order to effectuate the transition mechanism, PJM's proposed revisions take the remainder of the existing language of Tariff, Schedule 2—currently organized under sections titled "Charges" and "Payment to Generation or Other Source Owner"—and reorganize as part of a new section titled "Transition Mechanism." Additionally, PJM proposes the following new language:

²⁵ Order No. 904 at P 206 ("In evaluating compliance filings made by RTOs/ISOs, the Commission will apply the 'consistent with or superior to' standard to deviations from the adopted pro forma Schedule 2.").

²⁶ *Id.* at P 203 ("We revise Schedule 2 of the Commission's pro forma OATT to include the following sentence at the end of Schedule 2: 'However, such rates shall not include any charges associated with the compensation to a generating facility for the supply of reactive power within the power factor range specified in its interconnection agreement.' This revision prohibits separate compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement.").

²⁷ *Id.* at PP 224-227.

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Transition Mechanism

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 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 before January 27, 2025, and owns a generator or other source encompassed by the effective monthly revenue requirement that: (i) the Transmission Provider determines is operationally 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 Generation Interconnection Agreement or any other executed interconnection agreement that has been accepted by the Commission; and (iii) obtains a capacity commitment from the Reliability Pricing Model Auctions for the 2025/2026 Delivery Year.

If an effective monthly revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service of a Generation Owner or other source owner applies to multiple generators or other sources, and one or more of such generators or other sources encompassed by that revenue requirement do not meet one or more of the above criteria, the Generation Owner or other source owner shall be ineligible to receive compensation for such revenue requirement under this section titled "Transition Mechanism," until the Commission accepts revisions to the applicable revenue requirement that remove the specific generators or other sources that do not meet all of the above criteria.

All provisions under this section titled "Transition 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.

As a threshold matter, this new language establishes four "gating" criteria that will

determine eligibility for inclusion in the transition mechanism. The first criteria is on the

Generation Owner or other source owner, and predicates eligibility for inclusion in the transition mechanism on the Generation Owner or other source owner having "an effective monthly revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service that has been accepted by the Commission before January 27, 2025."²⁸ January 27, 2025 is the effective date of Order No. 904,²⁹ and given the Commission's stated purpose of "prohibit[ing] separate compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement,"³⁰ it is rationally consistent with Order No. 904 that no charges to Transmission Customers associated with *new* rate schedules under Tariff, Schedule 2 be permitted during the transition period. This gating criteria will also eliminate the potential for a "filings rush" of entities seeking to lock in new revenue requirements specifically for the transition period. Accordingly, PJM submits that this proposed gating criteria on the Generation Owner or other source owner is just and reasonable.

Beyond this threshold gating criteria applicable to the Generation Owner or other source owner, PJM also proposes three additional gating criteria applicable to the *generation units of* the Generation Owner or other source owner that are encompassed by an effectively monthly revenue requirement, which will also determine eligibility for inclusion in the transition mechanism. First, PJM proposes that a generator or other source encompassed by an effective monthly revenue requirement must be one that the

²⁸ Proposed Tariff, Schedule 2.

²⁹ See Compensation for Reactive Power Within the Standard Power Factor Range, 89 Fed. Reg. 93410 (Nov. 26, 2024), https://www.federalregister.gov/documents/2024/11/26/2024-24528/compensation-for-reactive-power-within-the-standard-power-factor-range.

³⁰ Order No. 904 at P 203.

Transmission Provider determines is operationally 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. As a practical matter, if resources are not operationally capable of providing reactive support to the PJM system, it follows axiomatically that their owners should not be compensated for reactive power capability. Moreover, this criterion aligns with the Commission's rulings in *Opinion No.* 583³¹ and *Gaucho Solar*,³² whereby the Commission determined that a resource must be "operationally 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."³³ Given that the Commission has determined this to be an important component of eligibility under PJM Tariff, Schedule 2, PJM submits that it is just and reasonable to include this criterion as part of the proposed transition mechanism.

