



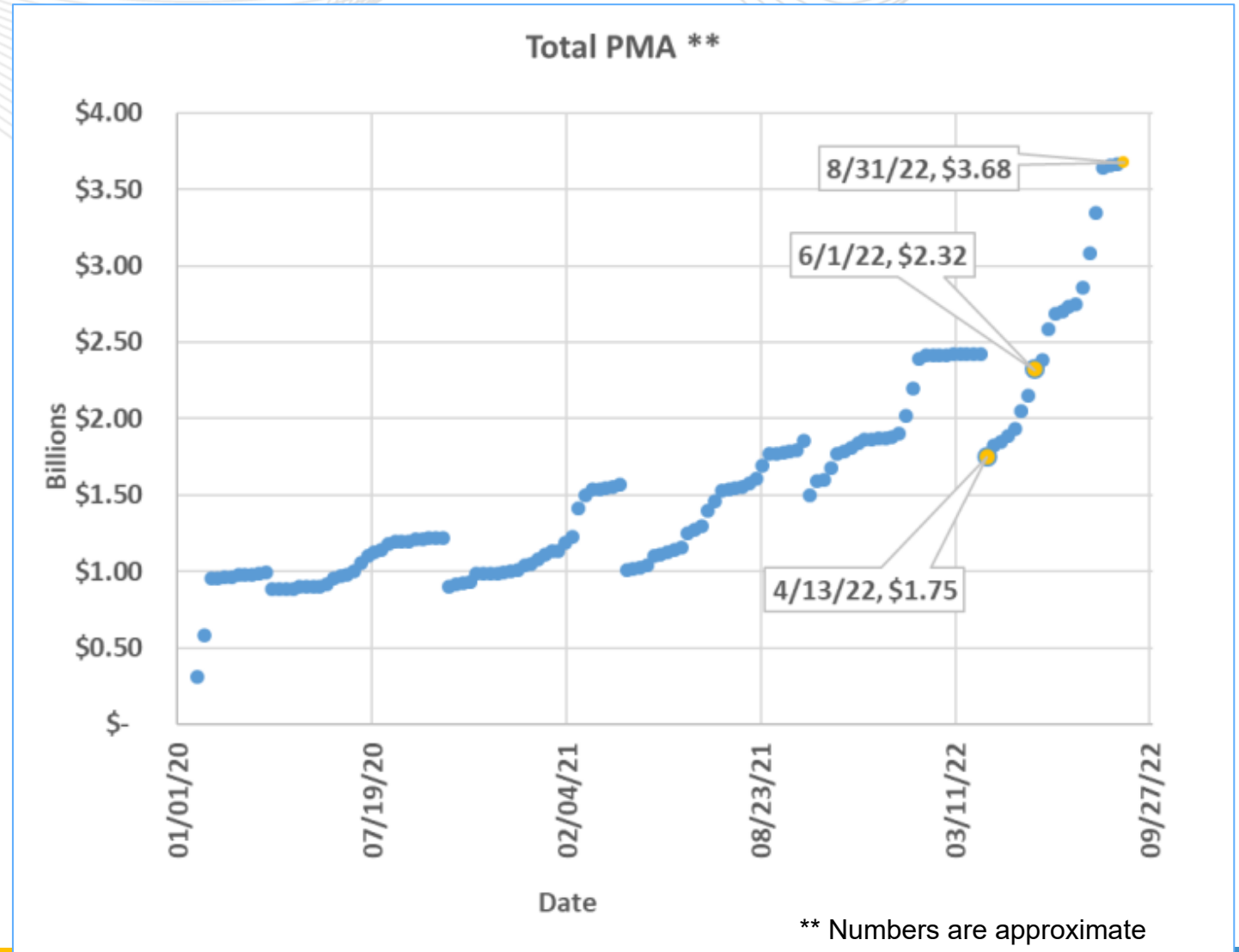
# Peak Market Activity Updates

Risk Management Committee  
September 20, 2022

Yong Hu  
Manager, Trade Risk & Analytics

- Total PMA Requirements
- PMA Prepayments
- Stress Factor
  - Load Adjustment Factor
  - Price Adjustment Factor
  - Shaping Adjustment Factor
- Clarification

- Total PMA resets semi-annually.
- PMA increased **110%** in 2022 between April reset and end of August, 78% of which was between June and end of August.
- PMA increases were mainly driven by price and net load increases.



