

Risk Management Committee Charter

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Services

Members Committee

December 17, 2020

- Charter to establish the Risk Management Committee as a new Standing Committee was unanimously endorsed by the MRC in August.
- Later determined we need MC approval to establish a new Standing Committee
- Thus, seeking endorsement from the MC today.

- The Credit Subcommittee reviews credit issues and reforms and reports to the Markets Implementation Committee
 - The Credit Subcommittee last met in March, 2019 and before that in November 2018
 - Since that time, much work around PJM’s credit and risk rules has been accomplished through the Financial Risk Management Senior Task Force (FRMSTF).
 - Task force was established for a specific purpose and is not tasked with reviewing credit and risk management issues outside of this limited purpose

- It is important to have a viable committee available to review and work on issues beyond those contemplated by the FRMSTF
- PJM seeks to reformulate the Credit Subcommittee to:
 - rename the committee and update its scope to reflect the need to consider risk management in addition to credit issues
 - change the reporting structure in line with the recommendation of the Independent Consultant's Report on the Green Hat Default
- PJM previewed this at the April 30 MRC to obtain feedback
 - At the time, PJM contemplated reforming the committee to be a subcommittee of the MRC

- Feedback provided to PJM at the April MRC and in follow-up discussions since then was around:
 - Structure of the committee (i.e. then contemplated as a subcommittee to the MRC)
 - Interaction between the committee's credit and risk work and potential need for related issues to be reviewed or worked at other committees such as the MIC
- Further feedback provided at July MRC as to periodicity of meetings; suggestion to schedule meetings monthly

Risk Management Committee (RMC)

- Intended to cover credit and risk management issues
- Reports to MRC but as a standing committee, rather than a subcommittee of the MRC
- Will follow all rules of the standing committees including voting structure

Interaction with other committees

- RMC chair will coordinate with chairs of the other standing committees
- As needed, an issue will be reported out to the other committee(s), or, if the issue lends to being worked at another committee, it will be sent to that committee

Additional points to highlight

- Contemplated and encouraged that companies will have representatives with responsibility for credit and risk management participate in the meetings
- Meetings will be scheduled monthly

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