

PEAK MARKET ACTIVITY CREDIT REQUIREMENT

Issue Source

PJM

Issue Content

PJM's Credit Risk Management Policy, defined in the PJM Open Access Transmission Tariff (OATT), Attachment Q (Attachment Q), sets forth the manner in which PJM determines the collateral requirements for each Participant and the methods by which Participants may satisfy and manage the requirements established by PJM. Attachment Q requires constant evaluation of Participants' market activity to determine if additional collateral must be secured. PJM calculates Participants' Peak Market Activity (PMA) semi-annually, establishing an 'initial PMA' for each 6-month, semi-annual period.

The electric industry is facing unprecedented changes which are putting upward pressure on the cost to serve load including both higher prices and higher demand. Peak Market Activity values historically rise exponentially between April and August. From summer 2022 through winter 2023, higher demand and extremely high gas prices are forecasted to further exacerbate the problem resulting in periods of under-collateralization using PMA. It is timely to consider enhancements to the PMA credit requirement to better protect Participants, particularly during times of stress, to ensure effective collateralization.

Key Work Activities and Scope

The following are key work activities that should be undertaken to address the issue articulated above.

1. Provide education on:
 - a. PJM's Peak Market Activity provisions in Attachment Q
 - b. PJM's Credit Risk metrics applicable to evaluation of the risks managed through the current PMA
 - c. Other ISO/RTO PMA rules
 - d. Electric industry trends resulting in price volatility including cyclical trends
2. Provide a cost-benefit analysis and review of implications of the different solution options
3. Explore enhancements to the Peak Market Activity credit requirement, as needed
 - a. If enhancements are identified, evaluate their consistency with other PJM credit requirements and market rules and recommend future work stream (new or existing Issue Charge, Task Force, etc.) to address any inconsistencies identified

Expected Deliverables

1. Updated Governing Agreement and/or manual language specifying enhancements to Peak Market Activity, as necessary

Out of Scope

1. Provisions of PJM OATT, Attachment Q not related to Peak Market Activity

Decision-Making Method

Tier 1 consensus (unanimity) on a single proposal via Consensus-based Issue Resolution (CBIR) Lite process

Stakeholder Group Assignment

Risk Management Committee

Expected Duration of Work Timeline

The expected duration of this effort is four months for consideration by the RMC of the Issue Charge and proposed solution.

Start Date July, 2022	Priority Level <input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	Timing <input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	Meeting Frequency <input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly
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Charter

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments)