

FTR Forfeiture Rule: Analysis of Alternatives to FTR Impact Test

Xu Xu

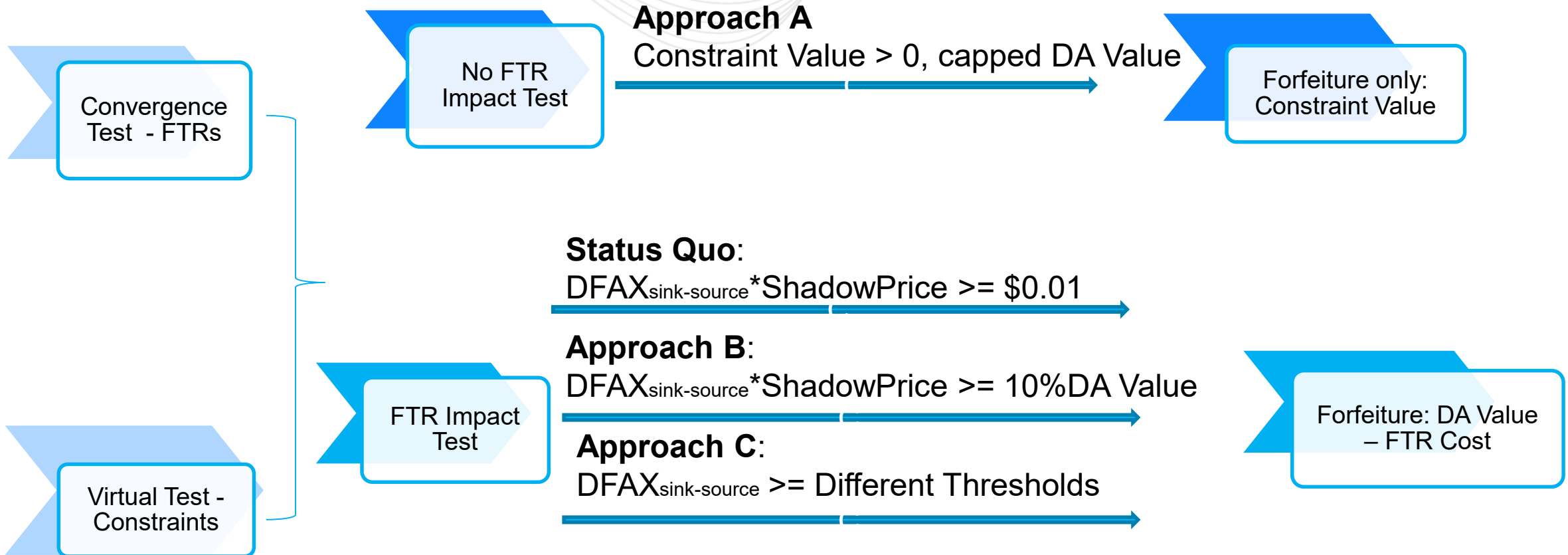
Sr. Engineer II, Market Simulation

AFMTF

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- **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** – $DA\ Value - FTR\ Cost$

- Data set: 2020/2021 FTRs that passed Convergence and Virtual Tests
- Approach A: Forfeiture based on constraint value
 - DA FTR Value is the sum of different constraint values;
 - Forfeiture amount is triggered constraint value, capped at DA Value.
- Approach B: Forfeiture based on constraint passing 10% impact
 - Triggered constraint value passed 10% of DA FTR Value
- Approach C: Forfeiture based on FTR's DFAX on triggered constraint
 - Use different DFAX thresholds



June 2020 ~ May 2021 Summary	Forfeiture if Constraint value to FTR \geq \$0.01 (Status Quo)	Forfeiture Based on Constraint Value (No FTR Impact Test) (Approach A)	Forfeiture if Constraint value to FTR \geq 10% DA FTR Value (Approach B)	Forfeiture if FTR DFAX $>$ 0.10 (Approach C1)	Forfeiture if FTR DFAX $>$ 0.05 (Approach C2)	Forfeiture if FTR DFAX $>$ 0.01 (Approach C3)
Market Participants w/ Forfeiture	74	61	62	16	28	46
Forfeitures (\$)	\$5.5M	\$0.3M	\$0.9M	\$0.05M	\$0.07M	\$0.4M
Average FTR Impact (\$)	\$0.82	\$1.09	\$1.16	\$3.93	\$3.22	\$1.10

June 2017 Summary	Forfeiture if Constraint value to FTR \geq \$0.01 (Status Quo)	Forfeiture Based on Constraint Value (No FTR Impact Test) (Approach A)	Forfeiture if Constraint value to FTR \geq 10% DA FTR Value (Approach B)	Forfeiture if FTR DFAX $>$ 0.10 (Approach C1)	Forfeiture if FTR DFAX $>$ 0.05 (Approach C2)	Forfeiture if FTR DFAX $>$ 0.01 (Approach C3)
Market Participants w/ Forfeiture	66	52	44	15	19	36
Forfeitures (\$)	\$920,000	\$22,900	\$63,800	\$1,600	\$2,400	\$180,000
Average FTR Impact (\$)	\$0.32	\$0.64	\$0.76	\$1.42	\$1.14	\$0.48

- Stakeholder feedback from now until end of June
- July 14th MIC – recommendation and compliance filing review

Facilitator:

David Anders,

David.Anders@pjm.com

Secretary:

Ankit Kharod

Ankit.Kharod@pjm.com

SME/Presenter:

FTR Group

FTRGroup@pjm.com



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com