

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket No. EL14-37-000

NOTICE INVITING POST-TECHNICAL CONFERENCE COMMENTS

(April 29, 2015)

On January 7, 2015, the Federal Energy Regulatory Commission (Commission) staff conducted a technical conference to evaluate whether: (1) PJM Interconnection, L.L.C.'s (PJM) Financial Transmission Rights (FTR) forfeiture rules as they apply to virtual transactions, including Up-to Congestion (UTC) transactions and INC/DEC transactions, are just and reasonable; and (2) PJM's current uplift allocation rules associated with UTC transactions and INCs/DECs are just and reasonable.

All interested persons are invited to file post-technical conference comments on any or all of the questions listed in the attachment to this Notice. These comments must be filed with the Commission no later than 5:00 PM Eastern Time on May 29, 2015.

For more information about this Notice, please contact:

Carmen Gastilo Machuga (Legal Information)
Office of the General Counsel
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426
(202) 502-8657
carmen.gastilo@ferc.gov

Elizabeth Topping (Technical Information)
Office of Energy Policy and Innovation
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426
(202) 502-6731
elizabeth.topping@ferc.gov

Cathleen Colbert (Technical Information)
Office of Enforcement
Federal Energy Regulatory Commission

888 First Street, NE
Washington, DC 20426
(202) 502-8997
cathleen.colbert@ferc.gov

Kimberly D. Bose,
Secretary.

Post-Technical Conference Questions for Comment

In addition to any further responses to the questions posed in the Commission Staff's December 10, 2014 Supplemental Notice of Technical Conference,¹ Commission Staff seeks responses to the following questions. Parties submitting comments need not respond to each question.

1) FTR Forfeiture Rule

- a) When calculating the contribution a virtual transaction (INC, DEC, or UTC) has to power flowing across a given constraint, how should the injection/withdrawal points for the virtual transaction be identified? Should the defined "worst case" node be limited to the market participant's own transactions? Additionally, should the impact threshold(s) used for triggering the forfeiture rule remain at 75 percent regardless of the injection/withdrawal points identified? Why or why not?
- b) As an alternative to the current approach of assessing one virtual transaction at a time, should the FTR forfeiture rule collectively assess the net impact of a market participant's entire portfolio of INCs, DEC, and UTCs? Should it assess the net impact of all virtual transactions that clear the market? In addition to virtual transactions, should a market participant's portfolio of physical transactions be considered? Why or why not? If a portfolio approach were adopted, should the impact threshold(s) continue to be 75 percent, as used in the past, or is a different threshold(s) more appropriate? How could a portfolio approach be implemented?
- c) Should counter-flow FTRs and bids that relieve congestion remain exempt from FTR forfeiture rule calculations? Should financial transactions that improve day-ahead and real-time market price convergence be exempt from the forfeiture rule? Why or why not? How, if at all, would these exemptions differ when assessing the impact of a market participant's portfolio as opposed to one INC, DEC, or UTC at a time? Are there any other currently exempt financial transactions that should be subject to FTR forfeiture calculations?
- d) Should the application of the forfeiture rule to INCs, DEC, and UTCs be revised in ways not addressed by these questions, and if so, describe in detail the proposed revision and justification for the change.
- e) If you believe that changes to the current FTR Forfeiture Rule provisions of PJM's tariff are necessary, propose appropriate tariff language that you believe addresses your concern.

¹ *PJM Interconnection, L.L.C., Supplemental Notice of Technical Conference*, Docket No. EL14-37-000 (December 10, 2014).

<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13707421>.

2) Uplift

- a) Should UTCs be assessed uplift? Explain why or why not. If so, how, if at all, should this allocation differ from the allocation to individual INCs and DEC and “paired” INCs and DECs? Should INCs and DECs continue to be required to pay uplift charges? What effect does imposing these charges have on the ability of virtual traders to arbitrage day-ahead and real-time price differences?
- b) Do UTCs impact unit commitment decisions? If so, how? Several views were expressed during the conference. For example, one panelist cited PJM documentation stating that UTCs are not included in commitment decisions.² Other panelists expressed the view that both “paired” INCs and DECs and UTC’s impact unit commitment.³
- c) Should market participants be allowed to net INC and DEC transactions for the purpose of uplift allocations? Why or why not? If yes, should netting within a market participant’s portfolio (intra-market participant) be allowed or should market-wide (inter-market participant) netting be allowed? Should physical assets be included in the netting process? Please discuss the advantages and disadvantages to both approaches.
- d) Are there other cost-causation approaches that should be considered? What advantages, disadvantages, and operational challenges would be associated with implementing such approaches in PJM?
- e) If virtual transactions are assessed uplift, should the uplift be designed as a fixed amount known in advance to permit the traders to assess the costs of the trade versus the potential arbitrage differences between day-ahead and real-time?
- f) If you believe that changes to the current Uplift provisions of PJM’s tariff are necessary, propose appropriate tariff language that you believe addresses your concern.

² January 7, 2015 Presentation of Wesley Allen, “Incremental Offers, Decrement Bids & Up To Congestion.” at pp 4-5.

³ January 7, 2015 Technical Conference on Financial Transactions in PJM, Transcript 240:15-241:4 (Adam Keech); Id. at 242: 14-16 (Joseph Bowring).