

Long Term FTRs Proposal First Read

MRC

May 24, 2018

Joseph Bowring

Howard Haas

Seth Hayik



Monitoring Analytics

Long Term FTR Market Issues

- **The YR2,YR3 and YRALL products rely on forecast models**
- **The models cannot accurately represent the system three years in the future**
- **The models:**
 - **Affect FTR overallocations**
 - **Affect ARR allocations**

Long Term FTR Market Issues

- **Long Term FTR market participants receive rights to significant portions of transmission system capability that were never made available to ARR holders**
- **Result of proration of annual ARR nominations due to the conservative modeling of outages in the annual ARR allocation**

Long Term FTR Volume

- **LT FTRs effective in a planning period are sold based on different models and with different prices**
 - **Each auction model has different inputs**
 - **Long Term FTR auction model differs from all three annual auction models**
- **Total LT FTR volume effective in a planning period averages 42.6 percent of total FTRs in a planning period**

Long Term FTR Volume

Long Term FTR Product

Planning Period	Year 3	Year 2	Year 1	Total Long Term	Annual (including self scheduled)	Long Term Percent of Total Cleared
2014/2015	81,666	86,754	131,911	300,330	356,522	45.7%
2015/2016	89,419	99,329	123,400	312,148	355,682	46.7%
2016/2017	97,837	95,637	107,182	300,656	397,258	43.1%
2017/2018	69,161	86,323	108,126	263,609	493,683	34.8%

Long Term FTR Net Revenue

- **LT FTR net revenue is the net of buys and sells from the LT FTR Auction**
 - **YRALL product is split over individual effective years**
- **LT FTRs are 42.6 percent of total effective FTR volume, but only 3.0 percent of net revenue**

Long Term FTR Net Revenue

Long Term FTR Product

Planning Period	Year 3	Year 2	Year 1	Total Long Term	Annual (including self scheduled)	Long Term Percent of Total Net Revenue
2014/2015	\$13,016,512	\$7,176,209	\$6,863,135	\$27,055,856	\$735,998,448	3.5%
2015/2016	\$12,479,874	\$7,378,550	\$5,156,206	\$25,014,630	\$893,043,415	2.7%
2016/2017	\$7,624,149	\$2,105,984	\$11,087,250	\$20,817,382	\$861,031,182	2.4%
2017/2018	\$1,670,521	\$7,210,445	\$9,763,312	\$18,644,279	\$513,587,222	3.5%

Proposed Corrections

- **Define residual capability on system as zero MW for LTFTR Auction: YR1, YR2 and YR3 auctions**
- **All prevailing flow capability made available in the LTFTR auction generated 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 and annual auction.**
 - **Creates a 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

Monitoring Analytics, LLC
2621 Van Buren Avenue
Suite 160
Eagleville, PA
19403

(610) 271-8050

MA@monitoringanalytics.com
www.MonitoringAnalytics.com

