

Financial Transmission Rights



**Joint and Common Market
Wilmington, DE
July 27, 2005**

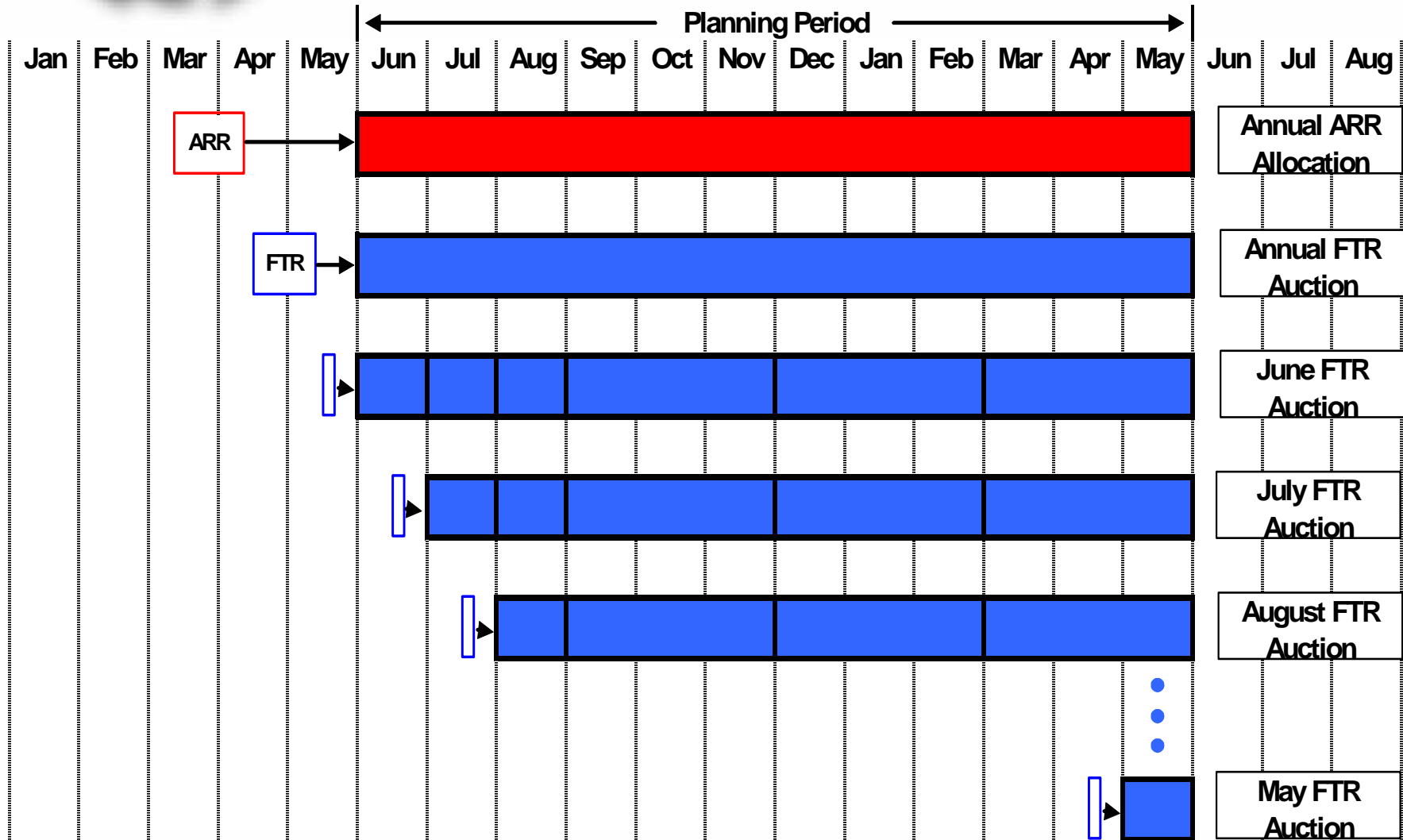


PJM ARR Allocation & FTR Auction Timeframe


Process	Nomination/Analysis Period	Term of Products
Annual ARR Allocation - Stage 1	early-March to mid-March	Annual - Planning Period
Annual ARR Allocation - Stage 2	mid-March to early-April	Annual - Planning Period
Annual FTR Auction	mid-April to early-May	Annual - Planning Period
Monthly FTR Auctions*	mid-month	next 3 planning period months Planning Period Q1 (Jun-Jul-Aug) Planning Period Q2 (Sep-Oct-Nov) Planning Period Q3 (Dec-Jan-Feb) Planning Period Q4 (Mar-Apr-May)

*current PJM monthly auctions award FTRs for the next month only. The term of products shown in table reflect monthly auction changes expected to be in place for the 2006/07 planning period.

