




FTR Liquidation Illustrative Examples

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October 15, 2020

Action Required	Deadline	Who May Be Affected
Education only – no action required	10/15/2020	FTR Auction Participants
		

- PJM is proposing to utilize a “toolbox” approach to future FTR default management in order to minimize costs to membership
- Tools may include:
 - Liquidation
 - No action (allow portfolio to settle at future DA prices)
 - Special Auction(s)
- Illustrative example here is used to show how the FTR group might implement the PJM default management proposal

- The approach PJM selects to address FTR positions resulting from a member default may depend on, but is not limited to below information:
 - Collateral on hand from defaulting member
 - Future valuation of FTR positions resulting from member default
 - Size and/or effective period(s) of FTR positions resulting from member default

Scenario: A participant trades in only prompt month positions and defaults on 8/17/2020

Position Makeup: The portfolio has 750,000 MWh for the August 2020 period.

Collateral Posted: The participant has posted \$3M of collateral

Notification: PJM notifies participants of the default by 8/31/2020

Potential Action:

- Member placed in default and its ability to participate in PJM markets is terminated
- In this particular scenario PJM would likely take the position to settlement

Scenario: A participant trades in all open auction periods and defaults on 12/21/2020

Position Makeup: The portfolio has: 500,000 MWh for the December 2020 period; 5,000,000 MWh for the remaining 20/21 BOPP; 10,000,000 MWh for the 21/24 Long Term period

Collateral Posted: The participant has posted \$15M of collateral

Notification: PJM notifies participants of the default by 12/31/2020

Potential Action:

- Member placed in default and its ability to participate in PJM markets is terminated
- In this particular scenario PJM may take the DEC 2020 and JAN 2021 positions to settlement

Potential Action, continued:

- The remaining 20/21 BOPP periods may be liquidated in the FEB 2021 Auction (conducted in JAN 2021)
 - Considering factors such as posted collateral, future valuation of open FTR positions of defaulting member, and concentration size PJM may attempt to liquidate
 - If the cost of the liquidation of the entire portfolio exceeds the amount of posted collateral available for the BOPP, PJM may decrease the size of the portfolio to be liquidated to minimize costs. PJM may decrease the size of the portfolio in increments in order to liquidate as much of the portfolio at a reasonable cost.
 - If the FEB 2021 portfolio cannot be liquidated, the positions may be taken to settlement
 - All other non-liquidated positions for the remaining BOPP may be attempted to be liquidated in the MAR 2021 Auction

Potential Action, continued:

- The remaining 21/24 Long Term periods may be liquidated in a special 21/24 Long Term Auction
 - Considering factors such as posted collateral, future valuation of open FTR positions of defaulting member, and concentration size PJM may attempt to liquidate
 - If the cost of the liquidation of the entire portfolio exceeds the amount of posted collateral available for the LT, PJM may decrease the size of the portfolio to be liquidated to minimize costs. PJM may decrease the size of the portfolio in increments in order to liquidate as much of the portfolio at a reasonable cost.
 - All non-liquidated positions for the remaining BOPP may be attempted to be liquidated in round 5 of the 21/24 Long Term Auction

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