Processing paragraphs:
what happens there
and what do we want
In TEX a paragraph (or any text) is a linked list of so called nodes. Think of glyph nodes, glue nodes, kern nodes. Nodes can originate from user actions or inserted by the engine itself. Math for instance is processed into nodes using an intermediate representation.

Boxes are packed: horizontally or vertically (a paragraph). For each paragraph a long list is broken into smaller ones representing lines. Lines are hboxes and in between come others items like glue and penalties.

As packaged boxes can be unboxed and injected in for instance the regular flow of a paragraph, an already processed list can be seen multiple times and get re-processed.
What takes place when packaging

It all happens within some size related constraints, like hsize, left- and rightskip, (hanging) indentation.

There are also esthetic constraints, like preferred points for breaking or the opposite, or the overall quality of the result.

Words can be broken into two parts (hyphenation) and special things might happen there.

Breaking lines involves spacing, stretch, shrink, tolerance and more aspects.

A paragraph can start out in one direction but directions can change (back) anywhere, this feature is inherited from Aleph/Omega.

The last line can get a special treatment, something inherited from ε-TEX.

Characters can protrude in the left or right margin and be widened or narrowed, introduced in pdfTEX.

Ligatures can demand some special treatment when hyphenated, although one may wonder if we should bother about it as in practice it does not matter that much.
How can we influence this

In LuaTEX we can intercept the building and packaging of lists at multiple stages. This way one can change the order of normal actions or do additional things. For instance, OpenType font features are dealt with in Lua by manipulating the node lists.

In ConTeXt we have plugin mechanisms so that we can overload or extend mechanisms like the parbuilder of hpacker.

So, we have the core TeX machinery, including all its normal functionality, but we can change its behaviour.
What we deal with

The parbuilder is mostly one big function that has got quite complex in successive extended TEX's. By looking at the whole we can simplify statements and avoid goto's. We can replace web and C macros by constructs more natural to Lua. We can consider splitting the currently mixed phases. It makes sense to add more tracing. In Lua we can use different data structures and don't need to be clever with memory and access.
Do we really need this eventually in ConTEXt? We will use these hooks to create more flexible (and maybe better) solutions (replace existing code).

Think for instance of more complex paragraph shapes or more complex flow of text around graphics (crossing pages).

An example is the Oriental T\EX related optimizer: here we manipulate lists and feed them into the regular parbuilder.

Originally we thought that we needed to extend the parbuilder, but in practice we ended up with an interplay between font technology and regular parbuilding.

In the optimizer we reprocess the node lists quite drastically: we replace words by alternative renditions and then let the regular parbuilder do its work again.

So, not all paragraph optimizations demand tweaking of the parbuilder, but it's hard to predict what we will do in the future.