



FTR Market Review Whitepaper Overview

Brian Chmielewski
Manager, Market Simulation
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AFMTF

- Overall, the FTR market is working well to fulfill its intended purpose
- Redesigning the FTR market in order to achieve a return of 100% congestion revenues to load would fundamentally change the nature of the product and interaction with energy market
- PJM remains open to all ideas to enhance the product and market including methods to ensure load has first rights to the entire transmission system for which they pay the embedded costs.
- Four tracks (at least) exist that should be fully explored:
 - Existing ARR construct
 - Evaluation of FTR auction product range
 - Review of existing Incremental ARR products
 - Bilateral market governing business rules

- Fundamental purpose of the FTR is to provide a hedge against unknown locational price differences associated with future energy deliveries caused by congestion in the Day-ahead market
- Inherent in this fundamental purpose is the existing point-to-point construct as highlighted in the FTR Market Review whitepaper
 - Allows a “perfect hedge” of locational price differences
 - Consistent with how bulk of energy is scheduled and delivered in PJM
- A shift away from the point-to-point construct may leave load unable to sufficiently hedge forward costs

- The FTR auctions offer additional value than simply fulfilling the product's intended purpose to serve as a financial equivalent to firm transmission service
 - Valued forward price information to assist with commercial investments
 - Multi-year hedges to align with longer-term supply contracts
- Financial participants supply the competitive forces needed to accurately price, value, and trade available transmission capability
 - ARR valuations drastically increase with open competition
 - Enhanced liquidity creates an efficient market for building and reconfiguring FTR portfolios

- Retaining source to sink construct preserves intended purpose – changing to allocate 100% congestion to load would change the fundamental purpose of the FTR construct
 - There are opportunities to ensure full transmission capability is first available to load more efficiently under the existing source to sink construct
- PJM remains open to all input and suggestions for improving the product
- Next steps include:
 - Design component “themes”
 - Solution Options
 - Package development and winnowing
 - Ad hoc analysis/education upon request