



# Decision on reactive power requirements for non-synchronous generators

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Management proposes new reactive power requirements for non-synchronous generators that would be applied prospectively.

- Propose technical requirements for non-synchronous generators providing reactive power
  - FERC has issued an order that prescribes requirements
  - Management is seeking additional requirement for generators to install automatic voltage control equipment so generators can maintain voltage schedules
- Management also considered whether the ISO's current reactive power compensation provisions need to be revised as a result of the new technical requirements

## FERC Order No. 827 includes provisions for new reactive power requirements for non-synchronous generators.

- In January, Management suspended its stakeholder initiative to establish reactive power requirements for non-synchronous generators in light of FERC's rulemaking
- In July, FERC issued Order No. 827, which requires
  - All newly interconnecting non-synchronous generators to have reactive power capability
  - System impact studies for upgrades to existing generators to determine their reactive power requirements

# Management proposes additional requirement that automatic voltage control equipment be installed.

- Order No. 827 does not require automatic voltage control capability
  - However, it allows for the ISO to propose additional technical requirements in a separate filing
  - Automatic voltage control is necessary because default mode of operation is for generators to be able to automatically maintain a voltage schedule while operating within specified power factor
- Management proposes to make a compliance filing on October 14 that includes
  - FERC's ordered requirements
  - Plus, a separate filing for a requirement for automatic voltage control capability

# Management is not proposing changes to the current financial compensation methodology.

- ISO currently compensates generators for the provision of reactive power
  - When the ISO dispatches a generator down to provide reactive power, it is paid its opportunity cost for any lost energy revenues
- Management has determined the current compensation method is appropriate
  - Method complies with provisions in FERC Order No. 827
  - Generators have opportunity to recover capital costs associated with reactive power equipment when they construct or retrofit facilities through power purchase contracts

# Stakeholders support the voltage control capability, but are split on financial compensation.

- Stakeholders generally support the automatic voltage control requirement
- Regarding financial compensation
  - Load serving entities believe the ISO's current compensation method is appropriate – argue equipment has already been paid for in contracts
  - Generators believe capital costs should be covered through the ISO's market provisions
  - Management is concerned with potential double-payments and disruption to bilateral contracting market through introduction of a new capacity payment

Management recommends the Board approve the proposal for new reactive power requirements for non-synchronous generators.

- Proposal will help ensure the ISO can maintain reliable grid operations as non-synchronous generators continue to make up a larger portion of the ISO's generation fleet
- Proposal addresses requirements of FERC Order No. 827 and FERC's request that the ISO review its current compensation methodology