

FTR Forfeiture Rule Education

Market Implementation Committee

May 2, 2018

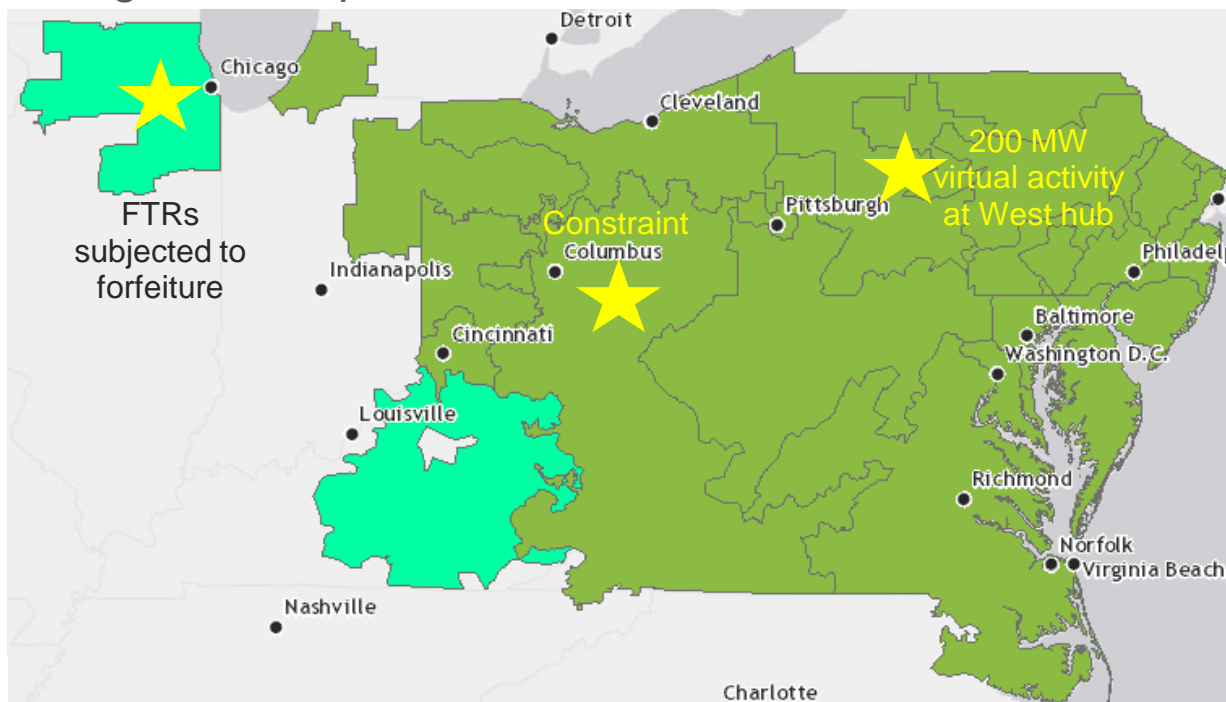


Problem from Our Perspective

The FTR Forfeiture Rule is deterring use of virtuals aimed at creating congestion that benefits FTR positions, but over-mitigation is foreclosing legitimate activity

- Competitive suppliers may use FTRs to manage congestion risk
- Competitive suppliers may use incs/dec to manage load risk

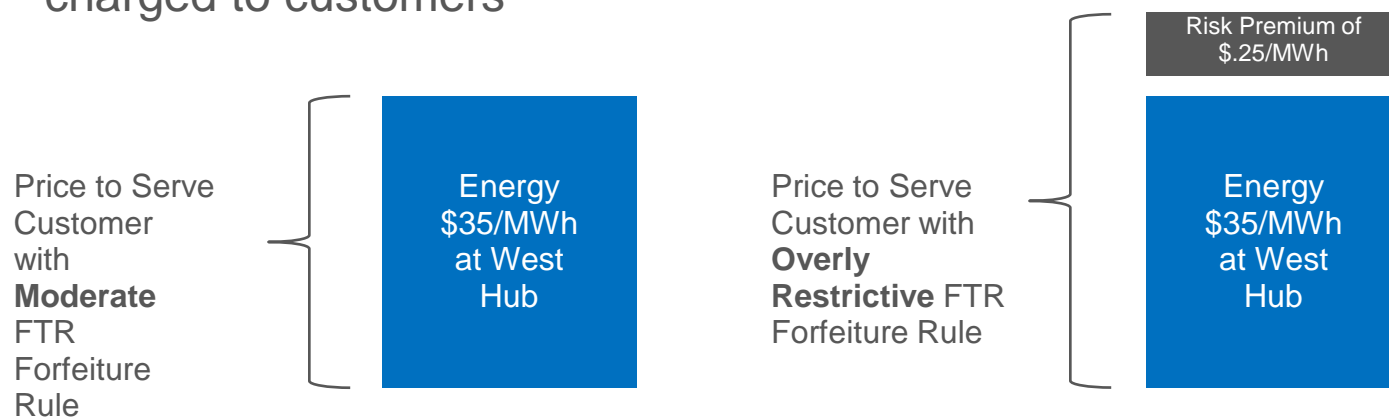
Several market participants have concerns that the rule is too restrictive and prohibits the usage of both products



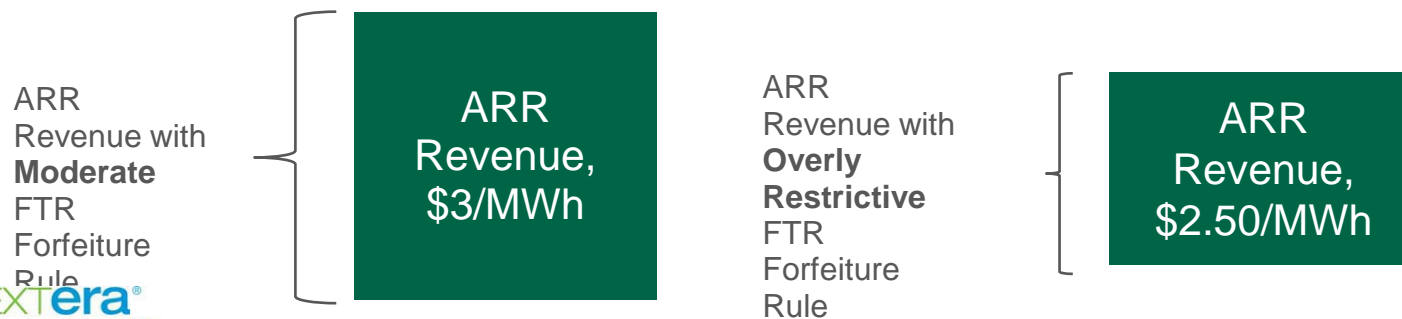
Market Impacts of Current Rule

An overly restrictive FTR Forfeiture Rule can hurt customers

- Competitive suppliers may assess additional risk premiums that may be charged to customers



- Reduced value of ARR if market participants bid less for FTRs as a result of increased forfeiture risk



Sensitivities to Current FTR Forfeiture Rule

- KWA #2: Perform and review sensitivity analysis on the FTR Impact Test levels and others as requested
- Exelon, NextEra, and VECO Power Trading have developed some suggested analysis to be performed
- Data request also includes detail on # of Market Participants Subject to Forfeiture and Aggregate Forfeited Revenues under various sensitivities

FTR Forfeiture Rule	Status Quo	Sensitivity 1 - Changes to FTR Impact Test Only		Sensitivity 2 - Changes to Virtual Test Only		Sensitivity 3 - Changes to Both Tests	
		Sensitivity 1A	Sensitivity 1B	Sensitivity 2A	Sensitivity 2B	Sensitivity 3A - Moderate	Sensitivity 3B - More Significant
Virtual Test - Net virtual activity across all affiliates must affect a constraint by a certain value of the line limit	greater of .1 MW or 10% of the line limit	greater of .1 MW or 10% of the line limit	greater of .1 MW or 10% of the line limit	greater of 10 MW or 10% of the line limit	greater of 10 MW or 15% of the line limit	greater of 10 MW or 15% of the line limit	greater of 50 MW or 25% of the line limit
FTR Impact Test - A constraint affects an individual FTR's target allocation by a certain value	greater or equal to \$.01	10% distribution factor test (per prior rule set)	greater of \$.10 or 15% of target allocation	greater or equal to \$.01	greater or equal to \$.01	greater of \$.10 or 15% of target allocation	greater of \$.15 or 20% of target allocation
# of Market Participants Subject to Forfeiture							
2017 Total Forfeiture Revenue	\$9.6M						