

Use of Unreasonable Credit Risk to Cover PMA

Gwen Kelly
Sr. Director, Credit Risk & Collateral
Management
Risk Management Committee
November 15, 2022

- As discussed in the problem statement and issue charge, PJM has identified a risk related to the current Peak Market Activity credit calculation.
- The current PMA credit requirement “chases” the credit exposure as energy prices rise and over-collateralizes as prices fall, until the semiannual reset (Apr/Oct).
- Over the past several months PJM has been working through the RMC to come up with a stakeholder solution that ultimately can be incorporated into Attachment Q.

- As winter approaches, PJM anticipates that unreasonable credit risk (UCR) collateral calls may be needed in order to collect collateral in front of an event.
- Under Tariff, Attachment Q, section II.E.8, PJM may determine whether a market participant poses an unreasonable credit risk and margin accordingly.
- Pursuant to Tariff, Attachment Q, section II.E.8, PJM is required to provide written notice of such UCR determination to market participants and plans to identify the factors supporting the determination

Unreasonable Credit Risk Communication

- PJM will communicate its UCR concerns in writing
- PJM may request supplemental information to better understand a Market Participant's credit and financial position such as:
 - MP estimate exposure
 - Explanation of any recent market activity
 - Any relevant new load or outage information
 - Liquidity - sources and availability

- Excess collateral may be used to satisfy a UCR collateral call
- UCR collateral may be used to cover PMA calls during the Winter Peak
- Pursuant to Attachment Q, Section V, PJM will return Collateral upon request and after PJM has made a determination within a commercially reasonable time that such collateral is not required.

Facilitator:
Jim Gluck, Jim.Gluck@pjm.com

Secretary:
Christina Stotesbury,
Christina.Stotesbury@pjm.com

SME/Presenter:
Gwen Kelly, gwen.kelly@pjm.com

Unreasonable Credit Risk



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com

**PROTECT THE
POWER GRID
THINK BEFORE
YOU CLICK!**



Be alert to
malicious
phishing emails.

Report suspicious email activity to PJM.
(610) 666-2244 / it_ops_ctr_shift@pjm.com

