



MISO-PJM Day-Ahead Market-to-Market Firm Flow Entitlement Exchange Guidelines

Background

The coordination of Market-to-Market (M2M) in the Day-Ahead Energy market between PJM and MISO is described in section 4 of the Interregional Coordination Process of the Joint Operating Agreement.

- a) The Day-Ahead (DA) energy market coordination between PJM and MISO focuses primarily on ensuring that the DA scheduled flows on all M2M flowgates are limited to no more than the Firm Flow Entitlement (FFE) for each RTO.
- b) When additional congestion relief assistance is needed, the Requesting RTO (ReqRTO) may request that the DA flow limit be raised above its FFE with the approval from the Responding RTO (ResRTO). This process is known as the FFE exchange process and it is designed to optimize M2M FFE utilization between MISO and PJM.

The FFE Exchange is expected to benefit both PJM and MISO through a reduction in production costs and improved FTR revenue adequacy. PJM and MISO anticipate utilizing the DA Market FFE Exchange protocol starting on September 30, 2015 for operating days on or after October 1, 2015.

General Process to exchange DA FFE

Prior to the operating day, if the ReqRTO identifies a need to use more of an M2M flowgate than it is entitled, it may request the ResRTO to lower its DA limit below its FFE by a specified amount for a specified range of hours, and subject to specified shadow price limitations. The ResRTO will evaluate ReqRTO's request to exchange FFEs and will notify if the ReqRTO's request is fully or partially feasible. ReqRTO will then make the decision to pursue the FFE exchange and will be able to cancel the exchange up to one hour after the ResRTO's DA Market closes

General Guide Lines to Consider when exchanging DA FFE

PJM and MISO intend to utilize following guidelines when determining the need to exchange DA FFEs with MISO (or PJM as applicable).

- a) The flowgate should be currently or expected to be constrained in Real-time (RT) and/or DA.
- b) The ReqRTO's RT market flows should be significantly larger than RT FFEs.
- c) The RTOs combined bid production cost should decrease.
- d) The FFE exchange should not negatively affect RTOs FTR revenue adequacies.
- e) ResRTO should be capable of exchanging FFEs with ReqRTO based on ReqRTO's projected and historical DA and RT shadow prices.
- f) ResRTO will provide their DA shadow price, to ReqRTO, within an hour of ResRTO's DA case execution factoring expected DA conditions. As a result, this will impact the DA M2M settlements.