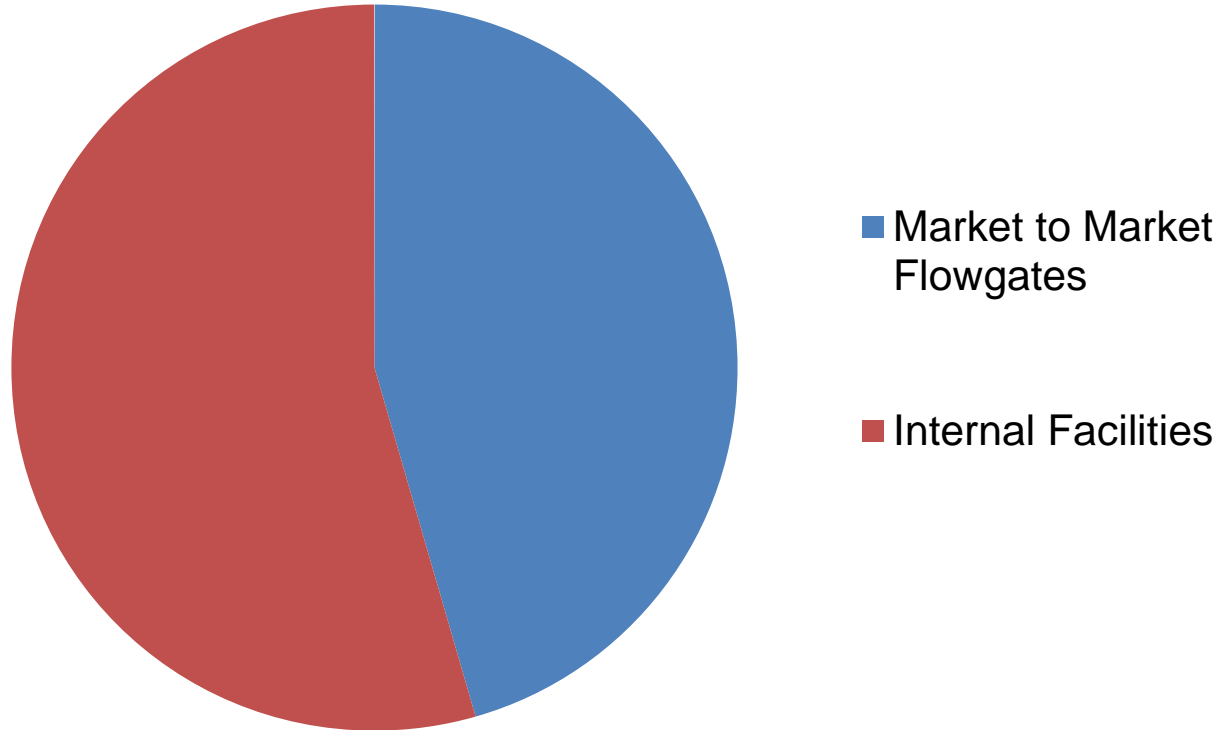
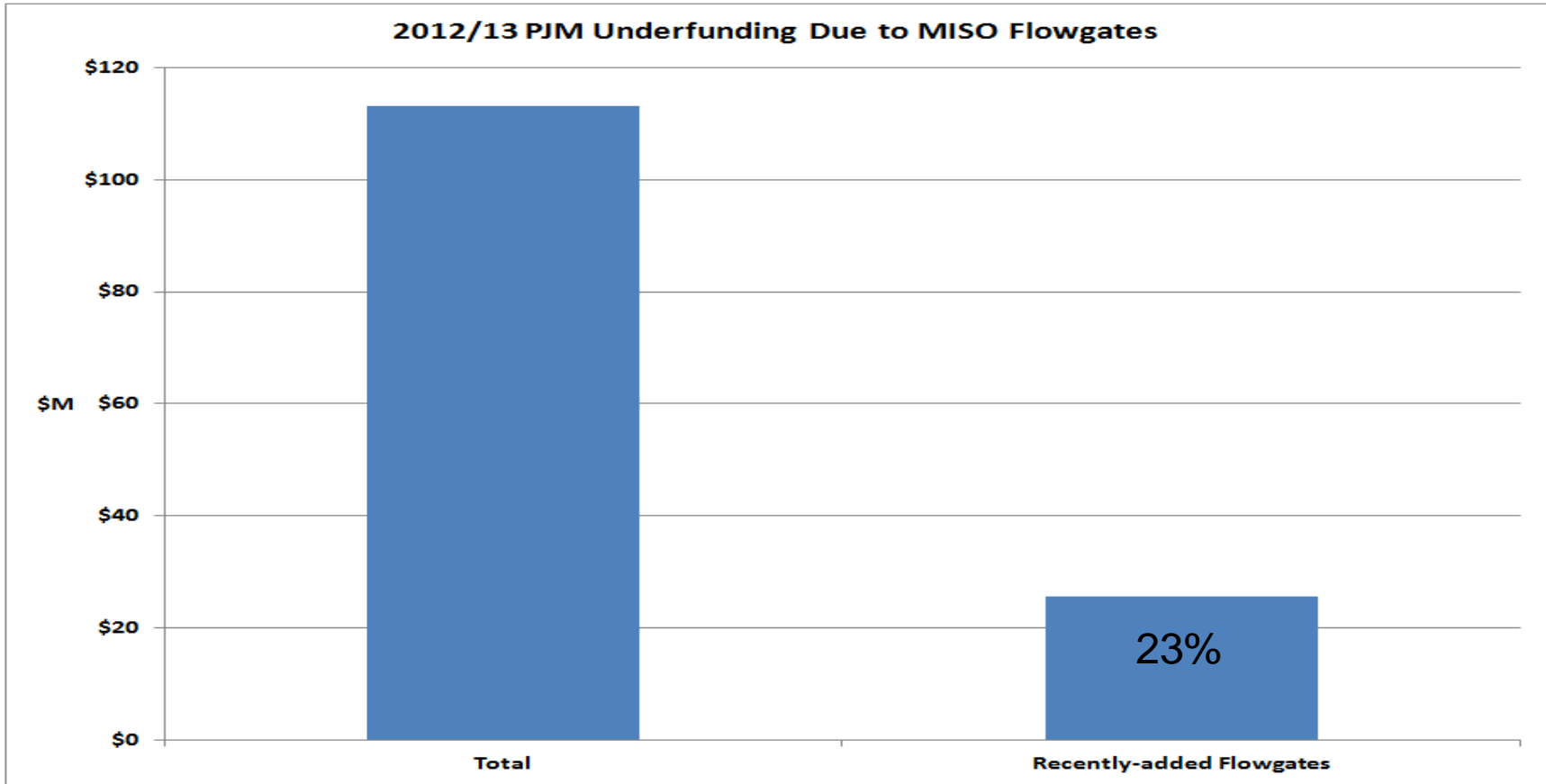


