



Credit Policy Updates

FERC Order 741

Markets and Reliability Committee
November 16, 2011

- Update
 - On September 15, the FERC ruled on PJM's Credit Order 741 compliance filing. Based on that ruling, an effective date of October 1 was set for the approved PJM tariff revisions:
 - Reduction of affiliated group aggregate unsecured credit limit from \$150 million to \$50 million
 - Minimum criteria for participation, capitalization requirements
 - PJM requirement to provide notice in writing of use of material adverse changes provision of credit policy
 - Requirement to submit initial Officer Certification forms was deferred to January 1, 2012 – April 30, 2012
 - FERC requested PJM make additional changes in a compliance filing due no later than December 14

- Compliance Filing – due no later than December 14
 1. Seller Credit:
 - Inclusion of Seller Credit in individual member and affiliated group calculation of aggregate unsecured credit limit, Including RPM Seller Credit
 - Elimination of Seller Credit as a means of fulfilling FTR credit requirements
 2. Officer Certification Form: Clarify “hedging” term in paragraph 3a
 3. Minimum Criteria for Participation: Expand applicability of risk management verification process

- Stakeholder suggestions incorporated in draft compliance filing
 - Verification process
 - Removed reference to onsite inspections
 - Added example list of risk factors that may be considered in selection process
 - Added clarification of applicability to PJM market activity only
 - Added list of verification items
 - Working on consistency with other RTOs/ISOs
 - Added notification period for verification
 - Added cure period
 - Added requirement to provide written explanation if verification not successful
 - Added “to the best of my belief” to officer certification form
 - Additional clarity regarding “3a” FTR Participants

- More recent stakeholder suggestions under review by PJM
 - Verification process
 - Elimination of or greater clarity on use of random selection
 - Potential adoption of third party standards / process for standards changes
 - Information to be provided to potential third party for verification
 - Appeal / dispute process

- Timetable/Status
 - October 21, 2010 and February 17, 2011
 - FERC Orders 741 and 741-A issued
 - December 2010 – June 2011: Stakeholder discussions
 - June 30, 2011: Compliance filing submitted
 - September 15, 2011: FERC Order on June 30, 2011 Compliance Filing
 - October 1, 2011: Effective date of most Tariff revisions
 - October – November 2011: Stakeholder discussions
 - Last week of November 2011: Expected compliance filing date
 - December 13, 2011: Planned effective date for Seller Credit changes
 - January 1, 2012 – April 30, 2012
 - Initial Officer Certification forms due