

**ARR FTR Market Task Force**  
Consumer Perspective on the  
London Economic Report

Greg Poulos & Susan Bruce

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# Consumers' Perspective on the LEI Report

## **Conclusions reached in the LEI Report:**

- A purpose of the ARR/FTRs is to facilitate the return of LMP overpayment (congestion costs) to load.
- In aggregate, load received on average, over 80% of the annual congestion payments in the past nine years. (Note: returns have fluctuated significantly, from as high as 125% in DY 19/20 to as low as 45% in DY 13/14.)

## **These are some of the questions consumers have:**

- Are ratepayers getting a good return for their investment in exchange for the benefits of the ARR/FTR construct?
- Is eighty percent (80%) return on congestion payments a fair return? (at a cost of approximately \$160 million annually).
- What percent would be a fair/reasonable return?
- Given the fluctuations, should this be tracked going forward?
- Does \$160 million annually represent reliability at least cost?

# Consumers' Perspective on the LEI Report

## **Conclusion reached in the LEI Report:**

- A second purpose of the ARR/FTRs identified is to provide the ability of consumers to hedge.
- The three lowest DY return to load all corresponded with significant weather events:
  - Polar Vortex (DY 13/14 – 45% return)
  - Record Winter Peak (DY 14/15 – 64% return)
  - Bomb Cycle (DY 17/18 – 46% return)

## **These are some of the additional questions consumers have:**

- Is the hedging component worth twenty percent (20%) of revenue? \$166 million per year?
- What value did hedging provide to consumers during extreme weather situations (e.g. Polar Vortex conditions)?
- Can/should steps be taken to enhance the hedging value during extreme weather events (especially as the potential for such events increases)?

# Consumers' Perspective on Reform Design

**Some of the key design changes that can benefit customers are improvements to the ARR process:**

- Expand the share of system capacity allocated to load as ARRs (LEI Recommendation 8.3).
- Improve the choice of paths available (LEI Recommendation 8.3).
- Enable self-scheduling without restriction (LEI Recommendation 8.4).
- Enhance clearing mechanism to prevent underpriced FTRs (LEI Recommendation 8.5).
- Enhance network model transparency (LEI Recommendation 8.8).
- Develop more granular products, such as peak and off-peak and seasonal, especially those targeted to serve public policy goals and DER (LEI Task No. 4).

# Principle: All system capacity belongs to load

- Anything that can be bought or sold as an FTR should be available to load first.
- Any system capacity that is held back belongs to load and when released or otherwise monetized, the money should go to load.
- Any expansion of FTR products should be done hand-in-hand with enabling load's access to the products within the ARR process.

# Contact information

Greg Poulos,  
Executive Director, CAPS

Phone: 614-507-7377

E-mail: [poulos@pjm-advocates.org](mailto:poulos@pjm-advocates.org)

Susan Bruce,  
Counsel for the PJM Industrial Customer Coalition

Phone: 717-503-6892

E-mail: [sbruce@mcneeslaw.com](mailto:sbruce@mcneeslaw.com)