



2750 Monroe Blvd.
Audubon, PA 19403

Andrew Ott
President and CEO
610-666-8980

April 30, 2019

Dear Mr. Wadsworth and Members of the Other Supplier Sector,

Thank you for your letter to the PJM Board regarding various aspects of the recent independent report regarding the 2018 default of GreenHat Energy, LLC.

Responding to your inquiries regarding the consultants' report, an advance copy was provided to the full PJM Board, PJM executive management, PJM's Independent Market Monitor, staff at the Federal Energy Regulatory Commission and attorneys at Fried Frank (litigation counsel retained at the direction of the PJM Board). The Board of PJM commissioned this review and retained the authors of the report directly. At all times, from its inception to its public release, the report and its contents remained the exclusive domain of the independent experts who authored the report.

Regarding your inquiry around self-reporting, the report does not find violation of any law, regulation or PJM tariff rule. Counsel further confirmed these findings. On this basis, no formal self-report was made beyond publication of the expert report, which of course is available in full to all regulators and enforcement agencies. Much of what the experts conclude in the report is that while PJM may have been compliant, it was compliant with inadequate tariff rules and processes.

Finally, we agree that managing and monitoring collateral is a PJM function. As indicated at the April 25 Members Committee meeting, PJM will improve its structure, processes and rules to mitigate and more adequately manage financial risk facing its members. As we have announced, PJM will constitute a new Risk Oversight and Markets Surveillance Committee, chaired by a Chief Risk Officer with senior level participation from Finance, Markets, and Legal. Among other functions, this committee will oversee internal processes for market participant surveillance and will communicate and coordinate closely with PJM's Independent Market Monitor. The rules and standards served by these processes will be considered with stakeholder input through the recently chartered senior task force. Further the charter of the Audit Committee of the PJM Board has been expanded to include oversight of risk management within PJM. As such, the Chief Risk Officer will have a direct line of communication to the Risk and Audit Committee of the Board.

Thank you again for your letter. We look forward engaging your sector and the rest of our stakeholders as we move forward to reduce financial risk exposure to our members.

Sincerely,

A handwritten signature in black ink that reads "Andrew L Ott". The signature is written in a cursive, flowing style.

Andrew Ott
President & CEO