

Motion: Near-Term FTR Liquidation

August 23, 2018



Motion

The MRC requests PJM to file appropriate documents at FERC to discontinue offering any positions for liquidation in the defaulted portfolio effective 8/24/18 – 11/30/18, instead allowing such positions to go to settlement.

Motion Rationale

Eliminates risk associated with selling a large volume FTR portfolio into a potentially illiquid market.

- When PJM previously attempted to liquidate the September 2018 – May 2019 positions, liquidation prices would have been approximately 4X the pre-default auction clearing price on the same paths.
- Liquidation fixes the risk premium paid at a point in time with no foreknowledge of market liquidity.
- Exelon's view is that the activities directed by the motion will help achieve the objective of minimizing the default allocation to members.

If desired, allows members to hedge their share of the GreenHat portfolio to manage risk.

- The positions are known to membership which allows firms to hedge consistent with individual risk aversion.

Members will know the monthly default allocation assessment amounts at the same time that PJM issues each applicable month-end invoice (or possibly on a one-month lag basis).

Members will know the total default allocation assessment amount for each planning year the month after the planning year ends.

The default allocation assessment amount will be the actual net losses on each month's positions.