

Alternate FTR Forfeiture Rule Problem Statement

The Financial Marketers Coalition (“Coalition”) proposes the following alternate problem statement regarding consideration of the FTR Forfeiture Rule.

Problem Statement/Issue Source

The FTR Forfeiture Rule, as contained in OATT Attachment K, section 5.2.1 and section 8.6 of PJM Manual M-06: Financial Transmission Rights, has not been subjected to a thorough stakeholder review since its inception in 2001. Conducting a stakeholder review at this time would ensure that interested stakeholders have access to educational sessions on the operation of the rule. This process would also allow interested stakeholders to propose and consider modifications to the rule.

Stakeholder Group Assignment

The Coalition recommends that the issue be referred to the MIC, with assignment to a task force.

Key Work Assignments

1. Review the current FTR forfeiture rule and how it is applied.
 - a. Using non-confidential data, review the amount and volume (in MW) of transactions impacted by the forfeiture rule.
 - b. Analyze the amount of false positives and false negatives flagged by the current forfeiture rule.
 - c. Review the current calculation of the FTR forfeiture amount (the amount to be forfeited when the rule is triggered).
 - d. Compare PJM’s forfeiture rule to comparable rules in other ISO/RTO markets.
2. Provide an education session to interested stakeholders on the operation of the FTR forfeiture rule.
3. Determine what, if any, changes to the FTR forfeiture rule should be proposed.
 - a. Examine PJM’s proposed approach to implement the forfeiture rule, as put forth at the January 31st and February 28th MRC meetings.
 - b. Examine whether the existing forfeiture rule acts to eliminate transactions that pose no appreciable risk to the market.
 - c. Examine options to reduce false positives and false negatives in the application of the forfeiture rule.
 - d. Examine whether bid volumes should be incorporated into the forfeiture rule.
 - e. Consider whether the FTR forfeiture amount could be based upon the difference between the DA spread and RT spread, as opposed to DA spread only.
4. If necessary, develop Tariff and Manual changes.

Expected Deliverables

Provide educational sessions to stakeholders on the operation of the rule. If necessary, propose revised Tariff and Manual language.

Expected Overall Duration of Work

The Coalition expects that this work effort can be completed in six months.