

August 1, 2022

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

*Re: PJM Interconnection, L.L.C., Docket No. EL22-32-000  
Informational Filing*

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”), as contemplated in its May 31, 2022, Motion for Abeyance in this proceeding,<sup>1</sup> provides this status report on PJM’s engagement with its stakeholders to assess residual risks stemming from the riskiest Financial Transmission Right (“FTR”) Market Participants and to develop mitigations to protect the integrity of the FTR Market.

## **I. BACKGROUND**

On December 21, 2021, as amended December 30, 2021, PJM filed proposed revisions to the Tariff, pursuant to Federal Power Act (“FPA”) section 205, to revise the calculation of the FTR Credit Requirement, which sets the Collateral that FTR Participants are required to provide in order to participate in PJM’s FTR market (“Revised FTR Credit Requirement”).<sup>2</sup> On February 28, 2022, the Commission issued an order rejecting the

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<sup>1</sup> *PJM Interconnection, L.L.C.*, Motion to Hold Section 206 Proceeding in Abeyance, Docket No. EL22-32-000 (May 31, 2022) (“Motion for Abeyance”).

<sup>2</sup> *PJM Interconnection, L.L.C.*, Revisions to PJM’s FTR Credit Requirement and Request for 28-Day Comment Period, Docket No. ER22-703-000 (Dec. 21, 2021) (“December Section 205 Filing”), *amended by PJM Interconnection, L.L.C.*, Amendment to Revisions to PJM’s FTR Credit Requirement, Docket No. ER22-703-001 (Dec. 30, 2021).

Revised FTR Credit Requirement and opening the FPA section 206 investigation in the instant docket to “examine the justness and reasonableness of PJM’s existing FTR Credit Requirement.”<sup>3</sup> The Commission directed PJM to submit a response in this proceeding on possible changes to the Tariff to remedy identified concerns that the FTR Credit Requirement has become unjust or unreasonable, or if PJM preferred, PJM could address such concerns through a new Section 205 filing, and seek to hold this Section 206 proceeding in abeyance.<sup>4</sup>

PJM chose that alternative route. On May 31, 2022, PJM filed the Motion for Abeyance, and on June 3, 2022, PJM submitted a new Section 205 filing to revise the FTR Credit Requirement.<sup>5</sup> PJM explained that the requested abeyance would allow the Commission to determine the extent to which the June 3 Filing provides a just and reasonable resolution of the shortcomings in the FTR Credit Requirement identified in the February 28 Order.<sup>6</sup> PJM also explained that the requested abeyance would facilitate a process for addressing the distinct issue of adequate margin requirements for the “riskiest market participants,” referenced in the February 28 Order.<sup>7</sup> PJM explained that while the FTR Credit Requirement was not designed to squarely address participant risk, PJM has other risk management tools that are designed to assess counterparty risk, and PJM was engaging with its stakeholders on how best to utilize these tools, including an assessment of residual risks stemming from the riskiest FTR Market Participants.

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<sup>3</sup> *PJM Interconnection, L.L.C.*, 178 FERC ¶ 61,146, at PP 1, 31 (“February 28 Order”), *reh’g denied*, 179 FERC ¶ 62,068 (2022).

<sup>4</sup> February 28 Order at PP 37, 38.

<sup>5</sup> *See PJM Interconnection, L.L.C.*, Revisions to PJM’s FTR Credit Requirement, Docket No. ER22-2029-000 (June 3, 2022) (“June 3 Filing”). The June 3 Filing remains pending before the Commission.

<sup>6</sup> Motion for Abeyance at 4.

<sup>7</sup> *See* February 28 Order at PP 33, 40.

The Motion for Abeyance added that “during the pendency of the requested abeyance, PJM will provide status reports in this docket every sixty days advising the Commission on the stakeholder process, and any resulting outgrowths of that process that may require further Tariff changes.”<sup>8</sup>

## **II. PJM’S FIRST STATUS REPORT**

As explained in the Motion for Abeyance, PJM is working with its Risk Management Committee (“RMC”) to assess residual risks stemming from the riskiest FTR Market Participants and to develop mitigations to protect the integrity of the FTR Market.<sup>9</sup> Since that time, PJM has held two RMC meetings (June 28, 2022 and July 26, 2022, respectively). During the July 26, 2022 RMC meeting, stakeholders voted to adopt a problem statement and issue charge to address FTR Market residual risk management employing methods not currently available under the Tariff.<sup>10</sup> Both of the RMC meetings also included stakeholder education regarding unreasonable credit risk and the key metrics for identifying such risks across FTR portfolios.

In addition to stakeholder engagement through the RMC, PJM issued a survey to Members more broadly on July 29, 2022, to gauge support for use of a default fund and/or credit insurance. PJM also sought Member input through the survey on other FTR residual risk mitigation methods.

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<sup>8</sup> Motion for Abeyance at 5. While the Commission has not yet ruled on the Motion for Abeyance, PJM is submitting the instant informational filing in furtherance of its commitment to address those issues identified in the February 28 Order that have not been explicitly resolved by the June 3 Filing.

<sup>9</sup> See Motion for Abeyance at 5.

<sup>10</sup> These methods could include use a default fund and credit insurance to mitigate counterparty risk. See PJM Interconnection, L.L.C., *Default Fund & Credit Insurance* (July 26, 2022), <https://pjm.com/-/media/committees-groups/committees/rmc/2022/20220726/item-07---default-fund--credit-insurance.ashx>.

PJM will provide the Commission with an update on its engagement with the RMC and the results of its Member survey sixty days from the date of this filing.

### **III. COMMUNICATIONS**

Correspondence and communications related to this filing should be sent to the following individuals:

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#### IV. CONCLUSION

PJM respectfully requests that the Commission accept this informational filing.

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing documents upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 1st day of August 2022.

/s/ Elizabeth P. Trinkle  
Elizabeth P. Trinkle

**Attorney for PJM Interconnection, L.L.C.**