

To be added as a new section to PJM Manual M-06: Financial Transmission Rights

8.6 FTR Forfeiture Rule Section 5.2.1 (b) of the PJM Operating Agreement requires that if a holder of a Financial Transmission Right between specified delivery and receipt buses (i) had an Increment Bid and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Bid or Decrement Bid is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights Auction.

Section 5.2.1 (c) of the PJM Operating Agreement ~~states~~defines the criteria used to determine if a bus is at or near a Financial Transmission Right delivery or receipt bus.:

~~“a bus shall be considered at or near the Financial Transmission Right delivery or receipt bus if seventy five percent or more of the energy injected or withdrawn at that bus and which is withdrawn or injected at any other bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses that were acquired in the Financial Transmission Rights Auction.”~~

The FTR forfeiture for increment offers and decrement bids rule is implemented as follows:

- Cleared increment offers or decrement bids are considered at or near a Financial Transmission Right delivery or receipt bus if seventy five percent or more of the energy withdrawn or injected from the cleared offer or bid by a market participant at that bus, and withdrawn or injected, through any cleared virtual or physical transactions, regardless of the market participant that submitted the opposing transaction, at the bus with the largest impact is reflected on the constrained path between the subject market participant's Financial Transmission Right delivery and receipt buses.

When the above conditions exists, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was positive, the participant forfeits an amount equal to the hourly FTR Target Allocation minus the hourly FTR Auction clearing price for that FTR path.

When either of the above conditions exits, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was negative, the participant forfeits an amount equal to the hourly FTR Target Allocation.

In no case will the forfeit amount be less than \$0.