

Education For FTR Enhancement Problem Statement/Issue Charge

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Risk Management Committee
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1. New applicants are required to complete a Market Participant application
2. Applicant identifies markets in which they intend to participate
3. If FTR Market is selected, applicant is required to select how and the intent of participation.

How	Intent
<ul style="list-style-type: none">• FTR Auction	<ul style="list-style-type: none">• Hedge transactions in energy market of physical energy or ancillary services in actual flow of energy
<ul style="list-style-type: none">• ARR Participant	<ul style="list-style-type: none">• Mitigate commercial risk
<ul style="list-style-type: none">• Other (if applicable, Applicant to describe)	<ul style="list-style-type: none">• Other (Applicant to describe)

Credit Requirements

• Audited financial statements required to perform credit evaluation	
• Minimum Capitalization	\$1 Million Tangible Net Worth or \$10 Million Tangible Assets
• Market Eligibility (as established through Officer Certification Form)	Appropriate person as defined under the Commodity Exchange Act section 4(c)(3); \$1 Million in net worth or \$5 Million in total assets
	Eligible contract participant as defined under the Commodity Exchange Act section 1a(18); \$1 Million net worth or \$10 Million in assets
	A business entity or person who is in the business of (1) generating, transmitting, or distributing electric energy, or (2) providing electric energy services that are necessary to support the reliable operations of the transmission system

Credit Policy	
• Unsecured Credit Allowance (UCA)	No unsecured credit can be utilized for FTRs (effective June 2020)
• Acceptable forms of Collateral	Limited to Cash and Letters of Credit
FTR Credit Requirement	
• Based upon HSIM (Historical Simulation Initial Margin)	
• Not affected by Market Participant's External/Internal credit score	



Total Requirement = Max { Max (IM – ARR – MTA, Ten Cent per MWh Minimum) – Realized Gains and / or Losses, 0}

1. IM = FTR Obligation IM + FTR Options IM
 - a) Confidence interval changed from 97% to 99% on December 12, 2023
 - b) FTR Obligation IM is the sum of
 - i. Straight sum of IMs from long-term positions
 - ii. 20% * straight sum of monthly IMs from Balance Of Planning Period (BOPP). Monthly IMs are adjusted for available ARR credit.
 - iii. 80% * root sum of squares of monthly IMs from BOPP. Monthly IMs are adjusted for available ARR credit.
 - c) FTR Options IM = FTR cost – adjusted FTR historical values
2. ARR Credit
3. MTA
4. 10¢ per MWh Minimum
5. Realized Gains and / or Losses



Total Requirement = Max { Max (IM – ARR – MTA, Ten Cent per MWh Minimum) – Realized Gains and / or Losses, 0}

1. IM = FTR Obligation IM + FTR Options IM
2. ARR Credit
 - a) Prorated ARR Credit is subtracted for each month in BOPP
 - b) Remaining unused ARR credit is applied to reduce negative MTA
3. MTA = (most recently cleared auction price - the original transaction price) * transacted quantity
 - a) summed over all months
 - b) If negative, unused ARR credit can be used to offset: min (MTA + unused ARR,0)
4. 10¢ per MWh Minimum = 10 ¢ * portfolio net buy cleared positions
5. Realized Gains and / or Losses is the settled FTR value that has not been paid out.

- Any realized gains and/or losses resulting from the settlement of FTR Obligations that have not been paid out will be subtracted from the FTR Credit Requirement. A realized gain will decrease the FTR Credit Requirement (but not below \$0.00), whereas a realized loss will increase the FTR Credit Requirement.
- RGL are deducted from invoice not paid and unbilled obligation, therefore not available to offset FTR Obligations.



Considerations for Possible Use of Billed Not Paid and Unbilled Obligations (Net Seller) as a Form of Collateral

RPM Seller credit	Deduct the amount of RPM Seller Credit being utilized to satisfy RPM Market Credit Requirement to mitigate double counting use of revenue.
Credit available for market activity	Current practice does not permit billed not paid and unbilled obligations to be utilized for market activity (less RGL). <ul style="list-style-type: none">• Would require changes to governing documents and applicable systems (i.e., settlements, eCredit, etc.)
Legal considerations include:	Treatment of Revenues being utilized as cash collateral when funds not yet collected
	Possible limitation on PJM retention of post petition revenues in the event of bankruptcy
Cash provided by a Participant as Collateral are required held in a depository account by PJM. How does the proposed treatment of revenues reconcile with this requirement?	

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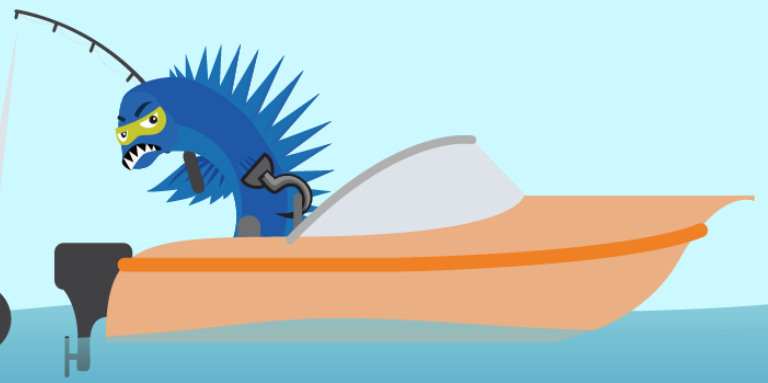
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**PROTECT THE
POWER GRID**

**THINK BEFORE
YOU CLICK!**



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MALICIOUS PHISHING
EMAILS**



**Report suspicious email activity to PJM.
Call (610) 666-2244 or email it_ops_ctr_shift@pjm.com**