CRR Collateral Overview

May 15th, 2026

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Agenda

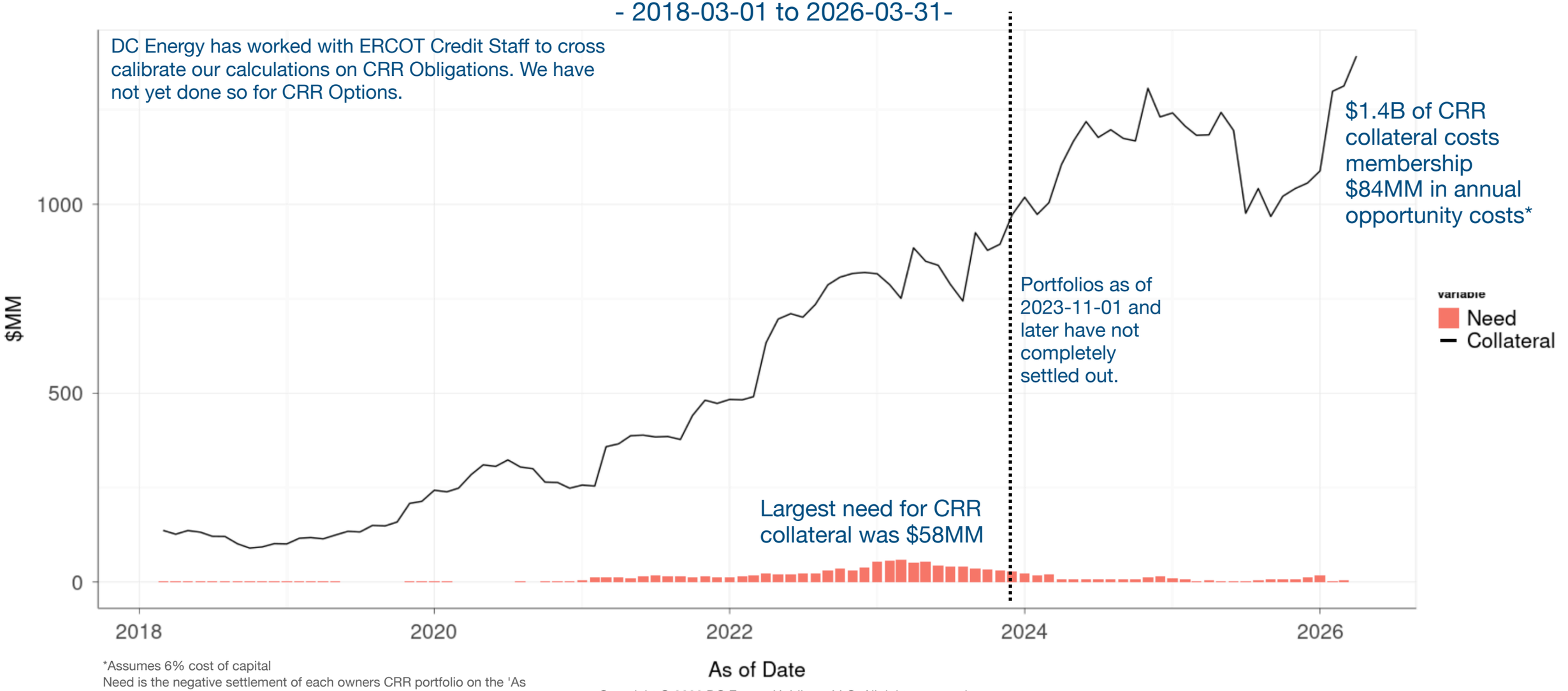
- **CRR Collateral Gap Analysis**
- **Potential CRR Collateral Reforms**

Note:
Source:

CRR Collateral has grown from $100MM in 2018 to $1.4B in 2026 while CRR settlement risk has remained small.