Second, PJM proposes that in order be eligible for inclusion in the transition mechanism, a generator or other source encompassed by an effectively monthly revenue requirement must have "successfully interconnected to the Transmission Provider's

³¹ Whitetail Solar 3, LLC, Opinion No. 583, 184 FERC ¶ 61,145, at P 42 (2023) ("We affirm the Presiding Judge's interpretation of Schedule 2, finding that to be eligible for compensation under Schedule 2, a facility must be: (1) under the control of PJM, and (2) operationally capable of providing voltage support to PJM's transmission facilities such that PJM could rely on that facility to maintain transmission voltages.").

³² *Gaucho Solar LLC*, 185 FERC ¶ 61,014, at P 28 (2023) ("*Gaucho Solar*") ("As discussed below, we find that Gaucho Solar fails to demonstrate that the Facility is operationally capable of providing voltage support to PJM's transmission facilities in a way that allows PJM to rely on that generation facility to maintain transmission voltages, as required by Schedule 2 of the PJM Tariff. Accordingly, we reject Gaucho Solar's proposed Rate Schedule.").

³³ Proposed Tariff, Schedule 2.

transmission facilities pursuant to an executed Generation Interconnection Agreement or any other executed interconnection agreement that has been accepted by the Commission."³⁴ The Commission has long held that "interconnection service is a component of open access transmission service, subject to the Commission's regulation under sections 205 and 206 of the FPA."³⁵ Because Zonal customers of Commissionjurisdictional transmission service pay the charges for Reactive Supply and Voltage Control from Generation or Other Sources Service under Tariff, Schedule 2, it follows logically that only resources with Commission-jurisdictional interconnection agreements should be eligible to receive continued payments during the transition period. This is not to say that resources interconnected pursuant to state or local jurisdiction are unable to provide value for the provision of reactive power; it is simply an affirmation of the concept that such value should be recovered pursuant to corresponding state and local-jurisdictional rate mechanisms, and *not* recovered from Zonal transmission customers as a component of their FERC-jurisdictional transmission service.

Third, PJM proposes that a generator or other source encompassed by an effective monthly revenue requirement must obtain a capacity commitment from the Reliability Pricing Model Auctions for the 2025/2026 Delivery Year. This criterion applies to any generator or other source that cleared a Reliability Pricing Model Auction for the 2025/2026 Delivery Year, and will not apply to generators or other sources that were

³⁴ Id.

³⁵ Integration of Variable Energy Res., 139 FERC ¶ 61,246, at P 50 (2012) (citing Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, 104 FERC ¶ 61,103, at P 12 (2003), order on reh'g, Order No. 2003-A, 106 FERC ¶ 61,220, order on reh'g, Order No. 2003-B, 109 FERC ¶ 61,287 (2004), order on reh'g, Order No. 2003-C, 111 FERC ¶ 61,401 (2005), aff'd sub nom. Nat'l Ass'n of Regul. Util. Comm'rs v. FERC, 475 F.3d 1277 (D.C. Cir. 2007), cert. denied, 552 U.S. 1230 (2008)).

committed through replacement transactions or Fixed Resource Requirement ("FRR") plans. This proposal is centered on the principle that the Net Cost of New Entry ("Net CONE") of the Reference Resource used to establish the Variable Resource Requirement Curve ("VRR Curve") for these auctions was formulated with an EAS Offset that included the presence of reactive revenues. Given that the proposed reforms of the December 9 FPA 205 Filing are designed to remove the reactive revenues from the EAS Offset, it is logical to include in the transition mechanism those generation or other sources that cleared in a Reliability Pricing Model Auction on the basis of a VRR Curve that included reactive revenues.

