

FTR Forfeitures

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- In 2000, PJM observed certain market participants obtaining FTRs on radial paths that were never congested
- Participants then used virtual products in DA market to create congestion that is inconsistent with RT market congestion in order to develop inappropriate profits
- As a result participants were able to control FTR profits without adding market liquidity or market efficiency
- This behavior was mitigated by applying FTR forfeiture rules

- On June 10, 2013 PJM filed revisions to its Tariff to define UTC transactions and clarify rules including FTR forfeitures
 - PJM explained the need to apply different rules for UTCs
- In August, 2014 FERC initiated an FPA 206 investigation to determine the need to apply different FTR forfeiture rules for UTCs vs INC/DECs
 - In January, 2015 FERC held a technical conference
- On January 19, 2017 FERC issued a final order – FERC found existing rules are unjust and unreasonable
 - Docket No. EL14-37-000

- Virtual transactions paired with “worst-case” on other side of constraint
- 75% threshold
- No counter flow FTRs
- Nodal locations only
- Net all Virtual transactions across affiliated accounts
- 10% threshold based on constraint limit
- Any impact on FTR value
- Counter flow FTRs
- All locations

- 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 Test – DA Value – FTR Cost