

Use of Unreasonable Credit Risk – Energy Market Exposure

Risk Management Committee
June 28, 2022
Gwen Kelly

- PJM monitors and manages credit risk on an ongoing basis to act promptly to mitigate or reduce any unsecured credit to protect PJM Markets and Members from losses
- As part of its ongoing risk evaluation process, PJM is currently assessing the Market Participant risk posed by the increase in summer load activity and forward energy prices.
- PJM's risk assessment may result in unreasonable credit risk determinations resulting in collateral calls to adequately cover anticipated exposure.

- Under section II.E.8 of Attachment Q, PJM has the discretion to determine if a market participant poses an unreasonable credit risk and margin accordingly.
- Over the next 2 months, PJM will be performing stress analysis of Market Participants transacting in PJM's energy market
- The analysis will be based on expected load forecasts and published exchange power zonal forward prices.

- PJM will use a combination of the following criteria to determine its unreasonable credit risk determinations:
 - Forward price is 1.5X above the May 22* settled price
 - Load forecast is 1.4X above the May 22* settled load
 - PJM Internal credit score of greater than 4.5
- PJM's intent would be to remove the additional collateral after August 2022 settlements are completed.

**Is for illustrative/discussion purpose*

- PJM is providing Market Participants PJM's baseline requirements for transparency, but may need to exercise discretion as necessary.
- PJM plans to work through the RMC to develop a stakeholder solution to further address risk posed by market volatility risk.

Facilitator:
Jim Gluck, Jim.Gluck@pjm.com

Secretary:
Emmy Messina,
Emmy.Messina@pjm.com

SME/Presenter:
Gwen Kelly, Gwen.Kelly@pjm.com

Unreasonable Credit Risk



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com

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