

# **Additional Enhancements to the ARR Market**

By AEP

2/17/2021

# ARR Enhancements Recommended by LEI



## ARR mechanism should be adjusted, including the assignment process and rules for what paths are eligible for ARR

► LEI recommends a series of enhancements to address the main issues

- these enhancements are inter-related and should be considered as a “package” as much as possible

**1** Consensus among stakeholders on what is an equitable allocation

**2** Examine historical sources of congestion charges

**3** Increase network capacity allocated in ARR process

Allow load to nominate outside-its-zone nodes at earlier stages of the allocation process

Permit load to nominate non-traditional ARR paths such as gen-to-gen paths or gen-to-hub paths

Disaggregate 24-hour ARRs into on-peak /off-peak products that can be self-scheduled separately

**4** Provide ARR holders with flexibility in self-scheduling

Allow load to self-schedule in select months during the annual FTR auction

Let ARR holders set “limit order” and only hold ARRs if the FTR auction price is above their target price

- Net benefit to load could be improved by reducing leakages without limiting non-load’s participation in the FTR auctions

# Additional Enhancements Proposed by AEP

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- Create monthly ARR allocations
- Create granular ARRs
- Include csv data format for nomination and bid uploading

# Why Are Monthly ARR Allocations Needed?

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- Adjust ARR portfolios according to changes in congestion patterns, similar to what people would do in FTR auctions (Appendix).
- Fully utilize withheld transmission capability that is later released.
- Shorten congestion-unhedged time for adding new resources, especially for rate-based ones, that come online during a planning year.

# Why Are Granular ARR's Needed?

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- Increase nomination possibility for an ARR entitlement.
- Increase profitability for an ARR award.
- Accommodate unique generation profiles of renewable energy.
- Work well with LEI's recommendation for separate or flexible self-scheduling at slide 2.

# Why Is the CSV Format Needed?

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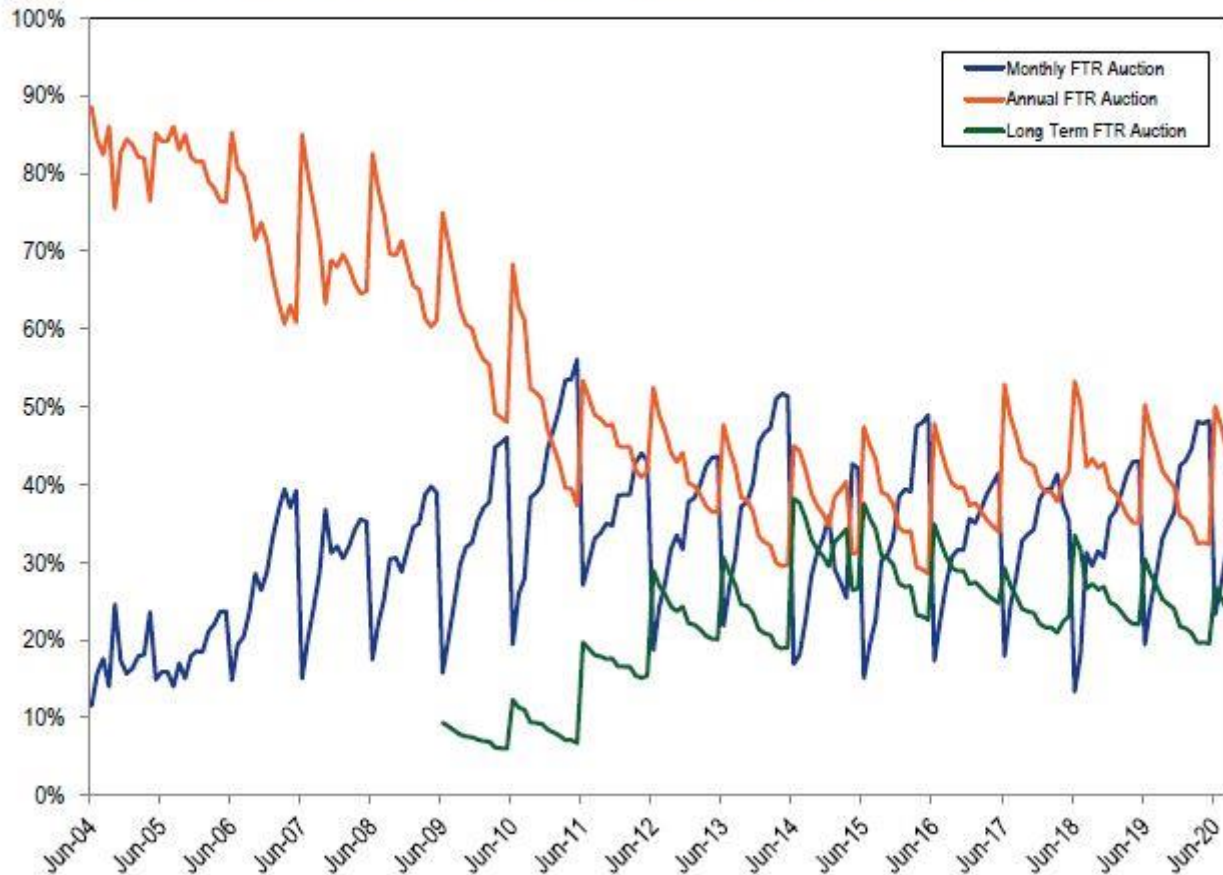
- Easy to use and maintain.
- No programming knowledge and skill required.

QUESTIONS?

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# Appendix: Cleared FTR Volumes by Auction Type

Figure 13-4 Cleared auction volume (MW) as a percent of total FTR cleared volume by calendar month: June 2004 through September 2020



\* The figure from 2020 Q3 Quarterly State of Market Report for PJM