

# Incremental Auction Revenue Rights

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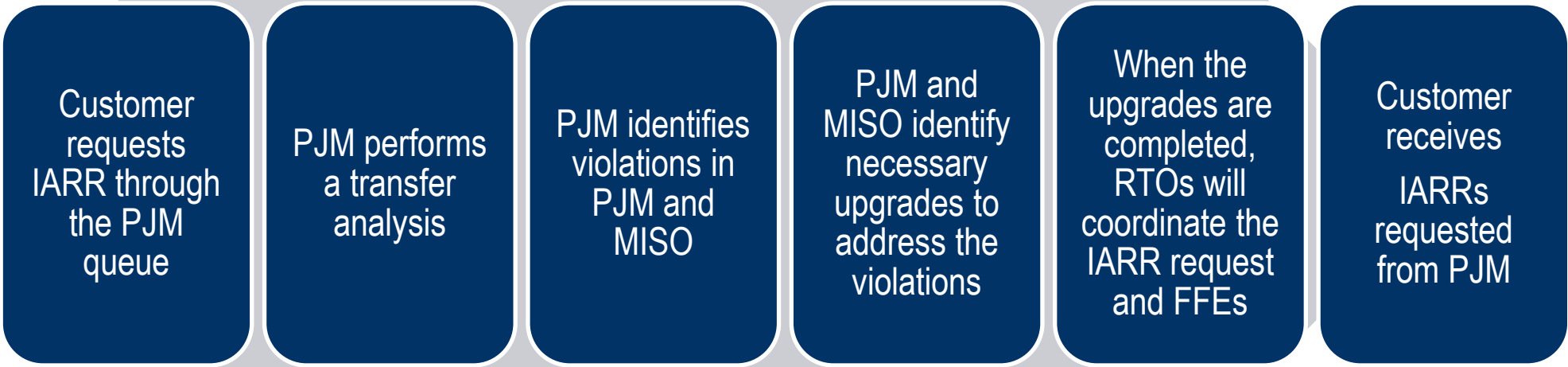
Markets Implementation Committee

Action Required	Deadline	Who May Be Affected
Education	<b>6/12/2019</b>	FTR/ARR Market Participants
Send questions to PJM	<b>6/30/2019</b>	FTR/ARR Market Participants
Proposal Matrix Design	<b>7/10/2019</b>	All Stakeholders
Proposal First Read	<b>8/7/2019</b>	All Stakeholders



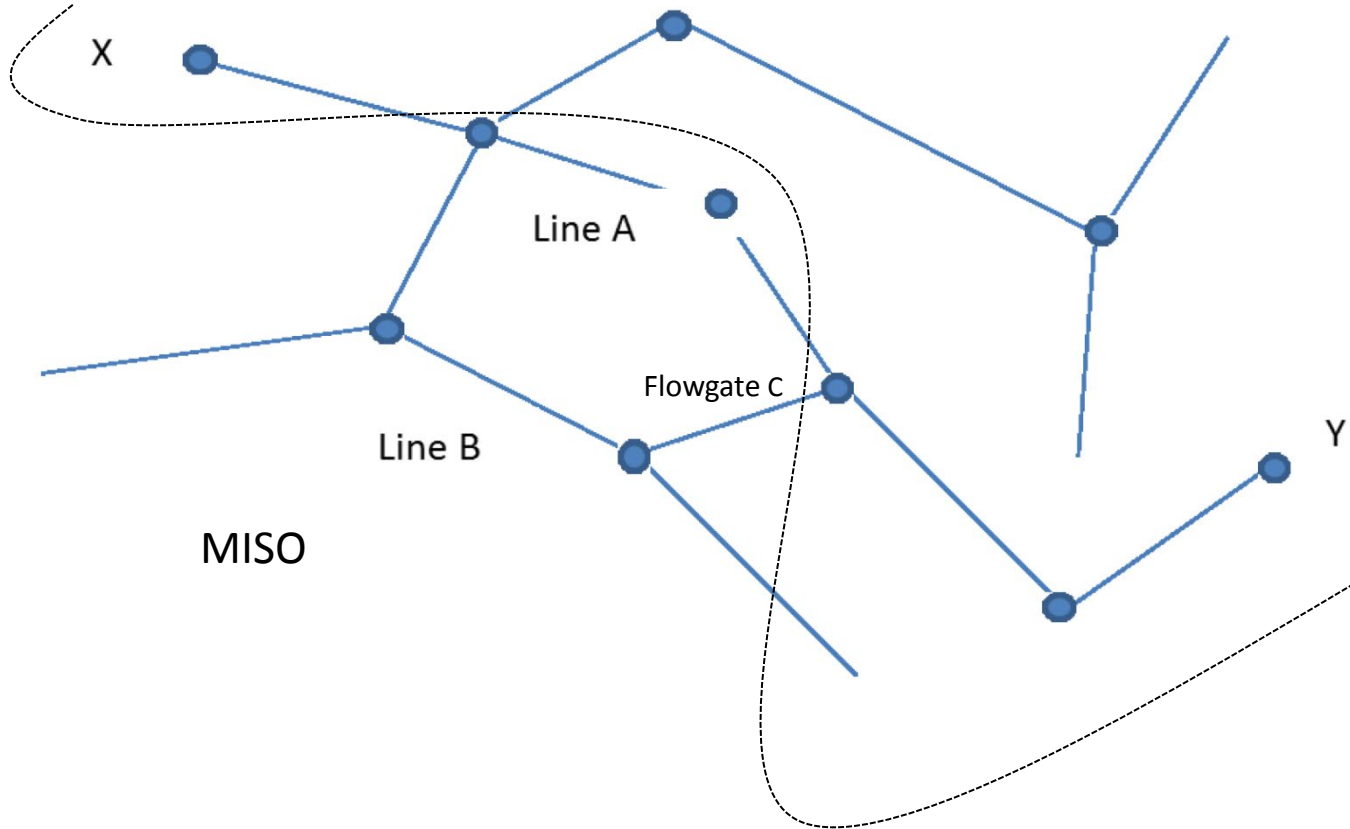
- [IARR coordination with MISO](#) approved in April 2019  
Address concerns with FTR underfunding as a result of approved customer-funded IARR projects that impact market-to-market coordinated flowgates
- **Key takeaways:**
  - IARRs are supported by transmission upgrades that can provide additional capability on PJM and MISO facilities
  - PJM guarantees the final awarded IARRs represent at least 80% of the original requested/determined IARRs
  - MISO cannot guarantee Firm Flow Entitlements to support IARRs that may impact coordinated flowgates which can directly cause FTR underfunding

