

Power Market Credit Panel

ORGANIZING PRINCIPLES

Prepared for: CCRO PMC Panel Organizing Group

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Executive Summary

Objective

The CCRO has proposed to the FERC that it bring together a panel of experts to draft and publish much needed standards & best practices related to credit across power markets. The Panel's mission will be to seek to establish policies and methods that represent best practices for the advancement of healthy, growing power markets and increased effectiveness of risk management for the companies that participate in those markets. The panel intends to present its findings to the FERC and the PUC Texas. FERC staff has expressed an interest in this panel and its potential products.

Background

The general view of the CCRO is that currently inconsistent settlement and other credit risk requirements across RTO's are impeding market developments that would strengthen market health and promote market growth. These developments include settlement cycle standards, multi-lateral netting (portfolio compression), clearing for (both physical and financial) bilateral transactions, policies on unsecured credit, default allocation methodologies and more.

These issues exist in markets under ISO/RTO jurisdiction, including real-time, FTR, day-ahead, and others.

Goals & Deliverables

1. Identify Issues. The panel will develop a robust enumeration of the short term power market issues that need to be addressed. The panel's work in this area should for each issue establish a clear definition, identify stakeholders on all sides, evaluate current cost and evaluate potential benefits to standardizing practices. Suggested issues in need of published standards and best practices include:
 - Settlement cycle standards
 - Number of days to post collateral
 - Policy on unsecured credit
 - Default allocation methodologies
 - The potential for expanding market clearing
 - Credit risk management policy, processes and procedures
 - Netting (payment netting, collateral netting, multilateral closeout netting, and multilateral netting by novation)
 - POLR issues
 - Sunset issues
 - Bankruptcy issues
 - Others TBD for Panel nomination
2. Internal Debate. The panel will propose standards addressing these issues, for internal discussion. The PMC Panel standards will be clear, specific, and practical for near-term implementation by market participants.
3. Publication. The PMC Panel Leadership Group will vote on support for and external publication of proposed PMC Panel standards. Published PMC Panel standards will be documented by the CCRO and available to all through the CCRO's web resources.
4. Regulatory Impact. The CCRO will act as a vehicle to submit PMC Panel standards to the FERC, PUC Texas and other appropriate regulatory bodies as agreed by the Panel.

Membership

The membership is intended to represent the diversity of commercial entities with exposure to both the costs and the benefits of this panel's published standards. The panel will seek to include expertise from commercial, academic, vendor, and regulatory perspectives.

Membership Guidelines

The PMC Panel will be organized and led by the CCRO, and populated with a 'balanced mix' of practicing credit professionals with a stake in energy markets. The CCRO's aspiration as it selects Panel members, is for the Panel membership to be characterized by the 'balanced mix' descriptor as well as to be characterized as being comprised of innovative leaders, expert in the field of credit challenges faced by energy markets.

As the organization leader, the CCRO will populate the PMC Panel with diverse members, all with commercial exposures to the subject issues, thereby representing most perspectives on the issues to be addressed.

Members will include the industry segment categories listed at right.

- **ISO/RTO's**
- **Generators**
- **Utilities**
- **Muni/CoOp**
- **Retail**
- **Marketer**
- **Transmission Owner**
- **Regulator (optional)**

Furthermore, the PMC Panel will require the expert contributions of stakeholders that are not active participants in markets, but that do have businesses focused on power markets. This includes the following industry groups:

- **Current or former regulatory leaders (member option avail), including FERC, CFTC, PUCT**
- **Vendors, such as clearing providers, exchanges, and rating agencies**
- **Academia, including consultants and academic experts with relevant experience**

Membership Policies & Procedures

Membership is by CCRO invitation only. Following is a preliminary list of associated policies:

1. Members are named individuals, which may represent the perspective of a commercial entity. Note that the commercial entity is not granted any specific privileges regarding membership.

2. Members are nominated by the CCRO or specific trade associations listed under *Invitation Policy* below, or other respected industry groups which the CCRO may select.
3. Membership requires participation in equal sharing of any PMC Panel costs (see budget)
4. Target membership is twenty (20); there shall be no more than thirty (30) members.
5. Panel members may name non-voting designees to attend conference calls, meetings, contribute to draft text, carry-out supporting research, and other non-voting tasks as the member deems necessary.
6. All members have equal access to information and meetings.
7. No members shall be 'secret' or anonymous. Members agree to have their name included in a list of PMC Panel members which will be published by the CCRO.
8. Membership may be dropped at any time by notifying the CCRO's PMC Panel leader. In such case, the CCRO will select a replacement member representing the same industry segment category.

