FTR Auction Prices and DA CLMP Differences

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FTR Auction Prices and DA Prices

• ARRs can be an effective offset for congestion only if FTR prices are a reasonable approximation of actual price differences on the FTR paths.
  • Necessary but not sufficient condition.
• Differences between FTR prices and actual price differences on the FTR paths are a measure of risk.
FTR Auction Prices and DA Prices

• Differences result from observed inability to accurately forecast price differences which increases with time before FTR period.

• Differences between the FTR model and the day ahead model cause significant risk and price differences
FTR Auction Prices Reveal Risk

• Prices in FTR auctions beyond the prompt quarter do not reflect actual DA price differences.

• Increasing the number of auctions beyond the prompt quarter will not improve price discovery or decrease risk.
  o Does not improve the valuation of ARRs.

• Prices in long term auctions show that long term auctions are an ineffective and inefficient way to value forward values of FTRs.
  o Does not improve the valuation of ARRs.

• Increasing the number of long term auctions will not improve price discovery of FTRs or mitigate risk.
  o Does not improve the valuation of ARRs.
Comparing FTR Auction and Day Ahead Market

- Auction value for a period, per MW
  \[ \text{Period Value}_{\text{Auction}} = \text{Cleared Price} \]

- Average day ahead value for a period, per MW
  \[ \text{Period Value}_{\text{DA}} = \text{Avg DA Hourly CLMP}_{\text{path}} * \text{hours}_{\text{period}} \]

- Comparison of FTR auction and day ahead market
  \[ \text{Difference} = \text{Period Value}_{\text{Auction}} - \text{Period Value}_{\text{DA}} \]
Results

- Figures show frequency distribution of FTR auction prices to day-ahead price differences over the same paths.
- If distribution were 100 percent at $0, FTR auction prices would be a perfect way to value ARRs.
- As distribution moves away from $0, FTR auction prices decrease in value as an effective and efficient way to value ARRs.
18/19 Monthly Auction: FTR Price/DA Price Difference
18/19 Annual Auctions: FTR Price/DA Price Difference
Effective 18/19 Long Term Auction: FTR Price/DA Price Difference