Discussion on Poll Results

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MEPETF
January 7, 2019
• Poll results show lack of consensus for an 18-month Market Efficiency cycle and Regional Targeted Market Efficiency Project (RTMEP) concept

• PJM is recommending to shift focus to the following:
  – Enhance existing 24-month cycle given support for 90+ day window length and interregional coordination concerns
  – Define evaluation criteria to address significant historical gross congestion based on existing governing document language
Topics for Discussion

- Market Efficiency window and mid-cycle update
- Historical congestion drivers
- PJM strawman proposal
Poll results show significant support for a 24-month cycle, with a shifted 120-day window open January - April

- Benefit of being open through mid-cycle update (early April)
- Compresses project evaluation timeline by two months (can be addressed by shifting the cycle to start March)

*Poll results for 24-month cycle, but shifting the opening of the four-month proposal window from November 1 to early January*
Current Market Efficiency Timeline

- 12-month Cycle
  - Acceleration Analysis
  - FTR Credit

- 24-month Cycle
  - Input assumptions
  - Base case development
  - Develop target congestion
  - Proposal submission
  - Evaluation
  - Approval
Historical Congestion

• Poll results show lack of consensus for a new, structured RTMEP process

• Current OA language provides PJM with the ability to identify congestion drivers based on significant gross historical congestion, but does not outline specific evaluation criteria for (1) and (2), Schedule 6 Section 1.5.7(b):

  Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis.
<table>
<thead>
<tr>
<th>Component</th>
<th>Status Quo</th>
<th>PJM Modification</th>
<th>Justification</th>
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</thead>
<tbody>
<tr>
<td>Market Efficiency Window</td>
<td>24-Month, 120-day window NOV-FEB</td>
<td>24-Month, 120-day window JAN-APR</td>
<td>Lessens mid-cycle update impact</td>
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<td></td>
<td>Starts January even years.</td>
<td>Starts March even years.</td>
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<td>Ends with Board Approval December odd years</td>
<td>Ends with Board Approval February even years</td>
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<td>Allows completing analysis on time. Previous window completed in FEB.</td>
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<td>Market Efficiency Cycle Start/End</td>
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<tr>
<td>Criteria to Address Historical Congestion</td>
<td>None</td>
<td>TBD process to evaluate B:C</td>
<td>Clarification of existing OA language</td>
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<tr>
<td>Project Reevaluation Criteria</td>
<td>All projects shall be evaluated annually</td>
<td>$20M cost threshold; CPCN received or 20% complete</td>
<td>Eases administrative burden</td>
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</tbody>
</table>
Next Steps

- Refine proposals – January 25
- Additional proposals / comments – February 1
- Final proposal presentations – February 8
- Final non-binding poll for March PC – mid February
- Review non-binding poll results & task force recommendation to PC – February 28