PJM FTR Revenue and Flowgate Additions

Total PJM FTR Underfunding





- One quarter of PJM revenue inadequacy on MISO flowgates occurs within 30 days of the flowgates' activation
- Better coordination prior to flowgate activation would allow the RTOs to reduce congestion and revenue inadequacy associated with new flowgates

- PJM requires internal Transmission Owners to submit facilities to be added for congestion management months ahead of the Annual ARR/FTR process: Deadline is December 1 for facilities to be effective the upcoming Planning Year beginning June 1*
- Facilities to be added for congestion management must meet PJM planning criteria*
- Results of revenue analysis would be significantly more severe if flowgates added after the annual processes were included
- In an effort to develop a reasonable proposal, however, PJM has not suggested notification of new flowgates prior to the Annual auction

* Reference: PJM Manual M-03A, Section 2

- The data shows that a disproportionate amount of PJM revenue inadequacy occurs within 30 days of a flowgate's activation in the M2M process
- Better coordination of flowgate activation would be beneficial in reducing the inadequacy occurring immediately following a flowgate's activation
- PJM and MISO have agreed on increased coordination leading up to monthly FTR auctions
- However, PJM proposes that an entirely new flowgate should not be added to the M2M process unless and until coordination has had the opportunity to occur
- The non-monitoring RTO's market participants should not bear the FTR revenue inadequacy impact of near-term flowgate additions by the monitoring RTO
- Adding language to the JOA to allow for mutual agreement on the addition of new flowgates would ensure this coordination occurs