

Long Term FTRs Proposal First Read

MIC

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Long Term FTR Market Issues

- **LTFTTR auction intends to sell residual congestion rights/capability not allocated to ARR holders**
- **Residual capability currently defined as the difference between annual ARR allocation and annual market model with outages removed.**
- **Residual capability correctly defined is zero.**

Long Term FTR Market Issues

- **Annual model conservatively limits transmission system allocations to less than expected capability**
 - **PJM uses outages to reduce transmission system capability**
- **Result is significant prorating (reduction) of ARR allocations**

Long Term FTR Market Issues

- **LT FTR auction sells congestion rights/system capability that are appropriately assigned to load/ARRs.**
- **Result is:**
 - **Sell too many FTRs**
 - **Negative impact on FTR funding**
 - **Reduces transmission system capability that will be offered in subsequent annual auctions**
 - **Revenue from sale allocated to FTR holders**

Proposed Modifications

- **Define residual capability on system as zero MW for LTFTR Auction: YR1, YR2 and YR3 auctions**
- **Prevailing flow capability made available in the LTFTR auction is solely from counter flow FTRs.**
 - **Preserves all transmission capability for ARR holders in annual auctions, regardless of outages used or order of requests made in annual auctions.**
 - **Eliminates risk of overallocation caused by interaction between residual allocations in LTFTR auction and annual auctions.**
 - **Creates a LTFTR market with actual counterparties to transaction.**

Long Term FTR Proposal

Component	Status Quo	IMM Proposal	IMM Rationale
Methodology for reserving ARR rights	All Cleared Annual ARRs are modeled as fixed injections/withdrawals in YR1, YR2, and YR2 of the Long Term Model; Outages are removed from auction model; Resulting residual capability is sold in the LTFTR auction	YR1, YR2 and YR3 LFTR supply from Counter Flow FTRs	Preserves all capability for ARR holders in annual auction
Biddable periods	YR1, YR2, YR3, YRALL	YR1, YR2, YR3	Improve FTR software performance
Revenue Allocation	Auction revenue part of surplus allocated to FTRs	NA	NA

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