

To be added as a new section to PJM Manual M-06: Financial Transmission Rights

## 8.6 FTR Forfeiture Rule

Section 5.2.1 (b) of the PJM Operating Agreement requires that if a holder of a Financial Transmission Right between specified delivery and receipt buses (i) had an Increment Bid and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or a ~~curtailable bilateral transaction Up-to-congestion transaction Bid~~ accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Bid, Decrement Bid or such ~~curtailable bilateral transaction Up-to-congestion transaction bid~~ is that 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, 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 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 the PJM Operating Agreement states:

“a bus shall be considered at or near the Financial Transmission Right delivery or receipt bus if seventy-five percent or more of the energy injected or withdrawn at that bus and which is withdrawn or injected at any other bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses that were acquired in the Financial Transmission Rights Auction.”

The FTR forfeiture rule is implemented as follows:

- Cleared increment offers or decrement bids are considered at or near a Financial Transmission Right delivery or receipt bus
  - If seventy five percent or more of the energy withdrawn or injected at that bus and withdrawn or injected at any other bus is reflected on the constrained path between the subject Financial Transmission Right.
- ~~—Cleared increment offers or decrement bids are considered at or near the participant’s Financial Transmission Right if (i) any bus where the market participant has a cleared increment offer has a distribution factor with reference to distributed PJM load of seventy five percent or greater on the constrained path between the subject Financial Transmission Right delivery and receipt buses, or (ii) any bus where the market participant has a cleared decrement bid has a distribution factor with reference to distributed PJM generation of seventy five percent or greater on the constrained path between the subject Financial Transmission Right delivery and receipt buses.~~
- Cleared Curtailable Bilateral Transaction bids are considered at or near a Financial Transmission Right delivery or receipt bus

- If both source and sink are on the same side of a constrained facility and seventy five percent or more of the net energy injection or withdrawal of the source and sink, which is withdrawn or injected at any bus is reflected on the constrained path between the subject Financial Transmission Right.
- If the source and sink are on opposite sides of a constrained facility and seventy five percent or more of the net energy injection or withdrawal of the source and sink, which is withdrawn or injected at any other bus, on either side of the constrained facility treated separately, is reflected on the constrained path between the subject Financial Transmission Right.

~~—Cleared Up-to congestion transaction bids are considered at or near the participant's Financial Transmission Right if the net distribution factor of the source and sink locations of the up to congestion bid is greater than or equal to seventy five percent on the constrained path between the subject Financial Transmission Right delivery and receipt buses.~~

When either of the above conditions exists, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was positive, the participant forfeits an amount equal to the hourly FTR Target Allocation minus the hourly FTR Auction clearing price for that FTR path.

When either of the above conditions exists, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was negative, the participant forfeits an amount equal to the hourly FTR Target Allocation.

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