

192 FERC ¶ 61,222
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: David Rosner, Chairman;
Lindsay S. See and Judy W. Chang.

New York Independent System Operator, Inc.

Docket No. ER25-1812-000

ORDER ON COMPLIANCE FILING

(Issued September 18, 2025)

1. On March 28, 2025, New York Independent System Operator, Inc. (NYISO) filed proposed revisions to Rate Schedule 2 of the NYISO Market Administration and Control Area Services Tariff (Services Tariff), in compliance with the requirements of Order No. 904,¹ to prohibit transmission rates from including any charges related to a generating facility's provision of reactive power within the standard power factor range. In this order, we accept NYISO's compliance filing, to become effective May 1, 2026, as requested.

I. Background

A. Order No. 904

2. In Order No. 904, the Commission found that allowing public utility transmission providers (transmission providers) to charge transmission customers for a generating facility's provision of reactive power within the standard power factor range is unjust and unreasonable.² As a result of Order No. 904, transmission providers are required to pay an interconnection customer for reactive power only when the transmission provider

¹ *Comp. for Reactive Power Within the Standard Power Factor Range*, Order No. 904, 189 FERC ¶ 61,034 (2024), *order on reh'g*, Order No. 904-A, 191 FERC ¶ 61,188 (2025).

² Order No. 904, 189 FERC ¶ 61,034, at P 89. The "standard power factor range" refers to the power factor range set forth in the generating facility's interconnection agreement when the unit is online and synchronized to the transmission system. The standard power factor range is sometimes referred to as the "deadband." *Comp. for Reactive Power Within the Standard Power Factor Range*, Notice of Proposed Rulemaking, 186 FERC ¶ 61,203, at P 1 n.1 (2024).

requests or directs the interconnection customer to operate its facility outside the standard power factor range set forth in its interconnection agreement.³

B. NYISO's Installed Capacity Demand Curves

3. The Services Tariff stipulates that NYISO is to determine the amount of Installed Capacity (ICAP), in megawatts (MW), that each Load Serving Entity (LSE) must acquire to ensure that adequate resources are available to meet projected load, taking into account reliability contingencies.⁴ NYISO oversees an auction process that determines the amount and price of ICAP that each LSE must acquire using administratively established downward-sloping ICAP Demand Curves.⁵ Expected reactive power revenues, which NYISO refers to as “voltage support services” (VSS) revenues,⁶ are an input to establishing ICAP Demand Curves. Every four years, NYISO undertakes an ICAP Demand Curve “reset” in which it reviews the ICAP Demand Curves to identify the methodologies and inputs used to determine the ICAP Demand Curves for the four Capability Years covered by the relevant ICAP Demand Curve reset process and establish the ICAP Demand Curves for the first Capability Year covered by that process.⁷ The ICAP Demand Curve relies on NYISO’s estimate of the net annual cost, less projected revenues, of a new hypothetical peaking plant in New York or the net “cost of new entry,” referred to as Net CONE.⁸ To calculate Net CONE, the Services Tariff requires an estimate of the total lifetime cost of building and operating the hypothetical peaking plant, divided by the number of years the plant will be in operation, less the plant’s expected annual net revenues from NYISO’s Energy and Ancillary Services markets and VSS revenues.⁹

³ Order No. 904, 189 FERC ¶ 61,034 at P 1.

⁴ See NYISO, Services Tariff, 5.10 MST NYCA Minimum Installed Capacity Requirement) (5.0.0). Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Services Tariff.

⁵ The Services Tariff defines “ICAP Demand Curve” as: “A series of prices which decline until reaching zero as the amount of Installed Capacity increases.” *Id.* 2.9 MST Definitions – I (32.0.0).

⁶ Compliance Filing, Transmittal Letter at 2.

⁷ NYISO, Services Tariff, 5.14 MST Installed Capacity Spot Market Auction and Install (43.0.0) (Services Tariff 5.14), § 5.14.1.2.2.

⁸ *N.Y. Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,051, at P 4 (2025).

