

LTFTR Market Issues

MIC

March 7, 2018

Howard Haas

Seth Hayik



Monitoring Analytics

Long Term FTR Market Issues

- **Value of congestion rights being sold in LTFTR are not directly realizable by ARR right holders**
- **LTFTR market sells residual rights not allocated to ARR holders in the annual ARR/FTR Market.**
- **Residual rights:**
 - **Not available in the annual auction due to outages modeled in the annual auction but not in the LTFTR model.**
 - **Potential issue: Residual rights from system upgrades included in the LTFTR model but not in the annual model (current proposal to modify the LTFTR model).**

Long Term FTR Market Issues

- **FTRs sold in LTFTR auction are sold at a realized discount relative to FTRs sold in annual auction.**
 - **Right would be worth more if sold in the annual auction and would directly affect ARR rents**
- **Auction revenue from LTFTR auctions are not allocated to ARR holders under current market rules.**
 - **Actual revenues to FTR holders**
 - **Acquisition of LTFTR rights by ARR holders would require paying twice. ARR holders have rights to congestion revenues but have to buy LTFTRs.**

Unallocated ARR Volume

Zone	Cleared MW	NSPL	Difference	% NSPL Allocated
AE	1,543.0	2,673.4	1,130.4	57.7%
AEP	15,175.9	22,475.7	7,299.8	67.5%
AP	5,799.3	8,717.2	2,917.9	66.5%
ATSI	9,931.1	12,752.2	2,821.1	77.9%
BC	3,573.0	6,600.9	3,027.9	54.1%
COMED	11,550.9	21,174.6	9,623.7	54.6%
DAY	1,868.7	3,339.9	1,471.2	56.0%
DEOK	3,041.6	5,308.1	2,266.5	57.3%
DOM	12,807.8	19,538.1	6,730.3	65.6%
DPL	1,888.9	4,126.8	2,237.9	45.8%
DUQ	1,870.7	2,796.5	925.8	66.9%
EKPC	1,599.3	2,877.8	1,278.5	55.6%
JC	3,220.5	5,954.8	2,734.3	54.1%
ME	936.5	2,947.4	2,010.9	31.8%
PE	5,341.1	8,363.9	3,022.8	63.9%
PEP	4,709.0	6,583.6	1,874.6	71.5%
PN	1,570.8	2,909.4	1,338.6	54.0%
PPL	4,132.0	7,024.7	2,892.7	58.8%
PS	5,260.4	9,800.3	4,539.9	53.7%
RECO	87.4	402.0	314.6	21.7%

Long Term FTR Volume

- LT FTRs effective in a planning period are sold based on different models and with different prices.
- Total LT FTR volume effective in a planning period averages 42.6% of total FTRs in a planning period.

Long Term FTR Product						
Planning Period	Year 3	Year 2	Year 1	Total Long Term	Annual (including self scheduled)	Long Term Percent of Total Cleared
2014/2015	81,666	86,754	131,911	300,330	356,522	45.7%
2015/2016	89,419	99,329	123,400	312,148	355,682	46.7%
2016/2017	97,837	95,637	107,182	300,656	397,258	43.1%
2017/2018	69,161	86,323	108,126	263,609	493,683	34.8%

Long Term FTR Net Revenue

- **LTFTR net revenue is the net of buys and sells from the LTFTR Auction**
 - **YRALL product is split over individual effective years**
- **LTFTRs are 42.6% of total effective volume, but only 3.0% of net revenue**
- **Significant discount paid for LTFTRs**

Long Term FTR Product							Long Term
Planning Period	Year 3	Year 2	Year 1	Total Long Term	Annual (including self scheduled)	Total Net Revenue	Percent of Total Net Revenue
2014/2015	\$13,016,512	\$7,176,209	\$6,863,135	\$27,055,856	\$735,998,448		3.5%
2015/2016	\$12,479,874	\$7,378,550	\$5,156,206	\$25,014,630	\$893,043,415		2.7%
2016/2017	\$7,624,149	\$2,105,984	\$11,087,250	\$20,817,382	\$861,031,182		2.4%
2017/2018	\$1,670,521	\$7,210,445	\$9,763,312	\$18,644,279	\$513,587,222		3.5%

Revenue Difference LT FTRs vs. Annual FTRs

- **FTRs sold in the LT FTR Auction were undervalued in comparison with their Annual FTR Auction equivalent by \$337.2 million.**

Planning Period	Long Term FTR Product				Total Difference
	YR3	YR2	YR1	YRALL	
2014/2015	\$59,598,642	\$30,284,173	\$52,030,909	\$926,989	\$142,840,713
2015/2016	\$67,896,588	\$40,975,278	\$9,936,078	\$303,082	\$119,111,026
2016/2017	\$42,378,048	\$3,854,373	\$11,055,824	\$1,079,901	\$58,368,147
2017/2018	\$6,134,076	(\$1,841,715)	\$12,396,817	\$227,524	\$16,916,702
Total	\$176,007,354	\$73,272,109	\$85,419,628	\$2,537,496	\$337,236,587

Monitoring Analytics, LLC

2621 Van Buren Avenue

Suite 160

Eagleville, PA

19403

(610) 271-8050

MA@monitoringanalytics.com

www.MonitoringAnalytics.com