- Prepayments to reduce PMA are only allowed to Market Participants that receive unsecured credit.
- Number of Market Participants making PMA-reducing prepayments:

2022 - 7

2021 - 8

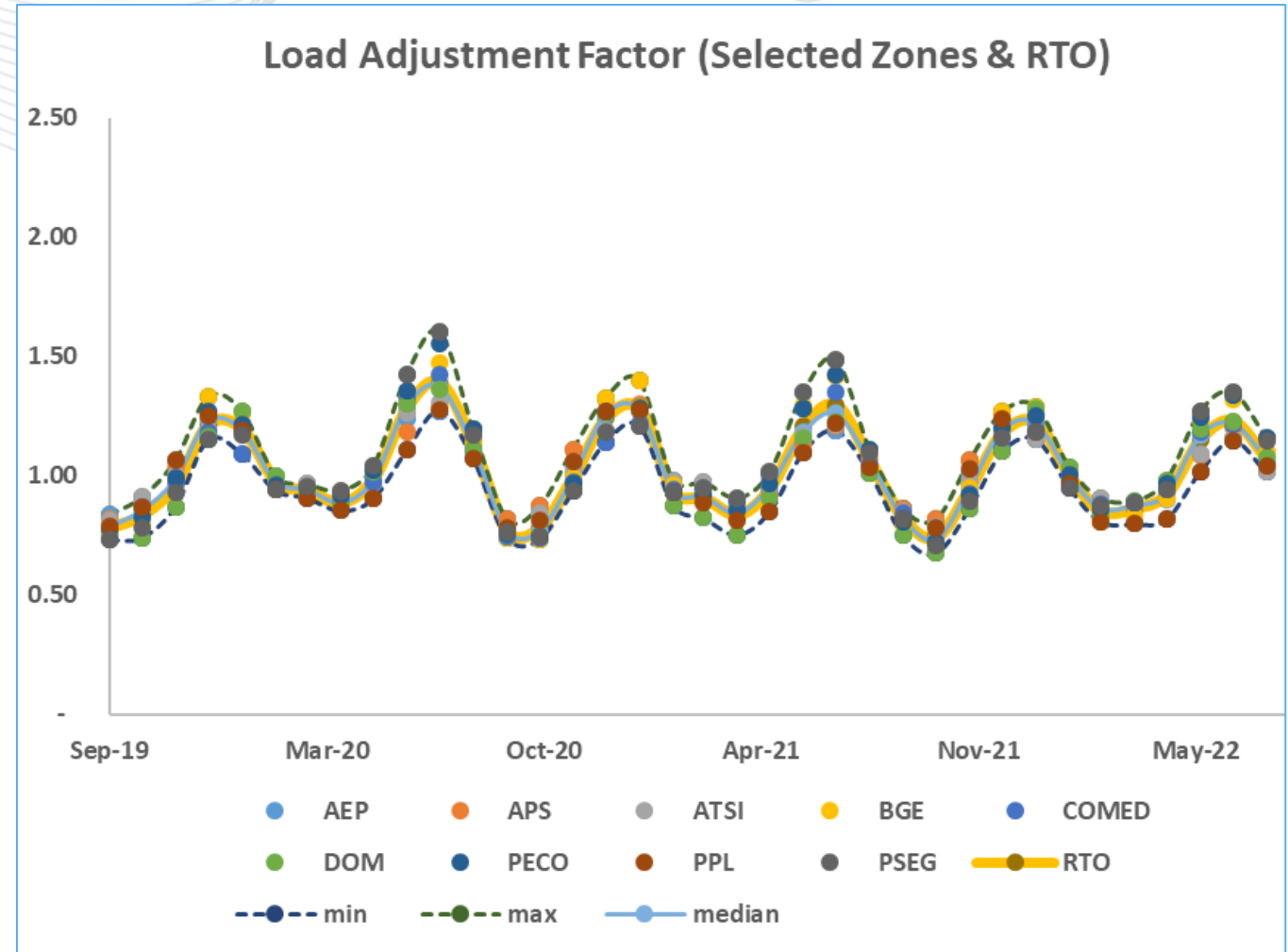
2020 - 5

**PMA Reducing Prepayments (\$ million)**

|                  | 2021   | 2022 YTD( Jan22-Aug22) | Summer 22 (Jun-Aug) |
|------------------|--------|------------------------|---------------------|
| High             | -\$40  | -\$41                  | -\$39               |
| Low              | -\$1   | -\$1                   | -\$2                |
| Median           | -\$5   | -\$8                   | -\$7                |
| Mean             | -\$9   | -\$16                  | -\$15               |
| Total            | -\$345 | -\$447                 | -\$196              |
| # of prepayments | 37     | 28                     | 13                  |