4. NYISO filed its most recent ICAP Demand Curve reset proposal for the 2025-2029 Capability Years (2025-2029 Capability Years) on November 29, 2024.¹⁰ The Commission accepted the NYISO November 2024 Demand Curve Reset Filing on January 28, 2025.¹¹ In that filing, NYISO proposed to account for the impact of likely VSS revenues on a hypothetical peaking plant's Net CONE through a net Energy and Ancillary Services revenue adder determined formulaically based on the compensation structure described in Rate Schedule 2 of the Services Tariff.¹² NYISO noted that the value of the VSS adder would be adjusted annually as part of the annual updates to account for the VSS compensation rate in effect at the time of each such annual update, and that compliance with Order No. 904 would likely impact the assumed VSS compensation.¹³

II. Filing

5. NYISO proposes to comply with Order No. 904 by revising Rate Schedule 2 of the Services Tariff to eliminate compensation for reactive power supply within the standard power factor range.¹⁴ Specifically, NYISO proposes to revise Services Tariff section 15.2.2.1 to eliminate compensation to VSS Suppliers for reactive power support within a standard power factor range of 0.95 lagging to 0.95 leading. NYISO requests an effective date of May 1, 2026, to align the elimination of reactive power compensation within the standard power factor range with the beginning of a new Capability Year (Capability Year 2026-2027) and a new set of ICAP Demand Curves.

⁹ See *Indep. Power Producers of N.Y., Inc. v. FERC*, No. 21-1166, 2022 WL 3210362, at *1 (D.C. Cir. Aug. 9, 2022).

¹⁰ NYISO, Filing, Docket No. ER25-596-000 (filed Nov. 29, 2024) (NYISO November 2024 Demand Curve Reset Filing).

¹¹ *N.Y. Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,051.

¹² NYISO November 2024 Demand Curve Reset Filing, Transmittal Letter at 50-51.

¹³ *Id.* (referencing NYISO, Services Tariff, 15.2 MST Rate Schedule 2 - Payments for Supplying Voltage Su (14.0.0) (Services Tariff Rate Schedule 2)).

¹⁴ Compliance Filing, Transmittal Letter at 5-6; NYISO, Services Tariff, 15.2 MST Rate Schedule 2 - Payments for Supplying Voltage Su (16.0.0) (Proposed Services Tariff Rate Schedule 2).

III. Notice and Responsive Pleadings

6. Notice of NYISO's filing was published in the *Federal Register*, 90 Fed. Reg. 14826 (Apr. 4, 2025), with interventions and protests due on or before April 18, 2025. Timely motions to intervene were filed by: Calpine Corporation; Cordelio Services LLC; New York State Department of State; New York Transmission Owners;¹⁵ Shell Energy North America (US), L.P.; and Solar Energy Industries Association. On May 8, 2025, Public Citizen, Inc., filed a motion to intervene out-of-time.

7. On April 18, 2025, the New York State Department of State Utility Intervention Unit (Utility Intervention Unit) filed a protest. On May 7, 2025, NYISO filed a motion for leave to answer and answer.

IV. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

9. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2025), we grant Public Citizen, Inc.'s late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

10. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2025), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept NYISO's answer because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

11. As discussed below, we find that NYISO's proposal complies with the requirements of Order No. 904. Accordingly, we accept NYISO's compliance filing, to be effective May 1, 2026, as discussed below.

¹⁵ The New York Transmission Owners that intervened in this proceeding are: Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; Long Island Power Authority; New York Power Authority; New York State Electric & Gas Corporation; Niagara Mohawk Power Corporation; Orange and Rockland Utilities, Inc.; and Rochester Gas and Electric Corporation.

1. **Prohibition on the charges associated with reactive compensation within the standard power factor range**

a. **Order No. 904**

12. In Order No. 904, the Commission required each transmission provider to submit a compliance filing to make changes to its Schedule 2 or other Open Access Transmission Tariff (OATT) provisions relating to charges and payments for reactive power to remove compensation for the provision of reactive power within the standard power factor range specified in the interconnection customer's interconnection agreement.¹⁶ The Commission specified that, in evaluating compliance filings made by RTOs/ISOs, it would apply the "consistent with or superior to" standard to deviations from the adopted *pro forma* Schedule 2.

13. The Commission also required each transmission provider to submit a compliance filing to make changes to its *pro forma* Large Generator Interconnection Agreement (LGIA) and *pro forma* Small Generator Interconnection Agreement (SGIA) in its OATT to require a transmission provider to pay an interconnection customer for reactive power only outside of the standard power factor range, and thereby prohibit a transmission provider from including in its transmission rates any charges associated with the supply of reactive power within the specified power factor range from a generating facility.¹⁷ The Commission specified that, in evaluating compliance filings made by RTOs/ISOs, it would apply the "independent entity variation standard" to deviations from the *pro forma* LGIA and *pro forma* SGIA.¹⁸

b. **Filing**

14. NYISO states that complying with Order No. 904's directive to prohibit the inclusion in transmission rates of charges associated with reactive power in the standard power factor range requires NYISO to: (1) not charge Transmission Customers,¹⁹

¹⁶ Order No. 904, 189 FERC ¶ 61,034 at PP 203, 206.

¹⁷ *Id.* PP 204-206.

