



# FTR Forfeiture Rule Update

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- January 2017 compliance filing rejected due to component of forfeiture rule unjust and unreasonable
- PJM directed to submit a compliance filing within 60 days of Order to establish a just and reasonable replacement rate that proposes either:
  - A different threshold for FTR Impact Test (“penny test”) or;
  - A more balanced, alternative approach to triggering a forfeiture
- Additionally, include in this filing information to:
  - enable Commission to determine whether or not equities warrant surcharges or refunds back to January 2017
  - Determine feasibility of posting day-ahead market constraint limits prior to bid submission deadline

- PJM is currently discussing options for next steps
- June 25<sup>th</sup> AFM TF provide 20/21 analysis on alternative approaches to penny test
- July 14<sup>th</sup> MIC – recommendation and compliance filing review

# Appendix

- **Convergence Test** –  $DA\ cLmp > RT\ cLMP$  for FTR path
  - Determines Hour where DA congestion is greater than RT along a path
- **Virtual Test** – Net virtual activity across all affiliates must be greater than or equal to 10% of DA constraint limit
  - Determines Constraints virtual flow is significantly impacting
- **FTR Impact Test** –  $(dfax * Shadow\ Price)_{FTR\ Sink} - (dfax * Shadow\ Price)_{FTR\ Source} \geq \$0.01$ 
  - Determines FTR paths (direction accounted for counter flow)
- **FTR Forfeiture** –  $DA\ Value - FTR\ Cost$

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