



FTR Credit Requirements Mark-to-Auction (MTA)

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Credit Subcommittee
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- Current FTR Credit Requirement has two main components
 - Path-specific component - includes
 - Cleared price minus adjusted historical reference value (includes adjustments for RTEP upgrades)
 - Undiversified (counterflow) adder (if any)
 - 10¢ Per-MWh Minimum
- Both are calculated monthly
- Each month, the higher is taken and ARR Credits applied as applicable
- The FTR Credit Requirement is the sum of all positive months

- Proposed new FTR Credit Requirement would incorporate a third component
 1. Path-specific component – including:
 - Cleared price minus adjusted historical reference value (includes adjustments for RTEP upgrades)
 - Undiversified adder (if any)
 2. 10¢ Per-MWh minimum
 3. Mark to Auction - **NEW**
 - Cleared FTR portfolio marked against most recent auction prices
 - Individual proposals differ in the method of applying the MTA

- The Credit Subcommittee discussed several design components
- Only three of those components resulted in differences among remaining packages
 - Comparison timeframe
 - Application – “higher of” vs. additive
 - Intra or Post-Auction
- The remaining design components discussed are the same for all remaining proposal packages

- All current FTR credit requirements are calculated monthly and then summed across months
- Current proposals include two different options for MTA integration with current requirements
 - Monthly: divide all periods into months using prorated prices when individual month values unavailable; apply MTA monthly
 - Portfolio: Calculate MTA across full duration of each FTR and sum to a single portfolio-level value which is then compared with the current total FTR credit requirement; MTA is applied to the current portfolio requirement

- Options for applying MTA¹ to current path-specific and per-MWh minimum values:
 - “Higher of”
 - Use the higher of the current requirement and the MTA
 - Additive
 - Add all positive MTA credit requirements
 - Combination

¹ For this discussion, adding and comparing MTA refer to values that have moved against the participant

- Intra-auction vs. post-auction execution
 - Intra: Issue collateral calls as part of clearing process
 - Remove bids and rerun clearing if collateral not provided
 - Post: Issue collateral calls after clearing
- Transition plan vs No transition plan
 - This is no longer a design component, as the updated implementation date of April 1, 2019 coincides with the end of the original proposed transition period

- Several proposal packages have been withdrawn or became obsolete because the April 1 effective date eliminated the transition period
- A new package was added to the initial poll without prior stakeholder discussion
 - Package G and G1 adds MTA to the current credit requirements when the mark has gone against the portfolio
- PJM will poll the stakeholders on the remaining packages after the CS meeting, and will present the results to the CS and MIC



Mark to Auction Proposals

	Package A	Package B	Package D1	Package D1'	Package G	Package G1 - PJM Proposal	Package H	Package H'
Comparison Timeframe	Monthly	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio
Integration with existing requirements	"Higher of"	"Higher of"	"Higher of"	"Higher of"	Additive	Additive	Higher of Existing and MTA, plus MTA Adder: <ul style="list-style-type: none"> • 20% of MTA for FTRs awarded in BOPP or Annual • 50% MTA loss for Long-Term FTRs² 	
Intra-Auction or Post-Auction	Intra-Auction	Post-Auction	Intra-Auction	Intra-Auction with \$100k Threshold ¹	Post-Auction	Intra-Auction	Intra-Auction	Intra-Auction with \$100k Threshold ¹
Increase of Requirements for Members – excluding GreenHat (as of JUL 2018 Auction)	\$8.5M	\$2.1M			\$32.7M			
Percentage Increase of Requirements – excluding GreenHat (as of JUL 2018 Auction)	0.9%	0.2%			3.5%			
Percentage of Accounts Impacted	28%	4%			25%			
Total GreenHat Requirement (Including \$90M volumetric requirement)	\$129M	\$127M			\$207M		\$191M	

¹Threshold only to be applied Intra-Auction, collateral calls for an amount under the threshold will be issued Post-Auction

²LT adder would be for LT FTRs until they become the annual auction period

- PJM supports Package G1
 - Similar to the initial and variable margins of exchange markets
 - Provides additional buffer to the MTA, particularly for significantly deteriorating portfolios
 - When considering the GreenHat portfolio, it would provide the greatest coverage of all the proposals
 - Although it does increase requirements, the \$33M (4%) increase to members is very modest
 - PJM will request removal of Package A from the poll

Package A

- 72% of accounts would have no net increase
- Remaining 28% would have a total increase of ~ \$8.5M

