ITC appreciates the work PJM has put into the stakeholder presentations describing the details of PJM’s considerations in evaluating market efficiency projects. This represents a significant step forward in providing clarity to participants. We offer the following as items that should be added or clarified in documenting the selection of market efficiency projects, as well as some additional suggestions for the broader proposal window process.

**Market Efficiency Process**

- Provide all relevant information for project design and benefits evaluation at the opening of the window.
  - If PJM will use a threshold to determine the extent to which projects must resolve the identified market efficiency issues, this should be clearly stated up front.
    - We are not advocating that project solutions be required to completely resolve all identified issues, such as targeted flowgate congestion, as completely eliminating such issues may not be cost-effective.
    - However, if PJM will require (for example) that project solutions resolve a flowgate to X extent, or reduce targeted flowgate congestion by at least Y%, this should be clearly stated in the RFP.
  - All relevant information for optimizing project design should be provided to participants upon opening the proposal window.
    - This includes model updates and data inputs, as well as information to allow participants to evaluate project efficacy (such as the methodology for reactive interface limits in the AP South area for the 2014/15 market efficiency window).
    - To the extent possible, operational challenges with particular solutions should be indicated up front [i.e., no additional capacitive solutions can be applied in the area (AP South)].
    - If critical project evaluation information is provided after the window is opened, or models are updated, the proposal deadline should be extended.
    - NOTE: Auction Revenue Rights information is required to evaluate the benefits of various project options, but is not available until December, which delays participants’ assessment of project efficacy.
  - Any sensitivities (gas, load, other) that will be used to evaluate market efficiency projects should also be spelled out upon opening the proposal window.
    - In ITC’s experience, the drivers for PJM’s gas and load sensitivity cases are unclear.
      - PJM should clarify whether these sensitivities are based on updates to data (latest gas prices or load figures) or on possible outcomes.
      - If they are based on possible outcomes under a scenario or scenarios, what scenarios will PJM study?
    - In order for participants to provide the best set of projects for PJM consideration, they need to understand up front how PJM plans to apply sensitivities in evaluation.
  - Clearly explain the factors that PJM will consider in selecting market efficiency projects, and the priority that will be given to each.
Benefits of a project should continue to be the primary factor in selection, with benefit/cost ratio as a screening measure.

- Absolute project cost should be a consideration, but in the context of the B/C ratio and benefits measures.
- PJM should further clarify how Reliability Pricing Model (RPM) benefits will be measured and incorporated into the determination of project benefits.

Other criteria that will be used to evaluate projects should be explained and prioritized.

- To the extent that PJM contemplates additional selection factors for a specific issue or set of issues on a one-off basis, these should be communicated in the RFP.
- To what extent will cost containment measures be considered in the evaluation?
- To what extent will resiliency benefits, or avoidance of future reliability issues, be a factor in selection?

The use of sensitivities in evaluating projects should be clarified.

- In particular, PJM should clarify that failing to achieve a 1.25 B/C ratio in a single sensitivity case will not disqualify a project, although it will be taken into account in evaluating the project against other proposals.
- The specifics of what constitutes a gas sensitivity case or a load sensitivity case should be clarified, as indicated in the above comments.

Timing: PJM needs to provide substantive guidelines for the market efficiency process by opening of the long-term proposal window on Nov 1, 2016.

General Suggestions

- Clarify the circumstances under which PJM would re-open a window to resolve previously posted reliability violations or market efficiency issues for which proposals have already been solicited.
  - What constitutes a material change to posted issues, models or assumptions that would cause PJM to re-open a window?
- Explain the process by which PJM would combine elements of various proposals into a recommended solution.
- Consider further fleshing out the greenfield project proposal template to clarify what information PJM requires in order to evaluate proposals, and what information is ancillary to the evaluation.
- In order to streamline the process for participants and for PJM, consider bifurcating the proposal submission process.
  - Retain first step of submitting project proposals without detailed project cost estimates.
  - Narrow the field of proposed projects to a select group, then request detailed project cost estimates for those selected projects.