



March 26, 2019

Dear PJM Members,

Please see the [report](#) prepared by expert consultants retained by the Special Committee formed by the Board of Managers of PJM Interconnection, LLC to conduct a review of the GreenHat Energy default. As part of its charge, the Special Committee, which was composed of members of the PJM Board of Managers (Neel Foster, Mark Takahashi, Sue Riley), retained independent experts to assist in its review of this matter as follows:

- Robert Anderson, executive director of the Committee of Chief Risk Officers (CCRO). The CCRO is an independent non-profit corporation.
- Neal Wolkoff, CEO of Wolkoff Consulting Services, LLC, former chairman and CEO of the American Stock Exchange and chief operating officer of the New York Mercantile Exchange
- Arleigh Helfer, a senior attorney from Schnader Harrison Segal & Lewis LLP in Philadelphia

It is important to note that the Special Committee instructed the experts to focus on the actions of PJM. This review was not intended, nor should it be construed as, an evaluation of GreenHat, its principals or its actions. In formulating their views, it should be noted that the independent experts took into consideration best practices in risk management for commodities exchange markets, which may differ from the range of policies utilized in RTO/ISO markets.

The Special Committee fully appreciates the business and regulatory constraints that PJM, as a highly regulated RTO, faces in administering and making rule changes to its financial markets. Further, we recognize that PJM management and its members have already taken significant steps to strengthen its credit policies, and we support the actions that have been undertaken. Nonetheless, the review brought to light certain deficiencies within PJM that the Board takes very seriously.

As such, the Board is taking immediate action, together with PJM management, to address these deficiencies where it can. Further, the report sets forth recommendations for best practice improvements to strengthen PJM's markets, which will be considered by PJM's management and the Board and will be taken through a stakeholder process for possible Federal Energy Regulatory Commission approval. The Board and PJM management will make consideration of these recommendations a high priority, and we ask that you do as well. Again, while we recognize and appreciate PJM management and our members for proactively undertaking actions that help to strengthen our markets, we have a lot more work to do in this area.

While the circumstances are unfortunate, we believe this process has helped to identify changes that we can make to strengthen our overall management of risk within PJM. We thank you for your patience, help and participation in this review.

Sincerely,

/s/ Susan J. Riley

Susan J. Riley,  
Chair, Special Committee  
PJM Board of Managers