



## **Technical Conference on Financial Transactions in PJM**

**Docket No. EL14-37-000**

**January 7, 2015**

### **Agenda**

The technical conference will explore whether: (1) PJM's FTR forfeiture rule as it applies to UTC transactions and INCs/DECs is just and reasonable; and (2) PJM's current uplift allocation associated with UTC transactions and INCs/DECs is just and reasonable. Presentations will be allowed at the beginning of each Panel. Any presentations should be narrowly confined to the topics discussed in this agenda and should be no longer than five minutes. Presentations should primarily focus on factual background. Presentations and discussions should be confined to proposals for addressing these issues within PJM.

**9:00am - 9:15am**                      **Welcome and Opening Remarks**

**9:15am – 12:00pm**                **Panel 1: FTR Forfeiture Rule Goals and Designs  
(with a 15 minute break)**

Panel 1 will explore PJM's FTR forfeiture rule as it applies to INCs/DECs and UTC transactions. In the context of applying the rule to these products, the Panel will discuss: (1) the goals of the FTR forfeiture rule; and (2) different ways of structuring the FTR forfeiture rule's design.

During the discussion on goals, Panelists should be prepared to address the following:

- The FTR forfeiture rule was intended to address potential market abuse<sup>1</sup>. The market abuse in question was trading to create artificial congestion in the day-

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<sup>1</sup> December 22, 2000 filing of PJM Interconnection, L.L.C., Docket No. ER01-773-000 at 2 ("The purpose of the modifications is to address concerns...that an entity can purchase FTRs in the monthly FTR auction and then enter Increment and Decrement Bids in the Day-ahead Market so as to create congestion and artificially (continued...) increase the value of its FTRs.").

ahead market that influenced the value of FTRs, conduct which may be a violation of the Anti-Manipulation Rule after its implementation in 2006. INCs/DECs and UTC transactions may provide value to the system by improving price convergence. Given these two priorities, is it possible to design an effective rule that addresses market abuse yet does not discourage legitimate virtual trading that can contribute to price convergence?

- Examples of how INCs/DECs and UTC transactions influence the value of FTRs
- Behaviors to be discouraged or encouraged through the FTR forfeiture rule

During the discussion on different ways of structuring the FTR forfeiture rule design, Panelists should be prepared to address the structural components of an effective rule, including:

- In which way, if at all, should transactions be aggregated to determine the effect on congestion? In determining the effect on congestion, should the FTR forfeiture rule consider each market participant's portfolio of transactions? If so, is this approach technically feasible?
- In which way, if at all, should the FTR forfeiture rule assess INCs/DECs and UTC transactions that are intended to relieve congestion to benefit the value of counter-flow FTRs?
- At what threshold should the flow impact on a transmission constraint's limit trigger the forfeiture? What are the possible implications of implementing an overly strict rule versus a rule that may fail to identify all instances of potentially manipulative behavior?
- How, if at all, should the rule treat INCs/DECs and UTC transactions differently under various rule designs? For instance, should different injection/withdrawal points be utilized? Should different forfeiture thresholds be used?

#### **Panelists:**

- Noha Sidhom, Inertia Power, LP
- Harry Singh, J. Aron & Company
- Joseph Bowring, Monitoring Analytics
- Stu Bresler, PJM Interconnection, L.L.C.
- David Patton, Potomac Economics, Ltd.

**12:00pm – 1:00pm                      Lunch**

**1:00pm – 4:15pm                      Panel 2: Uplift Causation and Allocation  
(with a 15 minute break)**

Panel 2 will explore the circumstances under which INCs/DECs and UTC transactions may cause uplift in PJM and, if so, how INCs/DECs and UTC transactions should be allocated uplift charges. In the context of assessing PJM's uplift allocation, the Panel

will discuss: (1) the extent to which uplift may be caused by INCs/DECs and UTC transactions; and (2) different ways to potentially allocate uplift to INCs/DECs and UTC transactions.

During the discussion on uplift causation, Panelists should be prepared to address the following:

- How, if at all, do INCs/DECs and UTC transactions cause uplift?
- In which way, if at all, is uplift caused by INCs/DECs and UTC transactions associated with congestion, divergences between day-ahead and real-time physical energy requirements, or other positions held by each market participant?
- Are there methods available to accurately and dynamically determine any uplift that may be caused by INCs/DECs and UTC transactions?

During the discussion on uplift allocation, Panelists should be prepared to address the following:

- The status of PJM's Energy Market Uplift Senior Task Force.
- What principle(s) should be followed if and when allocating uplift to INCs/DECs and UTC transactions? For instance, one potential solution is that uplift costs should be strictly allocated based on cost causation determinations. Other potential solutions may be guided by simplicity, predictability, or multiple objectives. What new, if any, uplift allocation rules should be implemented based on this principle(s)?
- Under which, if any, circumstances should INCs/DECs and UTC transactions be offset by other transactions to limit uplift allocation exposure?

**Panelists:**

- Abram Klein, Appian Way Energy Partners
- William Hogan, Harvard University, speaking on behalf of Financial Marketers Coalition
- Joseph Bowring, Monitoring Analytics
- Adam Keech, PJM Interconnection, L.L.C.
- David Patton, Potomac Economics, Ltd.
- Wesley Allen, Red Wolf Energy Trading, L.L.C.
- Stephanie Staska, Twin Cities Power Holdings, L.L.C.
- Scott Holladay, Yes Energy

**4:15pm – 4:30pm**

**Closing**