¹⁸ See *id.* P 206 (citing *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Servs. by Pub. Utils.; Recovery of Stranded Costs by Pub. Utils. & Transmitting Utils.*, Order No. 888, FERC Stats. & Regs. ¶ 31,036, at 31,760-63 (1996) (cross-referenced at 75 FERC ¶ 61,080); *Standardization of Generator Interconnection Agreements & Procs.*, Order No. 2003, 104 FERC ¶ 61,103, at PP 822-827 (2003); *Standardization of Small Generator Interconnection Agreements & Procs.*, Order No. 2006, 111 FERC ¶ 61,220, at PP 546-550 (2005)).

¹⁹ NYISO defines a Transmission Customer as "[a]ny entity (or its designated

Customers,²⁰ and LSEs for reactive power support within the standard power factor range, and (2) not compensate resources for the provision of reactive power in the standard power factor range.²¹

15. NYISO states that in its tariff provisions governing VSS charges and payments are split between the NYISO OATT and the Services Tariff.²² NYISO explains that Rate Schedule 2 of the OATT governs *charges* to Transmission Customers, Customers, and LSEs for reactive power support, determined based on the amount *paid* to suppliers of VSS pursuant to Services Tariff Rate Schedule 2.²³ NYISO explains that Rate Schedule 2 of the Services Tariff provides for an annual capacity payment per MVar to resources in the New York Control Area that qualify for voltage support payment under the NYISO Tariffs and procedures.²⁴

16. NYISO states that its existing VSS program compensates qualified VSS Suppliers based on the sum of their demonstrated lagging MVar capacity and the absolute value of the demonstrated leading MVar capacity.²⁵ NYISO explains that it then sums all

agent) that requests or receives Transmission Service pursuant to a Service Agreement and the terms of the ISO OATT.” NYISO, Services Tariff, NYISO MST, 2.20 MST Definitions - T (15.0.0).

²⁰ NYISO defines a Customer as “[a]n entity which has complied with the requirements contained in the ISO Services Tariff, including having signed a Service Agreement, and is qualified to utilize the Market Services and the Control Area Services provided by the ISO under the ISO Services Tariff; provided, however, that a party taking services under the Tariff pursuant to an unsigned Service Agreement filed with the Commission by the ISO shall be deemed a Customer.” NYISO, Services Tariff, NYISO MST, 2.3 MST Definitions - C (31.0.0).

²¹ Compliance Filing, Transmittal Letter at 2.

²² *Id.* at 2-3.

²³ *Id.* at 3 (citing NYISO, OATT, 6.2 OATT Schedule 2 - Charges For Voltage Support Service (6.0.0) (OATT Rate Schedule 2), § 6.2.2).

²⁴ *Id.* (referencing Services Tariff Rate Schedule 2, § 15.2.2.1).

²⁵ *Id.*; *see* Services Tariff Rate Schedule 2, § 15.2.2.1.

projected payments to qualified VSS Suppliers and charges that amount to Transmission Customers, Customers, and LSEs on a per MWh basis.²⁶

17. NYISO proposes to comply with Order No. 904 by revising Rate Schedule 2 of the Services Tariff to eliminate compensation for reactive power supply within the standard power factor range.²⁷ Specifically, NYISO proposes to revise Services Tariff section 15.2.2.1 to eliminate compensation to VSS Suppliers for reactive power support within a standard power factor range of 0.95 lagging to 0.95 leading.²⁸ NYISO states that its proposed revisions define a compensable MVar capacity consistent with NYISO's existing VSS program and the requirements of Order No. 904. NYISO explains that compensable MVar capacity equals the sum of the lagging and the absolute value of the leading MVar capacity, as evidenced by tests conducted pursuant to ISO Procedures (e.g., the NYISO Ancillary Services Manual), minus the sum of the lagging and the absolute value of the leading MVar capacity within the identified standard power factor range.

18. NYISO states that these Services Tariff revisions will automatically eliminate charges for such service under NYISO OATT Rate Schedule 2 and its *pro forma* LGIA and *pro forma* SGIA without the need for further revisions because NYISO OATT Rate Schedule 2, the NYISO *pro forma* LGIA, and the NYISO *pro forma* SGIA all determine the amount to charge for reactive power based on the amount paid to reactive power suppliers pursuant to Services Tariff Rate Schedule 2.²⁹ NYISO explains that because the revisions achieve Order No. 904's directive to prohibit the inclusion in transmission rates of charges associated with reactive power within the standard power factor range in NYISO's existing VSS program, the proposed revisions to Services Tariff section 15.2 satisfy Order No. 904's "consistent with or superior to" standard for deviations from the

²⁶ Compliance Filing, Transmittal Letter at 3 (citing OATT Rate Schedule 2, § 6.2.2.1).