- PJM and MISO offer an IARR product for transmission expansions that add incremental capability to the PJM system
- IARR MWs are awarded for the incremental capability created for the life of the facility or 30 years, whichever is less
  - Must be simultaneously feasible with all existing Stage 1 ARR
  - Valued each year based on Annual FTR Auction clearing prices
- PJM offers an additional option allowing stakeholders to obtain an IARR by agreeing to fund transmission upgrades needed to support the request



- Proper transfer of FFEs is needed on impacted flowgates to support IARR request to ensure FTR Revenue Adequacy
- PJM requirement to guarantee at least 80% of IARR MW
  - May require some guarantee from MISO on future FFE allocations, which MISO cannot guarantee given the potential risk to value for MISO stakeholders
- Non-active flowgates may impact feasibility of IARR if activated in future

PJM



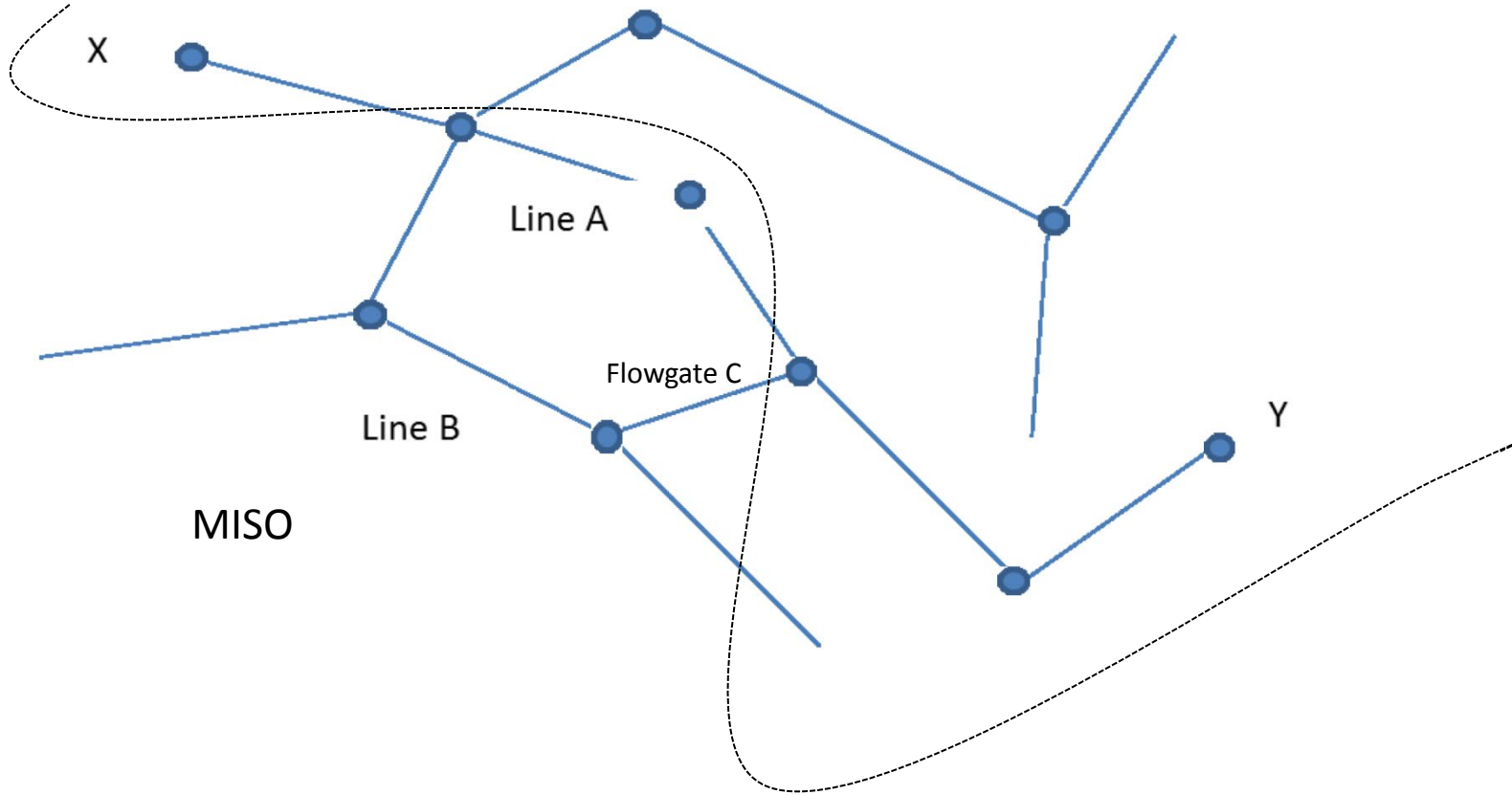
## *IARR Submission*

- Source Location: X
- Sink Location: Y
