



**ISO New England Manual for  
Financial Transmission Rights  
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### **1.3 Requirements to Participate**

To participate in the FTR Auction, a Market Participant must satisfy the established financial assurance criteria and become an Eligible FTR Bidder or FTR Holder.

The financial assurance criteria for Market Participants and for Market Participants that are participating as FTR Only can be found in the ISO New England Financial Assurance Policy (Exhibit 1A of Section I of the Tariff).



## 1.4 Eligible FTR Bidder and FTR Holder Actions

As a Market Participant in the FTR process, you are required to perform the following actions:

- (1) For those FTRs you wish to buy in the auction, enter the required information and submit the bids to buy using *eFTR*, and
- (2) For those FTRs you wish to sell in the auction, enter the required information and post the FTRs for resale using *eFTR*.



**Section 2: Reserved**

### 3.1 FTR Auction Overview

The FTR Auction provides a method of auctioning the FTR capability on the New England Transmission System. The auction also allows FTR Holders an opportunity to offer for sale any FTRs that they currently hold.

FTR Auctions are conducted by the ISO for annual and monthly auctions. The ISO provides notice of the annual auctions at least ninety (90) days prior to the first effective date of the FTRs to be auctioned. At the time of such notice ISO will post a schedule with dates for the opening and closing of bid submission windows and the posting date that results will be published. The assumptions for the two rounds of the annual auctions will specify the calendar year to be auctioned and will include modeling data to be used in the FTR auctions. Twenty-five percent of the available FTRs are auctioned in the first-round and the remaining balance of available FTRs up to fifty percent is auctioned in the second-round.

Following the annual auctions described above, FTR auctions will be held on a monthly basis. The ISO provides notice of the monthly auctions at least forty (40) days prior to the first effective day of the FTRs to be auctioned. The notice will provide a schedule for the bidding window, posting of results, and auction assumptions. After the annual FTR Auctions have been conducted, the remaining feasible FTRs, each having a term of one month, will be made available in the monthly FTR Auctions.

Each auction consists of an on-peak and an off-peak auction.

- ¾ FTRs awarded in the on-peak auctions are valid for hours ending 0800 to 2300 on weekdays.
- ¾ FTRs awarded in the off-peak auctions are valid for hours ending 2400 to 0700 on weekdays and for hours ending 0100 to 2400 on weekends and NERC Holidays.

FTRs acquired in an FTR Auction have the following characteristics:

- (1) A term as established by the auction: one month or one year.
- (2) A magnitude specified to the nearest 0.1 MW.
- (3) (a) Are available between any specified Locations for which a Locational Marginal Price (LMP) is calculated and posted (subject to simultaneous feasibility). The list of Locations includes Hub, Load Zone, DRR Aggregation Zone, Node, and External Node.  
  
(b) The exceptions noted in subsection (3) (a) above are the External Nodes associated with Non-PTF, MTF, and OTF external tie-lines. For these External Nodes, proxy locations for FTR bidding are provided. These proxy bidding locations represent the connection points to the Non-PTF, MTF, and OTF external tie-line facilities and are shown in the table below.

*Table 3.1 Proxy Bidding Locations for Non-PTF, MTF, and OTF External Tie-Lines*

<u>External Interface</u>	<u>External Node</u>	<u>Proxies for FTR Auction</u>
Phase II	.I.HQ_P1_P2345 5	LD.SANDY_PD345 SMDINTLD

Cross Sound Cable0 g0 G 0.02



- (5) Results of the on-peak auction and off-peak auction will be posted separately. The ISO shall not disclose the price specified in any bid to purchase or the reservation price specified in any offer to sell.

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### 3.3 Auction Business Rules

The following information summarizes the FTR Auction business rules:

- (1) To submit bids or offers into the FTR Auction, an entity must satisfy established financial assurance criteria and become an Eligible FTR Bidder or FTR Holder. Such financial assurance criteria must be met at the time the auction-quoting period ends and before the auction is begun.
- (2) FTR Holders cannot submit offers to sell FTRs that they do not own at the time of the bid submittal. This ownership must extend throughout the entire duration of that auction period.
- (3) Invalid quotes into the auction are rejected. These quotes may be resubmitted and, if time stamped (as received by the ISO) before the close of the auction-quoting period, are included in the auction.
- (4) All outstanding FTRs that were previously awarded for the current auction period in previous auctions and not offered for sale in the current auction are modeled as fixed injections and withdrawals in the auction analysis.
- (5) Each offer to sell a specified MW quantity of FTRs for the auction period is deemed an offer to sell a quantity of FTRs equal to or less than the specified quantity at or above a price in dollars per MW. An offer to sell may not specify a minimum quantity being offered. Each offer to sell a previously awarded FTR may specify a reservation price, below which the FTR seller will not sell the FTR.
- (6) Each bid to purchase a specified MW quantity of FTRs for the auction period is deemed a bid to purchase a quantity of FTRs equal to or less than the specified quantity at or below a price in dollars per MW. A bid to purchase may not specify a minimum quantity that the bidder wishes to purchase.
- (7) A bid to purchase may specify any Location, as a point of receipt (where power is injected into the New England Transmission System) or a point of delivery (where power is withdrawn from the New England Transmission System), for which the ISO calculates and posts LMPs in accordance with Market Rule 1 Section III.2.
- (8) FTRs are awarded to winning bidders in FTR Auctions.









