

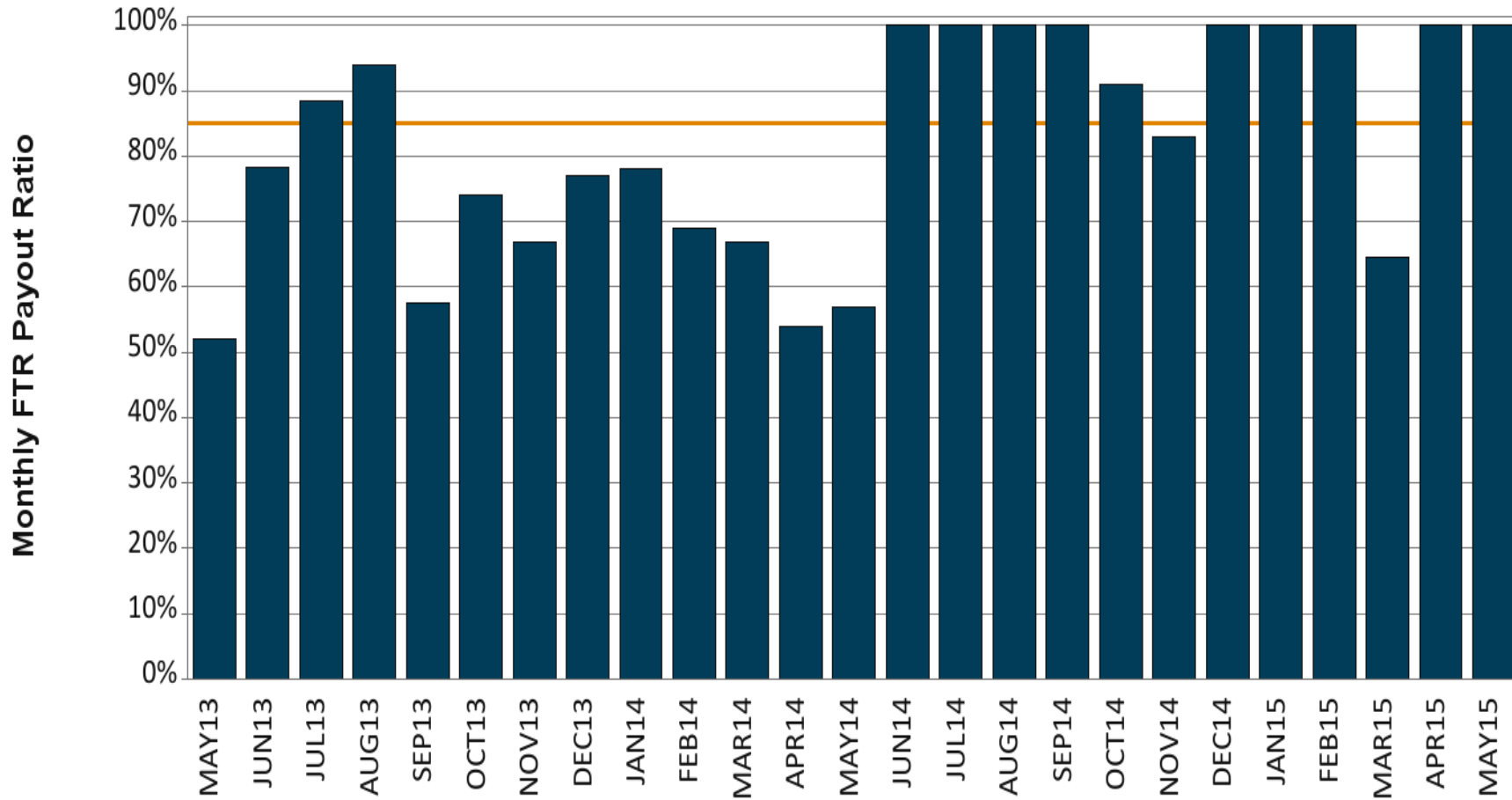
Proposal to the Markets and Reliability Committee

July 23, 2015

Background

- Issue Source
 - PJM initiated this problem statement in recognition of the fact that FTR funding relative to target allocations remains at unacceptably low levels and, given the identified drivers of low FTR funding relative to target allocations, a redesign of the ARR and FTR processes may be warranted.
- Since the re-chartering of the FTR Task Force the circumstances of FTR funding relative to target allocations has changed
 - Monthly FTR Payout Ratio for the 14/15 PY is at 100%
- Since the re-chartering of the FTR Task Force the allocation of Stage 1B and Stage 2 ARRs have been nearly eliminated
- Problem has evolved through time from sub-standard FTR payout ratios to sub-standard allocation of Stage 1B and Stage 2 ARRs highlighting need for additional transmission development

14/15 Monthly FTR Payout





FTR Funding vs. ARR Allocation



FTR Revenue Adequacy

Funding Percentage
2013/2014: 72%
2014/2015*: 106%

*thru January 2015

Allocation of ARR Rights

ARR Stage 1B:
2013/2014: \$27 million
2014/2015: \$2 million

Overview

- ...PJM proposed a package that... did include all the IMM recommendations that PJM supports. This package 22 ...also included an additional design component to change the 10 year Stage 1A analysis to use a more conservative approach for ensuring Stage 1A rights are feasible for the 10 year period.

Motion

- Propose the following OA/OATT changes as per PJM's Proposed Package #22 offered within the FTR/ARR Senior Task Force:
 1. Stage 1A 10 Year process: Escalation of current ARR results using zonal load forecast growth rate +1.5%
 2. Report of monthly payout ratios: Use Negative Target Allocations as increase in congestion revenue in reporting of monthly parameters
 3. Treatment in settlements of Portfolio netting of FTRs: Do not allow positive FTRs to offset negative FTRs within a portfolio. ~~Treat each FTR individually.~~

Data Source

- Issue Charge: <http://www.pjm.com/~media/committees-groups/task-forces/ftrstf/postings/20140701-arr-ftr-process-issue-charge-revised.ashx>
- Monthly FTR Payout Ratio: <http://www.pjm.com/~media/committees-groups/committees/mc/20150622-webinar/20150622-item-12a-markets-report.ashx>
- FTR Funding vs. ARR Allocation: <http://www.pjm.com/~media/committees-groups/task-forces/ftrstf/20150331/20150331-pjm-solution-packages.ashx>
- Overview: <http://www.pjm.com/~media/committees-groups/task-forces/ftrstf/postings/pjm-executive-summary-of-proposed-packages-18-22.ashx>

Questions?

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