

Task Force Observations

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- Over the past year, PJM views have been made clear: 1.) the current ARR/FTR product is fulfilling its intended purpose, and 2.) any concerns with the existing construct should be explored.
- PJM agrees that the LEI recommendations should be considered and serve as the framework for discussions.
- PJM has been in listening mode since December 2020.
- The observations in this presentation incorporate PJM principles, LEI findings, and stakeholder feedback.

ARR/FTR market serves dual purpose

Gaps in ARR allocation exist

FTR auctions are producing reasonable results

FTR results should be monitored for possible future efficiencies

PJM should enhance its network model transparency

General agreement with LEI finding on dual purpose of ARR/FTR market

Support modifications to existing ARR/FTR construct

Focus on availability, flexibility and alignment of ARRs (what is a fair offset for load?)

Enhance FTR auction efficiencies through available product types, forfeiture rule, software performance, etc.

Pursue alternate methods for returning 100% congestion back to load

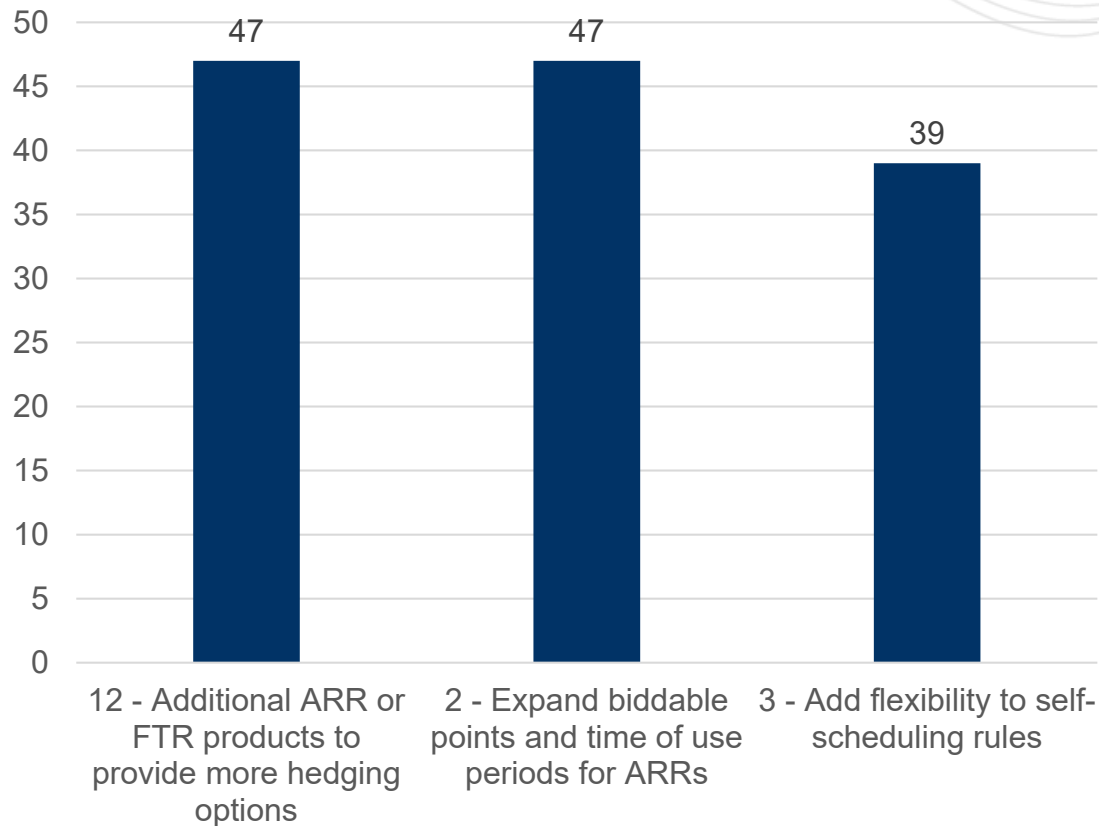
Any Others?

There may be load customers in certain transmission zones in the PJM footprint that are not able to effectively hedge their congestion costs given the existing ARR/FTR construct.

The value of the existing Incremental Auction Revenue Right (IARR) products should be reevaluated.

Pursue FTR auction efficiencies wherever possible, e.g. bid limits, product types, model transparency, etc.

March Poll - Top 3 Topics Selected
“High Interest” *



Topic	First Priority Votes*
ARR Allocation Enhancements	51
Market Model Transparency	51
Additional ARR/FTR products	48
Expand Biddable points and time of use periods for ARRs	44
Technology enhancements	36

* includes affiliates

- Allow those who pay the embedded cost of the transmission system first rights to its full availability.
- Address “willing seller” argument – ensure load gets a fair price for rights to future congestion revenues.
- Provide load additional options and flexibility for hedging.
- Enhance PJM modeling techniques to better align the allocation of transmission rights with actual congestion paid through PJM bill.
 - Original driving force of the AFMTF in 2019

- Incremental ARRAs
- Bilateral Market business rules and reporting requirements
- Continued exploration for FTR auction efficiencies
 - Bid limits
 - Product types, including Option pricing and availability
 - FTR forfeiture rule

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