Credit Subcommittee

Prepayments for PMA Reduction

OPTIONS MATRIX

Strive for simplicity

			Solution Options[2]					
#	Design Components[1]	Priority	Status Quo	A	B	C	D	E
1	Invoice items subject to PMA		All except FTR	Also exclude Virtual Transactions and Exports				
2	Structure		One-tier by definition but two-tier when Current Exposure requirement considered	Two - Lead-Lag - historical and prospective			75% leading and 25% lagging indicators; credit exposure equal to weighted median credit exposure for one day * 7	
3	Current Exposure (CE) requirement		Current exposure can't exceed Working Credit Limit (75% of available credit)	Extrapolate Current Exposure to include collateral breach cure period				
4	Leading component		Current Exposure requirement	Extrapolation of potential billing using forward index such as ICE prices	Other "Seasonal" indicator		one week of projected market activity; use forward markets for price (hub prices as surrogate); daily projected activity * daily projected price (for one week); then take median activity $ exposure for one week	
5	Lagging Component		Highest three weeks invoices during current 6-month cycle with semiannual reset	Status Quo but monthly reset based on Participant's last month's actual 3-week peak and following month's historical share of load costs; maintain CE requirement.	Reduce three week Peak (e.g. use second highest in 6 months, or other measure), but increase/ extend CE req'mt and remove Prepay option. May allow for use of some CE collateral to partial pay invoices.		Median $ activity exposure for 3 weeks	
6	Prepayment* Eligibility		Only Participants with Unsecured Credit Allowance	All Participants	Complete removal	Complete removal if PMA solution includes more frequent reset		
7	Prepayment Dollar limits		Capped at Participant's Unsecured Credit Allowance	Unlimited				
8	Prepayment Frequency		Ten per rolling 12 months	Unlimited	8 per PMA reset period			
9								
10								
11								
12								
	* In this discussion, "Prepayment" means prepayment of invoice resulting in a reduction to the PMA credit requirement							