



Market Efficiency Process Enhancement Task Force Phase 2

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Planning Committee

Action Required	Deadline	Who May Be Affected
Educational – no action required	3/7/2019	Market Efficiency Window participants
Send questions to PJM	3/31/2019	All stakeholders
Vote	4/11/2019	All stakeholders



- [Market Efficiency Process Enhancement](#) approved in January 2018
Address challenges and opportunities for improvements to the Market Efficiency process since implementing Order 1000 processes in two phases
- **Phase 2 key discussion areas:**
 - Capacity benefit calculation
 - Market Efficiency mid-cycle update
 - Regional targeted Market Efficiency projects
 - Market Efficiency project reevaluation process

52%

Continue Discussions Now

Open concerns:

1. Capacity Benefits
2. Historical Drivers

65%

Project Reevaluation Criteria

94%

Shift long-term window timing

93%

Shift ME Cycle timing

34%

1.25 B/C ratio energy only


44%

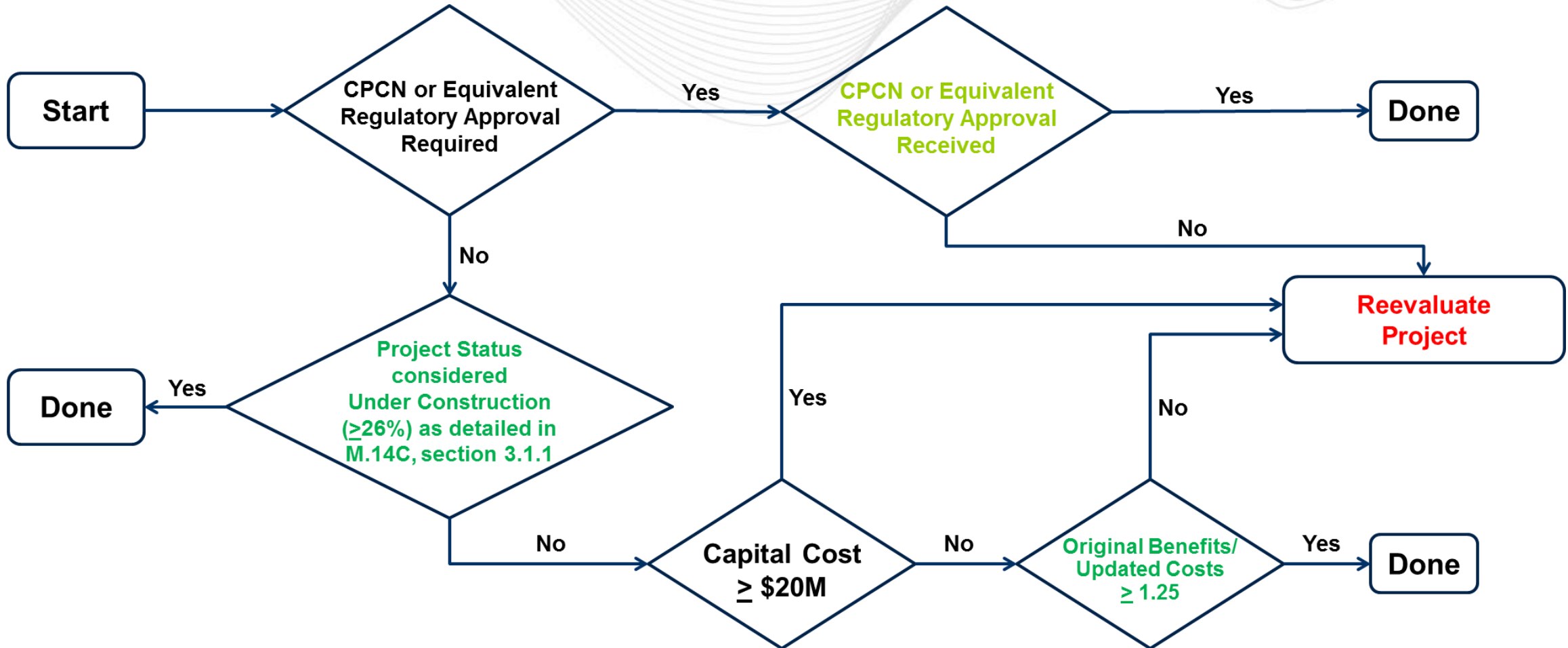
Historical congestion through RTMEP

Package A



Addition 1



Addition 2

Design Component	Status Quo	Modification	Justification
<p>Project Reevaluation Criteria</p> <div data-bbox="249 711 489 939" style="text-align: center;">  <p>65%</p> </div>	<p>Costs and benefits of new economic-based enhancements or expansions to be evaluated annually to ensure these projects continue to be economical</p>	<ol style="list-style-type: none"> 1. As applicable, PJM will not reevaluate any project once the Certificate of Public Convenience and Necessity CPCN or equivalent state approval is received (approved). If no CPCN or equivalent state approval is required PJM will not reevaluate any project once the project has completed 26% of its construction phase as described on PJM transmission construction status page. 2. For approved Market Efficiency projects with a capital cost under \$20M: if the updated costs causes the B/C ratio to fall below 1.25, given the original benefits, PJM will reevaluate the need for the project. Projects with a capital cost under \$20M will not be reevaluated if the updated costs do not cause the B/C ratio to fall below 1.25, given the original benefits 	<p>Due to the increasing number of projects PJM must reevaluate and the ambiguity involved with how and under what assumptions projects are studied, PJM recommends added structure to enhance transparency and efficiency of the reevaluation process</p>



Note: PJM reserves the right to reevaluate any project.

Design Component	Status Quo	Modification	Justification
Long-term Window 	November-February	January-April	Shifted long-term window back two months will better align with MISO processes, where both RTOs will post economic drivers in the January timeframe
Mid-cycle Update 	Post-window mid-cycle base case updates prior to the evaluation of Market Efficiency window proposals	Mid- and post-window (based on a Jan-Apr window timing) to reduce the impacts of annual mid-cycle update	Shift into the end of April will allow project proposers extra time to analyze their projects on a retooled case, complete with some aspects of the mid-cycle update, prior to a final submission

Design Component	Status Quo	Modification
RTMEP Process 	N/A	Address historical congestion through a new annual process that uses the same criteria and approach used in the current Interregional TMEP process
B/C Ratio Passing Threshold 	1.25	1.25 B/C threshold (separately) on either energy benefits (for a targeted energy congestion driver) or capacity benefits (for a targeted capacity congestion driver) Projects that address both can be given preference in the selection process, similar to other desired attributes (resiliency, etc.)

- **First read for packages March 21st MRC**
 - OA and Manual redlines will be posted in advance
- **Endorsements at April PC/MRC**
 - Reevaluation changes will be effective for 2019
 - Window/cycle changes will be effective for 20/21 Long Term Window
 - OA endorsement at May MC for August 1, 2019 effective date (exact TBD)