

FTR MARKET RESIDUAL RISK MANAGEMENT

Issue Source

PJM

Issue Content

While recent credit and risk management changes including implementation of Know Your Customer (KYC) and FTR Credit requirement (HSIM) enhancements, residual risk remains which could negatively impact the FTR markets. This issue charge will explore the mechanisms that PJM can utilize from a credit and risk perspective related to mitigating the following residual risks in the FTR market and determine if any enhancements are necessary.

- Events that result in greater than 97% CI
- Liquidation period takes longer than two auction cycles and/or large positions cause markets to move significantly as a result of liquidation
- Future event that has not happened in the past, and therefore not covered by the HSIM analysis

Key Work Activities and Scope

The following are some key work activities that should be undertaken to address the issue articulated above.

1. Provide education on:
 - a. Existing tools and mechanisms available to manage credit and risk in the FTR market
 - b. Models available to reduce residual risk
 - c. Specific approaches, tools and mechanisms to reduce residual risk in the FTR market, if needed
2. Consider priority and potential phased implementation of residual risk management tools/mechanisms and/or enhancements to existing tools/mechanisms.
3. Explore potential enhancements to tools/mechanisms, such as those that were identified at the May RMC, needed to further mitigate the FTR market residual risks listed in the issue content, as needed.

Expected Deliverables

1. Provide updates to the Federal Energy Regulatory Commission every 60 days with the first update due around August 1, 2022.
2. Updated Governing Agreement and/or manual language specifying enhancements to credit and risk mechanisms available to manage residual risk in the FTR market, as necessary

Out of Scope

1. Enhancements to tools/mechanisms outside of the scope of the Risk Management Committee which may be operations and/or reliability-focused

Decision-Making Method

Tier 1 consensus (unanimity) on a single proposal via Consensus-based Issue Resolution process

Stakeholder Group Assignment

Risk Management Committee

Expected Duration of Work Timeline

The expected duration of this effort is six months for consideration by the RMC of the Issue Charge and proposed solution.

Start Date July, 2022	Priority Level <input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	Timing <input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	Meeting Frequency <input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly
--------------------------	---	--	---

Charter

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments)