

# **Forfeiture Rule Goals and Implementation**

## **Treatment of UTCs**

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# FTR Forfeiture Rule Goals and Designs

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- Original Goal of Forfeiture Rule: Prevent manipulation through purchase of FTRs on an isolated radial path AND create phantom DA congestion that does not exist in real time
- Convergence bids have an important role in mitigating market power and enhancing market efficiency
  - Incs replace missing gen
  - Decs replace missing load
  - Financial bids have no impact on the physical RT market
  - “Too much” mitigation/enforcement (or excessively costly and not cost-causation-based fees) runs the risk of eliminating the important market benefit from virtual bidding. These benefits include both market efficiency/price convergence as well as market power mitigation/enhanced competition
- ISO markets are extremely competitive when they are open to financial market participants facilitating the convergence of DA and RT markets
  - Isolated load and generation pockets with limited access to transmission need to be addressed through market mitigation (such as bid caps, FTR forfeiture rule, etc.)
  - For the broader ISO market, the Commission should promote market structures – and cost allocation rules -- that reduce the barriers to these important and efficiency-enhancing transactions

# FTR Forfeiture Rule Implementation

- With INCs and DEC, it is difficult to know the intended path.
  - Worst case assumption used
- UTC actually provide a much better representation of the impact of a given financial transaction on congestion patterns because the full path is identified

