Rank Ordering the Total Costs of FTR Default Options

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Offer for Liquidation (OFL)

- Example: Options C, D, G, J1, J2, PQ, Q
- Costs based on willingness of buyers to acquire the defaulted positions, including risk premium adders and profit adders, based on expected ARR and FTR revenue streams/obligations.
- Buyers will be paid to take defaulted positions
- Costs accrued in Default Allocation Assessment and distributed to all members.
- Liquidation will affect FTR/ARR prices/revenue
- Fixed Obligations Costs
  - Some options have costs determined in each planning period

Do not offer for liquidation (DNO)

- Example: Option B. Let positions go to settlement.
- Cost of DNO based on ARR obligations (payments for FTRs) of the defaulting account. Fixed for each planning year.
- Cost of DNO based on FTR obligations (CLMP based payments for FTR) of the defaulting account and actual hourly LMPs. Variable by hour in each planning year.
- Costs accrued in Default Allocation Assessment and distributed to all members.
- Obligations/costs will be final only at the end of 20/21 planning year.

Cancel FTRs (Cancel)

- Example: K (LTFTR), R and R1 (FTR and LTFTR)
- Only defaulted positions/obligations are canceled
- ARR/FTR Surplus may be impacted to cover cancellation costs
  - Adjusts congestion in ARR and FTR market
- PJM will make market model adjustments to reduce/eliminate short positions
- R does not create a default allocation.
  - Costs contained in ARR/FTR construct
- R1 does create a default allocation based on obligations of the defaulting account.

Rank Order of Total Costs

- (Cancel; R) <= (Cancel; R1) <= (DNO) < (OFL)
  - (OFL) = (DNO) x (1+profit %+risk %)

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