

# Unsecured Credit – PJM Market Activity

# Credit Metrics

- ❑ **Peak Market Activity (PMA) – Reflective of historical transactions not future activity**
  - **Current indicator - lagging indicator of credit risk**
  
- ❑ **Current time period for PMA = 3 weeks**
  
- ❑ **Propose using a combination of leading & lagging indicator for credit exposure**
  - **Use forward markets for price (hub prices as a surrogate – AD hub, NI-hub etc.,)**
  - **Use PJM projected market activity for each market participant**
  - **Time period of projections – one weeks of projected market activity**
  - **Leading indicator activity: daily projected activity \* daily projected price (for one week); then take median activity \$ exposure for 1 week**
  - **Lagging indicator activity: median \$ activity exposure for 3 weeks**
  - **Weight for indicators: 75% weight to leading and 25% weight to lagging indicator**
  - **New credit exposure = weighted median credit exposure for a day \* 7**

# Questions / Comments

