



2750 Monroe Blvd
Audubon, PA 19403-2497

Ake Almgren
Chair, PJM Board of Managers

July 15, 2019

Ms. Noha Sidhom
Energy Trading Institute
1742 20th Street NW
Washington, DC 20009

Dear Ms. Sidhom,

Thank you for your thoughtful white paper and letter regarding Financial Transmission Rights submitted on behalf of the Energy Trading Institute, (ETI). The PJM Board appreciates the detailed and considered perspective that you have provided. Further, we appreciate you and your members having taken the time to meet with the Board's independent experts in connection with the preparation of the Report of the Independent Consultants on the GreenHat default and ETI's request for a rehearing in connection with FERC's waiver order.

We agree that the first steps are to strengthen credit rules and risk management policies. As such, PJM is working with its members through the Financial Risk Mitigation Senior Task Force to mitigate risks within the FTR market that need to be addressed immediately. Further, as we had previously announced, the Board has expanded the charter of the Audit Committee to include direct oversight of risk management within PJM and we believe we will be able to make an announcement soon regarding the appointment of a senior level executive who will lead this important risk management function within PJM.

We are also committed to an examination as to whether our current FTR and other market offerings present risk management challenges that outweigh overall benefits and we greatly appreciate the points that you raise. Market design changes take time and I assure you that your perspective as well as the views of other PJM members, OPSI and the market monitor will be taken into consideration through a robust stakeholder process.

We appreciate the time and thought that you put into your letter and paper and look forward to working with you on these important issues.

Sincerely,

A handwritten signature in black ink that reads "Ake Almgren". The signature is written in a cursive, flowing style.

Ake Almgren
Chairman of the Board of Managers