Beyond the four gating criteria—one for the Generation Owner or other source owner, and three for the units of the Generation Owner or other source owner—PJM has also included language to address the issue of "fleet-wide" reactive revenue requirements. Some Generation Owners or other source owners have multiple units encompassed by a single revenue requirement, with no specific allocation of portions of that revenue requirement to individual units. Because these fleet-wide revenue requirements do not assign specific dollar amounts to specific units, PJM is unable from a settlements perspective to differentiate between the dollars that should be allocated to a unit that meets the gating criteria (and is therefore eligible for inclusion in the transition mechanism), and those units that do not. Accordingly, PJM proposes language that would prevent inclusion of a fleet-wide revenue requirement in the transition mechanism if one or more of the units within that revenue requirement do not meet all of the gating criteria, until the applicable Generation Owner or other source owner submits an FPA section 205 filing amending the revenue requirement to reflect removal of the ineligible units, and the Commission accepts those revisions.

The final component of PJM's proposed transition mechanism is a "sunset" provision, under which the sections of Tariff, Schedule 2 titled "Charges" and "Payment to Generation or Other Source Owners," along with the entire transition mechanism itself, will terminate and cease to be effective in their entirety on June 1, 2026. As referenced above, the proposed Tariff revisions in the December 9 FPA 205 Filing to remove reactive power revenues from the calculation of the default MOPR Floor Offer Prices and Net CONE for the Reference Resource used in the capacity market beginning with the upcoming 2026/2027 BRA will be effectuated June 1, 2026, at the start of the 2026/2027 Delivery Year. This will also mean that, effective with the 2026/2027 BRA, reactive revenues cannot be included in the EAS Offset for Capacity Market Sellers that request a unit-specific MOPR Floor Offer Price or a unit-specific Market Seller Offer Cap. Accordingly, after this date there will no longer be a need for a continuation of cost-based revenues under Tariff, Schedule 2-whether through the transition mechanism or otherwise—as market participants will be able to formally bid their costs for having reactive power capabilities within the standard power factor range into their capacity market offers.

B. Amendments to the Generation Interconnection Agreement

In Order No. 904, the Commission revised section 9.6.3 of the *pro forma* LGIA as follows:

Payment for Reactive Power. Transmission Provider is required to pay Interconnection Customer for reactive power that Interconnection Customer provides or absorbs from the Large Generating Facility when Transmission Provider requests Interconnection Customer to operate its Large Generating Facility outside the range specified in Article 9.6.1, provided that if Transmission Provider pays its own or affiliated generators for reactive power service within the specified range, it must also pay Interconnection Customer. Payments shall be pursuant to Article 11.6 or such other agreement to which the Parties have otherwise agreed.³⁶

Since PJM's Order No. 2003 compliance filing in Docket No. ER04-457,³⁷ PJM for the last 20 years has had the following provision in the corresponding section of its unified *pro forma* interconnection agreement—currently designated as GIA, Appendix 2, section 4.6.1.4:

4.6.1.4 Payment for Reactive Power:

Any payments to the Project Developer for reactive power shall be in accordance with Tariff, Schedule 2.

The Commission in Docket No. ER04-457 found this language as a substitute to section 9.6.3 of the *pro forma* LGIA to be just and reasonable,³⁸ and given that the language the Commission removed in Order No. 904 is not present in PJM's current Tariff, PJM is not proposing amendments to section 4.6.1.4 in this compliance filing. Additionally, given that the GIA is a *unified* interconnection agreement under PJM's Tariff (meaning there is no distinction between large and small generator *pro forma* interconnection agreements), PJM submits that the additional revisions that the Commission made to section 1.8.2 of the *pro forma* SGIA are inapplicable for purposes of PJM's compliance with Order No. 904.

³⁶ See Order No. 904 at P 204.

³⁷ *PJM Interconnection, L.L.C.*, Order No. 2003 Compliance Filing of PJM Interconnection, L.L.C., Docket No. ER04-457-000 (Jan. 20, 2004).

³⁸ See Id., Appendix at 20 (proposing to substitute *pro forma* LGIA 9.6.3 with PJM ISA, section 54.7.4); *PJM Interconnection, L.L.C.*, 108 FERC ¶ 61,025, at P 1 (2004) ("With limited exceptions, the Commission concludes that the revisions comply with Order No. 2003's *pro forma* requirements or are reasonable variations by an RTO based on its stakeholder processes.").

