

Market Efficiency Financial Parameters

Nick Dumitriu

Sr. Lead Engineer, PJM Market Simulation

March 22, 2017



- Annual Review of Market Efficiency Financial Assumptions at TEAC
 - “...Transmission Expansion Advisory Committee shall review the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission economic constraints.”
- Assumptions Include
 - **the discount rate** used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost
 - **the annual revenue requirement**, including the recovery period, used to determine the Total Enhancement Cost.
- Board Consideration
 - “...Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to the PJM Board for consideration.”

- Each Transmission Owner is requested to provide the Office of the Interconnection with the Transmission Owner's most recent
 - After-Tax Embedded Cost of Capital,
 - Total Transmission Capitalization
 - Levelized Carrying Charge Rate, including the recovery period.
- The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities.
- The above financial assumptions should be updated each year.

- Total Long Term Debt
- Preferred Stock
- Common Stock
- Debt Cost
- Preferred Cost
- Common Cost
- Tax Rate (T)
- Net Plant Carry Charge w/o depreciation
- Transmission Plant in Service (included in PJM tariff)