## **6.2 Transmission Congestion Revenue**

Transmission Congestion Revenue is calculated in accordance with Market Rule 1 Section III.5.2.5.



(a) Sum of all FTR Holders' negative FTR Target Allocations for the month

(3) The ISO calculates the monthly Transmission Congestion Revenue as follows:

$$\text{Monthly Transmission Congestion Revenue} = (\text{Day-Ahead and Real-Time Transmission Congestion Revenue}) + (\text{absolute value monthly negative FTR Target Allocations})$$

### 6.3.4 Monthly Allocation of Transmission Congestion Revenue

Monthly Transmission Congestion Revenue is allocated to FTR Holders based on their positive FTR Target Allocations. FTR Holders with negative FTR Target Allocations in any hour are charged for these amounts which are included in monthly Transmission Congestion Revenue determinations. To account for the collection of monthly Transmission Congestion Revenue associated with negative FTR Target Allocations, Transmission Congestion Credits will appear on the Customer Bill as a net value representing the monthly positive FTR Target Allocations reduced by the monthly negative FTR Target Allocations for that FTR Holder. The inclusion of monthly negative FTR Target Allocations in the calculation of monthly Transmission Congestion Revenue increases the amount that is available to be allocated as Transmission Congestion Credits to the FTR Holders with positive FTR Target Allocations.

If the monthly Transmission Congestion Revenue is greater than the monthly positive FTR Target Allocations, then there will be funds remaining in the month after the distribution of Transmission Congestion Credits. These funds are carried over until the end of the calendar year. If the monthly Transmission Congestion Revenue is less than the monthly positive FTR Target Allocations, a pro-rata amount, based on monthly positive FTR Target Allocations, all to positive FTR holders.

#### 6.3.4.1 ISO ACTIONS

(4) The ISO accounting process retrieves the following information:

(a) Monthly Transmission Congestion Revenue (\$)

(b) Each FTR Holder's hourly FTR Target Allocation

(5) The ISO calculates the monthly positive FTR Target Allocation for by summing the following values:

(a) Sum of all FTR Holders' positive FTR Target Allocations for the month



## Section 7: FTR Auction RIC



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## 7.2 Auction Revenue Rights (ARR) Overview

Revenues from the FTR Auction will be allocated to: (1) entities paying for transmission upgrades; and (2) Congestion Paying LSEs. This will be accomplished by defining a set of ARRs.

FTR Auction Revenues associated with Incremental Auction Revenue Rights are allocated to an entity that pays for transmission upgrades. The balance of the auction revenues is allocated to Congestion Paying LSEs through the following process. Details of the process are described in subsequent subsections and in

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## 7.3 ARR Definition, Entities Eligible for Allocations, and Required Actions

ARRs represent shares of the revenues generated by the sale of FTRs in a specific auction. They are expressed in terms of MW amounts and, like FTRs, they are characterized by:

- (1) An injection Node
- (2) A withdrawal Node
- (3) A MW quantity

In addition to the rights to FTR Auction Revenues awarded to entities that pay for transmission upgrades that increase the transfer capability of the New England Transmission System described in Section 8, rights to FTR Auction Revenues are allocated to Congestion Paying LSEs.

All data required for calculating ARR will be extracted from the market system databases, with no additional data input required from Market Participants. However, specific actions are required to qualify for ARR allocations relating to two components of the calculation: Excepted Transactions and NEMA Contracts.

### 7.3.1 Excepted Transactions

Market Rule 1 Appendix III.C provides that holders of certain contracts, called Excepted Transactions, have an option to be assigned ARRs in the initial stage of the allocation process. Excepted Transactions are listed in Attachments G and G-1 to the Open Access Transmission Tariff. Such ARRs are from the generation sources/External Nodes to the Node(s) of the load consistent with the Excepted Transaction. This option is available upon request for the earlier of 10 years following the SMD Effective Date or termination of the Excepted Transaction. Excepted Transaction treatment terminates with an effective date of February 28, 2012.