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III. PROPOSED EFFECTIVE DATE

PJM respectfully requests an effective date of April 1, 2025 for the Tariff revisions proposed herein, in accordance with Order No. 904.³⁹ PJM estimates that this effective date will provide sufficient time for PJM to successfully implement the provisions of this compliance filing, including the specific "gating" criteria described above, and synchronize with PJM's monthly billing cycle.

IV. CORRESPONDENCE AND COMMUNICATIONS

Please direct any communications regarding this filing to the following individuals:

Thomas DeVita Associate General Counsel PJM Interconnection, L.L.C. 2750 Monroe Boulevard Audubon, PA 19403 (610) 635-3042 Thomas.DeVita@pjm.com Craig Glazer Vice President – Federal Government Policy PJM Interconnection, L.L.C. 1200 G Street, N.W. Suite 600 Washington, D.C. 20005 (202) 423-4743 Craig.Glazer@pjm.com

V. DOCUMENTS INCLUDED WITH THIS FILING

In accordance with the requirements of Order No. 714⁴⁰ and the Commission's

eTariff regulations, PJM hereby submits an eTariff XML filing package consisting of the

following materials:

- 1. This transmittal letter;
- 2. Attachment A Revisions to the Tariff, effective April 1, 2025, in redlined format; and

³⁹ Order No. 904 at P 224 ("For all transmission providers in an RTO/ISO or non-RTO/ISO region, we direct a compliance filing within 60 days of the effective date of the final rule, *including a proposed effective date within 90 days from the date of the compliance filing, as proposed by the NOPR.*" (emphasis added)).

⁴⁰ Electronic Tariff Filings, Order No. 714, 124 FERC ¶ 61,270 (2008), final rule, Order No. 714-A, 147 FERC ¶ 61,115 (2014).

3. Attachment B – Revisions to the Tariff, effective April 1, 2025, in clean format.

VI. SERVICE

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,⁴¹ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: https://www.pjm.com/library/filing-order with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region⁴² alerting them that this filing has been made by PJM today and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission's regulations and Order No. 714. PJM also served this filing on each person designated on the official service list maintained by the Commission for this proceeding.

⁴¹ See 18 C.F.R. §§ 35.2(e) and 385.2010(f)(3).

⁴² PJM already maintains, updates, and regularly uses e-mail lists for all PJM members and affected commissions.

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VII. CONCLUSION

In accordance with the foregoing, PJM respectfully requests that the Commission

accept this submission and associated Tariff records as compliant with Order No. 904.

Respectfully submitted,

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On behalf of *PJM Interconnection, L.L.C.*

January 28, 2025

Attachment A

Revisions to the PJM Open Access Transmission Tariff

(Marked/Redline Format)

SCHEDULE 2 Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transmission will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

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.

In addition to the charges and payments set forth in this Tariff, Schedule 2, Market Sellers providing reactive services at the direction of the Office of the Interconnection shall be credited for such services, and Market Participants shall be charged for such services, as set forth in Tariff, Attachment K-Appendix, section 3.2.3B.

The Transmission Provider shall administer the purchases and sales of Reactive Supply. PJMSettlement shall be the Counterparty to (a) the purchases of Reactive Supply from owners of Generation or Other Sources and Market Sellers and (b) the sales of Reactive Supply to Transmission Customers and Market Participants.

Transition Mechanism

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 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 before January 27, 2025, and owns a generator or other source encompassed by the effective monthly revenue requirement that: (i) the Transmission Provider determines is operationally 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 Generation Interconnection Agreement or any other executed interconnection agreement that has been accepted by the Commission; and (iii) obtains a capacity commitment from the Reliability Pricing Model Auctions for the 2025/2026 Delivery Year.

If an effective monthly revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service of a Generation Owner or other source owner applies to multiple generators or other sources, and one or more of such generators or other sources encompassed by that revenue requirement do not meet one or more of the above criteria, the Generation Owner or other source owner shall be ineligible to receive compensation for such revenue requirement under this section titled "Transition Mechanism," until the Commission accepts revisions to the applicable revenue requirement that remove the specific generators or other sources that do not meet all of the above criteria.

