

# FTRSTF

Tim Horgler  
Manager, Market Simulation  
March 5, 2015

## FTR Revenue Adequacy

### Funding Percentage

2013/2014: 72%

2014/2015\*: 106%

\*thru January 2015



## Allocation of ARR Rights

### ARR Stage 1B:

2013/2014: \$27 million

2014/2015: \$2 million

## PJM Tariff and OA

7.5 Simultaneous Feasibility.....The goal of the simultaneous feasibility determination shall be to **ensure that there are sufficient revenues from Transmission Congestion Charges to satisfy all Financial Transmission Rights obligations for the auction period** under expected conditions and to ensure that there are sufficient revenues from the annual Financial Transmission Right Auction to satisfy all Auction Revenue Rights obligations.

FTR Funding has improved because reasons such as the follow:

- **More restrictive ARR Allocation**
- Improved FTR Modeling
- Transmission Upgrades
- Enhanced Market Tools
- Improved M2M coordination
- New FTR rules for reducing over allocated facilities by clearing more counter flow FTRs (at expense of auction revenue)

Planning Period	Revenue Adequacy	Total Surplus
2009-10	97%	-\$28
2010-11	85%	-\$254
2011-12	81%	-\$192
2012-13	69%	-\$288
2013-14	72%	-\$677
2014-15*	106%	\$44

\*through January 2015

- ARR allocation reductions have offset the balancing congestion impact of emergency outages.
- FTR improvements alone should be enough to maintain FTR Revenue Adequacy assuming the following:
  - No Emergency outages - **Impossible to avoid**
  - OR
  - ARR allocations remain reduced - **Not Optimal**
- PJM recommended solution is to allocate only Balancing congestion from emergency outages differently **only** if the emergency outages reduce funding below the approved ARR capability.
  - Should improve ARR allocations while maintaining FTR Revenue Adequacy

- ARR holders are guaranteed FTRs through the self scheduling mechanism.
- FTR Capability associated with cleared ARR MWs correlate to physical congestion hedges.
  - Additional FTR cleared capability is associated with Monthly, Long Term, and excess Annual capability.
- Balancing Congestion associated with Uncontrollable or Emergency Outages could be allocated differently **only** if this Balancing congestion reduces FTR funding below the ARR cleared capability value.
  - Ensures only a subset of Balancing Congestion is allocated differently if the congestion hedge associated with ARR physical capability cannot be assured.

