FTR Requirements in the CFTC RTO Exemption Order

An ``FTR'' was proposed to be defined as ``a transaction, however named, that entitles one party to receive, and obligates another party to pay, an amount based solely on the difference between the price for electricity, established on an electricity market administered by a Requesting Party at a specified source (i.e., where electricity is deemed injected into the grid of a Requesting Party) and a specified sink (i.e., where electricity is deemed withdrawn from the grid of a Requesting Party).'' As set forth in the Proposed Order, FTRs would be exempt only where each FTR is linked to, and the aggregate volume of FTRs for any period of time is limited by, the physical capability (after accounting for counterflow) of the electric energy transmission system operated by the Requesting Party offering the contract for such period; a Requesting Party serves as the market administrator for the market on which the FTR is transacted; each party to the FTR is a member of a particular Requesting Party (or is the Requesting Party itself); the FTR is executed on a market administered by that Requesting Party; and the FTR does not require any party to make or take physical delivery of electric energy.

The Commission's Final Order does not impose position limits on the Covered Transactions. The Commission accepts the Requesting Parties' representations that the physical capability of their transmission grids limits the size of positions that any single market participant can take at a given time. Moreover, based upon the representations made in the Petition, the Proposed Order provided that each category of exempted transaction, including FTRs, would be limited by the physical capability of the electric energy transmission system. Accordingly, as the Final Order continues to limit each Covered Transaction category to the physical capability of the transmission grid, the Commission believes that imposing position limits on the Covered Transactions is not necessary at this time in order to make the requisite public interest and purposes of the CEA determinations.