



Mark-to-Auction Implementation

March 19, 2019
Credit Subcommittee

- Additive approach to incorporate with existing Credit Requirements
 - Reductions in portfolio value indicated by MTA will increase current credit requirements
 - MTA cannot be used to reduce current requirements
- Intra-Auction collateral calls
 - Implemented the same as the undiversified collateral calls work today
- Freeze Remedy when Market Participant does not cure an MTA collateral call
 - All credit-screened market activity (i.e. virtuals, imports/exports, RPM), except for FTR Sells, will be frozen
- Participant declared in default after second consecutive auction with unsatisfied MTA Collateral Call
 - “Consecutive auctions” must include some overlapping periods
 - Four rounds of a single Annual Auction count as a single auction for default declaration purposes

- Mark-to-Auction implementation date is April 4, 2019
 - Pending FERC approval
- This date was chosen to allow time to issue and clear any collateral calls associated with the annual historical value update
- The collateral calls for annual historical value updates will occur on April 1, 2019, to be cured within two business days by 4pm on April 3, 2019
- If the collateral call is not met, the Member is in default

- April 4, 2019: MTA Collateral Calls will be issued
- April 8, 2019 at 4pm: MTA collateral calls are due
- Freeze remedy will be applied to any Market Participants who did not satisfy the collateral call

2019 APRIL

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1 Issue Annual Historical Value Update Collateral Calls	2	3 Annual Historical Value Update Collateral Calls due by 4pm	4 Issue MTA Collateral Calls	5	6
7	8 MTA Collateral Calls due by 4pm	9 19/20 Annual Round 1 Auction Opens	10	11	12	13
14	15	16	17	18	19	20

- Upon the April 4, 2019 implementation:
 - March 2019 positions will be marked against the MAR 2019 Auction (these will roll off April 10th)
 - April and May 2019 positions will be marked against the APR 2019 Auction
 - June 2019 – May 2022 positions will be marked against the 19/22 Long Term Round 3 Auction
- Collateral calls will be issued as needed

- 19/20 Annual Round 1 will be the first auction held with MTA
- Intra-auction Collateral Calls will be issued
 - MTA and Undiversified values will be joined into a single requirement in one Collateral Call
 - Due by 4pm the next business day
 - If collateral is not posted, bids will be pulled from the auction
- Post-auction Collateral Calls will be issued as necessary following the clearing of each auction round

- In the event collateral is not posted by 4pm within two business days:
 - Rounds 1- 3: Freeze remedy is applied
 - Round 4
 - If the Market Participant complied with the initial MTA collateral call (if any) on April 4, 2019, then the freeze remedy is applied
 - If the Market Participant did not comply with an initial MTA collateral call on April 4, 2019, then the Market Participant will be in default

- A Market Participant will be declared in default if the following are all true:
 - The Market Participant did not comply with the initial MTA collateral call (i.e. the Market Participant accounts are already frozen)
 - Losses associated with an MTA Collateral Call issued upon implementation are from the April and May 2019 timeframe
 - The Market Participant fails to comply with the post-auction collateral call after the MAY 2019 Auction

- Mark-to-Auction values for each month for each FTR will be available in FTR Center on the Detail screen
- A portfolio total MTA value will be on the Summary tab
- The Credit and FTR Groups are working to bring the calculator into FTR Center so Market Participants can submit sample bids and know the amount of collateral required if those bids are submitted into the upcoming auction.
 - Demo at the March 19 Tech Change Forum
 - The Excel calculator will also be posted for this year's Annual Auction