

Regional Targeted Market Efficiency Projects – Package A

Package A for Regional Targeted Market Efficiency Project (TMEP) implements a new project type designed to quickly identify and implement low cost, high impact solutions to historically observed congestion issues. The proposal parallels the TMEP project type which was implemented in the PJM/MISO Joint Operating Agreement (JOA) in 2017. Experience to date with TMEPs in the interregional space suggests the project type is effective for its intended purpose.

By eliminating the need for future simulations and limiting project scope to small, quickly implemented upgrades, these projects can be in service and providing benefits to consumers much faster than is possible through the existing Market Efficiency Project (MEP) process. Regional TMEPs are distinct from MEPs and augment, not replace the existing MEP process. By identifying these ‘low hanging fruit’ upgrades and including them in the market efficiency base model, the TMEP process will improve the efficiency of the MEP proposal window.

Package A is consistent with, and directly addresses, the Identified Interests for the Regional Targeted Market Efficiency Process; namely:

- Address persistent historical congestion challenges
- Expedited process to develop high-value projects, easily constructible in the near term
- The Interregional Targeted Market Efficiency Process has worked well; and should be evaluated for regional needs

Key Elements:

Congestion Drivers: Facilities with significant and persistent historical congestion which is not due to transmission outages and which are not addressed by planned system changes will be identified by PJM as eligible congestion drivers for the TMEP process.

Qualified Projects: Projects must be upgrades that resolve congestion on one or more Congestion Drivers. Additionally, consistent with the identified interests of TMEPs, the project must have a capital cost no greater than \$20 million, and be in service by the third summer season (~30 months from a December board approval)

Benefits: Consistent with the interests of the TMEPs to provide quick evaluation and implementation of projects, a benefit metric which does not require extensive future year simulations is highly preferable. Under Package A, benefits for TMEPs will be identified as the average of annual historical congestion (day ahead + balancing) over the prior two years, which is expected to persist in the future. Significant impacts of transmission outages will be deducted from the historical congestion.

Cost & Threshold: Four times the annual average benefit will completely cover the projects installed capital cost. Consistent with the goal of identifying high impact projects, this is a high bar compared to a present value of annual revenue requirement over the benefit years, as used in the MEP process. Due to the short lead time and quick payback period of these high impact projects, consideration of inflation and discount rates is not required.