

## 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 Up-to congestion transaction 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 Up-to congestion transaction 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. The FTR forfeiture rule is implemented as follows:

- Cleared increment offers or decrement bids are considered at or near the participant's Financial Transmission Right if (i) any bus where the market participant has a cleared increment offer 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 Up-to congestion transaction bids are considered at or near the participant's Financial Transmission 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 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 negative, the participant forfeits an amount equal to the hourly FTR Target Allocation.

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