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