Update on FTR Bid Collateral Requirements

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Financial Risk Mitigation Senior Task Force

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Goal: Establish a fair, rational and transparent Bid Collateral Requirement based on relevant analytics and comparisons to other ISOs.

- Achieve consistency of collateral requirements at different stages of the auction period
    - Complement the IM-H methodology

- Minimize intra-auction reruns

- Leverage stakeholder collaboration and input

Bid Collateral Requirements are one important piece.

- Bid Collateral Requirement is a measure of a participant's potential financial obligation to PJM based upon the bids that the participant seeks to submit in an FTR auction.

- All participants are required to provide collateral in an amount equal to or greater than its Bid Collateral Requirement in order for any of their bids to be considered before the auction window closes.

Checkpoint

We are here

Bidding Window

Intra-Auction

Reruns

Post Results

- Collect bid collateral based on proposed method.

- At this step in the process only bid positions are known.

- No bids will be considered without posting sufficient collateral.

- Bidding window is now closed.

- Initial Margin is calculated using the historical simulation approach, and total credit requirements are calculated based on cleared positions.

- If market participants have inadequate collateral posted, they will be notified to increase posted collateral.

If a market participant did not post adequate collateral to match intra-auction collateral call, their bids will be removed and the intra-auction step will be recalculated.

After all collateral is posted to meet intra-auction collateral calls, the results of all market participant cleared positions are posted.
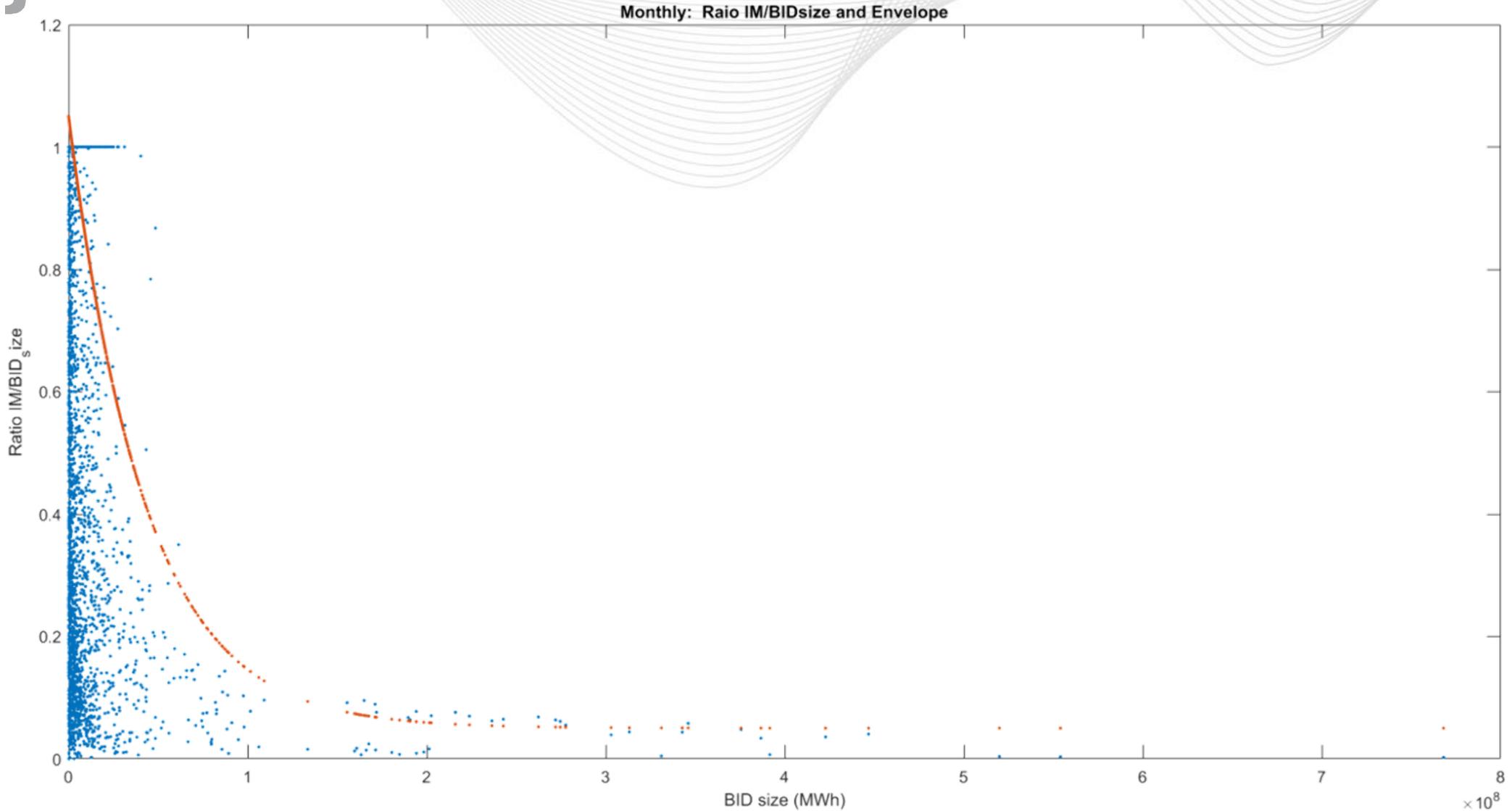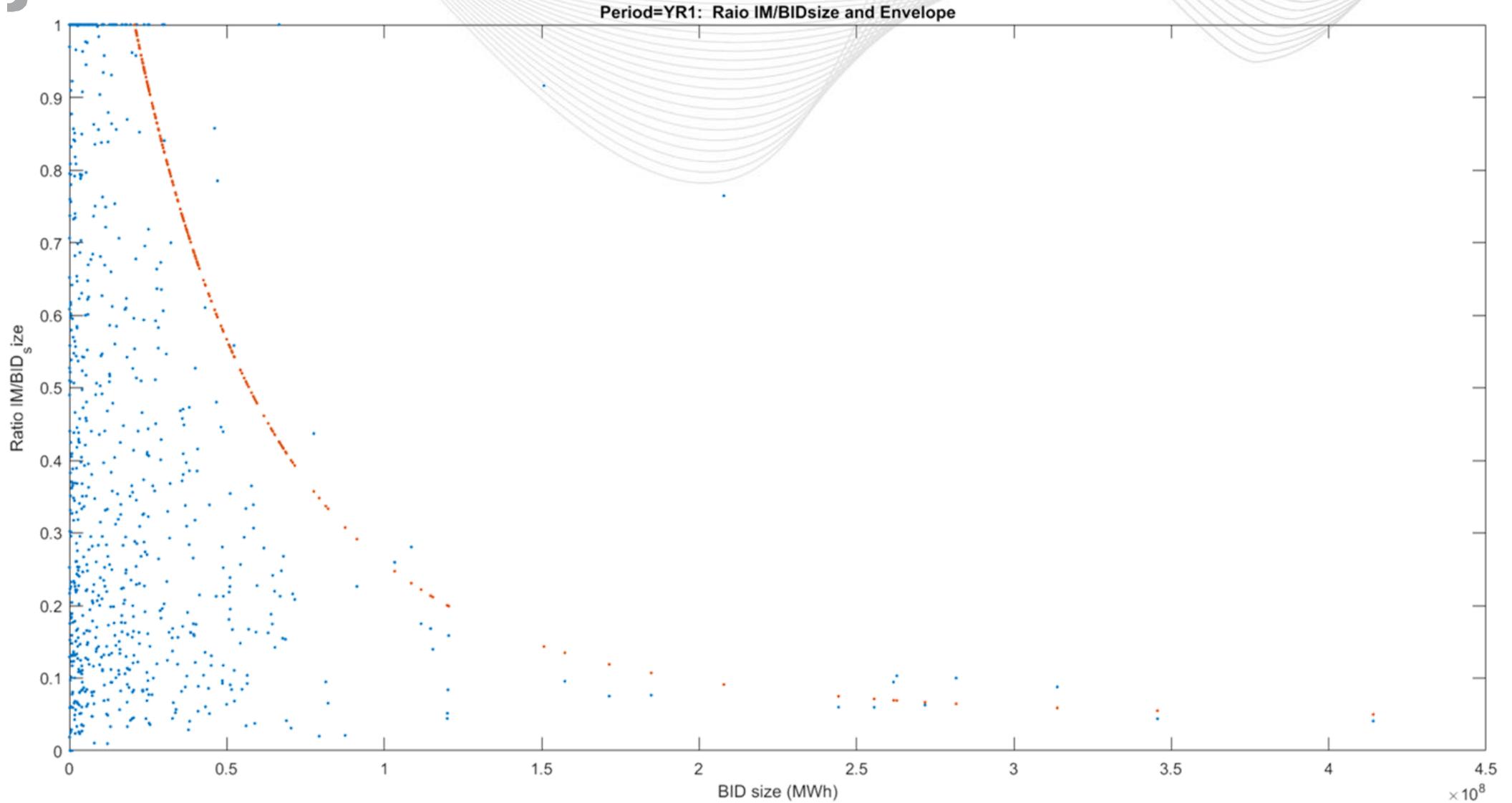
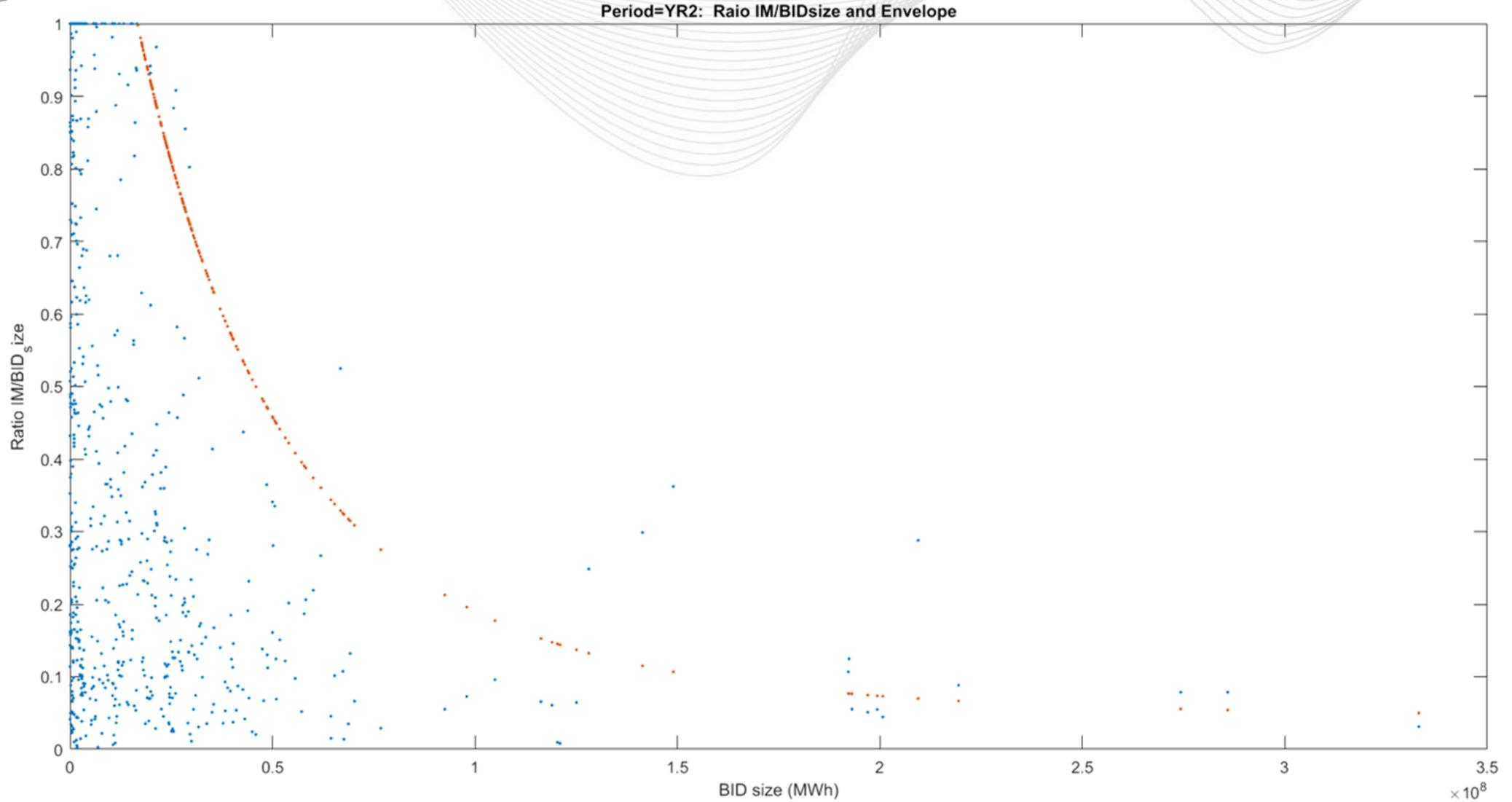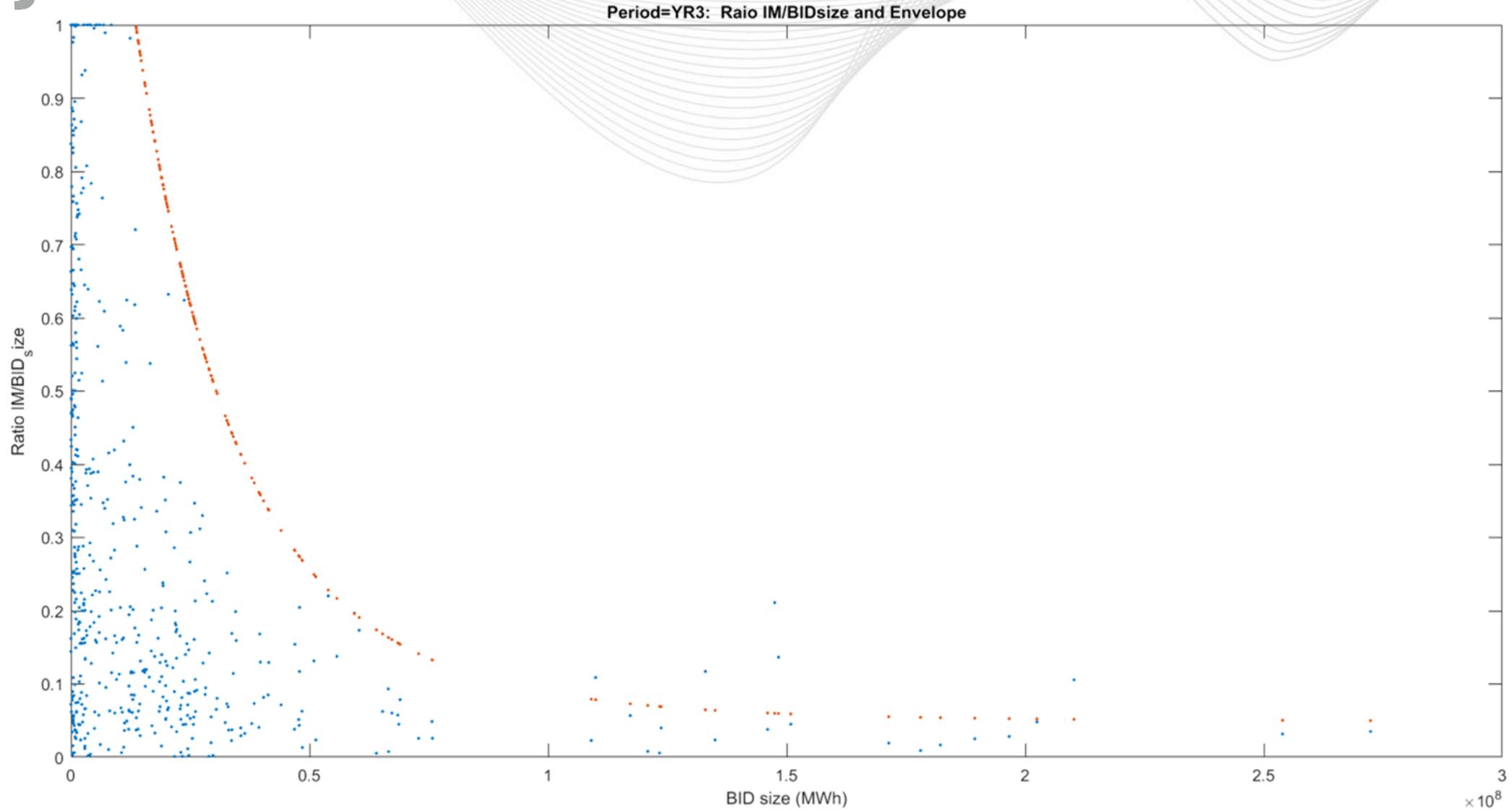| Used Data From 2016 | Used All Positive Bid Volumes | Combined With IM-H Results | Locate Logical Tiers | Compare Results With Status Quo as Well as the Methodologies Used in NYISO and ISO-NE |

Monthly: Raio IM/BIDsize and Envelope

Period=YR1: Raio IM/BIDsize and Envelope

Period=YR2: Raio IM/BIDsize and Envelope

Period=YR3: Raio IM/BIDsize and Envelope

BOPP

Tier	Min (MWh)	Max (MWh)	$/MWh
1	-	x	d
2	x+1	y	c
n-1	y+1	z	b
n	z+1	r	a
where, d > c > b > a			

Year 2

Tier	Min (MWh)	Max (MWh)	$/MWh
1	-	xx	l
2	xx+1	yy	k
n-1	yy+1	zz	j
n	zz+1	rr	i
where, l > k > j > i			

Year 1

Tier	Min (MWh)	Max (MWh)	$/MWh
1	-	xx	h
2	xx+1	yy	g
n-1	yy+1	zz	f
n	zz+1	rr	e
where, h > g > f > e			

Year 3

Tier	Min (MWh)	Max (MWh)	$/MWh
1	-	xx	q
2	xx+1	yy	p
n-1	yy+1	zz	o
n	zz+1	rr	m
where, p > o > n > m			

Feb. 5, 2021 FRMSTF
Provide details on tier approach

Compare status quo with tier approach

Consider stakeholder input

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