FERC Order 741 Update

Credit Subcommittee
October 21, 2011
Update

- On September 15, the FERC ruled on PJM’s Credit Order 741 compliance filing. Based on that ruling, an effective date of October 1 was set for the approved PJM tariff revisions:
  - Reduction of affiliated group aggregate unsecured credit limit from $150 million to $50 million
  - Minimum criteria for participation, capitalization requirements
  - PJM requirement to provide notice in writing of use of material adverse changes provision of credit policy
- Requirement to submit initial Officer Certification forms was deferred to January 1, 2012 – April 30, 2012
- FERC requested PJM make additional changes in a compliance filing due December 14
• Compliance Filing – due December 14
  – Inclusion of Seller Credit in individual member and affiliated group calculation of aggregate unsecured credit limit
    • Including RPM Seller Credit
  – Elimination of Seller Credit as a means of fulfilling FTR credit requirements
  – Minimum criteria for participation & officer certification form:
    • Clarify “hedging”
    • Expand applicability of risk management policies, procedures and practices verification process
  – Changes to Seller Credit are expected to be effective when the compliance filing is submitted to the FERC in December
  – The first officer certification form is expected to be due to PJM any time after January 1, 2012 and no later than April 30, 2012
• **Timetable/Status**
  – **October 21, 2010 and February 17, 2011**
    • FERC Orders 741 and 741-A issued
  – **December 2010 – June 2011**
    • Stakeholder discussions
  – **June 30, 2011**
    • Compliance filing submitted
  – **October 1, 2011**
    • Effective date of most Tariff revisions
  – **December 14, 2011**
    • Additional compliance filing required
    • Anticipated effective date for Seller Credit changes
  – **February 12**
    • Approximate anticipated effective date for changes to certification form and risk management verification process
  – **January 1, 2012 – April 30, 2012**
    • Initial Officer Certification forms due