- MW Requested: 200MW

## *Market Analysis Results*

- Line A and B are limiting elements in latest ARR Allocation
- 100MW additional flow on Line A and B, 50MW on Flowgate C as a result of IARR submission

PJM

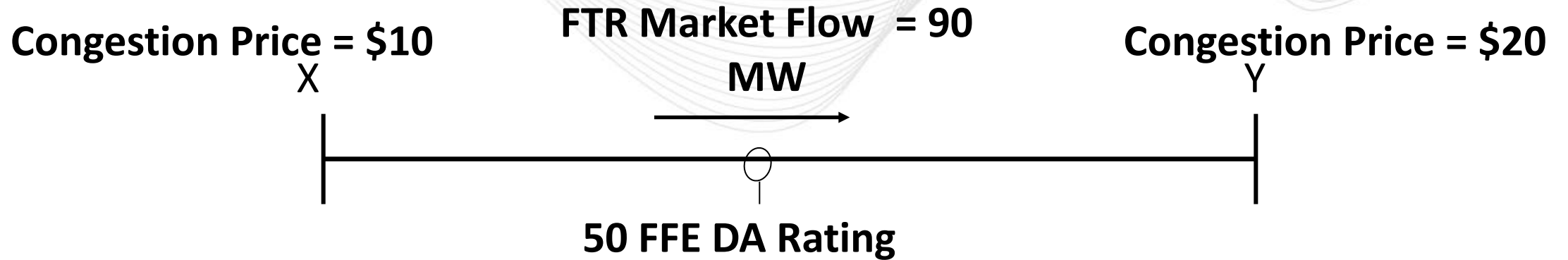


## *Planning Coordination*

- Re-conductor Line A and B to address violations
- Physical reinforcements are not needed for FG C, however it is now 50MWs over-allocated from an FTR/FFE perspective



- Based on illustrative example Flowgate C would be 40 MW over allocated in the annual FTR auction
  - 160 MW IARR (80%) would be modeled in the annual FTR auction
  - DA Congestion revenue collected on that path would be restricted/based on pre-existing FFE limit



Day Ahead Congestion Charge = 50 MW (\$20 - \$10) = **\$500**

## FTR Target Allocation

Total FTR Target Allocation = 90 MW (\$20 - \$10) = **\$900**

FTR Target Allocation payout is 56%

- Any questions can be addressed to the [FTRGroup@pjm.com](mailto:FTRGroup@pjm.com)
- Design Components/Options Matrix at July MIC