PMA Credit Requirement Analysis
Winter 2014

Credit Subcommittee
February 20, 2015
• Comparison of Packages A and B
  – Credit requirements vs. actual historical exposure
    • Winter 2014 and 2011-2015
    • FTR and RPM credit requirements are not included
  – Shortfall analysis
    • Time lag between exposure and credit requirements due to measurement and cure periods
# Credit Subcommittee

## Changes To PMA Credit Requirement

### Package/Proposal Matrix

<table>
<thead>
<tr>
<th>#</th>
<th>Design Components</th>
<th>Priority</th>
<th>Solution Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Structure</td>
<td>One-tier by definition but two-tier when Current Exposure requirement considered</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>2</td>
<td>Current Exposure (CE) requirement</td>
<td>Current exposure can’t exceed Working Credit Limit (75% of available credit)</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>3</td>
<td>Leading component</td>
<td>Current Exposure requirement</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>4</td>
<td>Lagging Component</td>
<td>Highest three weeks invoices during current 6-month cycle with semiannual reset</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>5</td>
<td>Prepayment* eligibility</td>
<td>Only Participants with Unsecured Credit Allowance</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>6</td>
<td>Prepayment Dollar limits</td>
<td>Capped at Participant’s Unsecured Credit Allowance</td>
<td>Same as status quo</td>
</tr>
<tr>
<td>7</td>
<td>Prepayment frequency</td>
<td>Ten per rolling 12 months</td>
<td>Ten per reset cycle</td>
</tr>
<tr>
<td>8</td>
<td>Timing/frequency of PMA resets</td>
<td>Apr/Oct</td>
<td>Mar/Oct</td>
</tr>
<tr>
<td>9</td>
<td>Semiannual reset calculation</td>
<td>Average of prior 52 weeks of invoices after accounting for Prepayment reductions</td>
<td>Same as status quo except remove the single highest and lowest weeks and average the remaining 50</td>
</tr>
</tbody>
</table>

* In this discussion, "Prepayment" means prepayment of invoice resulting in a reduction to the PMA credit requirement.
These credit requirements do not include FTR and RPM.
#1 Jan11 – Jan19
PkgA increases $870M
PkgB increases $2.1B

#2 Jan27-Feb3
PkgA increases $1.9B
PkgB increases $3.3B

#3 Feb12-17
PkgA increases $468M
PkgB increases $1.6B

#4 Feb15-Mar22
Avg PkgA $4B
Avg PkgB $1.4B
Credit Requirements vs. Actual Exposure

Only Winter 2014 includes March reset (instead of April)

- Package B
- Package A (PJM)
- Total Current Exposure