

CRR Subcommittee Update

CWG / MCWG Joint Meeting

2/23/2011

Positive Attributes To Be Evaluated

- CRR Auction Credit Exposure
 - Exposure based on Cleared Quantity
 - Tools for managing collateral
 - ACL restriction, Auction Limit, CRRAH Limit(s)
 - Use of Unrestricted Credit to offset collateral requirements
- Forward Credit Exposure
 - Daily Calculation
 - Inventory quantity decreases as CRRs expire
 - Use of Unrestricted Credit to offset collateral requirements

Ideas To Be Evaluated

- Brainstorming Session

- CRR Auction

- Path Specific values for “A” and “M”
 - Seasonal adjustments
 - Percentile calculation
 - Exclude outliers in prices
 - Incorporate over-the-counter trades
 - Price input into the exposure calculation – Cleared Price or Implied Max Exposure Price
 - Remove need to collateralize absolute of negative bids
 - Shorten credit lock down period (i.e. post credit same day as bid submission)
 - Settlement prior to or post delivery period rather than post auction
 - Decrease holding period risk by increasing the frequency of annual auctions
 - For setting the date of an annual auction, take into consideration other ISO collateral demands
 - Use of Unsecured credit for CRRs

- Forward Credit Exposure

- Maintenance margins based on a fundamental &/or statistical model (See path specific values for “A” and “M” from CRR Auction)
 - Incorporate ACP from latest auction into the Forward Mark to Market calculation
 - Adopt a variance margin calculation rather than a minimum margin calculation
 - Revise FCEOBL from Max of ACPEOBL or FMMOBL to FMMOBL less ACPEOBL
 - Benefits of outsourcing
 - Cross commodity, cross ISO netting
 - Experience with mark-to-model and variance margin calculations

- DAM Settlement

- Withhold payment on obligations with negative bids until after the delivery month is concluded

Next Meeting

- Review prior meeting and update the list of ideas for any points accidentally omitted
- Topic: Evaluate and Expand upon ideas
- Date:
 - Tentatively for a day between the 10th and the 18th
 - 2 hour conference call