

# FRMSTF: Markets Track Proposal

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October 31, 2019

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# Financial Risk Mitigation Senior Task Force Background

## FRMSTF approved in April 2019

 Evaluate the recommendations in the Report of the Independent Consultants on the GreenHat Default related to Market rules updates, Credit and risk management rules updates, Membership qualifications and processes updates, and Stakeholder process changes

### Key discussion areas for <u>Market rules</u> updates:

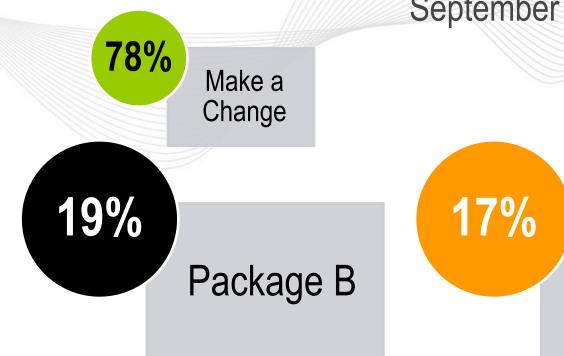
- Scope limited to risk mitigation not a holistic market review
  - Market review to be conducted in 2020 through a new MIC task force
- Enhancing forward price information
  - Timing and frequency of long-term FTR auctions
  - Structure of Balance of Planning Period (BOPP) FTR auctions



75%

### September Voting Results

Package C



- Package A received majority support; majority prefer to make a change
- Minor points of contention included:

Package A

- Retaining quarter effective periods for BOPP vs. months only (Package C)
- Annual long-term products vs. quarter long-term products (Package B)
- Timing of 5 long-term rounds (resolved in Package A proposal)

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| Design Component                                    | Status Quo  | Modification  | Justification  |
|---|---|---|--|
| Frequency of long-term auctions                     | 3 times a year; JUN, SEP, DEC   | 5 times a year; JUN, AUG, OCT, DEC, MAR               | Provide increased level of protection from a potential default by not allowing positions to grow or deteriorate over time without posting of additional collateral |
| Capability offered per long-<br>term auction round  | 33.33% of residual capability available each round  | 20% of residual capability available each round       |  |
| Available periods for the monthly FTR BOPP auctions | Any 3 individual months in the future, any remaining full quarter in the planning period that does not overlap with first three individual months | Any remaining individual month in the planning period | <ul> <li>Maximize pricing information</li> <li>More granular modeling</li> <li>Better case performance allows more time to analyze results</li> </ul>              |



- Next FRMSTF meeting scheduled for November 7<sup>th</sup>
  - Work plan available <u>here</u>

- Report back to the MRC December 5<sup>th</sup>
  - Vote on package A proposed implementation time 20/21 planning period
  - Manual 6 and OA/OATT language posted with today's materials
- Work plan is scheduled through the early Q1 2020