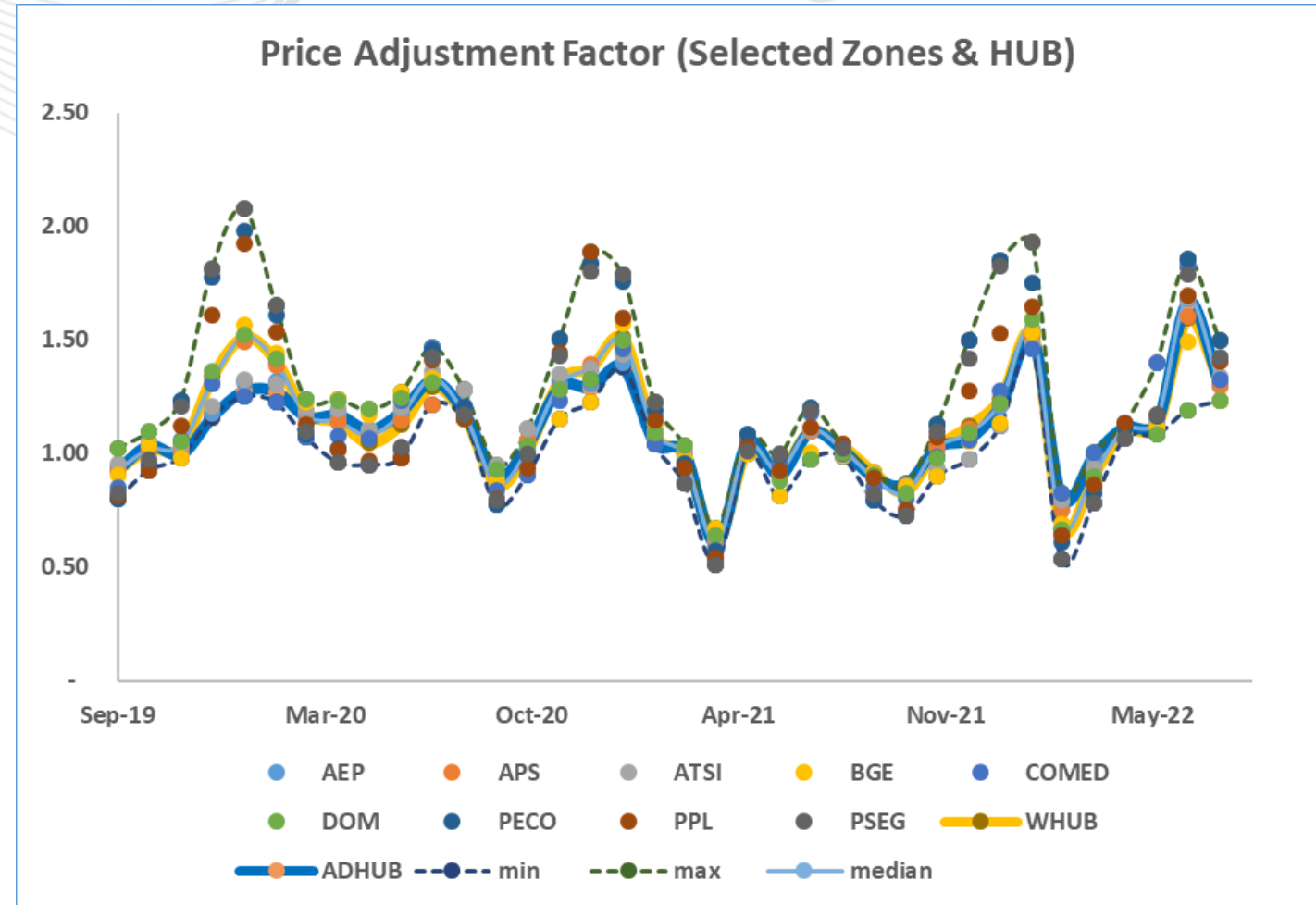
# Stress Factor – Load Adjustment Factor (LAF)