²⁷ *Id.* at 5-6.

²⁸ *Id.* at 6 (referencing Proposed Services Tariff Rate Schedule 2, § 15.2.2.1).

²⁹ *Id.*; see also OATT Rate Schedule 2, § 6.2.2 (providing for Transmission Customers, Customers, and LSEs to pay NYISO for VSS at a \$/MWh rate based on the sum of projected NYISO payments under Services Tariff Rate Schedule 2 sections 15.2.2.1, 15.2.2.2, and 15.2.2.3 and a "Prior year adjustment" equal to the difference between the prior year's total VSS payments to generators and those received by NYISO, all divided by the annual forecasted transmission usage for the year); NYISO, OATT, 30.14 OATT Att X Appendices (25.0.0), app. 4 (NYISO *pro forma* LGIA), § 9.5.3; NYISO, OATT, 32.5 OATT Att Z Appendices (26.0.0), app. 7 (NYISO *pro forma* SGIA), § 1.8.2.

adopted *pro forma* Schedule 2 and “independent entity variation standard” for RTO/ISO deviations from the *pro forma* LGIA and *pro forma* SGIA.

c. Protest

19. Utility Intervention Unit urges the Commission to reject NYISO’s compliance filing and direct NYISO to submit a revised proposal that aligns with Order No. 904’s directives and to protect consumers from unnecessary cost increases.³⁰ Utility Intervention Unit claims that Order No. 904 clearly states that compensation within the standard power factor range is unjustified because generators are already obligated to provide that support under interconnection agreements and that any compensation beyond that scope creates market distortions and unjust cost burdens on consumers. Utility Intervention Unit states that the regulatory path has consistently moved towards requiring that payments only be made for services provided in response to system needs. Utility Intervention Unit claims that NYISO proposes to remove the standard power factor range from the calculation of the VSS payments but maintain capability-based compensation outside of the standard power factor range. Utility Intervention Unit argues that this approach disregards the intent and requirements of Order No. 904, perpetuates and exacerbates the inefficiencies that the Commission has expressly sought to correct, and risks overcompensating resources without providing commensurate benefits to transmission customers and without guaranteeing real-time voltage support when required. Utility Intervention Unit asserts that NYISO’s VSS compensation structure should be revised to ensure that compensation to a generator and/or generating facility for providing reactive power that falls outside of the standard power factor range is paid only when the provision of reactive power service is requested by the transmission provider and actually supplied from the generator and/or generating facility, as opposed to a generator’s theoretical capability to provide that reactive power service.

d. Answer

20. NYISO asserts that Order No. 904 addresses only the justness and reasonableness of transmission rates chargeable to transmission customers for reactive power *within* the standard power factor range.³¹ Order No. 904 does not, NYISO argues, require removal of existing reactive power compensation programs that target reactive power compensation outside the standard power factor range. NYISO therefore argues that compensation for reactive power outside the standard power factor range is beyond the scope of Order No. 904, and that Utility Intervention Unit’s objection should be rejected.

³⁰ Utility Intervention Unit Protest at 4, 5, 8, 11.

³¹ NYISO Answer at 6-7.

e. **Commission Determination**

21. We find that NYISO's filing complies with Order No. 904's requirement to remove compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement and satisfies the Commission's "consistent with or superior to" standard for deviations from Order No. 904's revisions to the *pro forma* OATT Rate Schedule 2 and "independent entity variation standard" for RTO/ISO deviations from the *pro forma* LGIA and *pro forma* SGIA.³² NYISO proposes revisions to Rate Schedule 2 of the Services Tariff to eliminate compensation for reactive power supply within the standard power factor range.³³ As NYISO explains, these revisions will automatically eliminate charges for such service under NYISO OATT Rate Schedule 2, the NYISO *pro forma* LGIA, and the NYISO *pro forma* SGIA without requiring further revisions because NYISO OATT Rate Schedule 2, the NYISO *pro forma* LGIA, and the NYISO *pro forma* SGIA each determine the amount to charge for reactive power from the amount paid to suppliers of reactive power pursuant to Services Tariff Rate Schedule 2.³⁴ While NYISO does not adopt the revisions to the *pro forma* OATT Rate Schedule 2, *pro forma* LGIA, and *pro forma* SGIA required by Order No. 904,³⁵ we agree with NYISO that its proposed revisions to Services Tariff section 15.2.2.1 satisfy Order No. 904's

³² Order No. 904, 189 FERC ¶ 61,034 at PP 203, 206.

