



Day Ahead Surplus Congestion and FTR Auction Revenue Surplus Funds

Brian Chmielewski
Sr. Analyst, Market Simulation
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During a recent proceeding where PJM and the Commission sought to address an inequitable transfer of funds from ARR holders (load) to FTR holders in the ARR/FTR process, changes were made to the ARR/FTR construct (Stage 1 source eligibility) and Congestion cost responsibility (Balancing Congestion charges have been allocated to load since 6/1/17).

FERC found that the modeling assumptions used by PJM in the ARR/FTR process to ensure full funding of FTRs results in a reduced allocation of ARRs to firm transmission customers and an increase in FTR funding, the net effect is an inequitable transfer from firm transmission customers/ARR holders to FTR holders.

This did not allow firm transmission customers to receive the first opportunity to obtain a hedge funded by congestion revenues that they are entitled to because they have paid, and continue to pay, to construct and maintain the transmission system that enables the transfer of generation to load.

Problem statement sponsors believe that the current treatment and allocation of Day Ahead Surplus Congestion Funds and FTR Auction Revenue Surplus Funds that exists today is inconsistent with this precedent.

PJM stakeholders approved the problem statement and issue charge at the June MIC. This issue has been worked at Special Sessions of the MIC.

Package Sponsors: Exelon, Direct Energy, AMP, Calpine, ODEC, PPANJ, PJM ICC, SMECO

Proposal:

- FTR Auction Revenue Surplus and Day Ahead Congestion Surplus are allocated to ARR holders, pro-rata
- Allocation will occur at the end of the planning year and will only be allocated to ARR holders after FTRs are 100% paid out
- Implementation to start in 2018/2019 Delivery Year
 - This was a compromise as some sponsors preferred earlier implementation

This proposal will ensure that value is returned to firm transmission service customers if excess funds exist at the completion of each delivery year after FTRs are fully funded.

Appendix

- Excess ARR Revenue: Auction revenue remaining from the Long Term, Annual and Monthly FTR Auctions, split into monthly contributions, after paying ARR target allocations
- Excess FTR Revenue: Congestion revenue remaining after paying FTR target allocations and any previous monthly FTR deficiencies. Includes balancing congestion and M2M payments before the 2017/2018 planning period

