



Performance Based Reactive Power Compensation – PJM Package

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Reactive Power Compensation Task Force

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- Move away from “cost of service” methodology
 - Difficult to isolate costs specific to reactive
 - PJM prefers “market-based” or “market-like” solutions
 - MVAR too locational for traditional market
 - Flat-rate is agnostic to technology type
 - Tie compensation to capability and performance
 - Provide incentives for resources to utilize full reactive capability
 - Including inverter-based resources

- Reactive capability AND performance are both essential
 - Capability must be deliverable
 - Capability that is not delivered when needed has no value
 - Voltage regulation is an important reliability service
 - Performance must be measured
 - Good performance = reward
 - Bad performance = penalty
- From Operating Committee recommendation on Reliability Attributes:
 - “Stakeholders should discuss reactive capability and supply considerations in the RPCTF to ensure that we are able to utilize, measure, and compensate the full reactive capability of synchronous and non-synchronous generators independent of their power output and the ability of all resources to follow voltage schedules and demonstrate performance.”

- PJM believes these components are critical to any package
 - Move away from current cost of service methodology
 - Capability and performance incentives/disincentives

- Several viable options for other design components
 - Flat rate determination
 - Capability determination

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