8.6 FTR Forfeiture Rule

Section 5.2.1 (b) of Schedule 1 of the PJM Operating Agreement requires that if an Effective FTR Holder of a Financial Transmission Right between specified delivery and receipt buses increases the value of their FTR positions through a portfolio of virtual transactions, including Increment Offers and/or Decrement Bids and/or Up-to Congestion Transactions that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the applicable ~~month~~ period multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights Auction.

Section 5.2.1 (c) of Schedule 1 of the PJM Operating Agreement defines the criteria used to determine if an Effective FTR Holder's virtual transaction portfolio increases the value of their FTR positions.

The FTR Forfeiture rule is implemented as follows in hours where the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market and where the Effective FTR Holder's net MW position between such delivery and receipt buses is positive:

- An Effective FTR Holder's virtual transaction portfolio net flow is greater of 10% or 0.1MW, or such other threshold as determined by PJM, as described below; and

- The difference between the shift factors at the Financial Transmission Right delivery and receipt buses across the binding constraint exceeds ten percent and is in the direction that increases the value of the FTR~~The Day-ahead binding constraint has a $0.01 or greater effect (i.e. the product of the constraint's shadow price times the shift factor) on the absolute value of the difference between the Financial Transmission Right delivery and receipt buses.~~

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In general, the threshold noted above will be set at the greater of 10% of the limit of such Day-ahead binding constraint, including loop flow impacts, or 0.1MW. However, the Office of the Interconnection may utilize different percentage thresholds under certain circumstances. Some of these circumstances may include but are not limited to the Day-ahead binding constraint voltage level (i.e. low vs. high voltage) or outage conditions that may isolate an FTR path (i.e. radial path). If a percentage below 10% is utilized, the Office of the Interconnection will notify the membership at the earliest possible opportunity.

When the above conditions exists, the product of the constraint's shadow price times the net shift factor from the FTR sink and source owned by the Effective FTR Holder was greater than zero, and the Effective FTR Holder's virtual transaction portfolio flow on an identified Day-ahead binding constraint is consistent with the flow of congestion, the participant forfeits an amount equal to the hourly FTR Target Allocation minus the hourly FTR Auction clearing price times the FTR MWh for that FTR path. When the above conditions exists, the product of the constraint's shadow price times the net shift factor from the FTR sink and source owned by the Effective FTR Holder was less than zero, and the Effective FTR Holder's virtual transaction portfolio flow on an identified Day-ahead binding constraint is counter to the flow of congestion, the participant forfeits an amount equal to the hourly FTR Target Allocation minus the hourly FTR Auction clearing price times the FTR MWh for that FTR path.

In no case will the forfeit amount be less than $0.