Market Efficiency Financial Parameters

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• 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.
TO Financial Assumptions Details

- 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)