### 7.3.2 NEMA Contracts

Market Rule 1 Appendix III.C also provides that certain other long-term contracts having delivery points in NEMA ( " N E M A C o n t r a c t s " ) b e a l l o c a t e d contracts were furnished to the ISO by October 1, 2000 in the form that such contracts existed as of November 1, 1999. Such ARRs are from the generation sources to the Node(s) o f t h e N E M A L S E ' s l o a d c o n s i s t e n t w i t h t h e available until the earlier of the

## **7.4 Auction Revenue Rights Allocation**

FTR Auction Revenues associated with Incremental Auction Revenue Rights are allocated in accordance with Market Rule 1 Appendix III.C.2, III.C.3, III.C.4, and III.C.5, and revenues are distributed in accordance with Market Rule 1 Appendix III.C.6.







## 7.8 ISO Actions

The ISO performs the following actions:

- (1) Receives, validates and monitors NEMA Contracts;
- (2) Responds to requests for ARR allocations associated with Excepted Transactions;
- (3) Selects and validates network model and data inputs appropriate for related auction periods;
- (4) Conducts ARR allocations;
- (5) Settles the FTR Auction; and
- (6) Distributes FTR Auction Revenues to ARR Holders.

**Section 8:**





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## 8.4 ISO Actions

Under the Incremental Auction Revenue Rights methodology used, the ISO performs the following actions.

- (1) The ISO settles Incremental Auction Revenue Rights every month. Each month, Incremental Auction Revenue Rights holders will receive a monthly share of their annual Incremental Auction Revenue Rights award value based on the annual FTR Auction clearing prices, and the monthly value of the Incremental Auction Revenue Rights Award based on the monthly FTR Auction clearing prices.
- (2) The ISO maintains a record of FTR Auction Revenues awarded pursuant to the Incremental Auction Revenue Rights methodology for use in the FTR Auction Revenue settlement.

**Revision History**

**Approval**

Approval Date: August 8, 2002  
Effective Date: November 1, 2002

**Revision History**

Revision: 1 - Approval Date: February 14, 2003  
Section No.    Revision Summary  
Sections 1, 7  
& 8 ..... . . R e p l a c e s   t h e   t e r m   C o n g e s t i o n   P a y i n g

*The following revisions are contingent upon FERC acceptance of the corresponding revisions to Market Rule 1 to be filed by the ISO.*

5 . 2 ..... . . . R e m o v e d s t a r e n e e s a r e c a r r i e d h o w e t t o t h e f o l l o w i n g s t i o n  
month. Now states that excess monthly transmission congestion revenue is

7 . 4 & ~~Replaces~~ the term Qualified Upgrade Awards with Incremental Auction Revenue Rights.  
8.1, 8.2, 8.3 &  
8 . 4 ..... R e v i s e s t h e s e s e c t i o n s t o r e f l e c t Revenue Rights.

Revision: 10 - Approval Date: August 3, 2012  
Section No.    Revision Summary  
Entire Manual revised to reflect the Market Rule 1 provisions filed with the FERC to implement the Annual FTR Auction Rounds.

Revision: 11 - Approval Date: October 4, 2018  
Section No.    Revision Summary  
Entire Manual revised to reflect the Market Rule 1 provisions filed with the FERC to implement Price Responsive Demand Full Integration also includes grammatical, formatting and capitalization corrections throughout.  
1 ..... A d ~~DRR~~ Aggregation Zone” where applicable and removes “or D  
Congestion Area” because this is no longer a d e f i n  
3 ..... Removes subsections 3.2, 3.3, 3.4 because this information was an unnecessary hold  
over from PJM, which is included in the eFTR user guide. This information also did not  
conform with the level of detail in all the other manuals. A d d s “ D R R A g g r e g a t i o n  
5 ..... R e m o v e s s e c t i o n 5 a n d p l a c e s i t a s “  
duplicative with the new section 6 material on Transmission Congestion Accounting.  
6 ..... Moves Section 6 from M-28 to capture Transmission Congestion Accounting all in  
the same manual. Additionally, a few clarifying changes were made including: small  
g r a m m a t i c a l c h a n g e s , d e l e t i n g “ l o c a t i o n ” f o r  
section 6.3.1 was condensed and replaced with a reference to Market Rule 1. Adds subsection  
6 . 3 . 3 . 1 ( d ) t o f u r t h e r c l a r i f y n e g a t i v e T a r g e t  
is negative, then monthly FTR Target Allocation Deficiency equals zero” .  
Congestion Shortfalls was left in M-28.  
7. .... Removed subsection 7.2(4)(b) and abbreviates sections 7.3, 7.4 and 7.5 and  
references to the appropriate Market Rule sections were added. Removed section 7.4 because  
this information is better covered in the Tariff and training materials. Removes two paragraphs  
in subsection 7.5 on Long-Term Service has been eliminated from the Tariff.  
8 ..... C l a r i f i e s “ G e n ~~Revised~~ Upgrade and Elective ~~Transmission~~ i o n  
Upgrades to the PTF ” in Sections 8.1 and 8.3.1.