

time and announcing it ahead of time would confer a significant advantage on the buyers and potentially confer monopsony market power. This would provide a windfall to the small number of potential buyers, would tend to minimize the value of the liquidated assets as an offset to default costs and maximize the size of the default burden on the membership. The simultaneous and immediate liquidation of this portfolio would result in an unwarranted wealth transfer from PJM members to the small group of buyers. This result should not be allowed.

PJM should be permitted to address the default portfolio in a flexible manner so as to minimize any losses paid by PJM members. That flexibility could include holding the FTRs and not selling them at all. The default rules should be reconsidered and rewritten to permit PJM flexibility to address the broader issues raised by defaults of this magnitude.

PJM market rules allow PJM to impose bid limits on individual bidding accounts when the total number of bids in the market will adversely affect the market solution time.³ While this rule is intended to reduce the market solution time, the rule also limits the potential concentration of the market by a single participant or small number of participants. However, because the bid limits are account specific, members can currently circumvent a set bid limit by setting up and bidding through multiple affiliated accounts. To address this problem, PJM should modify the market rules so that bid limits are defined by total MW rather than total bids and are set at the ultimate parent level of all organizations, rather than at the individual affiliated account level.

PJM should explore modifications to its FTR market and collateral requirement rules to reduce the risk of similar defaults in the future. PJM should consider the liquidation risk associated with the size of FTR portfolios when assigning collateral requirements and

³ OATT, attachment K appendix, section 7.3.5.

should consider path specific position limits. PJM should also consider isolating any liquidation risk to the FTR Market.

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as it resolves the issues raised in this proceeding.

Respectfully submitted,



Jeffrey W. Mayes

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

Howard J. Haas
Chief Economist
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8054
howard.haas@monitoringanalytics.com

Dated: August 16, 2018

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 16th day of August, 2018.



Jeffrey W. Mayes

General Counsel

Monitoring Analytics, LLC

2621 Van Buren Avenue, Suite 160

Eagleville, Pennsylvania 19403

(610) 271-8053

jeffrey.mayes@monitoringanalytics.com