Issues with the ARR/FTR Rules

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The Current Path Based ARR/FTR is Flawed

• The current path based ARR/FTR rules are flawed because load cannot recover all of the congestion paid by load either in aggregate or on an individual LSE level.
• Congestion is paid by load. Congestion is the difference between load charges and generation credits after all virtual activity is settled.
• Congestion results from LMP differences caused by binding transmission constraints.
• Congestion is paid on a network, not path basis.
Load Cannot Claim All Congestion Paid

- ARR paths from allowable sources to sink do not align with actual network use and/or where congestion is collected.
- Even if all available path based ARR rights are self scheduled by load, load cannot claim all congestion.
- FTR paths are available that do not align with ARR paths and/or are not sources of congestion collected.
- The goal of FTR revenue guarantees under path based system requires PJM to undersell expected system.
  - End of year surplus comes from unallocated rights.
  - Binary outage modeling contributes to misalignment of available ARR rights relative to actual network use.
The Current Path Based ARR/FTR is Inefficient

• Load cannot effectively participate as supply.
• No reserve price can be set (not a real market):
  o No active participant on the supply side
  o FTRs on paths that do not align with ARR rights and/or the actual collection of congestion
• Surplus auction revenue should never be paid to FTRs.
• Available paths do not align with physical network use.
• FTR insurance at the expense of ARR holders
  o Reduced capability available to support FTRs
  o Balancing congestion assigned to load to support FTRs.
Congestion Is a Network Issue

• **Load should have the rights to all congestion load pays, no more no less.**
  o Requires that congestion rights are based on actual network use, not the PJM bill.
  o Constraint specific day ahead and balancing congestion costs paid by each LSE.

• **Load should have the ability to sell its congestion rights.**
  o Load should determine what is sold and the reserve price for the sale.
  o The revenues from the sale should go 100 percent to load.
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