

## **Draft NHA bullets on FERC's NOI on reactive power**

- Concerns with PJM's process
  - Time consuming and costly – includes lengthy settlements and litigation resources...very prohibitive for smaller facilities
  - Black box – settlement results are unpredictable, difficult to know how much revenue will be approved
  - Testing – requires lots of coordination from PJM to only accept VARs from testing facility – not always a true reflection of facility's capability
  - Existing contracts - Need to protect existing reactive power agreements – grandfather them if FERC moves PJM to stated rates
  - Accounting is a challenge for IPPs who do not use regulatory accounting. Depreciation rates difficult to determine for long life assets like hydro and PSH.
  - PJM model does not account for performance. It's purely based on capability.
- Views on stated rates
  - While stated rates tend to be low, the process is preferable to PJM/MISO model
  - Easier to forecast revenue
  - No litigation costs
  - Could there be a performance aspect to a stated rate?
- NHA recommends
  - No generic rulemaking. If FERC believes PJM/MISO is the problem then just focus on those areas. Don't tie up stakeholder bandwidth on an issue that isn't really a problem in most areas outside PJM.
  - Any changes to reactive power compensation should respect existing contracts.
  - There is already a robust stakeholder process for reactive power in PJM. Don't derail that effort. Let stakeholders try to find consensus before initiating a rulemaking.
  - Opposed to PJM IMM's contention that reactive power is double counted because its included in reference unit for the capacity market. Capacity market is not ideal place to compensate for reactive power as there are too many other factors involved.