



Financial Risk Mitigation Senior Task Force Monthly Progress Report

MC Webinar
August 19th, 2019

The Markets and Reliability Committee (MRC) approved the creation of the Financial Risk Mitigation Senior Task Force (FRMSTF) to evaluate the recommendations in the Report of the Independent Consultants on the GreenHat Default (<https://www.pjm.com/-/media/library/reports-notice/special-reports/2019/report-of-the-independent-consultants-on-the-greenhat-default.ashx?la=en>) (the Report) related to:

- Market rules updates
- Credit and risk management rules updates
- Membership qualifications and processes updates
- Stakeholder process changes

Progress Update

5/13/19 Meeting Update

The first meeting of FRMSTF took place on May 13, 2019. PJM staff provided a review of their observations of the Report of the Independent Consultants on the GreenHat Default in relation to the recommendations within the report. In addition, PJM staff also introduced various framing questions focused on each of the four work streams to provide a baseline for stakeholder discussion and feedback. Education was also provided during this meeting including an overview of current OA language for the responsibilities of the PJM Board, Officers and Office of the Interconnection in relation to the stakeholder process.

Stakeholders were asked to continue their review of the observations document and framing questions and provide additional written feedback via a follow-up survey which was distributed as a follow-up to the meeting.

6/6/19 Meeting Update

The second meeting of the FRMSTF took place on June 6, 2019. During this meeting, a timeline was shared with the Stakeholders on the sequencing of various work products associated with each work stream that would be presented at future meetings. Education was also provided by PJM staff during this meeting including an overview of the OATT Schedule 9, an overview of the FRT and Bilateral Markets and a comparison of the credit rules across various ISOs/RTOs. In addition, the IMM also presented on their perspectives of ARR/FTR Market Design. The meeting continued with discussion on the framing questions survey feedback where a summary was provided of the results within each work stream. Stakeholders also had the opportunity to offer additional feedback on PJM's observations of the Report of the Independent Consultants on the GreenHat Default.



6/25/19 Meeting Update

The third meeting of the FRMSTF took place on June 25, 2019. During this meeting, Ms. Anita Patel provided a demo of the newly developed FRMSTF dashboard which allows stakeholders to track the status of work related to each of the recommendations included in the Report of the Independent Consultants on the GreenHat Default. Education was also provided by both PJM staff and stakeholders. Education from PJM included a review of FTR performance improvement analysis and stakeholders presented on load serving entities' perspectives on the ARR/FTR market design and ARR/FTR market design risk factors and reduction. The meeting continued with a review of discussion papers on Enduring Governance of PJM's Financial Markets and FTR Default Allocation and Central Counterparty. The meeting concluded with a review and comparison of ISO/RTO requirements for long-term FTR products.

7/17/19 Meeting Update

The fourth meeting of the FRMSTF took place on July 17, 2019. During this time, it was announced that the FRMSTF Dashboard was live and would be updated following each meeting as applicable. This meeting included an education session from Nodal Exchange titled Futures Clearing 101 and provided background and education on an external clearing house. The meeting continued with discussion on topics within the Credit and Risk Management work stream including a report on a Desktop Review for Methodologies for Initial Margin Calculation, a discussion paper on Position Limits and Liquidity Risk and Variation and Post-Auction Settlement was also presented. The meeting also included discussion on two initial proposals including Enduring Governance (Stakeholder Process) and the recommended changes of the FTR Product Range and Auction process. The meeting concluded with some education from stakeholders on the topic of FTR Market Rules and Market Design.

Stakeholders were encouraged to provide feedback and consider alternative proposals leading up to the next FRMSTF meeting for the two proposals presented at the meeting.

Next meeting: August 14, 2019

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