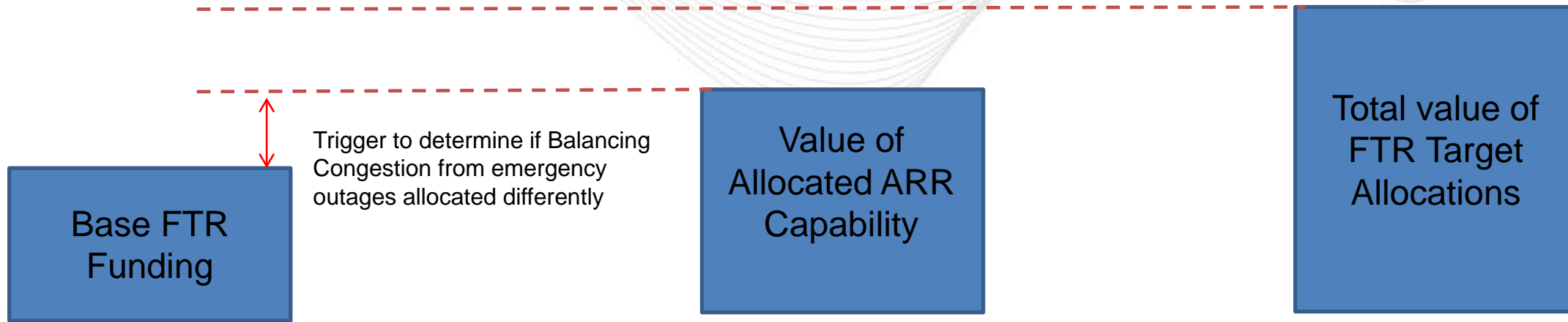


## New PJM Proposed Package – Balancing Congestion

### PJM new package for settlement of FTRs and Balancing Congestion

- Only Balancing Congestion (including M2M Payments) associated with Emergency Outages (Transmission and Generation) may be allocated to Load + Exports + DECs + UTCs (withdraw portion) **IF** the value of the allocated ARR capability is greater than the FTR funding dollars.
  - Capped at the Balancing Congestion dollars associated with emergency outages.
  - All excess dollars allocated to Load + Exports + DECs + UTCs (withdraw portion).
  - All deficiencies allocated to FTR Holders pro-rata based on FTR Target Allocations.

# Proposed Trigger on Balancing Congestion Allocation



- FTR Base Funding < ARR Annual Capability so this triggers the use of Balancing Congestion from emergency outages to be allocated to Load + Exports + DEC's + UTCs (withdraw portion).
- Ensures only balancing congestion from emergency outages is allocated differently if allocated ARR capacity is greater than Base FTR funding dollars and not associated with any excess monthly, long term, or annual FTRs.

$$\text{ARR DA Target Allocation} = \text{ARR MWs (Day-ahead}_{\text{Sink Cong. LMP}} - \text{Day-ahead}_{\text{Source Cong. LMP}})$$

$$\text{FTR Target Allocation} = \text{FTR MWs (Day-ahead}_{\text{Sink Cong. LMP}} - \text{Day-ahead}_{\text{Source Cong. LMP}})$$





## New PJM Proposed Package – Balancing Congestion and ARR Allocation Estimated Impact (\$millions)

Planning Period	Original FTR Surplus	Balancing Congestion to be Allocated Differently	\$/MWh estimated rate for Balancing Congestion Allocation (RT Load + Exports +DECs+ UTCs (Withdraw portion)	New FTR Surplus	Projected increase in ARR value (assumed Self Scheduled)
2013/2014	-\$691.4	\$84.8	0.06	-\$606.6	\$77.9
2014/2015*	\$45.2	\$26.0	0.03	\$71.3	\$33.2

\*thru January 2015

- All positive FTR surplus to be allocated to RT Load + Exports +DECs+ UTCs (Withdraw portion)
- All negative FTR surplus to be charged to FTRs holders pro-rata based on FTR Target Allocations (Status Quo)





# New PJM Proposed Package – Balancing Congestion, FTR Surplus, and ARR Allocation Estimated Breakout

Planning Period	Balancing Congestion to be Allocated Differently (\$ millions)	Additional Balancing Congestion Cost Breakout (\$millions)			
		RT LOAD	Exports	DECs	UTCs
2013/2014	\$84.8	\$48.5	\$2.2	\$3.5	\$30.5
2014/2015*	\$26.0	\$17.4	\$0.8	\$1.3	\$6.6

Planning Period	New FTR Surplus (\$ millions)	FTR Surplus Breakout (\$millions)				
		RT LOAD	Exports	DECs	UTCs	FTR holders
2013/2014	-\$606.6	\$0	\$0	\$0	\$0	-\$606.6
2014/2015*	\$71.3	\$47.59	\$2.10	\$3.50	\$18.10	0

Planning Period	Projected increase in ARR value (assumed Self Scheduled)
2013/2014	\$77.9
2014/2015*	\$33.2

\*thru January 2015

#	Design Components	Description
14	Historical Resources	Based on Historical Reference Year. Retirements replaced with oldest available resource that is in-service <b>and was offered for zone for upcoming planning year</b> that is not already a historical resource.
19	Treatment in settlements of Portfolio netting of FTRs*	Do not allow positive FTRs to offset negative FTRs within a portfolio. Treat each FTR individually.
17	Stage 1A 10 Year process	Escalation of current ARR results using zonal load forecast growth rate +1.5%
18	Report of monthly payout ratios*	Use Negative Target Allocations as increase in congestion revenue in reporting of monthly payout ratios