All provisions under this section titled "Transition 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.

Charges

Purchasers of Reactive Supply and Voltage Control from Generation or Other Sources Service shall be charged for such service in accordance with the following formulae.

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Non-Zone Load = Allocation Factor * Total Generation Owner or other source owner Monthly Revenue Requirement

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Zone Load = Allocation Factor * Zonal Generation Owner or other source owner Monthly Revenue Requirement * Adjustment Factor

Where:

Purchaser serving Non-Zone Load is a Network Customer serving Non-Zone Network Load or serving Network Load in a zone with no revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service, or a Transmission Customer where the Point of Delivery is at the boundary of the PJM Region.

Zonal Generation Owner or other source owner Monthly Revenue Requirement is the sum of the monthly revenue requirements for each generator or other source located in a Zone, as such revenue requirements have been accepted or approved, upon application, by the Commission. Total Generation Owner or other source owner Monthly Revenue Requirement is the sum of the Zonal Generation or other source owner Monthly Revenue Requirements for all Zones in the PJM Region.

Allocation Factor is the monthly transmission use of each Network Customer or Transmission Customer per Zone or Non-Zone, as applicable, on a megawatt basis divided by the total transmission use in the Zone or in the PJM Region, as applicable, on a megawatt basis.

For Network Customers, monthly transmission use on a megawatt basis is the sum of a Network Customer's daily values of DCPZ or DCPNZ (as those terms are defined in Tariff, Part III, section 34.1) as applicable, for all days of the month.

For Transmission Customers, monthly transmission use on a megawatt basis is the sum of the Transmission Customer's hourly amounts of Reserved Capacity for each day of the month (not curtailed by PJM) divided by the number of hours in the day.

Adjustment Factor is determined as the sum of the total monthly transmission use in the PJM Region, exclusive of such use by Transmission Customers serving Non-Zone Load, divided by the total monthly transmission use in the PJM Region on a megawatt basis.

In the event that a single customer is serving load in more than one Zone, or serving Non-Zone Load as well as load in one or more Zones, or is both a Network Customer and a Transmission Customer, the Monthly Charge for such a customer shall be the sum of the Monthly Charges determined by applying the appropriate formulae set forth in this Schedule 2 for each category of service.

Payment to Generation or Other Source Owners

Each month, the Transmission Provider shall pay each Generation Owner or other source owner an amount equal to the Generation Owner's or other source owner's monthly revenue requirement as accepted or approved by the Commission. In the event a Generation Owner or other source owner sells a generator or other source which is included in its current effective monthly revenue requirement accepted or approved by the Commission, payments in that Generation Owner's or other source owner's Zone may be allocated as agreed to by the owners of the generator or other source in that Zone. Such Generation Owner or other source owners shall inform the Transmission Provider of any such agreement and submit either a filing to revise its cost-based rate or an informational filing in accordance with the requirements below in this Schedule 2. In the absence of agreement among such Generation Owners or other source owners, the Commission, upon application, shall establish the allocation. Generation Owners shall not be eligible for payment, pursuant to this Schedule 2, of monthly revenue requirement associated with those portions of generating units designated as Behind The Meter Generation. The Transmission Provider shall post on its website a list for each Zone of the annual revenue requirements for each Generation Owner receiving payment within such Zone and specify the total annual revenue requirement for all of the Transmission provider.

At least 90 days prior to the Deactivation Date or disposition date of a generator or other source receiving payment in accordance with a Commission accepted or approved revenue requirement for providing reactive supply and voltage control service under this Schedule 2, the Generation Owner or other source owner must either:

(1) submit to the Commission the appropriate filings to terminate or revise its cost-based revenue requirement for supplying reactive supply and voltage control service under this Schedule 2 to account for the deactivated or transferred generator or other source; or

(2) provide to the Transmission Provider and file with the Commission an informational filing that includes the following information:

