FTR Forfeiture Rule

MRC
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FERC Order

- **Prior FTR forfeiture rule found unjust and unreasonable**

- **Per the order, current rule incorporates improvements:**
  - **Virtual portfolio netting**
  - **Virtual constraint impact**
  - **FTR valuation change**
  - **Increased transparency**
  - **Include Hubs, Zones and Interfaces**
  - **Include counterflow FTRs**

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Current Forfeiture Rule Consistent with Order

- **The current rule is based on the DA modeled transmission limits**
  - **DA modeled transmission limits determine commitment, dispatch, flows, prices, CLMPs and FTR value**
  - **There has been no substantive argument to modify this approach**

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Current Forfeiture Rule Consistent with Order

- **The purpose of the rule is to deter cross product manipulation**

- **The current rule has no dfax based cut off for portfolio effects.**
  - **Flow effect based on net effect of entire portfolio**
  - **Any flow based cut off is arbitrary and attenuates rule**

- **The penny test is a reasonable determinant of whether there is a positive effect on the value of an FTR**

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Exelon Proposed Rule

- **Changes the day-ahead limit depending on type of constraint**
  - **Does not treat all constraints equally**
  - **No longer based on actual DA transmission limits which determine commitment, dispatch and prices**
- **Changes penny test to arbitrary FTR dfax cutoff**
  - **Substantially weakens forfeiture rule**
  - **Ignores impact of shadow price on FTR value**

1. 158 FERC ¶61,038, at P60. (2017).

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Dfax Cutoff Is Inconsistent with FERC Order

- **FERC ordered that a forfeiture should be triggered when the net flow of virtual activity increases the value of an FTR**
  - **"the net flow must be in the direction to increase the value of an FTR"[1]**
  - **The penny test meets the requirement for a threshold for an increase in value**
  - **The dfax cutoff provides no measure of FTR valuation, counter to FERC order: "the net flow must be in the direction to increase the value of an FTR"**

1. 158 FERC ¶ 61,038, at P.62. (2017).

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Proposed 10 Percent Cutoff Weakens Rule

- **Arbitrary dfax cutoff of 10 percent weakens the rule**
- **High value impacts to an FTR would be ignored with arbitrary 10 percent cutoff**

Source	Sink	FTR Dfax Delta	FTR Value Impact	Current Test	10% Threshold
SAMMISFE19 KV SL10	GIRARD	0.088844	28.477332	FAIL	PASS
MEADOWLK34.5 KV MEDLK2WF	BISHOPHI34.5 KV BISHWF1	0.09422	-22.002507	FAIL	PASS
944 SE C13.5 KV SE-8	BUCHANAN2 KV BU9	0.094792	52.742004	FAIL	PASS
VAUGHN 69 KV CENTRALF	WYEMILLS69 KV WYEMILSP	0.091916	-56.217551	FAIL	PASS

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FTR Forfeiture Totals

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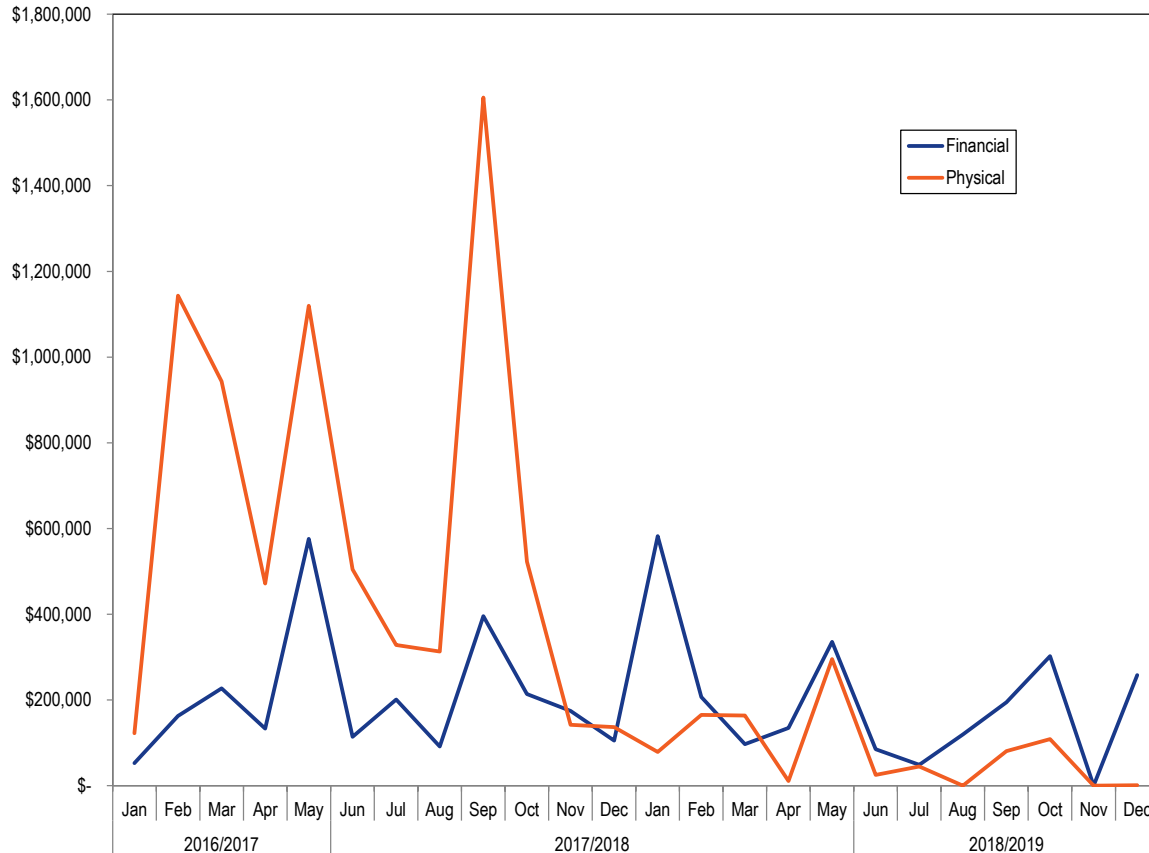
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