

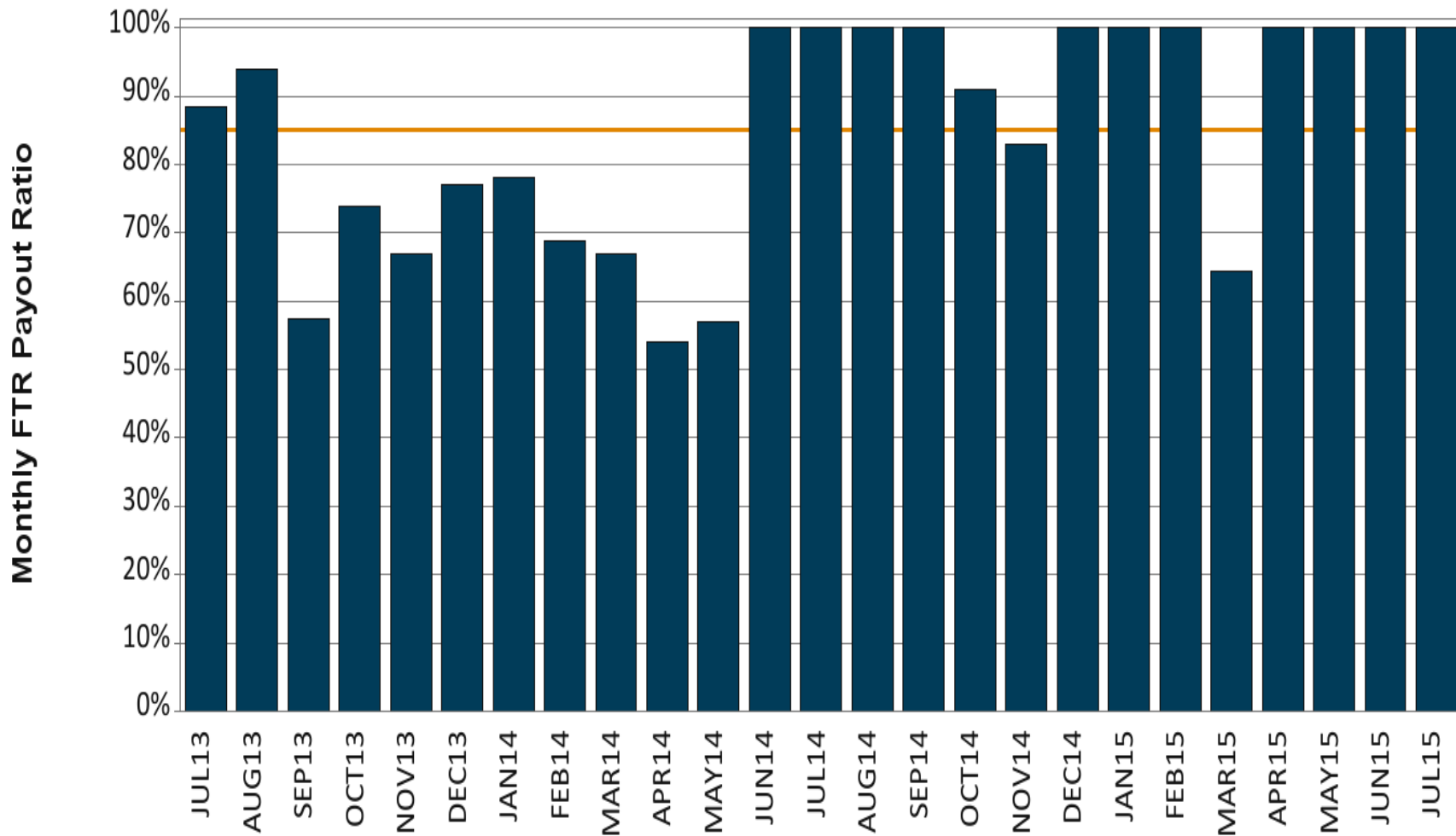
# Proposal to the Members Committee

August 27, 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%
  - the allocation of Stage 1B and Stage 2 ARRs have been nearly eliminated
  - Problem has evolved from consistent and persistent sub-standard FTR payout ratios (<85%) to near elimination of Stage 1B and Stage 2 ARR allocation
- No longer a near term problem that can be resolved quickly but instead a long term problem requiring enhanced system planning

## 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

- Propose the following OA, OATT, and manual changes:
  1. Report of monthly payout ratios: Use Negative Target Allocations as increase in congestion revenue in reporting of monthly parameters
  2. Stage 1A 10 Year process: Escalation of current ARR results using zonal load forecast growth rate +1.5%
  3. Treatment in settlements of Portfolio netting of FTRs: Do not allow positive FTRs to offset negative FTRs within a portfolio.

- Since the July 23 MRC:
  - July 29 LC meeting
  - Conversations with numerous Stakeholders and Members

## 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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