³³ Compliance Filing, Transmittal Letter at 5-6; Proposed Services Tariff Rate Schedule 2, § 15.2.2.1.

³⁴ Compliance Filing, Transmittal Letter at 6; OATT Rate Schedule 2, § 6.2.2 (providing for Transmission Customers, Customers, and LSEs to pay NYISO for VSS at a \$/MWh rate based on the sum of projected NYISO payments based on Services Tariff Rate Schedule 2 sections 15.2.2.1, 15.2.2.2 and 15.2.2.3 and a "Prior year adjustment" based on the difference between the prior year's total VSS payments to generators and those received by NYISO, all divided by the annual forecasted transmission usage for the year); NYISO *pro forma* LGIA, § 9.5.3 ("NYISO shall pay Developer for reactive power or voltage support service that Developer provides from the Large Generating Facility in accordance with the provisions of Rate Schedule 2 of the NYISO Services Tariff."); NYISO *pro forma* SGIA, § 1.8.2 ("NYISO is required to pay the Interconnection Customer for reactive power, or voltage support service, that the Interconnection Customer provides from the Small Generating Facility in accordance with Rate Schedule 2 of the NYISO Services Tariff.").

³⁵ Order No. 904, 189 FERC ¶ 61,034 at P 206 ("[W]e require each transmission provider to submit a compliance filing . . . to make changes to their Schedule 2s or other OATT provisions relating to charges and payments for reactive power, as well as to their *pro forma* LGIAs and *pro forma* SGIAs in their OATTs.").

“consistent with or superior to” standard for deviations from the *pro forma* OATT Rate Schedule 2 and “independent entity variation standard” for RTO/ISO deviations from the *pro forma* LGIA and *pro forma* SGIA because, given the structure of NYISO’s OATT and Services Tariff, the revisions achieve Order No. 904’s directive to prohibit the inclusion in transmission rates of charges associated with reactive power in the standard power factor range without the need for revisions to NYISO’s OATT Rate Schedule 2, *pro forma* LGIA, or *pro forma* SGIA.³⁶

22. We disagree with Utility Intervention Unit’s claim that NYISO’s retention of capability-based compensation for reactive power outside of the standard power factor range violates the requirements of Order No. 904.³⁷ In Order No. 904, the Commission found only that allowing transmission providers to charge transmission customers for a generating facility’s provision of reactive power *within the standard power factor range* is unjust and unreasonable.³⁸ Accordingly, the Commission required revisions to “prohibit

³⁶ We note that, as part of its OATT and Services Tariff revisions to comply with the requirements of Order Nos. 2023 and 2023-A, *Improvements to Generator Interconnection Procs. & Agreements*, Order No. 2023, 184 FERC ¶ 61,054, *order on reh’g*, 185 FERC ¶ 61,063 (2023), *order on reh’g*, Order No. 2023-A, 186 FERC ¶ 61,199, *errata notice*, 188 FERC ¶ 61,134 (2024), NYISO proposed a new OATT Attachment HH to implement consolidated Standard Interconnection Procedures, which include the Standard Interconnection Agreement, that would subject small generating facilities to the same requirements as large facilities. The Commission accepted NYISO’s proposed revisions in part subject to a further compliance filing effective May 1, 2024. *See N.Y. Indep. Sys. Operator, Inc.*, 191 FERC ¶ 61,049, at PP 9, 21 (2025); NYISO, OATT, 40 Attachment HH - Standard Interconnection Procedures (0.0.0). Like OATT Rate Schedule 2 and the NYISO *pro forma* LGIA and NYISO *pro forma* SGIA, the Standard Interconnection Agreement also provides for compensation based on the provisions of Rate Schedule 2 of the Services Tariff and therefore, with the acceptance of the compliance filing in the instant proceeding, automatically eliminates charges for reactive power within the standard power factor range. NYISO, OATT, 40.25.15 OATT Att HH Appendix 15 Standard Interconnection Ag (0.0.0), § 9.5.3 (“NYISO shall pay Interconnection Customer for reactive power or voltage support service that Interconnection Customer provides from the Facility in accordance with the provisions of Rate Schedule 2 of the ISO Services Tariff.”). Therefore, NYISO’s proposed revisions to Services Tariff section 15.2 satisfy Order No. 904’s “independent entity variation standard” for RTO/ISO deviations from the *pro forma* LGIA and *pro forma* SGIA under the terms of the Standard Interconnection Agreement as well.

³⁷ Utility Intervention Unit Protest at 8.

separate compensation for the provision of reactive power within the standard power factor range specified in an interconnection agreement.”³⁹ The Commission did not find that charging transmission customers using capability-based rates for a generating facility’s provision of reactive power outside the standard power factor range is unjust and unreasonable.⁴⁰ Utility Intervention Unit’s objection to NYISO’s capability-based compensation for reactive power outside the standard power factor range is accordingly beyond the scope of Order No. 904.

