

ARR/FTR Market Task Force First Read of Proposals

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- In 2018 PJM, the IMM, and stakeholders committed to a general review of the FTR market in order to evaluate the risks and rewards of potential structural reforms.
- The purpose of the AFMTF is to conduct a comprehensive review of the ARR/FTR market design including allocation of congestion rights, FERC objectives, value proposition, and opportunities for enhancements.
 - [AFMTF](#) approved at October 2019 MIC

- In August 2020, PJM hired London Economics International LLC to conduct a third-party holistic review of the ARR/FTR Market.

After a six-month hiatus, the AFMTF reconvened in December 2020 to discuss the LEI report.

- [The Report](#) included findings that support the existing market construct and 13 recommendations for stakeholders to consider, broadly categorized under three themes:

Equity

Efficiency

Transparency
and simplicity

Key Takeaway: The LEI report identified that priority should be placed on enhancing the existing ARR construct and maintaining the FTR auction structure.

Over 19 meetings, the group focused on:

- Methods to increase the total system capacity and paths available for ARR holders
- A review of the allocation method of excess congestion and auction revenues
- Possibilities of granular ARR products and flexibility with self-scheduling
- Exploring the value of more granular FTR products
- A review of the available option paths and clearing mechanism
- Enhancing the network model transparency and business practices
- Alternative methods to the existing ARR/FTR construct

Key Takeaway: LEI report findings guided discussions throughout 2021.

- Four proposal sponsors:

PJM / Joint Stakeholders

DC OPC

AEP

IMM

- Key distinctions from PJM / Joint Stakeholders proposal:
 - AEP- Addition of more granular ARR products (such as quarterly peak and off-peak ARR products) in the annual allocation without aggravating ARR transmission infeasibilities in stage 1A
 - DC OPC – Surplus allocation 100% to ARR holders
 - IMM – 100% of congestion charges allocated back to load based on actual network congestion

Key Takeaway: The following co-sponsored proposal addresses the consultant recommendations, IMM concerns, and stakeholder feedback consistent with the consultant's conclusion that the existing FTR product is fulfilling its intended purpose of serving as a financial equivalent to firm transmission service and ensuring open access to firm transmission service by providing a congestion-hedging function.

This proposal is constructed into three themes:

ARRs
(equity)

FTRs
(efficiency)

Transparency
(& simplicity)

Solution Option	Justification
Guarantee 60% of Network Service Peak Load	Protect zonal native load hedging ability with additional up-front capability
Expanded source/sink combinations in ARR allocation	<ul style="list-style-type: none"> • Ensure priority rights to congestion revenues for load • Enhance alignment of ARRs to congestion paid through cLMP billing
Additional Self-schedule option by class type (on-peak, off-peak, etc.)	Advance load choice flexibility and reservation pricing
Limit source/sink combination to valid ARR paths for customer funded IARR option	High administrative burden; ensure value added

Key Takeaway: This section of the proposal is designed to address the primary concern that the ability for some load to efficiently hedge congestion costs can be deteriorated at times when a misalignment occurs between the allocations of congestion rights (ARRs) and congestion charges paid by load.

Solution Option	Justification
Additional class hours to account for on-peak weekend/holiday hours (with every day off-peak product). Month or annual product.	Increase hedging flexibility. PJM to facilitate technology workshops to deliver a recommendation to stakeholders on how to pursue infrastructure enhancements to support new product types, e.g. seasonal.
Additional bid limits in all FTR Auctions (15,000)	Advance market liquidity
\$1 / MW-Period-Class floor clearing price for FTR Option paths	Ensure value added

Key Takeaway: This section of the proposal contains features intended to advance the efficiencies of the FTR auctions. These efficiencies include market liquidity and future price discovery, both of which add value and contribute to a robust, competitive market.

Solution Option	Justification
Post Network Model user guide	Advance transparency and simplicity for market participants to find and use applicable auction model data and results
Post market limits utilized for binding constraints	Advance transparency for verifying and reproducing auction results
Pursue options for submitting bids via .CSV format	

Key Takeaway: The final section of this proposal includes advancements to the transparency of the network model and related files utilized in the FTR auctions.

ARR changes effective February 2023; all others as soon as practical

AFMTF Work Plan	MEETING									
	5/24	6/11	6/25	7/13	7/30	8/18	8/30	Sept	Oct	Nov
Develop Design Components for Matrix	X									
Develop Options for each Component	X	X	X	X						
Narrow Options				X	X					
Develop Packages				X	X	X				
Narrow Packages <i>(Compare Packages to Interests & Importance Ratings)</i>						X	X			
First Read at MIC/MRC								X		
Bring up for vote at MIC/MRC									X	
Bring up for vote at MC										X

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