- LAF is the ratio of target month load vs reference month load
- PJM proposes using load change in RTO to adjust for load changes in all zones, as the LAF variations are small, and it also compensates for load forecast inaccuracies in different zones.
- $LAF > 1.0$  only in Dec-Feb & Jun-Aug



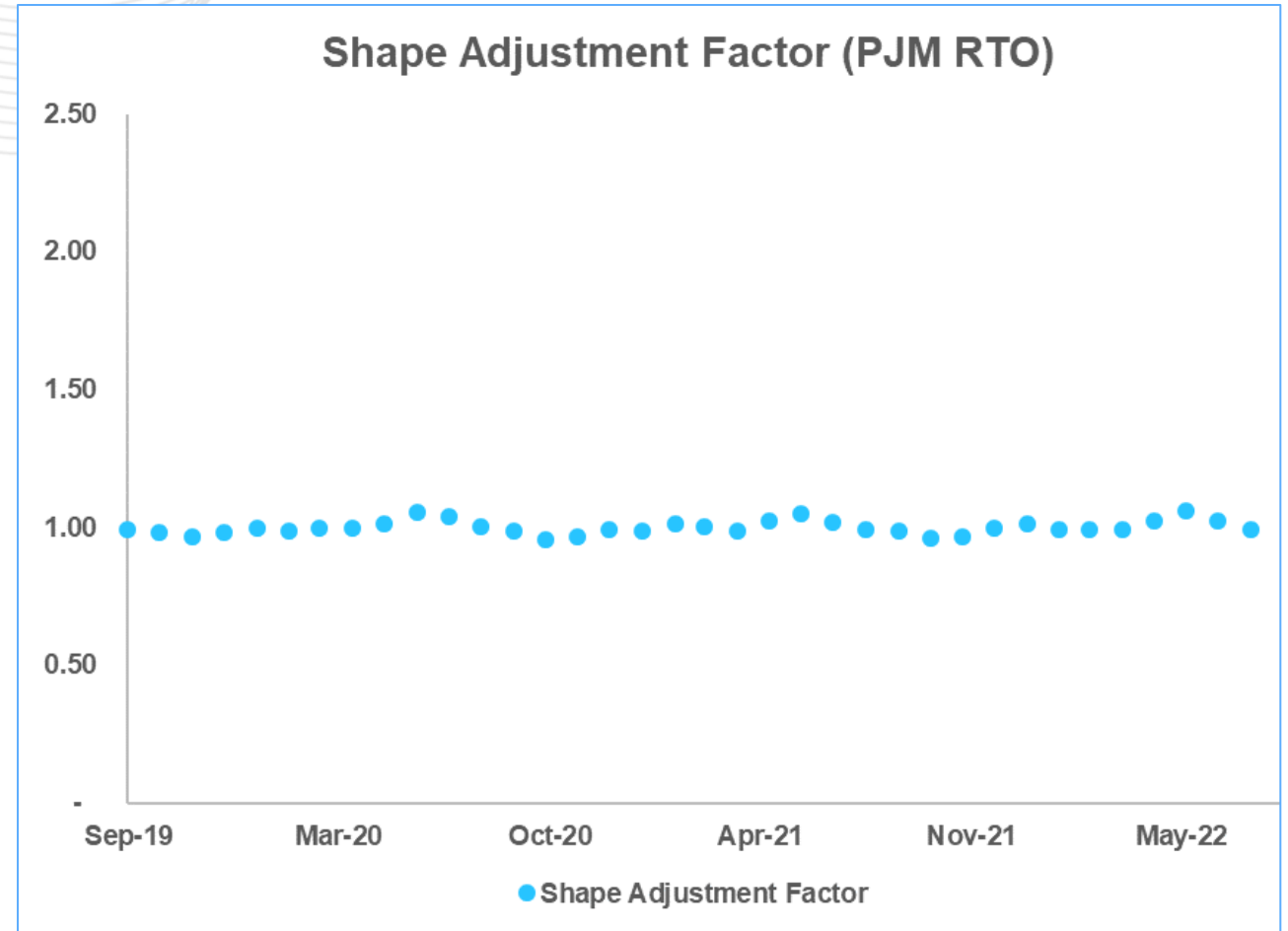
# Stress Factor – Price Adjustment Factor (PAF)