2. Impact on the ICAP Demand Curves

a. Filing

23. NYISO notes that its revisions to the Services Tariff to eliminate reactive power compensation within the standard power factor range require adjustment to the inputs used to represent VSS compensation in determining its ICAP Demand Curves.⁴¹ NYISO explains, and as decied above, that the estimated cost to construct and operate a hypothetical new capacity supply resource that NYISO uses to develop the ICAP Demand Curves is offset by an estimate of the potential revenues the hypothetical resource could earn from participating in the NYISO-administered Energy and Ancillary Services markets,⁴² which include an “addor” to reflect expected revenues for ancillary services not accounted for in the model. NYISO states that this adder accounts for likely VSS revenues.⁴³

³⁸ Order No. 904, 189 FERC ¶ 61,034 at P 89.

³⁹ *Id.* PP 203-206. *See also id.* P 204 (explaining that the proposed revision to the *pro forma* LGIA also “prohibits a transmission provider from including in its transmission rates any charges associated with the supply of reactive power within the specified power factor range from a generating facility”).

⁴⁰ Rather, the Commission expressly acknowledged that Order No. 904 would allow for continued reactive power compensation outside the standard power factor range. *Id.* P 1 (“As a result of this final rule, transmission providers will be required to pay an interconnection customer for reactive power only when the transmission provider requests or directs the interconnection customer to operate its facility *outside* the standard power factor range set forth in its interconnection agreement.” (emphasis in original)).

⁴¹ Compliance Filing, Transmittal Letter at 3-5.

⁴² *See* Services Tariff 5.14, § 5.14.1.2.2.

⁴³ Compliance Filing, Transmittal Letter at 3 (citing NYISO November 2024 Demand Curve Reset Filing, Transmittal Letter at 50-51).

24. NYISO states that its most recent ICAP Demand Curve reset filing for the 2025-2029 Capability Years acknowledged that Order No. 904 was likely to impact the reactive power compensation assumed to determine the ICAP Demand Curves.⁴⁴ NYISO states that it indicated that it would address the implications of any VSS compensation changes to the ICAP Demand Curves as part of its compliance plan in response to Order No. 904, i.e., in this compliance filing.⁴⁵

25. NYISO states that, in accepting the NYISO November 2024 Demand Curve Reset Filing, the Commission accepted NYISO's proposal to determine the annual value of the VSS adder formulaically based on the compensation structure described in Rate Schedule 2 of the Services Tariff.⁴⁶ NYISO states that the value of the VSS adder is adjusted annually as part of the annual update process for the ICAP Demand Curves to account for the VSS compensation rate in effect at the time of each such annual update.⁴⁷ NYISO states that its proposal to eliminate compensation for reactive power within the standard power factor range in compliance with Order No. 904 requires adjustment to the VSS adder to reduce the assumed MVar capability eligible for compensation for the peaking plant technology used in establishing each of the ICAP Demand Curves for the 2025-2029 Capability Years ICAP Demand Curve reset period. Consistent with NYISO's proposed effective date, discussed below, NYISO proposes to reflect this change starting with the ICAP Demand Curves for the 2026-2027 Capability Year. Therefore, starting with the 2026-2027 Capability Year, the VSS adder for the remainder of the 2025-2029 Capability Years ICAP Demand Curve reset period will be determined based on a reduced compensable reactive support capability for the peaking plant technology underlying each of the ICAP Demand Curves of 58.3 MVar of lagging capability and -58.3 MVar of leading capability. NYISO states that it will post the results of the updated ICAP Demand Curves that will apply for the 2026-2027 Capability Year on or before November 30, 2025.

⁴⁴ *Id.* at 3-4.

⁴⁵ *Id.* (citing NYISO November 2024 Demand Curve Reset Filing, Transmittal Letter at 51, 68).

⁴⁶ *Id.* at 4; *see also* NYISO November 2024 Demand Curve Reset Filing, Transmittal Letter at 50-51; *N.Y. Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,051.

