



# Financial Risk Mitigation Senior Task Force Overview

Anita Patel  
FRMSTF Facilitator  
Markets & Reliability Committee  
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- Senior Task Force stood up in 2019 to evaluate the recommendations based on the Report of the Independent Consultant Report on the GreenHat Default
  - Charter was presented and approved at the April, 2019 MRC
- The scope of work was divided into four work streams
  - Market Rules
  - Credit & Risk Management
  - Membership Qualifications (Market Participation)
  - Stakeholder Process
- 32 meetings of the FRMSTF took place from May, 2019 to present during which time recommendations within each work stream were discussed

| Date       | Work Stream                                      | Work Item & Conclusion  |
|------------|--|---|
| 12/9/2019  | Stakeholder Process                              | No vote necessary as no alternates and agreement to retain status quo   |
| 01/23/2020 | Market Rules                                     | Package: PJM FTR Product Range and Auction Process Passed under the consent agenda acclamation vote with 7 objections registered for the solution package.  |
| 03/26/2020 | Membership Qualifications (Market Participation) | Package: PJM Market Participation Risk Evaluation Enhancements Passed by acclamation with one objection and three abstentions.  |
| 10/29/2020 | Credit & Risk Management                         | Package: PJM Liquidation Process Passed by acclamation with one objection and one abstention.   |
| 08/04/2021 | Credit & Risk Management                         | External Clearing of FTRs<br>PJM completed the evaluation per recommendation B3 of the Greenhat Report – a white paper was posted regarding this topic with the FRMSTF meeting materials for 8/4/2021 |

| Date       | Work Stream              | Item & Conclusion   |
|------------|--------------------------|---|
| 08/11/2021 | Credit & Risk Management | <p>Initial Margining</p> <p>FRMSTF voted on two proposed solution packages addressing Initial Margining:</p> <ul style="list-style-type: none"><li>• PJM Package (Package A) – 37% support</li><li>• Duke Energy / Perast Package (Package B) – passed with 69% support</li></ul> |

# Appendix

## Package A and B

- No undiversified adder
- Consider both positive and negative MTA as part of the total FTR collateral equation
- IM-H calculation for all bids submitted
- Calculate IM-H while using ARR credits as an offset for all Market Participants with ARRs
- No use of adjusted historical values (based on modeled future transmission upgrades)

