Issues with the ARR/FTR Rules

MMUAC

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The Current Path Based ARR/FTR is Flawed

- **The current path based ARR/FTR rules are flawed because load cannot recover all of the congestion paid by load either in aggregate or on an individual LSE level.**

- **Congestion is paid by load. Congestion is the difference between load charges and generation credits after all virtual activity is settled.**

- **Congestion results from LMP differences caused by binding transmission constraints.**

- **Congestion is paid on a network, not path basis.**

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Load Cannot Claim All Congestion Paid

- **ARR paths from allowable sources to sink do not align with actual network use and/or where congestion is collected.**

- **Even if all available path based ARR rights are self scheduled by load, load cannot claim all congestion.**

- **FTR paths are available that do not align with ARR paths and/or are not sources of congestion collected.**

- **The goal of FTR revenue guarantees under path based system requires PJM to undersell expected system.**
  - **End of year surplus comes from unallocated rights.**
  - **Binary outage modeling contributes to misalignment of available ARR rights relative to actual network use.**

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The Current Path Based ARR/FTR is Inefficient

- **Load cannot effectively participate as supply.**
- **No reserve price can be set (not a real market):**
  - No active participant on the supply side
  - FTRs on paths that do not align with ARR rights and/or the actual collection of congestion
- **Surplus auction revenue should never be paid to FTRs.**
- **Available paths do not align with physical network use.**
- **FTR insurance at the expense of ARR holders**
  - Reduced capability available to support FTRs
  - Balancing congestion assigned to load to support FTRs.

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Congestion Is a Network Issue

- **Load should have the rights to all congestion load pays, no more no less.**

    - Requires that congestion rights are based on actual network use, not the PJM bill.

    - Constraint specific day ahead and balancing congestion costs paid by each LSE.

- **Load should have the ability to sell its congestion rights.**

    - Load should determine what is sold and the reserve price for the sale.

    - The revenues from the sale should go 100 percent to load.

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