⁴⁷ Compliance Filing, Transmittal Letter at 4, 7. NYISO explains that the ICAP Demand Curves are updated annually and cover a Capability Year, i.e. May 1 through April 30 or a Summer Capability Period followed by a Winter Capability Period. *Id.* at 4 n.20.

b. Protest

26. Utility Intervention Unit argues that NYISO's proposal to reflect the reduced VSS rate by adjusting the credit against the cost of the proxy-peaking unit to set Net CONE fails to meet the objective and letter of Order No. 904.⁴⁸ Utility Intervention Unit claims that the Commission is clear that VSS compensation should be cost-based. However, Utility Intervention Unit asserts that the corresponding reduction in the VSS credit against Net CONE risks increased capacity costs that exceed the total VSS charges before the proposed change, undermining the Commission's goal of eliminating unjustified costs and instead imposing higher charges on consumers through the capacity market structure. Utility Intervention Unit argues that, if generators are no longer compensated for reactive power services within the standard power factor range—and no new reliability or operational costs have emerged—there is no basis for raising consumer costs through the capacity market. According to Utility Intervention Unit, NYISO's insistence on preserving payments through an indirect structure deviates from the Commission's directive to implement transparent and cost-effective market designs. Utility Intervention Unit therefore argues that NYISO's compliance filing is not in compliance with Order No. 904 and is not in the interest of the consumers of the State of New York. Rather, Utility Intervention Unit recommends that any VSS revenue that is added to the ancillary service revenues to estimate Net CONE should reflect the expected actual delivered reactive power outside the standard power factor range from the proxy-peaking unit, thereby properly compensating the generators that provide VSS outside of the standard power factor range and reducing unnecessary costs and risks being shifted onto transmission consumers.

c. Answer

27. NYISO responds that its filing does not itself propose modifications to the estimated cost to construct and operate a hypothetical new capacity supply resource or to the Commission-accepted approach to calculate the estimated net Energy and Ancillary Services revenues for the 2025-2029 Capability Years ICAP Demand Curve reset period.⁴⁹ However, NYISO notes that its Order No. 904 compliance filing by necessity impacts the estimated net Energy and Ancillary Services revenue offset associated with each ICAP Demand Curve. That is, NYISO explains that the value of the VSS adder is formulaically determined and adjusted annually as part of the annual updates for the 2025-2029 Capability Years ICAP Demand Curve reset cycle to account for the VSS compensation rate in effect at the time of each annual update, as required by the Commission-accepted ICAP Demand Curves methodology. NYISO states that the

⁴⁸ Utility Intervention Unit Protest at 3-5, 8, 10-11.

⁴⁹ NYISO Answer at 3-5.

VSS adder then adjusts the Energy and Ancillary Services revenue offset value for each ICAP Demand Curve. Accordingly, NYISO claims that, all else equal, VSS revenue decreases will cause ICAP spot market clearing prices to increase by reducing the net Energy and Ancillary Services revenue offset to the estimated cost to construct and operate the hypothetical resource used to set the ICAP Demand Curve.⁵⁰

28. NYISO asserts that any objection raised by Utility Intervention Unit to inclusion of the VSS adder as part of the net Energy and Ancillary Services estimates in determining the ICAP Demand Curves is an impermissible collateral attack and/or untimely rehearing request of the Commission's Order accepting the NYISO November 2024 Demand Curve Reset Filing.⁵¹ Accordingly, NYISO argues that the Commission should reject any attempted re-litigation of the accepted results of the 2025-2029 Capability Years ICAP Demand Curve reset through this proceeding.

d. Commission Determination

29. We acknowledge that NYISO's proposed revisions to comply with the requirements of Order No. 904 will have implications for the 2026-2027 through 2028-2029 Capability Years (2026-2029 Capability Years) ICAP Demand Curves. Indeed, as discussed below, the Commission recognized the interplay between Order No. 904 and NYISO's capacity markets in the final rule and permitted NYISO to propose a later effective date to account for such implications.⁵² We agree with NYISO that the compliance proposal at issue here does not itself propose modifications to the estimated cost to construct and operate a hypothetical new capacity supply resource or to the Commission-accepted approach to calculate the estimated net Energy and Ancillary Services revenues for the 2025-2029 Capability Years ICAP Demand Curve reset period.⁵³ NYISO's proposal rather merely revises Rate Schedule 2 of the Services Tariff to remove compensation for the provision of reactive power within the standard power factor range.⁵⁴ While that revision, by reducing VSS compensation, may impact the

⁵⁰ NYISO states that its proposed compliance proposal is expected to increase consumer costs in the capacity market by approximately \$68 million annually while saving consumers \$48 million annually in reduced VSS program costs. *Id.* at 5. NYISO claims that discontinuing VSS payments altogether, in contrast, would likely increase consumer capacity market costs by approximately \$130 million annually while annually saving approximately \$78 million in VSS payments. *Id.*

⁵¹ *Id.* at 5-6 (citing *N.Y. Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,051).

⁵² Order No. 904, 189 FERC ¶ 61,034 at P 224.

⁵³ NYISO Answer at 3-5.

