

**Comments of Southern Companies**  
**FERC Reactive Power Technical Conference**  
**(March 8, 2005)**

- 1) Introduction:
  - a) Staff Report of February 4, 2005 noted a number of issues/concerns
  - b) Many of concerns identified in Staff paper vary across the different regions or markets.
  - c) As Commission moves forward and considers any changes to the policies for reactive support, Southern Companies would hope that flexibility be provided for the different circumstances present in the various markets, regions and areas where RTOs have formed as well as areas where they have not.
  - d) Southern Companies' comments today are from standpoint of a TP that is not part of an RTO.
  
- 2) Starting with the issue of "Comparable service":
  - a) Once interconnected and synchronized to the transmission grid, all generation resources need to maintain their voltage schedule in order to support the reliability of the transmission system.
    - i) The whole purpose in a generator following a voltage schedule is to coordinate operation with the actions and responsibilities of the TP in maintaining system reliability.
  - b) The action of merely following a voltage schedule by both independent generators and those of the TP, does not translate to comparable support of the reactive power needs on the grid
    - i) For any wholesale transmission service offered, the TP is required to provide reactive support throughout the entire transmission system.
    - ii) An independent generator may or may not have a requirement to be generating on a given day.
      - (1) When operating, the independent generator is a dynamic source of reactive only in the local area where the generator is located.
  - c) In summary, one (the TP) has an obligation and must support voltage throughout the entire system and the other has an option and only contributes to support in the local area
    - i) These should not be deemed to be "comparable" in nature
  - d) *TP affiliated generation is :*
    - i) *carefully located with respect to load and transmission facilities to be able to provide optimum reactive support*
    - ii) *integrated into economic dispatch to provide reactive support at the lowest cost to system customers (via minimization of transmission losses)*
  
- 3) With regard to Pricing Issues (not to be confused with Compensation principles!):
  - a) The Commission should ensure that any ratemaking policy for reactive charges is consistent for All generators whether participating in an RTO market or owned by a non-RTO TP

- b) If an IPP is allowed a variation of Opinion 440 method in setting a reactive charge, the TP should have that option also.
- 4) What should be the link between comparability and compensation:
- a) When a TP determines a need for reactive “Control” in certain locations, it should establish non-discriminatory arrangements with the generators to provide for reactive support and receive compensation
    - i) The conditions of such arrangement:
      - (a) A long term arrangement (for inclusion in Planning Process),
      - (b) The “metrics” to be used to measure the reactive supply by the generator, and
      - (c) “Controllable” by the TP to supply reactive needs on the system; (including both day ahead commitment and real time deployment)
  - b) As threshold compensation issue, all generators should look first to their power supply arrangements to recover the cost of their “reliability responsibility” for generator’s components that produce reactive power (in similar manner as many TPs recover such costs from native load customers not under a Tariff service agreement)
    - i) The generator should only look to the transmission provider for a portion of the compensation for reactive power if the conditions I just noted are present (long term arrangement, metrics in place and controllable)
- 5) In summary:
- a) Interconnecting to grid and following a voltage schedule is required to maintain reliability (i.e. coordinating the generator operation with responsibilities of TP) and should not automatically be linked to compensation.
  - b) Any link between comparability and compensation for reactive support should recognize the ability of the TP to:
    - i) include the reactive resource in its LT plans, and
    - ii) control the reactive output of the resource
  - c) The native load customers of the TP should not be left to subsidize any reactive costs for IPPs when they do not receive any benefit from the reactive capability of the IPP.