



Long Term FTR Auction

Brian Chmielewski
Sr. Consultant, Market Simulation
Market Implementation Committee
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- Problem Statement:
 - Review LT FTR Auction process & modeling practices
 - Discuss objective of the LT FTR Auction and determine if current construct allows these goals to be achieved
- To Date:
 - IMM has raised initial concerns with current construct
 - PJM, IMM and Market Participants have presented education on creation of Long Term FTR market, current statistics and current utilization of the Long Term FTR product

LT FTRs created to allow for a hedging product for multi-year retail load obligations and enhance FTR market liquidity and flexibility

LT FTR market should be limited to residual transmission system capability, after ARRAs are preserved

LT FTR is an important market for providing granular forward pricing

- LT FTRs created to allow for a hedging product for multi-year retail load obligations and enhance FTR market liquidity and flexibility

Very low use of the YRALL (3-year) product

- LT FTR market should be limited to residual transmission system capability, after ARR is preserved

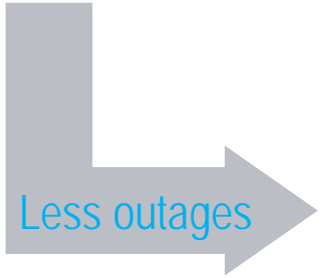
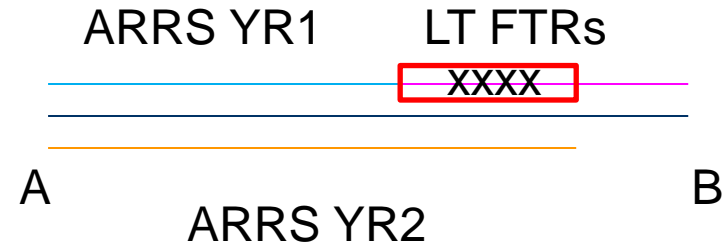
Current modeling practices do not accurately reflect residual capability in the Long Term FTR Auction model

- LT FTR is an important market for providing granular forward pricing

FTR holders are able to obtain valuable rights prior to ARR holders – which may violate LSE priority rights to congestion

Annual ARR Allocation

- Prorated ARR
Capability carved out of long term model



Long-Term FTR Auction

- Residual capability on ARR paths sold as LT FTRs for next three planning periods



Annual FTR Auction

- LT FTRs take up capability that should otherwise be available in the Annual Auction

- Change methodology for modeling ARR in the Long Term FTR market in order to more accurately reflect ARR capability & residual FTR capability
 - Multiple options on the table for how best to achieve this concept
 - Test scenarios run by PJM to show initial impacts
- Remove YRALL product
 - Marginal increase to case performance

- Three test cases were run to compare impacts of modeling ARR in the LT Auction (1 round)
 - All Cleared ARRs
 - All Cleared plus requested ARRs
 - All Escalated Cleared plus requested ARRs (10 year zonal load growth rate)

Test Scenario	Net Revenue	Cleared Buy	Cleared Sell	Cleared PF	Cleared CF
Base	\$ 25,218,065.91	214,615.1	9,686.1	114,927.2	109,374.0
Cleared and Requested	\$ 14,549,267.88	233,870.5	9,655.9	112,478.3	131,048.1
Cleared+ and Requested	\$ 14,555,650.34	234,393.2	9,668.1	112,907.0	131,154.3
Base					
YR1	\$ 3,317,603.40	44,300.1	6,143.1	26,002.3	24,440.9
YR2	\$ 14,594,194.23	100,196.5	3,543.0	53,014.7	50,724.8
YR3	\$ 7,406,986.70	69,421.0	-	35,600.7	33,820.3
YRALL	\$ (100,718.42)	697.5	-	309.5	388.0
Cleared and Requested					
YR1	\$ 1,691,612.42	41,694.2	6,195.9	24,315.2	23,574.9
YR2	\$ 8,180,926.47	110,941.0	3,460.0	52,766.6	61,634.4
YR3	\$ 4,770,253.63	80,462.0	-	35,083.2	45,378.8
YRALL	\$ (93,524.64)	773.3	-	313.3	460.0
Cleared+ and Requested					
YR1	\$ 1,734,457.27	41,765.4	6,211.0	24,427.2	23,549.2
YR2	\$ 8,158,648.00	110,793.7	3,457.1	52,864.7	61,386.1
YR3	\$ 4,761,918.30	81,071.1	-	35,312.1	45,759.0
YRALL	\$ (99,373.23)	763.0	-	303.0	460.0

Above figures are not indicative of actual results. Only used for comparative purposes.