ICAP Demand Curves updates for the 2026-2029 Capability Years by reducing the net Energy and Ancillary Services revenues offset as provided for under sections 5.14.1.2.2 and 5.14.1.2.2.2 of the Services Tariff,⁵⁵ i.e., the existing filed rate, those sections of the Services Tariff establishing the methodology for NYISO to update the ICAP Demand Curves are not before us in this proceeding. Utility Intervention Unit's concerns about the impact that NYISO's Order No. 904 compliance will have on the ICAP Demand Curves are therefore outside the scope of this Order No. 904 compliance proceeding, which concerns only whether NYISO's filing complies with the requirements of Order No. 904.

3. Transition Period

a. Order No. 904

30. In Order No. 904, the Commission directed transmission providers to propose effective dates for their compliance revisions that are within 90 days from the date of their compliance filings.⁵⁶ However, in recognition of concerns about the interplay between existing reactive power compensation mechanisms and energy and capacity market rules in ISO New England Inc., NYISO, and PJM Interconnection, L.L.C., the Commission permitted those RTOs/ISOs to each request a later effective date, for the Commission's consideration, in order to allow them to develop and propose any changes to their market rules that may be necessary to accommodate the implementation of the final rule. The Commission also allowed potential Federal Power Act section 205 filings that may accompany any compliance filings to adapt markets to accommodate Order No. 904 as well as to clarify each RTO/ISO's compensation scheme for reactive power service outside of the standard power factor range, if necessary.

⁵⁴ See *supra* P 21.

⁵⁵ See Services Tariff 5.14, § 5.14.1.2.2 (providing for NYISO to update the ICAP Demand Curves annually, including based on a net Energy and Ancillary Services revenues offset and net Energy and Ancillary Services revenue adder identified in NYISO's periodic ICAP Demand Curve reset filings); *N.Y. Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,051 at P 18 (accepting the NYISO November 2024 Demand Curve Reset Filing, which provides for the Energy and Ancillary Services revenues adder to account for likely VSS revenues based on the compensation structure described in Rate Schedule 2 of the Services Tariff); NYISO November 2024 Demand Curve Reset Filing, Transmittal Letter at 50-51.

⁵⁶ Order No. 904, 189 FERC ¶ 61,034 at PP 224-228.

b. Filing

31. NYISO requests an effective date of May 1, 2026, to align the elimination of reactive power compensation within the standard power factor range with the beginning of a new Capability Year and a new set of ICAP Demand Curves.⁵⁷ NYISO notes that the Commission in Order No. 904 allowed NYISO to request an effective date later than 90 days from the date of the compliance filing, if warranted, to accommodate interaction with other market rules.⁵⁸ NYISO asserts that this later effective date is needed to avoid disruption to and uncertainty in the marketplace that would result from adjusting the VSS adder and ICAP Demand Curves for the 2025-2026 Capability Year that began on May 1, 2025. To avoid such adverse impacts, NYISO proposes to implement the proposed revisions to Services Tariff Rate Schedule 2 starting for the 2026-2027 Capability Year that begins May 1, 2026, as discussed above.

c. Commission Determination

32. We accept NYISO's proposed revisions, effective May 1, 2026, as requested. The Commission in Order No. 904 allowed NYISO to request an effective date more than 90 days after filing its compliance proposal in order to allow development of any changes to its market rules that may be necessary in order to accommodate the elimination of compensation for the provision of reactive power within the standard power factor range.⁵⁹ As discussed above, NYISO explains that elimination of compensation for the provision of reactive power within the standard power factor range will have implications for the net Energy and Ancillary Services offset used to calculate Net CONE, an input to the ICAP Demand Curves for the 2026-2029 Capability Years.⁶⁰ We find that the May 1, 2026 effective date will minimize disruption in the ICAP market by aligning the ICAP Demand Curves for Capability Years 2026-2027 and beyond with NYISO's implementation of Order No. 904 requirements, which will change reactive power compensation and thus the VSS adder.⁶¹ We therefore grant NYISO's requested effective date to allow NYISO to accommodate the impact of its Order No. 904 compliance revisions within NYISO's ICAP Demand Curves process.

⁵⁷ Compliance Filing, Transmittal Letter at 7.

⁵⁸ *Id.* (citing Order No. 904, 189 FERC ¶ 61,034 at P 224).

⁵⁹ Order No. 904, 189 FERC ¶ 61,034 at P 224.

⁶⁰ Compliance Filing, Transmittal Letter at 3-5.

⁶¹ *See id.* at 7.

The Commission orders:

NYISO's compliance filing is hereby accepted, to become effective May 1, 2026, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Secretary.