



Problem Statement / Issue Charge

The Benefit and Cost Calculations in PJM's Benefit/Cost Analysis for Transmission Projects should be reviewed

Problem Statement:

The MMU has identified issues with PJM's benefit/cost analysis that should be addressed prior to approval of additional transmission projects.

The current benefit/cost analysis for a regional transmission project explicitly and incorrectly ignores the increased congestion in zones that results from an RTEP project when calculating the energy market benefits.

The benefit/cost analysis does not account for the fact that different transmission projects may have different cost guarantees/cost risks. The current benefit/cost analysis does not include a method to evaluate and compare the costs of projects with different cost guarantees/cost risks.

Issue Source:

MMU review of PJM's Benefit/Cost Analysis

Stakeholder Group Assignment:

Planning Committee.

Key Work Activities:

1. Review PJM's Benefit/Cost Analysis.
2. Determine whether the Benefit/Cost Analysis can be improved and develop solutions, as needed, to improve the analysis.
3. Review the determination of benefits in PJM's Benefit/Cost Analysis.
4. Determine whether the determination of benefits in PJM's Benefit/Cost Analysis can be improved and develop solutions, as needed, to improve the analysis.
5. Review the evaluation of costs in PJM's Benefit/Cost Analysis.

6. Determine whether cost guarantees and/or an incorporation of the risk of cost overruns should be included in PJM's Benefit/Cost Analysis. Develop solutions, as needed, to improve the analysis.

Expected Deliverables

Revised RTEP Benefit/Costs Analysis

Expected Overall Duration of Work

The MMU expects that this work effort can be completed within six months.