- (i) the acquisition date, Deactivation Date, and transfer date of the generator or other source;
- (ii) an explanation of the basis for the decision by the Generation Owner or other source owner not to terminate or revise the cost-based rate approved or accepted by the Commission associated with the planned generator or other source deactivation or disposition;
- (iii) a list of all of the generators or other sources covered by the Generation Owner's or other source owner's cost-based tariff from the date the revenue requirement was first established until the date of the informational filing;
- (iv) the type (i.e., fuel type and prime mover) of each generator or other source;
- (v) the actual (site-rated) megavolt-ampere reactive ("MVAR") capability, megavolt-ampere ("MVA") capability, and megawatt capability of each generator or other source, as supported by test data; and
- (vi) the nameplate MVAR rating, nameplate MVA rating, nameplate megawatt rating, and nameplate power factor for each generator or other source.

The Generation Owner or other source owner must submit the informational filing in the docket in which its cost-based revenue requirement was approved or accepted by the Commission or as otherwise directed by the Commission.

The requirement to submit the filings at least 90 days prior to the Deactivation Date or disposition date of a generator or other source shall not apply to generators or other source deactivations or transfers occurring between June 18, 2015, and September 16, 2015. For generator or other source deactivations or transfers occurring between June 18, 2015, and September 16, 2015, the Generation Owner or other source owner shall submit the informational filing or filings to terminate or revise its cost-based revenue requirement by September 16, 2015.

Attachment B

Revisions to the PJM Open Access Transmission Tariff

(Clean Format)

SCHEDULE 2 Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transmission will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

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.

In addition to the charges and payments set forth in this Tariff, Schedule 2, Market Sellers providing reactive services at the direction of the Office of the Interconnection shall be credited for such services, and Market Participants shall be charged for such services, as set forth in Tariff, Attachment K-Appendix, section 3.2.3B.

The Transmission Provider shall administer the purchases and sales of Reactive Supply. PJMSettlement shall be the Counterparty to (a) the purchases of Reactive Supply from owners of Generation or Other Sources and Market Sellers and (b) the sales of Reactive Supply to Transmission Customers and Market Participants.

Transition Mechanism

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 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 before January 27, 2025, and owns a generator or other source encompassed by the effective monthly revenue requirement that: (i) the Transmission Provider determines is operationally 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 Generation Interconnection Agreement or any other executed interconnection agreement that has been accepted by the Commission; and (iii) obtains a capacity commitment from the Reliability Pricing Model Auctions for the 2025/2026 Delivery Year.

If an effective monthly revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service of a Generation Owner or other source owner applies to multiple generators or other sources, and one or more of such generators or other sources encompassed by that revenue requirement do not meet one or more of the above criteria, the Generation Owner or other source owner shall be ineligible to receive compensation for such revenue requirement under this section titled "Transition Mechanism," until the Commission accepts revisions to the applicable revenue requirement that remove the specific generators or other sources that do not meet all of the above criteria.

All provisions under this section titled "Transition 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.

Charges

Purchasers of Reactive Supply and Voltage Control from Generation or Other Sources Service shall be charged for such service in accordance with the following formulae.

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Non-Zone Load = Allocation Factor * Total Generation Owner or other source owner Monthly Revenue Requirement

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Zone Load = Allocation Factor * Zonal Generation Owner or other source owner Monthly Revenue Requirement * Adjustment Factor

Where:

Purchaser serving Non-Zone Load is a Network Customer serving Non-Zone Network Load or serving Network Load in a zone with no revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service, or a Transmission Customer where the Point of Delivery is at the boundary of the PJM Region.

Zonal Generation Owner or other source owner Monthly Revenue Requirement is the sum of the monthly revenue requirements for each generator or other source located in a Zone, as such revenue requirements have been accepted or approved, upon application, by the Commission. Total Generation Owner or other source owner Monthly Revenue Requirement is the sum of the Zonal Generation or other source owner Monthly Revenue Requirements for all Zones in the PJM Region.

Allocation Factor is the monthly transmission use of each Network Customer or Transmission Customer per Zone or Non-Zone, as applicable, on a megawatt basis divided by the total transmission use in the Zone or in the PJM Region, as applicable, on a megawatt basis.

