

## Financial Transmission Rights (FTR) and Auction Revenue Rights (ARR)

### *FirstEnergy* Proposal Executive Summary

#### Overriding principles:

- FTRs should provide the proper day-ahead generation to load price hedging mechanism they were intended to provide at their inception.
- In order to do so, FTRs need to be fully funded. ARR allocations need to be fully allocated.
  - FTRs should be fully funded, otherwise they fall short of providing a complete hedge.
  - ARR allocations should be allocated at levels that reflect historic levels to provide loads the opportunity to properly hedge load to generation sources. Recently, ARR allocations have been reduced due to physical limitations that have not been addressed through new transmission build and conservative PJM FTR modeling such that funding for remaining FTRs could be improved.

#### FTR/ARR proposed package key attributes:

- Real Time Balancing Congestion: FirstEnergy proposes real-time congestion be allocated to market instruments that resemble users of the transmission system, *i.e.*, load (real-time load, exports, decrement bids (DECs), up-to-congestion transactions (UTC) (withdrawal side only)).
  - Since the single cause or beneficiary of real-time congestion cannot reasonably be determined, such costs should be allocated broadly to users of the transmission system.
  - The PJM Independent Market Monitoring (IMM) Unit has shown that virtual transactions such as INCs, DECs and UTCs affect PJM dispatch and thus contribute to negative balancing congestion.
- ARR Allocation: FirstEnergy proposes that PJM escalate the 10 year ARR Allocation process using forecasted growth rate +3%.
  - Adjustments to the Tariff to identify transmission system weaknesses earlier will avoid or reduce the time between new transmission upgrades being identified and put into service. These adjustments will help to maintain proper allocation.
- Transition Period: FirstEnergy proposes that any changes to the PJM OATT regarding FTRs/ARRs should include a transition period to recognize previously made commitments. Changes should be implemented no earlier than June 1, 2016. A longer transition period can be considered by PJM stakeholders.