ARRs and FTRs. Issues and Next Steps

AFMTF   IMM

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ARRs and FTRs

- **Two parts of current design**
  - **ARRs**
  - **FTRs**
- **ARRs**
  - **A mechanism to assign congestion rights to load.**
- **FTRs**
  - **A mechanism to permit load to sell its rights to congestion.**
  - **Load can sell the rights to an uncertain level of congestion for a fixed payment.**

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ARRs

- **It is possible to define who pays congestion.**
- **That should be the goal.**

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FTRs

- **When congestion is defined and the rights to congestion are assigned, a market mechanism is needed to permit load to sell its rights to congestion**

- **That market mechanism is the FTR auction(s)**

- **The FTR auction should allow load to sell their congestion rights.**

- **FTR auction design can take many forms**
  - **The FTR auction design can look a lot like the current design**
  - **The FTR auction design can include paths**
  - **The FTR design cannot pay out more than actual congestion**

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Issues

- **Load does not have the rights to congestion revenues under the current design.**

- **Load cannot receive rights to all congestion under the current design.**

- **Load does not have the ability to set the sale price (reservation price) of the rights to congestion revenues under the current design.**

- **Congestion is not defined by the bill.**

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Issues

- **The fact that load could engage in a risky transaction to sell an FTR is not the same thing as having the rights to congestion revenues and selling those rights for a defined price.**

- **The recent history of FTRs, ARRs and congestion revenues does not demonstrate that the underlying design is correct.**

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Next Steps

- **Agree on the definition of congestion.**

- **Agree on the calculation of congestion payments by customers/locations.**

- **Agree on how to assign the rights to congestion.**

- **Develop FTR auction design options to permit load to sell the rights to congestion in a flexible way.**

- **Develop FTR auction design options to create useful products for market participants.**

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