RMC – FTR Residual Risk Management Poll Results

August 23, 2022

Survey Participation

Member Type	Votes	Percent
Voting	33	23%
Affiliate	109	77%
Total	**142**	

1. Do you support the establishment of a default fund to mitigate tail and residual risk?

Yes - 25% (36)

No - 75% (106)

Question 1 open comments

1. Do you support the establishment of a default fund to mitigate tail and residual FTR risk?

- Yes, PROVIDED this is funded by FTR market participants according to their FTR market share. In addition to being consistent with cost causation, this also recognizes that many other PJM Members have physical assets that have monetary value, and thus will not be in a position of foisting default costs on other market participants.
- However details required on how fund will be funded. Supportive if no significant upfront burden.
- It is an inefficient use of Member capital to pre-pay for a default allocation.
- Does PJM have a sense of the amount of the default fund and the required contribution to this fund? Was the $40M just a placeholder?
- Pre-pays for a default with interest
- We support investigating a default fund but do not support establishing a default fund unless we can determine that the final proposal makes economic sense and does not cause harm to the liquidity of the FTR market.
- No - this appears to be just prefunding a default allocation. Doesn't change the financial impact of member default on PJM members in good standing.

2. Do you support the usage of credit insurance to mitigate tail and residual FTR risk (note this would likely require the establishment of a default fund, as well)?

Yes - 24% (34)

No - 76% (108)

Question 2 open comments

2. Do you support the usage of credit insurance to mitigate tail and residual FTR risk (note this would likely require the establishment of a default fund, as well)?

- Yes, PROVIDED this is funded by FTR market participants according to their FTR market share. In addition to being consistent with cost causation, this also recognizes that many other PJM Members have physical assets that have monetary value, and thus will not be in a position of foisting default costs on other market participants.
- It is an inefficient use of Member capital to insure for a default allocation. If the purchase of insurance is predicated on PJM establishing a default fund to which Members must contribute, then we would rather hold the cash for our own uses.
- Expense outweighs benefit by a large margin
- We support investigating a credit insurance but do not support usage of credit insurance unless we can determine that the final proposal makes economic sense and does not cause harm to the liquidity of the FTR market.
- Support is contingent on reasonableness of costs and terms of insurance

3. If you support both a default fund and credit insurance, which do you believe should be worked at the RMC first?

Default Fund - 8% (3)

Credit Insurance - 24% (9)

Both are important - 68% (26)

4. Are there other measures that could mitigate tail and residual FTR risk that you'd recommend PJM investigate?

Yes - 21% (27)

No - 79% (101)

Question 4 open comments

4. Are there other measures that could mitigate tail and residual FTR risk that you'd recommend PJM investigate? Please describe below.

- Does PJM have adequate forward-looking measures in place?
- Effective execution of the KYC and recent credit reforms (if approved) should suffice. We are open to consideration of additional best-practices.
- Scaled Minimum Capitalization Requirements - a company capitalization requirements should be scaled to the risk one takes in the market - the larger the portfolio (mwh) the higher the requirement
- We feel that alternatives may exist and encourage PJM to continue to investigate alternate measures with caution, so as not to affect liquidity in the FTR market by adding burdensome controls that negatively affect market behavior.
- Consideration of additional collateral requirements for FTR market participants that are purely financial and have no physical positions in the market.

Contact

Facilitator:
Jim Gluck, Jim.Gluck@pjm.com

Secretary:
Chrissy Stotesbury (fill-in),
Christina.Stotesbury@pjm.com

SME/Presenter:
Lisa Drauschak

FTR Residual Risk Management

Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com