

Solution Package Feedback: *Surplus Revenue and FTR Funding*

FTR Group

AFMTF

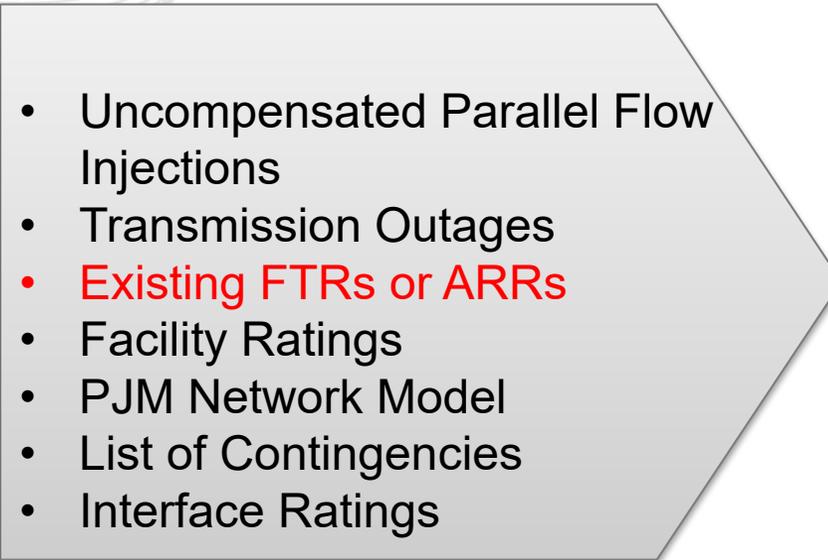
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- Surplus revenue includes:
 - Planning period to-date excess FTR auction revenues after ARR target credits are fully funded
 - Planning period to-date excess DA congestion revenues after ARR and FTR target credits are fully funded
- Surplus revenue funds FTR target credit deficiencies for planning period to-date, then excess is allocated to positive ARR target credits pro-rata at the end of the planning period
- PJM is required to determine input assumptions for the SFT to ensure sufficient revenues under expected system conditions

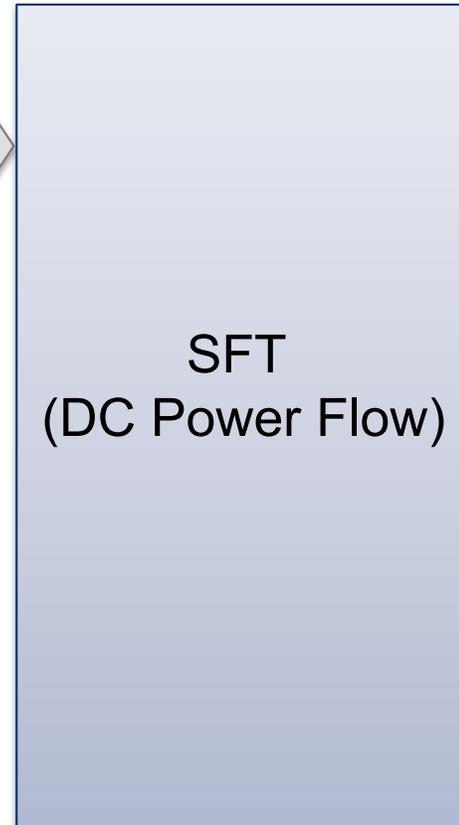
- Surplus auction revenues are collected when more transmission system capability is available in the FTR auctions than is allocated to ARR holders
- Surplus congestion revenues are collected from the Day-ahead energy market when more transmission system capability is available in DA when compared to the FTR Auction modeled transmission system capability

- PJM is required to make Simultaneous Feasibility Test (SFT) assumptions to ensure sufficient auction revenues to fund ARRs and sufficient DA congestion revenues to fund FTRs, under expected system conditions
- The existing PJM proposal does not change this OATT requirement

- Additional value up-front will impact auction revenue surplus and account for the elimination of monthly residual ARR credits
 - Guaranteed 60% stage 1A
 - Additional Stage 1B sources
 - Additional Stage 2 (2 rounds) source/sink pairs
 - 100% auction revenues returned to ARR holders
- Impacts to FTR revenue adequacy will be accounted for through the annual SFT set up



Key Takeaway: ARRs and projected surplus are inputs to the SFT analysis



PP	Stage 1A Credit (Status Quo)	Stage 1A Credit (60% NSPL)	Percentage Increase
19/20	\$693M	\$759M	10%
20/21	\$477M	\$528M	11%
21/22	\$551M	\$639M	16%

Key Takeaways:

- PJM has already showed this increased value is mainly on existing binding constraints, therefore change in capability for later allocation rounds should be minimal*
- Anticipated surplus revenue will offset these additional credits*



Key Takeaway:

Auction surplus revenues can be broken out by auction type and in some years contribute to sufficient FTR funding

PP	Annual ARR Credits	Annual Auction Revenue	Residual ARR Credits	Monthly and LT Auction Revenue	DA Cong.	FTR Targets	End of PP Surplus	Annual Surplus	Monthly and LT auction Surplus
16/17	\$928M	\$909M	\$7M	\$53M	\$784M	\$732M	\$80M	(\$19M)	\$99M
17/18	\$556M	\$542M	\$17M	\$59M	\$1,323M	\$981M	\$369M	(\$14M)	\$384M
18/19	\$715M	\$823M	\$12M	\$85M	\$833M	\$901M	\$112M	\$108M	\$5M
19/20	\$750M	\$845M	\$13M	\$137M	\$613M	\$694M	\$139M	\$95M	\$44M
20/21	\$513M	\$577M	\$11M	\$114M	\$900M	\$1,080M	(\$14M)	\$64M	(\$77M)

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