

# Concepts for PJM Response to Reactive Capability Notice of Inquiry (RM22-2-000)

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## THREE KEY ISSUES:

### AEP Methodology

- “Degradation”
- Non-synchronous
- Verification
- Over-compensation  
(PJM capacity market)



### Alternative Methodologies

- Flat rate?  
(NYISO/ISO-NE)
- Replacement cost rate?
- Capacity Market?



### Distribution-Connected Resource Eligibility





# Problems with the Current Construct that PJM Has Observed

- Investment of time/resources.
- “Poor-quality” rate product.
- Uncertainty for all parties.
- Burden of administration in settlements & testing.
- Credit risk.
- No consequence for non-performance.

- Enhancing PJM's ability to maintain reliability.
- Easing of administrative burden (settlements & testing).
- Reducing risk to PJM/Members.
- Reducing uncertainty and increasing transparency.

- <https://elibrary.ferc.gov/eLibrary/filedownload?fileid=CC568944-D3C1-CAEF-8771-7D34B8C00000>

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