## Package A

Select the confidence interval of 97%

Use a liquidation period of 2

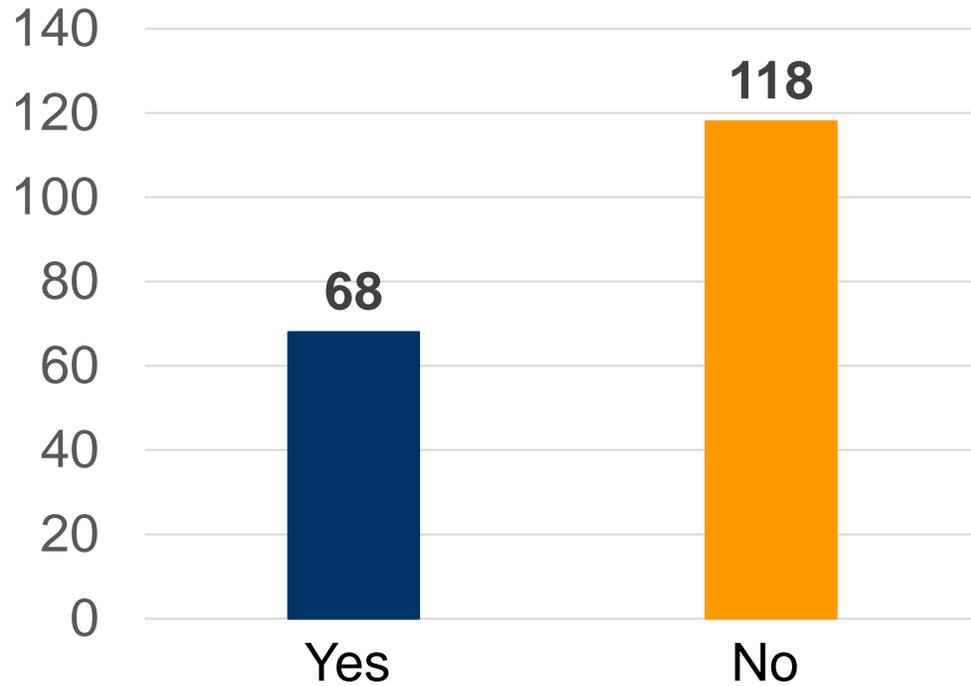


## Package B

Select the confidence interval of 95%

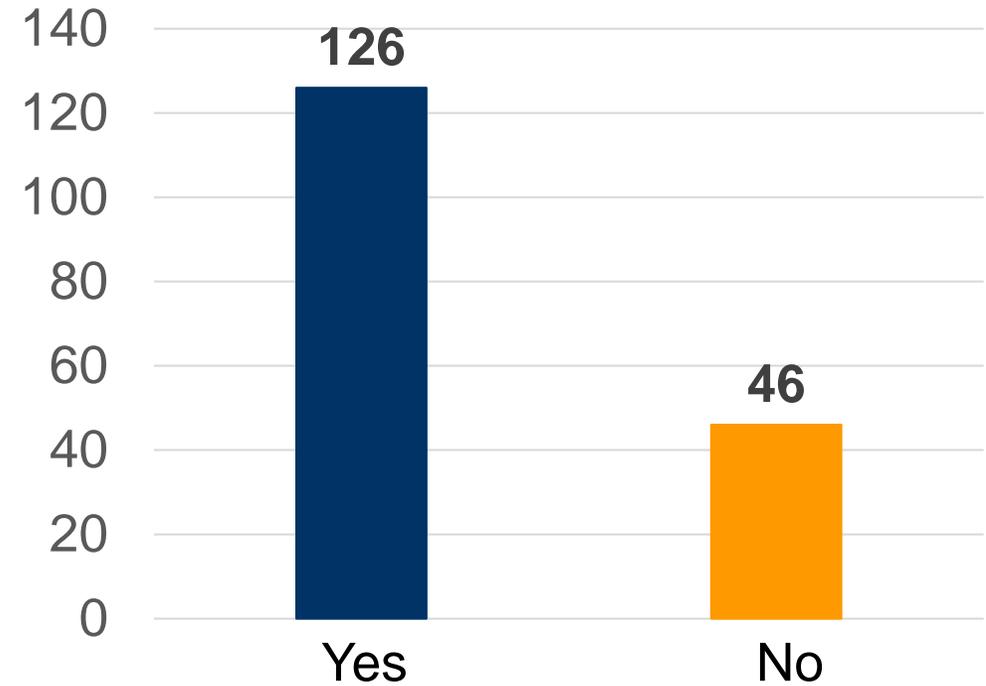
Use a liquidation period of 2

## Do you support PJM Package A?



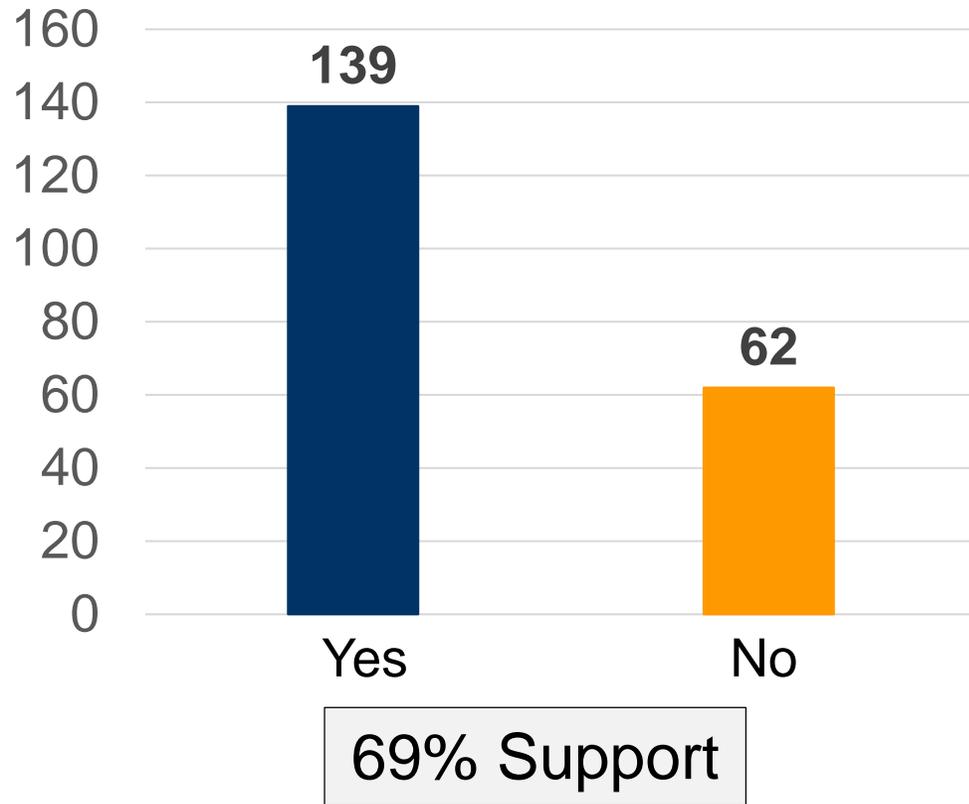
37% Support

## Do you prefer PJM Package A over status quo?

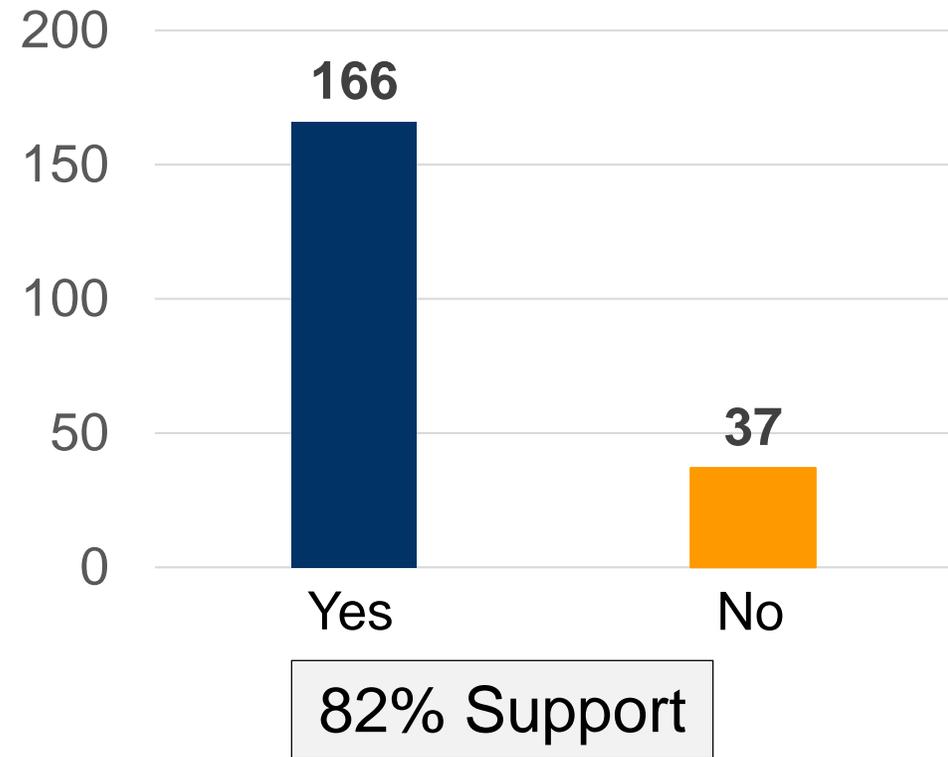


73% Support

## Do you support Duke/Perast Package B?



## Do you prefer Duke/Perast Package B over status quo?



Presenter/SME:  
Anita Patel,  
[Anita.Patel@pjm.com](mailto:Anita.Patel@pjm.com)

Michele Greening,  
[Michele.Greening@pjm.com](mailto:Michele.Greening@pjm.com)

## FRMSTF Overview



### Member Hotline

(610) 666 – 8980

(866) 400 – 8980

[custsvc@pjm.com](mailto:custsvc@pjm.com)