Invitation Policy

Members are nominated by the CCRO or specific trade associations listed under *Invitation Policy* below, or other respected industry groups which the CCRO may select. These associations or industry groups may nominate individuals from their own member companies that are also members of the CCRO (as first preference) or from non-CCRO member companies. The CCRO will provide these associations two weeks time to make their nominations.

Associations which the CCRO will invite nominations from include:

- EEI (www.eei.org)
- NRECA (www.nreca.org)
- APPA (www.appanet.org)
- ELCON (www.elcon.org)
- EPSA (www.epsa.org)
- ISDA (www.isda.org)
- RESAUSA (www.resausa.org).

The CCRO will reach-out to these associations for their nominees. After reviewing all nominees from all sources (forming a long 'preliminary list'), the CCRO will approve and publish a final membership list and send out an invitation directly to each individual. Invitees that do not accept will be replaced by a nominee representing the same industry segment category, selected by the CCRO from the preliminary list.

Operating Principles

The Role of the CCRO

The CCRO will provide or arrange:

- The necessary leadership, facilitation, and legal oversight of PMC Panel meetings - whether in person meetings or conference calls.
- web resources, meeting facilities, and call-in resources.
- Planning documents and budgets for review and support by members.
- Voice for the PMC Panel to outside news/information services
- Legal coverage, including antitrust compliance
- Management to these operating principles

Cover of Estimated Costs

The estimated cost of appropriate resources are included in the budget and will be shared by member companies.

The membership will provide for advance payment of these budgeted costs, and the CCRO will assure that the organization stays within these numbers, or finds additional sponsors for any incremental costs.

Voting Policy

Each member shall have one vote.

Publication of standards will require a 2/3 majority of a minimum 2/3 quorum of members. In the even a quorum cannot be reached with members present & on the phone, an e-mail polling for votes is allowed.

To the extent practical, publication voting occasions will be announced by e-mail well in advance of associated meetings or conference calls. The goal is to allow 24hr notice, and to permit in-person votes via telephone.

Public Statements

The expectation is that members and other participants will not make solo statements on behalf of the panel, instead, the PMC Panel agrees to messaging through the CCRO or its designated spokespeople. Public statements wherever possible will follow agreed 'talking points', and print would involve pre-approved documents.

Duration

The PMC Panel is not intended as a permanent entity. Once its goals are achieved, or the CCRO or its members determine that it should be concluded, it will terminate and disband. The expected duration is three to six months.

Budget

Following is the Budget for the PMC Panel

Budget

CCRO

Estimated costs

The CCRO will cover the cost of meeting facilities in DC or Houston as well as the conference call services for Call-in meetings. In addition, the CCRO will be covering publication, and promotional work such as press releases or meetings with regulators.

All members are responsible for their own travel costs to attend the two planned in-person meetings.

Following are the external costs that the CCRO estimates it will incur and will require members to share:

Description	Cost	
Kick-off meeting of members, in DC at CM Office	\$5,000	
Legal Support, meeting minutes, call-in resources		
Final Publication/Announcements meeting in DC at CM Office	\$5,000	
Legal Support, meeting minutes, call-in resources		
Ten member conference calls	\$10,000	
Legal Support, meeting minutes, call-in resources		
Re-drafting & final editing of papers (contracted)	\$10,000	
	Total	\$30,000

The per-member cost to be paid prior to our first meeting, is $30,000/30 = \$1,000$.

Schedule

CCRO

Date	Task
April - May	<ul style="list-style-type: none"> • Establish the membership of the panel and its available contributors. • Hold the first in-person meeting, make public the Panel's objectives and membership • Identify and develop clear understanding of issues, the viewpoints, and the parameters involved to objectively evaluate them
May - June	<ul style="list-style-type: none"> • Debate regarding potential issue resolutions, mitigation approaches, or determine if an issue is intractable from the standpoint of standard-making • Draft documents regarding agreed standards/best practices • Document the background and uncovered facts regarding any issues on which the panel is unable to take a position regarding standard-setting
June - July	<ul style="list-style-type: none"> • Vote on the agreed standards/best practices and their publication • Promote the achievements of the panel and its published materials • Publish panel materials for industry use
July - August	<ul style="list-style-type: none"> • Panel winds-down and comes to a close