

Interconnection Agreement,⁴ not to provide full revenue requirement recovery for the generating resource's reactive power capability. While the recovery mechanism under Schedule 2 of the Tariff may provide partial compensation for the cost of reactive power capability, it is not structured so as to provide a payment specifically for that purpose but rather to compensate for actual MVARh production.⁵

SPP's current Schedule 2 rate per MVARh was calculated to represent "the cost of reactive power production from recently constructed generators so as to reflect the upper end of such costs."⁶ This rate is applied to compensate qualifying generators located throughout the SPP region that provide reactive power support outside a power factor dead band.⁷ The above calculation's purpose and the regional use of the rate should result in payments in excess of actual costs for supply outside the dead band during normal operations. The resulting excess is able to mitigate capability costs and abnormal operation periods.

Synchronous generation in SPP is typically designed for a power factor of 0.85 – 0.90 to allow for stable operation of the generator and to allow for local voltage support at the point of interconnection.

Variable costs of generating reactive power are de minimis and are generally limited to changes in losses within the generating facility which are part of the overall

⁴ See generally Tariff at Attachment V, Appendices 6, 8, 13, 14, Section 9.6.1.

⁵ NOI at P 12, n. 27.

⁶ Tariff at Schedule 2, Section III.A.

⁷ The power factor dead band of 0.95 approved in the Tariff is consistent with this design and other Commission orders, and recognizes the cost of interconnection applied to all generation under the Tariff.

efficiency of the resource and, as such, are typically captured in the resource offers submitted to the SPP Integrated Marketplace. SPP is not aware of situations where generator operators had to lower their economic maximum in order to free up reactive capability to support the local voltage at the point of interconnection resulting in loss of energy sales.⁸ Lost opportunity costs should not be applied by default to the variable cost of generating reactive power.

II. CONCLUSION

SPP respectfully requests that the Commission consider these comments in developing a Notice of Proposed Rulemaking.

Respectfully submitted,

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⁸ Comments of the Market Monitoring Unit of the Southwest Power Pool on Notice of Inquiry, Docket No. RM22-2-000, at 3 (January 31, 2022).