Direct Energy Proposals Re Greenhat Default

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Proposals to Deal with Default of Greenhat

- Problem:
 - Tariff requires somewhat immediate liquidation
 - Increases cost to Market Participants because of over supply and nature of portfolio
 - Exposes smaller Market Participants to potential default if they have to pay for default of Greenhat in accordance with tariff and over expedited period
 - Direct Proposals Address Trade-Offs
 - Define the exposure at higher cost to customer or take risk with potential outcome of lower customer costs:
 - Addresses way to liquidate (or not) portfolio in manner more beneficial to customers
 - Addresses way to allocate default costs in a manner that does not put additional pressure on companies for payment of unanticipated amounts



Direct Energy Proposals

1. Third party manages portfolio.

- Qualifications to include neutral third party with experience in FTR markets
- Third party will have discretion whether to liquidate at any time -monthly or longer term auction, or no liquidation
- Still have risk manager makes bad decision but not under pressure like PJM to liquidate immediately and can make rationale economic decisions
- Stakeholders would have to accept bad decision
- Fee will have to be determined

-Tie to success of liquidation



Direct Proposal, Cont'd.

2. **PJM sponsor an RFP for purchase of portfolio**

- -Purchase in part or in whole
- -Issue will be determining what is the right price
- 3. Reduce collateral for rated entities so that they are not penalized (currently 3x) for being short on FTRs
 - -Will enable more participation in liquidation of portfolio through auctions while still protecting against Member defaults
- 4. A combination of the above
- 5. Payment Schedule redesign based on above

