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# Direct Energy Proposals Re Greenhat Default

August 10, 2018

## Proposals to Deal with Default of Greenhat

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- 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

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## 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.

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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**