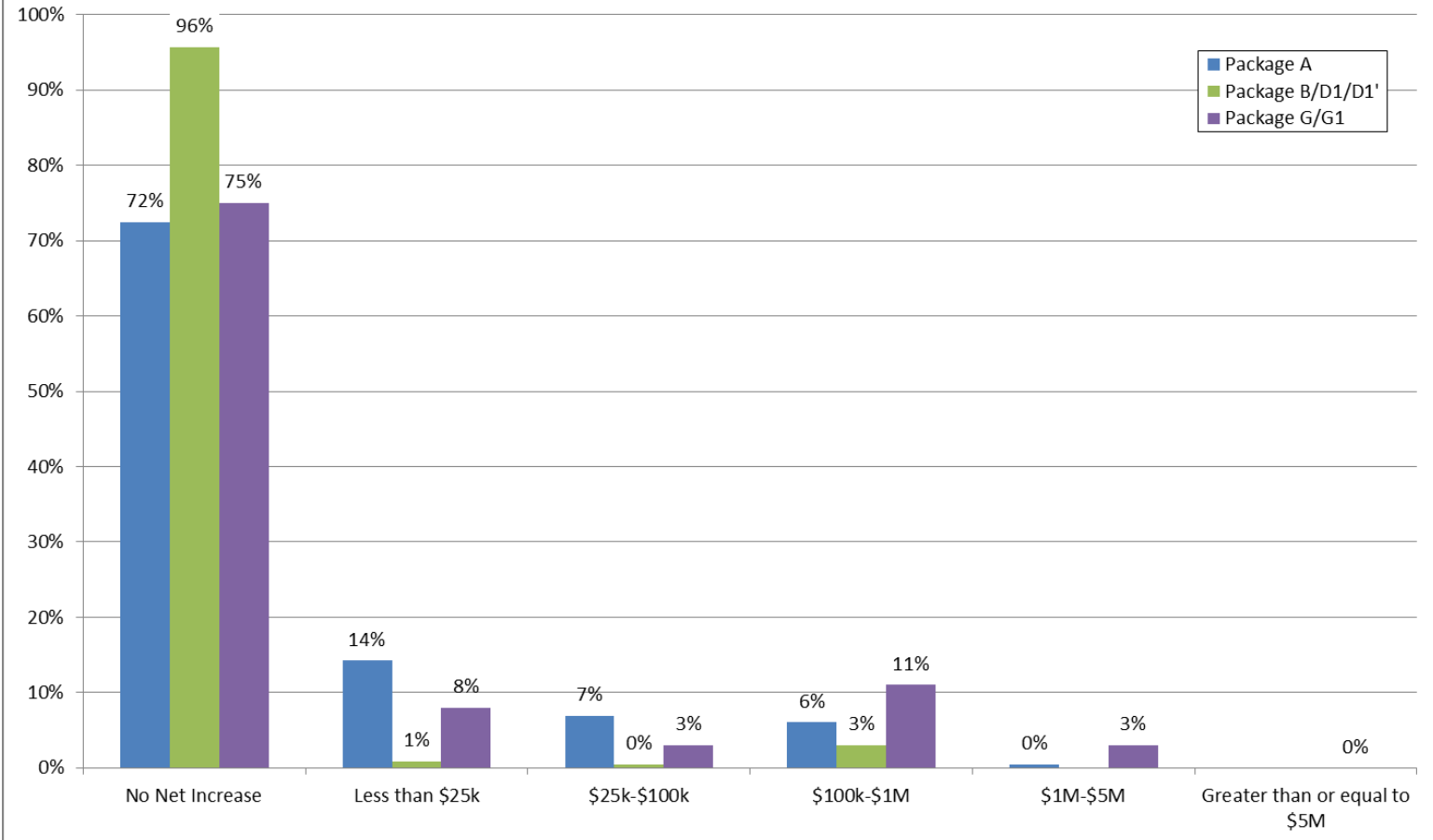
Package B/D1

- 96% of accounts would have no net increase
- Remaining 4% would have a total increase of ~\$2.1M

Package G/G1

- 75% of accounts would have no net increase
- Remaining 25% would have a total increase of ~\$32.7M

Percentage of Accounts Impacted with Implementation of Mark-to-Auction
As of JUL 2018 Auction Clearing
 (Excluding GreenHat Accounts)



- Stakeholder Timeline

– Credit Subcommittee	Poll Poll Results	October 23-30, 2018 October 31, 2018
– Market Implementation Committee	First Read Endorsement	November 7, 2018 December 12, 2018
– Markets and Reliability Committee	First Read Endorsement	December 6, 2018 December 20, 2018
– Members Committee	First Read Endorsement	December 6, 2018 January 24, 2019
– FERC Filing		January 31, 2019

- Target Effective Date

April 1, 2019