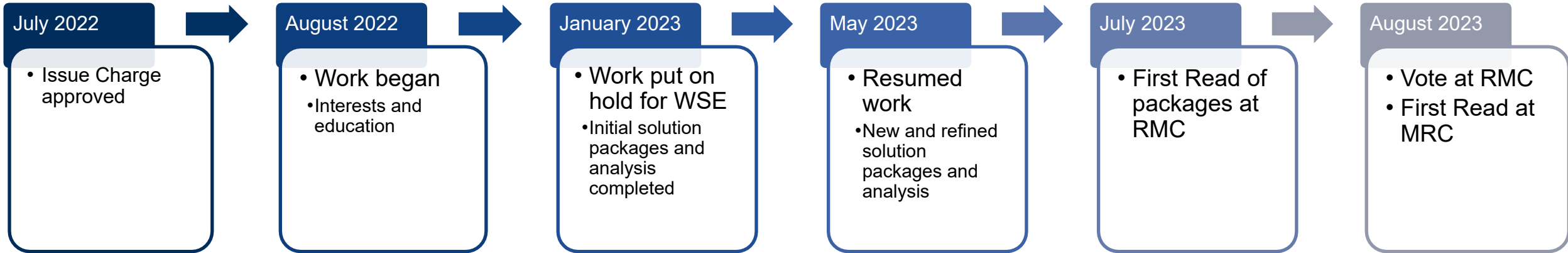




Peak Market Activity Credit Requirement Update

Thomas Zadlo, RMC Chair
Markets & Reliability Committee
July 26, 2023

- [Peak Market Activity \(PMA\) Credit Requirement Issue Charge](#) approved at the Risk Management Committee (RMC) in July 2022
 - Proposed to consider enhancements to the PMA credit requirement to better protect Participants, particularly during times of stress, to ensure effective collateralization
- Key Work Activities include:
 - Education
 - Exploration of enhancements to the PMA credit requirement
 - Cost-benefit analysis and review of implications of the different solution options



1. The Adjusted Invoices used will change from rolling 3 weeks to rolling 4 weeks.

2. Reset frequency will change from semiannually to weekly.

3. Number of early payments will change from 10 to 13.

4. Introducing Minimum Exposure and Minimum Transfer Amount, and the calculation logic

Minimum Exposure is the maximum of (a) 3,000 and (b) 1% of the greatest amount invoiced in any rolling one-, two- or three-week period in the prior 52 weeks, rounded up to the nearest integral multiple of \$100, (c) capped at \$100,000.

Minimum Transfer Amount is the maximum of (a) \$20,000 and (b) 5% of the greatest amount invoiced in any rolling one-, two- or three-week period in the prior 52 weeks, rounded up to the nearest integral multiple of \$100, (c) capped at \$500,000.

There is a PMA collateral shortfall if current 4-week PMA requirement is greater than collateral held last week.

- If the shortfall is greater than the *Minimum Exposure*, a PMA call is made, which equals to $n \times \text{Minimum Transfer Amount}$, where the integer n is chosen to bring the collateral to just at or above the current 4-week PMA requirement.
- Otherwise, no PMA call is necessary.

There is a PMA collateral surplus if current 4-week PMA requirement is less than collateral held last week.

- If the surplus is greater than the *Minimum Transfer Amount*, then the surplus is returned, which equals to $n \times \text{Minimum Transfer Amount}$, where the integer n is chosen to bring the collateral to just at or above the current 4-week PMA requirement.
- Otherwise, no collateral is returned.

Facilitator:
Stu Bresler, Stu.Bresler@pjm.com

Secretary:
Dave Anders, David.Anders@pjm.com

Presenter:
Thomas Zadlo, Thomas.Zadlo@pjm.com

Peak Market Activity Credit Requirement



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com

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