

To be added as a new section to PJM Manual M-06: Financial Transmission Rights

8.6 FTR Forfeiture Rule

Section 5.2.1 (b) of the PJM Operating Agreement requires that if a holder of a Financial Transmission Right between specified delivery and receipt buses (i) had an Increment Bid and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or an [curtailable bilateral transaction](#) ~~Up-to congestion transaction B~~bid accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Bid, Decrement Bid or such [curtailable bilateral transaction](#) ~~Up-to congestion transaction~~bid-is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights Auction.

[Section 5.2.1 \(c\) of the PJM Operating Agreement states:](#)

[“a bus shall be considered at or near the Financial Transmission Right delivery or receipt bus if seventy-five percent or more of the energy injected or withdrawn at that bus and which is withdrawn or injected at any other bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses that were acquired in the Financial Transmission Rights Auction.”](#)

The FTR forfeiture rule is implemented as follows:

- [Cleared increment offers or decrement bids are considered at or near a Financial Transmission Right delivery or receipt bus](#)
 - [If seventy five percent or more of the energy withdrawn or injected at that bus and withdrawn or injected at any other bus is reflected on the constrained path between the subject Financial Transmission Right.](#)
- [Cleared Curtailable Bilateral Transaction bids are considered at or near a Financial Transmission Right delivery or receipt bus](#)
 - [If both source and sink are on the same side of a constrained facility and seventy five percent or more of the net energy injection or withdrawal of the source and sink, which is withdrawn or injected at any other bus is reflected in the constrained path between the subject Financial Transmission Right.](#)
 - [If the source and sink are on opposite sides of a constrained facility and seventy five percent or more of the net energy injection or withdrawal of the source and sink, which is withdrawn or injected at any other bus, on either side of the constrained facility](#)

treated separately, is reflected in the constrained path between the subject Financial Transmission Right.

- ~~○ are considered at or near the participant's Financial Transmission Right whenever a market participant has a cleared increment offer or decrement bid at a location at or near the participant's Financial Transmission Right delivery or receipt bus if seventy five percent or more of the energy withdrawn or injected at that bus and an injection or withdrawal at any other bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses. if (i) any bus where the market participant has a cleared increment offer which has a distribution factor with reference to distributed PJM load of seventy five percent or greater on the constrained path between the subject Financial Transmission Right delivery and receipt buses, or (ii) any bus where the market participant has a cleared decrement bid has a distribution factor with reference to distributed PJM generation of seventy five percent or greater on the constrained path between the subject Financial Transmission Right delivery and receipt buses.~~
- Cleared curtailable bilateral Up to congestion transaction bids are considered at or near the participant's Financial Transmission Right delivery or receipt bus (i) where source and sink bus of the curtailable bilateral transaction bid are on the same relative side of a constrained facility (the constrained or unconstrained) and the difference between the net distribution factor of the source and sink locations of the curtailable bilateral transaction bid, and the distribution factor of an injection or withdrawal at any other bus, is greater than or equal to seventy five percent, is reflected in a constrained path between FTR source and sink points owned by the participant or (ii) where the source and sink bus of the curtailable bilateral transaction are on opposite sides (one end on the constrained side and the other on the un constrained side) of a constrained facility, where the net distribution factor of the source and sink locations of the curtailable bilateral transaction is used as the distribution factor, with appropriate modification of the sign for source and sink, for both the source (increment offer) and the sink (decrement bid), treated separately, of the curtailable bilateral congestion transaction, where 75% or more of either the curtailable bilateral transaction's increment offer or decrement bid at the offer or bid location, and withdrawn or injected at any other bus, is reflected in a constrained path between FTR source and sink points owned by the participant. Right if the net distribution factor of the source and sink locations of the up to congestion bid is greater than or equal to seventy five percent on the constrained path between the subject Financial Transmission Right delivery and receipt buses.

When either of the above conditions exists, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was positive, the participant forfeits an amount equal to the hourly FTR Target Allocation minus the hourly FTR Auction clearing price for that FTR path.

When either of the above conditions exits, the LMP difference between the source and sink locations of the identified FTR path is greater in the Day-ahead Market than in the Real-time Market, and the FTR auction clearing price of the FTR owned by the participant was negative, the participant forfeits an amount equal to the hourly FTR Target Allocation.

In no case will the forfeit amount be less than \$0.