

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Compensation for Reactive Power Within the
Standard Power Factor Range

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Docket No. RM22-2

**REPLY COMMENTS OF THE NEW ENGLAND STATES
COMMITTEE ON ELECTRICITY**

Pursuant to the Notice of Proposed Rulemaking issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) on March 21, 2024 in the above-captioned proceeding (the “NOPR”), the New England States Committee on Electricity (“NESCOE”) hereby submits these reply comments.¹ NESCOE files these reply comments to support ISO-NE’s initial comments. Specifically, for the reasons set forth here and in ISO-NE’s initial comments, NESCOE supports ISO-NE’s request that the Commission allow ISO-NE to retain its Schedule 2 VAR compensation program without changes in its Final Rule in this proceeding.

In the NOPR, the Commission preliminarily finds “that allowing transmission providers to include charges associated with the supply of reactive power within the standard power factor range from generating facilities results in transmission rates that may be unjust and unreasonable....”² Accordingly, the Commission proposes to “prohibit transmission providers from including in their transmission rates any charges associated with the supply of reactive

¹ Capitalized terms not defined in this filing are intended to have the meaning given to such in the ISO New England Inc. (“ISO-NE”) Transmission, Markets and Services Tariff (“Tariff”), the Second Restated New England Power Pool (“NEPOOL”) Agreement, the Participants Agreement, and, as applicable, the Glossary of Terms Used in NERC Reliability Standards.

² NOPR at P 41.

power within the standard power factor range from generating facilities.”³ The Commission further proposes “to remove from the *pro forma* LGIA and *pro forma* SGIA the requirement that a transmission provider pay an interconnection customer for reactive power within the standard power factor range if the transmission provider pays its own or affiliated generators for the same service.”⁴ As a result of the Commission’s proposed changes, “transmission providers would be required to pay an interconnection customer for reactive power only when the transmission provider asks the interconnection customer to operate its facility outside the standard power factor range set forth in its interconnection agreement.”⁵

NESCOE agrees with ISO-NE that its Schedule 2 VAR compensation program is just and reasonable and should be allowed to continue without changes.

First, the overall cost of VAR services in New England is relatively low, and VAR services provide important reliability benefits.⁶ As ISO-NE states, “between 2018 and 2023, annual VAR Payments have been approximately between \$18 million and \$20 million” and “on average, annual VAR Payments amounted to 0.25% (i.e., one quarter of one percent) of the total value of all energy, ancillary service, and capacity market costs over that same period.”⁷ These VAR payments, despite their relatively low cost, deliver important reliability benefits to New England consumers. Without current VAR services, New England could be, *inter alia*, “exposed to voltage-related reliability violations of these criteria, which may lead to a number of

³ NOPR at P 1.

⁴ *Id.*

⁵ *Id.*

⁶ ISO-NE Comments at 5.

⁷ *Id.* at 6.

undesirable outcomes.”⁸ Those outcomes include the need to install additional transmission devices, possible reduction of transfer capability across certain interfaces to maintain reliability, the loss of improvements to transient voltage response, and reduced reliability during extreme weather events.⁹

Second, NESCOE agrees with ISO-NE that several of the concerns underlying the NOPR do not apply to New England. The Commission preliminarily finds, for example, “because providing reactive power within the standard power factor range is already obligated (a no cost or *de minimis* cost service), compensating for providing such reactive power could result in undue compensation to generating facilities.”¹⁰ However, as ISO-NE points out in its comments, “several older resources in New England have Interconnection Agreements that pre-date the obligation to provide reactive power service within the standard power factor range” and Qualified Non-Generator Reactive Resources do not have a specific power factor requirement.¹¹ Without the program, these resources could choose to no longer provide the valuable VAR services that they currently provide.¹² In addition, the Commission in the NOPR appears to be particularly concerned with problems resulting from cost-of-service based compensation for reactive power.¹³ New England’s VAR payments, however, are not based on providers’ cost of service but are “based on regular testing of VAR capability.”¹⁴ Thus, VAR payments in New

⁸ ISO-NE Comments at 7.

⁹ *See id.* at 7–8.

¹⁰ NOPR at P 33.

¹¹ ISO-NE Comments at 9.

¹² *See id.*

¹³ *See* NOPR at PP 27, 30, 46.

¹⁴ ISO-NE Comments at 9.

England are not based on the resource's costs but on the actual value that the resources provide to the regional grid.¹⁵

Accordingly, for the reasons cited above and those set forth in ISO-NE's initial comments, NESCOE respectfully requests that the Commission's Final Rule in this proceeding allow ISO-NE to retain its Schedule 2 VAR compensation program without changes.

Respectfully Submitted,

/s/ Nathan Forster

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Date: June 26, 2024

¹⁵ *See id.*

CERTIFICATE OF SERVICE

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served by electronic mail a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Arlington, Massachusetts this 26th day of June, 2024.

/s/ Nathan Forster

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