PJM ARR Allocation & FTR Auction Timeframe

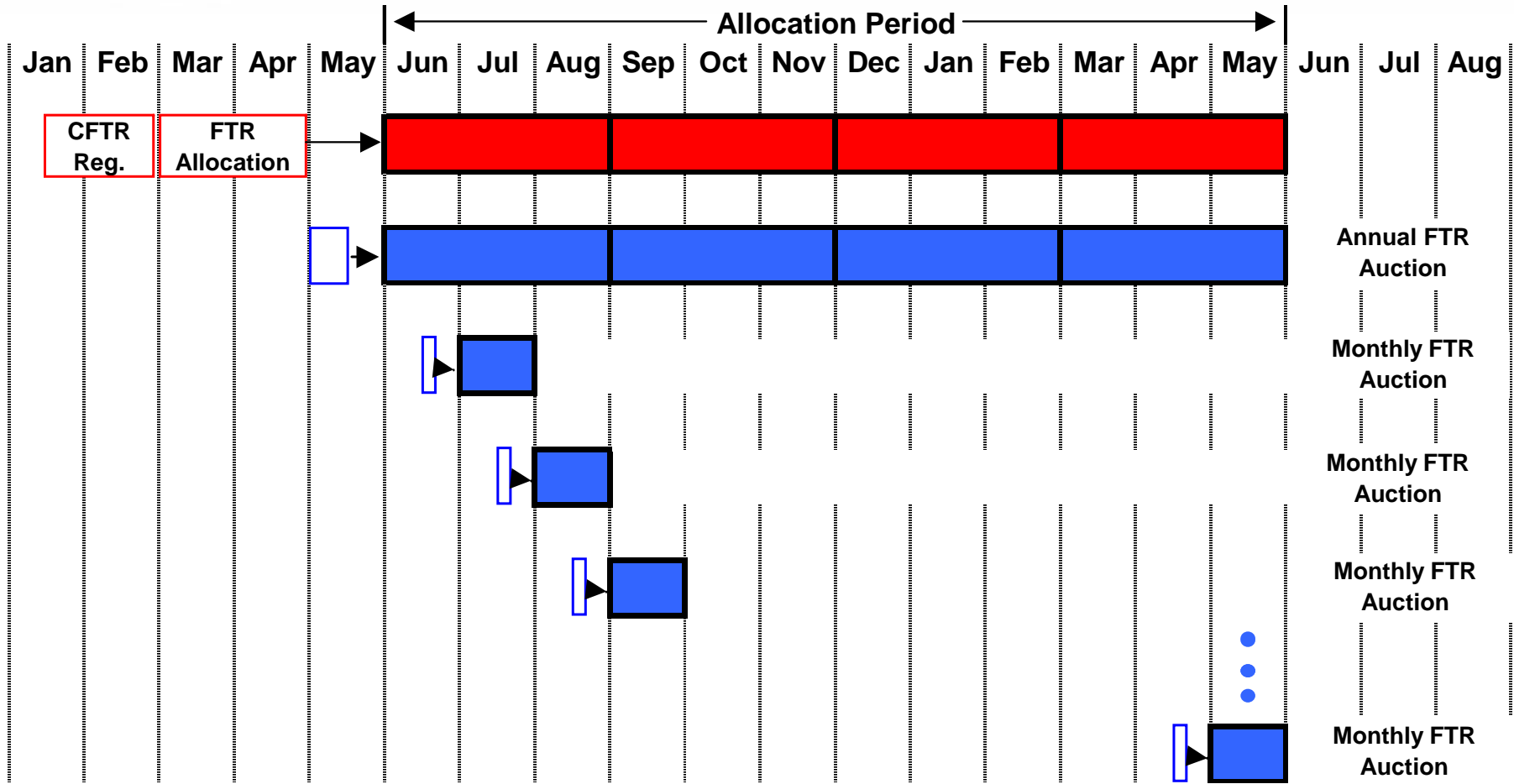


Midwest ISO FTR Allocation & Auction Timeframe



Process	Period	Term of Products
Annual CFTR Registration	mid-Jan. to end-Feb.	Seasonal - Allocation Period
Annual FTR Allocation	early-March to end-April	Seasonal - Allocation Period
Annual FTR Auction	early-May	Seasonal - Allocation Period
Monthly FTR Auctions	mid-month	Monthly

Midwest ISO FTR Allocation & Auction Timeframe



Options for Cross-Border ARR/FTR Implementation

Option #1:

- Single user interface through which participants could request ARRs/FTRs from a bus in one RTO to a bus in the other
 - could initially be a manual submission via a spreadsheet sent to a central mailbox
- Each request would be broken into the Midwest ISO piece and the PJM piece
- Each piece would be submitted to the other's allocation process

Options for Cross-Border FTR Implementation

Option #1 (cont'd):

- Each piece would then be evaluated, reported back to the participant and settled separately within each RTO's systems.
- Each piece could have a different awarded amount.
- Evaluation and settlement would be based on the source/sink node in the applicable RTO, and each RTO's proxy bus for the other
- Timeframe: could probably do for the 2006-2007 planning year if allocation timelines in synch
- Cost estimate: minimal if done manually. \$500,000 if a user interface is created that feeds the two FTR systems.

Options for Cross-Border FTR Implementation

Option #2:

- User submission same as Option #1, but with coordinated feasibility/awarding of the requests
- Feasible awarded results would be reported back to the participant as a single result
- This would require some sort of iterative approach to the feasibility testing, because the results of one would affect the other.
- In order to settle the combined FTR based on the source and sink nodal prices, some mechanism would be required to deal with difference in the PJM and the Midwest ISO system marginal prices
- Some mechanism also required to determine cost allocation for revenue shortfall or excess

Options for Cross-Border FTR Implementation

Option #2 (cont'd):

- Outstanding questions – can the two allocation processes/timeframes be aligned to the point that submission and awarding deadlines are the same?
- Cost estimate: >\$3,000,000
- Timeline: not before the '07-'08 planning year, and maybe the next

Options for Cross-Border FTR Implementation

Option #3:

- Expand Option 2 to include both allocations and auctions
- Implementation of cross-border ARR/FTRs into an auction mechanism would be technically very difficult, requiring co-optimization or iteration
- Cross border auction products would also impose additional constraints on already tight FTR auction timetables in both markets