



# FTR Portfolio Liquidation Proposal

Presented by Vitol Inc.

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# Concept and Principles

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- *The overall concept is for PJM to auction off ownership of the FTR portfolio*
  - *The auction would be separate from normal FTR auctions*
  - *The auction would be a multi-round, sealed-bid competition for ownership of individual tranches of the portfolio*
  - *Each round would produce a winner as well as a transparent price*
- *This type of liquidation adheres to the following principles:*
  - *Eliminate membership exposure to variation risk of the FTR portfolio*
  - *Conduct a liquidation process that is transparent, competitive, and simple*
  - *Avoid creating additional default risk*

# Proposed Methodology

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- *Break the aggregate portfolio into three sub-portfolios by time period*
  - *Sub-portfolio 1: All FTRs for balance of 2018-2019 planning year*
  - *Sub-portfolio 2: All FTRs for 2019-2020 planning year*
  - *Sub-portfolio 3: All FTRs for 2020-2021 planning year*
- *Divide each sub-portfolio into equal tranches, perhaps 5 to 10*
  - *E.g. if 10 tranches, each tranche has 10% of the MWs of each FTR path*
  - *If dividing an FTR path violates PJM's minimum of 0.1 MW, PJM distributes the path across as many tranches as possible without violating 0.1 MW minimum*
  - *PJM clearly defines the composition of each tranche, in case there are low MW FTR paths that prevent even distribution across all tranches*

# Proposed Methodology (*continued*)

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- *Conduct a multiple-round auction with sealed bids*
  - *Each round lasts 60 minutes and is for ownership of a single tranche*
  - *Participants submit a price to PJM for the tranche*
  - *At the end of a round, PJM awards the tranche to the highest bidder and publishes the winning price prior to the start of the next round (tie-breakers based upon bid time-stamp)*
  - *This continues in succession until all tranches for each sub-portfolio are awarded (start with the first tranche for Sub-portfolio 1 and end with the last tranche of Sub-portfolio 3)*

# Additional Considerations

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- *To ensure a competitive outcome, require a minimum of 3 bidders for each round*
  - *This likely will not be an obstacle*
  - *Solicitation of interest ahead of time is prudent (e.g. through a survey prior to voting)*
  - *This methodology can be packaged with another to account for this contingency*
- *Collateral requirements are in accordance with PJM's tariff, including any new requirements approved by FERC*