



FERC Order Denying PJM's Request for Waiver re: Liquidating FTR Positions of Defaulted Member

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Market Implementation Committee
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All FERC Orders re: Liquidation

Filing Date	Filing	FERC Order
July 26, 2018	Waiver Request – asking authority for PJM to only offer prompt-month FTRs for liquidation; requested next day effective date prior to PJM clearing the FTR auction conducted in July 2018	January 30, 2019 – FERC rejected the waiver request indicating PJM's request did not satisfy two of the four criteria for waiver requests – limited in scope and no undesirable effects
August 24, 2018	Section 205 Filing – Not offer any positions for liquidation from August 24, 2018 through November 30, 2018	October 18, 2018 – Approved
October 1, 2018	Section 205 Filings: <ol style="list-style-type: none"> 1. Not offer defaulted FTR positions for liquidation from December 1, 2018 forward 2. Temporary request to not offer for liquidation from December 1, 2018 through February 28, 2019 to allow further stakeholder discussion if FERC does not approve 1st order 3. Clarification that \$10,000 cap on pro rata member portion of default allocation assessment applies once per default 4. Allow bilateral counterparties option to assume the indemnified positions 	<ol style="list-style-type: none"> 1. November 29, 2018 – approved, subject to removal of bilateral assumption wording that received a deficiency notice 2. November 29, 2018 – rejected as moot given approval of 1st filing 3. November 29, 2018 – approved 4. November 30, 2018 – deficiency notice; December 18, 2018 – PJM filed to withdraw this filing with a Members Committee supporting vote; February 5, 2019 – FERC approved PJM's motion to withdraw

- Rerun preliminary FTR Auction results conducted in July 2018 with previously-submitted participant bids / offers with the FTR liquidation process applicable when the auction commenced
 - Results for the auction conducted in July 2018 revised to consider liquidation of multiple months of FTRs may trigger a limitation in the FTR liquidation provisions of the Tariff and Operating Agreement in effect in July 2018 thereby impacting which FTRs can be liquidated
 - Credit collateral calls (Normal and Undiversified) will be triggered due to preliminary FTR auction results (and future approved results from auctions already conducted from August 2018 thru January 2019) resulting in iterations of tentative results before being able to finalize the rerun FTR Auction results
 - All FTR portfolios of market participants active in the FTR Auction conducted in July 2018 will be revised
- Multiple Tariff and Operating Agreement violations
 - Revised FTR auction cleared results will cause FTR auctions conducted from August 2018 through January 2019 to become infeasible solutions (simultaneous feasibility test or SFT requirement)
 - Positions acquired were sold in auctions after July 2018 that would not have been owned if auction results of July 2018 were different (FTR ownership validation)

- Resettle billed FTR-related charges and credits from August 1, 2018 through the implementation date to reflect the results of the rerun July 2018 FTR auction
- Complete billing adjustments to revise the default allocation assessment charges from August 1, 2018 through implementation date to reflect increased costs from any defaulted FTR positions liquidated
- Issue collateral calls triggered by updated FTR auction results and revised default allocation assessments which may result in additional member defaults



Potential Default Allocation Assessment Implications of FERC's Order Denying PJM's Waiver Request

<i>dollars in millions</i>	Default Reference Points As Auction Conducted in July 2018 was Cleared		Potential Increase Resulting from FERC Denial of PJM Waiver Request
June and July 2018	Settled	19	250 – 300
August 2018	100% Liquidated	24	
September through December 2018	Settled	35	
January through May 2019	Mark-to-Auction	62	
2019/2020 Planning Year		44	
2020/2021 Planning Year		2	
Totals	186		

PJM will provide an update to members on the potential default allocation assessment impact of the FERC denial of PJM's waiver request as soon as PJM has completed a detailed review of what the revised results might be for the FTR auction conducted in July 2018 resulting from implementation of this FERC order.

1. FTR auction clearing prices are reference points, but not projections, of what the actual settled costs may be on future FTR positions. Actual settled costs could vary, possibly significantly up or down, from the most recent FTR auction prices applicable to the remaining positions in the FTR default portfolio.
2. Preliminarily potential liquidation cost increases in the default allocation assessment charges are reference points, but not projections, of what actual liquidation cost increases to the default allocation assessment may be. Actual liquidation costs could vary, possibly significantly up or down, after determining any resulting incremental credit requirements if the FTR auction conducted in July 2018 is rerun and whether the applicable member(s) can or choose to fulfill those incremental credit requirements or if bids will need to be removed from the auction resulting in one or more additional auction iterations needing to be run before finalizing revised cleared auction results.
3. PJM has not yet completed testing the volumes of FTR positions that might be eligible for liquidation for September 2018 through May 2019 per the liquidation process limitations in the FTR liquidation provisions of the Tariff and Operating Agreement in effect in July 2018. If any of those limitations is triggered, the potential volume of positions that would be liquidated and the potential impact on the default allocation assessments charges could vary significantly from PJM's preliminary calculations in this table.