



Proposed FTR Credit Requirement Changes For Planned Transmission Upgrades

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Credit Subcommittee
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- Transmission upgrades in congested areas may reduce congestion such that the FTR credit calculation using historical values might no longer provide adequate risk coverage for prevailing flow paths into those areas
- PJM is proposing a change to FTR credit requirements to reflect potential congestion changes from transmission upgrades

- PJM is proposing to use results from PJM's PROMOD model to modify FTR credit requirements
- Credit requirements would increase only for paths significantly impacted by planned transmission changes
- The fundamental credit calculation framework would not change
 - Only historic path values would be adjusted based on PROMOD results

- Separate PROMOD cases are used to simulate transmission upgrades for each year
- PJM would use both actual historical and PROMOD information in the credit requirements
 - Congestion changes between PROMOD cases applied to actual historical nodal values to create adjusted values
 - Reduces impact of slight variations in cases
- Historical LMP values (both actual and adjusted) used in credit calculations would be posted prior to auctions to allow members to calculate their own FTR credit requirements

- Credit requirements would be calculated using path values that consider both actual and adjusted historical LMPs
 - Adjusted path values would use adjusted LMPs but discard first 10% of difference from actual historical path values
 - 10% deduction ensures that credit requirements change only for paths with significant upgrades
 - Credit requirements for prevailing flow and counterflow FTRs paths would use path value (actual or adjusted) that gives the higher credit requirement
 - Other aspects of credit calculation unchanged
 - Including subsequent 10% adjustment of historical values

- No incremental credit exposure to the membership since new credit requirements would never be lower than current credit requirements
 - Credit requirements for members will increase if they bid on impacted paths and if bidding does not reflect change in expected congestion
- 10% deduction would let credit requirement changes:
 - Target only major network changes
 - Eliminate noise in simulation runs

- Historical values would normally be adjusted once each spring
 - Just as they are now
 - Tariff would include provision to allow for additional adjustments for significant additional transmission changes
- Proposed effective date Spring 2018
 - Use for annual LTFTR credit requirement update
 - Use for 2018-2019 annual auction
 - Use for 2019-2023 LTFTR auction

Source	DUQ		RECO		AECO	
Sink	BGE		DOM		PPL	
Pre-Upgrade Cong. Val *	\$30,381		\$33,742		\$889	
Post-Upgrade Cong. Val *	\$14,018		\$28,402		\$896	
% Congestion Change *	-54%		-16%		1%	
Adj. % Congestion Change *	-44%		-6%		0%	
Historical Value	\$89,157		\$34,704		(\$2,644)	
Adjusted Historical Value	\$50,055		\$32,682		(\$2,644)	
Bids based on:						
	History	Trans Upgr.	History	Trans Upgr.	History	Trans Upgr.
Bid Price	\$87,000	\$13,000	\$33,000	\$27,000	(\$2,800)	(\$2,800)
Credit Requirement	\$41,951	(\$32,049)	\$3,586	(\$2,414)	\$108	\$108
Expected profit	(\$36,945)	\$37,055	(\$318)	\$5,682	\$156	\$156
* Based on PROMOD simulations						

- Target timeline – Discussion and approval
 - MIC: First read September 2017, endorsement October 2017
 - CS: Endorsement September 2017
 - MRC: First read September 2017, endorsement October 2017
 - MC: Endorsement December 7, 2017 (the “November” meeting)
 - FERC Filing: December
 - FERC approval: February 2017
- Target timeline – Implementation
 - Effective for 2018-2019 annual FTR auction
 - Effective for 2019-2022 LTFTR auction