Member Credit Survey Results

Credit Subcommittee
May 6, 2014
Harold Loomis
• **Substantial support (> 70%):**
  
  Q12 – Continuing analysis of virtual bidding credit requirement algorithm (97%)
  
  Q14 – “No change” option on risk policies in Annual Officer Certification (89%)
  
  Q1 – Demand bid volume limit concept (88%)
  
  Q13 – Reducing virtual transactions current “1+3” to “1+1” (76%)
  
  Q7 – More than 10 prepayments per 12-month period (73%)
• **Split opinions (> 30% and < 70%):**
  
  Q9  – 10 prepayments per six-month PMA reset period (66%)
  Q8  – 16 prepayments per 12-month period (65%)
  Q11 – Allow prepayments for members without unsecured credit limits (63%)
  Q6  – PMA based on higher of lagging or leading indicators (62%)
  Q10 – Unlimited number of prepayments (51%)
  Q3  – Shortening the payment breach cure period to one business day (47%)
• **Substantial rejections (< 30%):**

  Q2 – Shortening the collateral breach cure period to one business day (18%)

  Q5 – Lower WCL collateral call trigger below current 75% of available market credit (15%)

  Q4 – Shortening both the collateral and payment breach cure period to one business day (11%)
Member Credit Survey – Going Forward
• Not pursuing

Q2 – Shortening the collateral breach cure period to one business day (18%)

Q5 – Lower mandatory WCL collateral call trigger below current 75% of available market credit (15%)

Q4 – Shortening both the collateral and payment breach cure period to one business day (11%)
• **In process**

  Q1 – Demand bid volume limit concept (88%)
  - Additional analysis in separate presentation
  - Will require stakeholder discussion and tariff change

  Q13 – Reducing virtual transactions current “1+3” to “1+1” (76%)
  - Pending confirmation of improved exposure data
  - Will require tariff change

  Q14 – “No change” option on risk policies in Annual Officer Certification (89%)
  - Will require tariff change
  - Not applicable until 2015
• Additional stakeholder feedback requested
  Q12 – Continuing analysis of virtual bidding credit requirement algorithm (97%)
    • What credit algorithms do members suggest for analysis?
  Q6   – PMA based on higher of lagging or leading indicators (62%)
    • What leading indicators do members suggest?
  Q3   – Shortening the payment breach cure period to one business day (47%)
• **Prepayments used to reduce PMA**

<table>
<thead>
<tr>
<th>PJM</th>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
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<td>5</td>
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<td></td>
<td>Bill Issued</td>
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<td>Payment Due</td>
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<td></td>
<td>6</td>
<td>7</td>
<td>Default with 1-day Cure</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
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**Business Days** Currently five full business days after bill issuance before default

**Non-bus. days** One-day cure period allows for four full business days after invoice issuance before default

**ISO/RTO Comparison**

<table>
<thead>
<tr>
<th>1 day</th>
<th>2 days</th>
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<tbody>
<tr>
<td>NYISO</td>
<td>PJM</td>
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<tr>
<td>CalISO*</td>
<td>MISO</td>
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<tr>
<td>ERCOT*</td>
<td>SPP</td>
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<tr>
<td>ISONE*</td>
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* CalISO - Due 10am, variable cure period even same day, depending on circumstances
* ERCOT - 1-day cure period pending
* ISONE - cure period expires 8:30 a.m. on 2nd business day
• Additional stakeholder input requested (matrix discussion)
  Q7-11 – Prepayments used to reduce PMA (51% - 73% support)
    Q7  – More than 10 prepayments per 12-month period (73%)
    Q9  – 10 prepayments per six-month PMA reset period (66%)
    Q8  – 16 prepayments per 12-month period (65%)
    Q11 – Allow prepay for members without unsecured credit limits (63%)
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