

### Issue Source

PJM initiated this problem statement in recognition of the fact that FTR funding remains at unacceptably low levels and, given the identified drivers of low FTR funding, a redesign of the ARR and FTR processes may be warranted.

### Stakeholder Group Assignment

PJM proposes this work be completed at a new senior task force reporting to the Markets and Reliability Committee.

### Key Work Activities

1. Provide education as it relates to the **current rules by which ARR allocations and FTR auctions are conducted, and by which FTR underfunding is allocated.**
2. Determine whether enhancements can be made to the current ARR and FTR processes to improve FTR funding levels through:
  - a. **improving the alignment of the ARR allocation process with actual transmission system usage;**
  - b. **enhancing the mechanism by which balancing congestion is allocated.**
3. Determine whether a transition mechanism should be implemented such that any ARR and/or FTR process changes take effect over time.
4. If enhancements are identified, implement the Consensus Based Issue Resolution process to assess the need for market rule changes.

### Out of Scope Items

1. The existence of the annual ARR allocation.
2. The requirement to trigger RTEP upgrades due to long-term (10-year) infeasibility of Stage 1A ARRs.
3. The existence of the long-term, annual and monthly balance of planning period FTR auctions.

### Expected Deliverables

1. Enhancements to the design of the ARR and FTR processes to improve FTR funding levels.

### Expected Overall Duration of Work

PJM anticipates all developed changes to be **determined by October 30, 2014.**

### Decision-Making Method

The objective is to use the Tier 1, consensus-based, decision-making methodology (unanimity) on a single proposal (preferred default option), or Tier 2, multiple alternatives.