

8.2 Market Efficiency Project Evaluation

Schedule 6, of the PJM Operating Agreement discusses Market Efficiency criteria used in considering the inclusion of Market Efficiency projects in the recommended plan. This document provides primary criteria and secondary factors for consideration ~~criteria~~ that may be utilized as guidelines in order to facilitate the Market Efficiency Project recommendation process.

8.2.1 Primary Considerations

All submitted proposals will be reviewed to determine which of the ~~posted-PJM identified~~ congestion ~~facilities-drivers~~ are addressed by the proposal. The initial review will also determine if there are any major deficiencies in the proposal. Requirements that are provided in the Problem Statement will be assessed for compliance. If minor deficiencies are ~~discovered~~identified, ~~then~~ the proposer will be contacted and provided an opportunity to submit responses in sufficient detail to ~~correct those deficiencies to~~ ensure the project proposal is complete and responsive to the identified system conditions. If the proposal does not substantially address a PJM identified congestion driver, or is otherwise substantially deficient ~~or is seriously flawed~~, it will be rejected and the proposer will be notified.

8.2.1.1 ~~Congestion Mitigation~~ Eligible Congestion Drivers

Coincident with the opening of each market efficiency proposal window PJM will identify eligible congestion drivers for which market efficiency projects are being solicited. Only proposals which address one or more of these PJM identified congestion drivers will be evaluated. Eligible congestion drivers will be selected to focus proposals on significant issues.

In determining eligible congestion drivers PJM will consider all binding flowgates internal to the PJM footprint (including tie lines), current active Market-to-Market flowgates listed in the NERC book of flowgates, and potential future Market-to-Market flowgates between PJM and MISO. Potential future (prospective) Market-to-Market flowgates will be identified using the principles of studies 2 & 4 of the flowgate qualification tests as outlined in the MISO-PJM JOA, Attachment 2, Section 3.2.1. Specifically, the following steps will be followed:

1. Using the same topology used to identify congestion the Market Efficiency process, PJM will define its control areas to align with the CMP processes as described in section 3.2
2. Monitored facilities included in MISOs Market Efficiency process will be combined with the full set of contingencies used in both PJM Market Efficiency process to establish the domain of flowgates that will be tested for eligibility.
3. Each of these flowgates will be studied in a sensitivity analysis that will establish the flowgates as congestion drivers should they meet either study criteria:

- a. GLDF Threshold Study

Under the historical control area representation, if any two PJM generating stations at electrically unique locations have a Generation-to-Load Distribution Factor (GLDF) that

Comment [WAC1]: Note: This is a new sub-section

is 5% or greater, this flowgate will be eligible to be an identified congestion driver in the Market Efficiency process.

b. TDF Threshold Study

Under the historic control area representation, if any historical control area to historical control area transaction (Generation-to-Generation transfer) has a 5% or greater Transfer Distribution Factor (TDF), this flowgate will be eligible to be an identified congestion driver in the Market Efficiency process

8.2.1.2 Congestion Mitigation

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Consistent with Schedule 6 of the PJM Operating Agreement, ~~of the PJM Operating Agreement,~~ a Market Efficiency proposal ~~will must substantially relieve~~ congestion on one or more PJM identified congestion drivers. Substantial relief will be determined as either: at least 50% of the modeled congestion on the identified flowgate, or an annual average congestion reduction of \$1 million on the identified flowgate. ~~economic constraint(s). If a proposal is submitted to mitigate one congestion driver, then in order to meet this criteria the proposal must relieve projected congestion on the driver by at least \$1. Similarly, if a proposal is submitted to address multiple congestion drivers, then in the order to meet this criteria the proposal shall relieve projected congestion on all the drivers by at least \$1.~~ ~~(Economic constraints~~PJM identified congestion drivers may be either energy or capacity market congestion. ~~Energy market uplift charges typically born due to local reactive support issues are addressed in the Operational Performance category.)~~

8.2.1.23 Benefit/Cost (B/C)

Consistent with Schedule 6 of the PJM Operating Agreement, a Market Efficiency proposal addressing one or more ~~target-identified~~ congestion driver(s) must meet a B/C ratio threshold of at least 1.25:1, calculated over the first 15 years of the life of the proposal. The B/C ratio is calculated using the procedure described in Manual 14B, section 2.6.5. The Market Efficiency Discount Rate and Fixed Carrying Charge Rate are subject to change for any given 24-month Market Efficiency cycle. Therefore, during every cycle, these values are published along with other Market Efficiency input assumptions. Rates published during the 2016/17 cycle are documented in the Appendix.

A proposal that does not meet the minimum B/C ratio test will not proceed further in the analysis as a stand-alone proposal to address the specific congestion constraint(s) for which it was submitted. However, ~~the proposal will not necessarily be rejected because,~~ the proposal, or a portion of the proposal, could be combined with other proposal(s) or a portion of other proposal(s) to address specific congestion issue(s) or other congestion issues as part of an overall plan to address system-wide congestion issues. ~~Any project that is composed of previously submitted, but not accepted proposals will undergo the same consideration criteria listed above.~~

Similarly, a proposal that meets the minimum B/C ratio test will not proceed further in the analysis to address the specific congestion constraint(s) for which it was submitted if the proposal does not relieve the specific constraint(s) congestion. However, the proposal will not necessarily be rejected because the proposal could relieve system level congestion and as a result, it could relieve congestion on some other congestion constraint(s) in the system.