For Network Customers, monthly transmission use on a megawatt basis is the sum of a Network Customer's daily values of DCPZ or DCPNZ (as those terms are defined in Tariff, Part III, section 34.1) as applicable, for all days of the month.

For Transmission Customers, monthly transmission use on a megawatt basis is the sum of the Transmission Customer's hourly amounts of Reserved Capacity for each day of the month (not curtailed by PJM) divided by the number of hours in the day.

Adjustment Factor is determined as the sum of the total monthly transmission use in the PJM Region, exclusive of such use by Transmission Customers serving Non-Zone Load, divided by the total monthly transmission use in the PJM Region on a megawatt basis.

In the event that a single customer is serving load in more than one Zone, or serving Non-Zone Load as well as load in one or more Zones, or is both a Network Customer and a Transmission Customer, the Monthly Charge for such a customer shall be the sum of the Monthly Charges determined by applying the appropriate formulae set forth in this Schedule 2 for each category of service.

Payment to Generation or Other Source Owners

Each month, the Transmission Provider shall pay each Generation Owner or other source owner an amount equal to the Generation Owner's or other source owner's monthly revenue requirement as accepted or approved by the Commission. In the event a Generation Owner or other source owner sells a generator or other source which is included in its current effective monthly revenue requirement accepted or approved by the Commission, payments in that Generation Owner's or other source owner's Zone may be allocated as agreed to by the owners of the generator or other source in that Zone. Such Generation Owner or other source owners shall inform the Transmission Provider of any such agreement and submit either a filing to revise its cost-based rate or an informational filing in accordance with the requirements below in this Schedule 2. In the absence of agreement among such Generation Owners or other source owners, the Commission, upon application, shall establish the allocation. Generation Owners shall not be eligible for payment, pursuant to this Schedule 2, of monthly revenue requirement associated with those portions of generating units designated as Behind The Meter Generation. The Transmission Provider shall post on its website a list for each Zone of the annual revenue requirements for each Generation Owner receiving payment within such Zone and specify the total annual revenue requirement for all of the Transmission provider.

At least 90 days prior to the Deactivation Date or disposition date of a generator or other source receiving payment in accordance with a Commission accepted or approved revenue requirement for providing reactive supply and voltage control service under this Schedule 2, the Generation Owner or other source owner must either:

(1) submit to the Commission the appropriate filings to terminate or revise its cost-based revenue requirement for supplying reactive supply and voltage control service under this Schedule 2 to account for the deactivated or transferred generator or other source; or

(2) provide to the Transmission Provider and file with the Commission an informational filing that includes the following information:

- (i) the acquisition date, Deactivation Date, and transfer date of the generator or other source;
- (ii) an explanation of the basis for the decision by the Generation Owner or other source owner not to terminate or revise the cost-based rate approved or accepted by the Commission associated with the planned generator or other source deactivation or disposition;
- (iii) a list of all of the generators or other sources covered by the Generation Owner's or other source owner's cost-based tariff from the date the revenue requirement was first established until the date of the informational filing;
- (iv) the type (i.e., fuel type and prime mover) of each generator or other source;
- (v) the actual (site-rated) megavolt-ampere reactive ("MVAR") capability, megavolt-ampere ("MVA") capability, and megawatt capability of each generator or other source, as supported by test data; and
- (vi) the nameplate MVAR rating, nameplate MVA rating, nameplate megawatt rating, and nameplate power factor for each generator or other source.

The Generation Owner or other source owner must submit the informational filing in the docket in which its cost-based revenue requirement was approved or accepted by the Commission or as otherwise directed by the Commission.

The requirement to submit the filings at least 90 days prior to the Deactivation Date or disposition date of a generator or other source shall not apply to generators or other source deactivations or transfers occurring between June 18, 2015, and September 16, 2015. For generator or other source deactivations or transfers occurring between June 18, 2015, and September 16, 2015, the Generation Owner or other source owner shall submit the informational filing or filings to terminate or revise its cost-based revenue requirement by September 16, 2015.