



Long Term FTR Auction

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- Problem Statement:
 - Review LT FTR Auction process & modeling practices
 - Discuss objective of the LT FTR Auction and determine if current construct allows these goals to be achieved
- To Date:
 - IMM has raised initial concerns with current construct
 - PJM, IMM and Market Participants have presented education on creation of Long Term FTR market, current statistics and current utilization of the Long Term FTR product
 - PJM & IMM introduced initial interests and solution options

- There is the potential for Long term FTR market participants to obtain rights to congestion on paths prior to ARR holders
 - Caused by the proration of annual ARR nominations due to the modeling of outages in the annual allocation
 - Can also contribute to potential revenue inadequacies in the next annual FTR auction since the model needs to account for existing LT FTR flow
- YRALL or “3 year FTR” product has not been used by many participants

Component	Status Quo	PJM Modification	PJM Reasoning
Long term Auction Modeling of Residual System Capability	All cleared Planning Period ARR modeled as fixed injections and withdrawals in the long term auction model	All planning period ARRs that clear based on the annual model with all transmission outages removed modeled as fixed injections and withdrawals in the long term auction model	<ul style="list-style-type: none"> • Preserves capability for ARR holders in following annual allocation • Represents residual capability on system after ARR rights are reserved
Long term Auction Biddable Periods	YR1, YR2, YR3, YRALL	YR1, YR2, YR3	<ul style="list-style-type: none"> • YRALL product low use/interest • Improve FTR software performance

- PJM is proposing to run additional, offline cases during the annual allocation window with a different topology
 - The only difference will be no transmission outages modeled
- More ARRAs will clear as there will be more transmission system capability available
 - Will only be used as injections/withdrawals in the Long term model
- Test case results from Stage 1B of 2018/2019:
 - 5,702.4 additional MWs allocated without outages modeled (roughly 28% more)

- PJM conducted multiple tests to document the impact of less capability available in the LT FTR Auction due to an increased set of ARR's modeled as fixed injections and withdrawals
 - Additional counter flow FTR bids cleared
 - Less cleared MWs on paths sinking at load aggregates at higher prices
 - ARR paths must sink where load is settled
 - Example:

FTRID	PERIODTYPE	SOURCEPNODENAME	SINKPNODENAME	PARTICIPANTNAME	TRADETYPE	HEDGETYPE	OBLIGATIONMCP	TEST_OBLIGATIONMCP	QUOTEDMW	CLEAREDMW	TEST_CLEAREDMW	CLASSTYP E	DELTA
2	YR1	Zone A	Zone B	PJMTST	Buy	Obligation	\$ 1,552.54	\$ 2,190.00	250	250	61.2	24H	(\$254,107.00)

- Formal first read of PJM package at May MIC
- Effective June 1, 2019 for 2020/2023 Long Term Auction