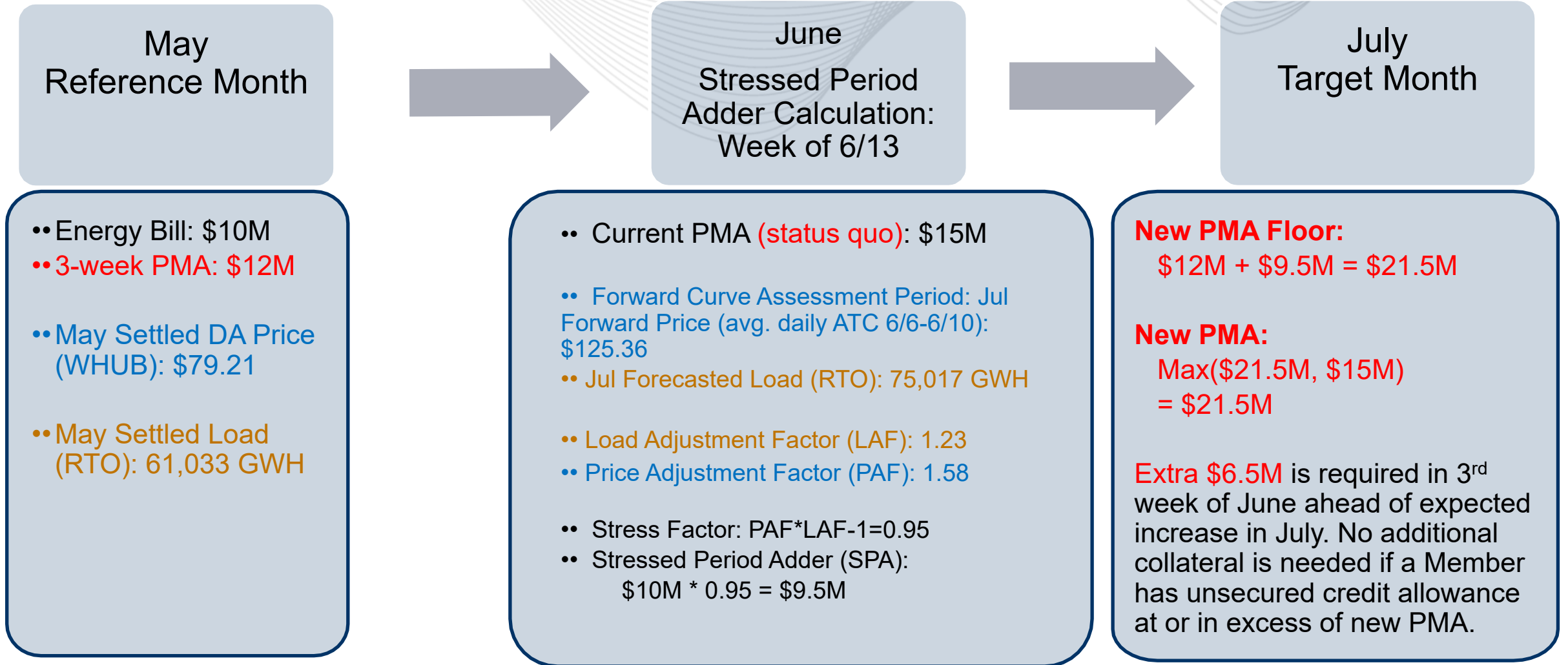
- PAF is the ratio of target month forward curve (assessed at Forward Curve Assessment Period) vs reference month settled price.
- PJM proposes using price changes in PJM Western Hub (WHUB) to adjust for price changes in all zones, as the variations are small. It also accommodates zones without forward prices.
- $PAF > 1.2$  mainly in Dec-Feb & Jun-Aug



# Stress Factor – Shape Adjustment Factor (SAF)

- SAF accounts for the shape of load and price.
- SAF is the ratio of target month shaping premium and settlement month shaping premium. Hourly settled load and prices for RTO were used here.
- As SAF is close to 1.0, PJM proposes to **not** use SAF.







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Peak Market Activity Updates



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