

SCOPE OF WORK

PJM wishes to engage an external consultant to perform a holistic review of PJM's Financial Transmission Rights (FTR) markets, including the Auction Revenue Rights (ARRs) utilized to distribute the revenues acquired through FTR auctions. The overarching question to be answered through this review is whether the current ARR/FTR processes employed by PJM, including the ARR allocation and FTR auctions, constitute the appropriate mechanism by which to ensure that load receives the optimum value of the transmission system for which it is paying through its transmission access charges, and if not, what mechanism(s) should be employed.

In answering the question above, PJM requests that the contracted consultant first acquires a thorough understanding of the PJM ARR/FTR mechanism and the FERC orders that instituted and shaped its current structure. PJM then requests that the contracted consultant examine the following issues for ARRs and FTRs separately and as a system working together, and make recommendations for changes and/or improvements based on the results of the analysis:

- For what purpose were they initially created? Was it to address a problem?
- Are they fulfilling, in the best way possible, their initial purpose and/or addressing the identified problem?
- If not, why not? If so, how is this measured and verified?
- Is this purpose still required and if it is addressing a problem, are there alternative ways to eliminate the problem entirely?
- Are there additional purposes and/or sources of value to the market that ARRs and FTRs are, or should be fulfilling or delivering? If so, what are these purposes, how do they optimize value to load and other market participants and how is this value optimization measured and verified?
- What other mechanisms, either inside or outside the RTO, can provide alternative ways to achieve some of these purposes? If such mechanisms exist, can they work alongside each other or as variations to current mechanisms to optimize value to load and other market participants?
- Are there changes in market design, execution or product tenor that would improve delivery of these instruments' purposes, either through increased efficiency, greater equity, a better optimized delivery of value or lower risk to load, or in some other way?