PJM offers a new package for settlement of FTRs and Balancing Congestion

- Only Balancing Congestion (including M2M Payments) associated with Emergency Outages (Transmission and Generation) may be allocated to Load + Exports + DECs + UTCs (withdraw portion)

- Capped at the lesser of balancing dollars associated with emergency outages or dollars necessary to achieve 100% funding for month.
- All excess dollars allocated to Load + Exports + DECs + UTCs (withdraw portion).
- All deficiencies allocated to FTR Holders pro-rata based on FTR Target Allocations.
- Allocation of balancing congestion from emergency outages for a given month will not be used to fund previous or future months
PJM Proposed ARR/FTR Settlement

1. Monthly Auction Revenue
   - Annual Auction Revenue
     - Long Term Auction Revenue

2. Are Monthly ARR Target Allocations fully funded?
   - Excess
     - Yes: Monthly FTR Target Allocations
       - Day-ahead Market Congestion Charges
         - Balancing Market Congestion Charges
           - M2M Payments
       - No: FTR holders funded pro-rata based on FTR Monthly Target Allocations

3. No
   - Fund ARRs pro-rata based on ARR Target Allocations

4. ARR/FTR Deficiency Bucket (Funds inadequacy from previous and future months)
   - If excess exist
     - Allocate Balancing Congestion from emergency outages only to Load + Exports + DECs+UTCs (withdraw portion)
     - Surplus allocated to Load + Exports+DECs+UTCs (withdraw portion)
   - Yes: Monthly FTR Target Allocations fully funded?
Balancing Congestion ($millions) (2013/2014 Planning Period)
Total=-$419.7 million

- Emergency Outages (Transmission and Generation) -$154.16, -37%
- Real Time Operations (Switching, De-rating, Polar Vortex, Misc.) -$95.54, -23%
- Surrogate (Voltage and Thermal) -$18.40, -4%
- Other Balancing Congestion (Mainly Flowgates) -$151.58, -36%

Balancing Congestion ($millions) (June 2014-November 2014)
Total=-$68.4 million

- Emergency Outages (Transmission and Generation) -$35.69, -52%
- Real Time Operations (Switching, De-rating, Misc.) -$20.69, -30%
- Surrogate (Voltage and Thermal) -$5.55, -8%
- Other Balancing Congestion -$6.47, -8%
Emergency outages:
- Uncontrollable because of RT emergency transmission or generator outages. DA had no information about these outages while running the DA cases

Real time Operations:
- Uncontrollable because of reasons such as RT switching, RT de-rating of lines for transmission/generation control, and other various decisions made by operations that were necessary and not known of when the DA cases were ran.

Surrogates
- Uncontrollable because of RT decisions to reduce ratings that were required for voltage or thermal control. This may have been necessary by Operations in order to get specific generator units to run and maybe to set price.
Another Possible Cap on Balancing Congestion Allocation

- FTR Base Funding < ARR Annual Capability so valued difference is the maximum dollars that may be used from Balancing Congestion associated with emergency outages.
- Ensures only FTRs associated with allocated ARR capacity may be funded by a subset of balancing congestion and not capacity associated with any excess monthly, long term, or annual FTRs.

ARR DA Target Allocation = ARR MWs (Day-ahead \(\text{Sink Cong. LMP} - \text{Day-ahead Source Cong. LMP}\))
FTR Target Allocation = FTR MWs (Day-ahead \(\text{Sink Cong. LMP} - \text{Day-ahead Source Cong. LMP}\))
# Additional PJM Package Components

<table>
<thead>
<tr>
<th>#</th>
<th>Design Components</th>
<th>Description</th>
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</thead>
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<tr>
<td>14</td>
<td>Historical Resources</td>
<td>Based on Historical Reference Year. Retirements replaced with oldest available resource that is in-service and was offered for zone for upcoming planning year that is not already a historical resource.</td>
</tr>
<tr>
<td>19</td>
<td>Treatment in settlements of Portfolio netting of FTRs*</td>
<td>Do not allow positive FTRs to offset negative FTRs within a portfolio. Treat each FTR individually.</td>
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<tr>
<td>17</td>
<td>Stage 1A 10 Year process</td>
<td>Escalation of current ARR results using zonal load forecast growth rate +1.5%</td>
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<tr>
<td>18</td>
<td>Report of monthly payout ratios*</td>
<td>Use Negative Target Allocations as increase in congestion revenue in reporting of monthly payout ratios</td>
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