CRR Collateral

- 2018-03-01 to 2026-03-31-

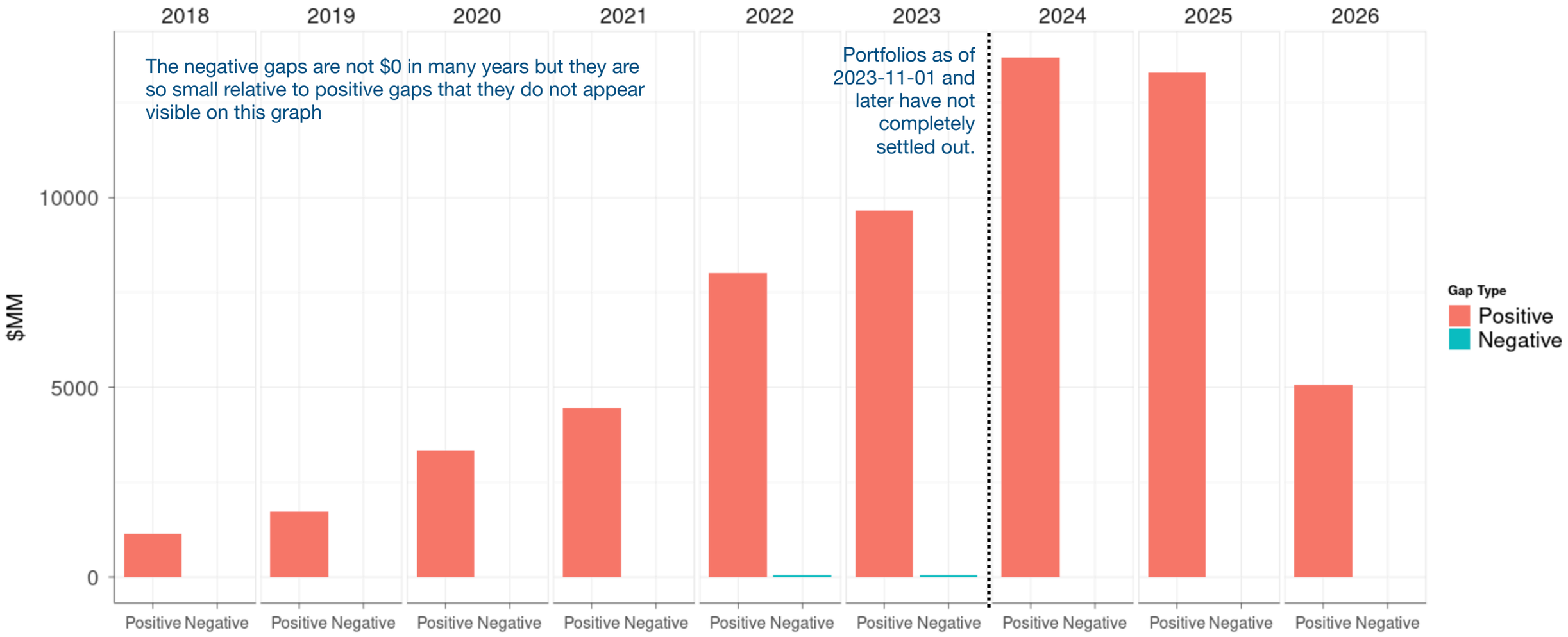


*Assumes 6% cost of capital
Need is the negative settlement of each owners CRR portfolio on the 'As of Date' summed up across all owners

Existing CRR Collateral Positive to Negative Gap ratio is 600 to 1. The CFSG reformed EAL when its ratio was 50.

CRR Collateral Positive and Negative Gaps

- 2018-03-01 to 2026-03-31-



Positive gaps are CRR collateral held above 'Need' for each owner at each 'As of Date.' Negative gaps are CRR collateral below 'Need.'

Agenda

- CRR Collateral Gap Analysis
- Reform Proposals

Note:
Source:

Potential CRR Collateral Reforms

Proposal	Benefits
Calculate one Portfolio Weighted Adder (PWA) where obligations and options are considered together	• More accurate representation of portfolios' risks • Reduces overcollateralization • Simplifies calculation • Greater adoption of obligations would improve auction solve times
Incorporate temporal diversification in portfolios that extend over multiple months	• More accurate representation of portfolios' risks • Reduces overcollateralization
Lower 100th percentile used in Obligation PWA to a lower percentile	• Reduces overcollateralization • Easy to implement • Greater adoption of obligations would improve auction solve times
Utilize similar season periods in PWA lookback period	• Avoid applying risk event prices to entire portfolio if unlikely to occur in a shoulder season • Lower volatility in CRR collateral
Add a $/MWh minimum for CRR Obligations	• Backstop protection against unforeseen risks not captured in the collateral policy • Recommended by FERC and adopted by most ISOs

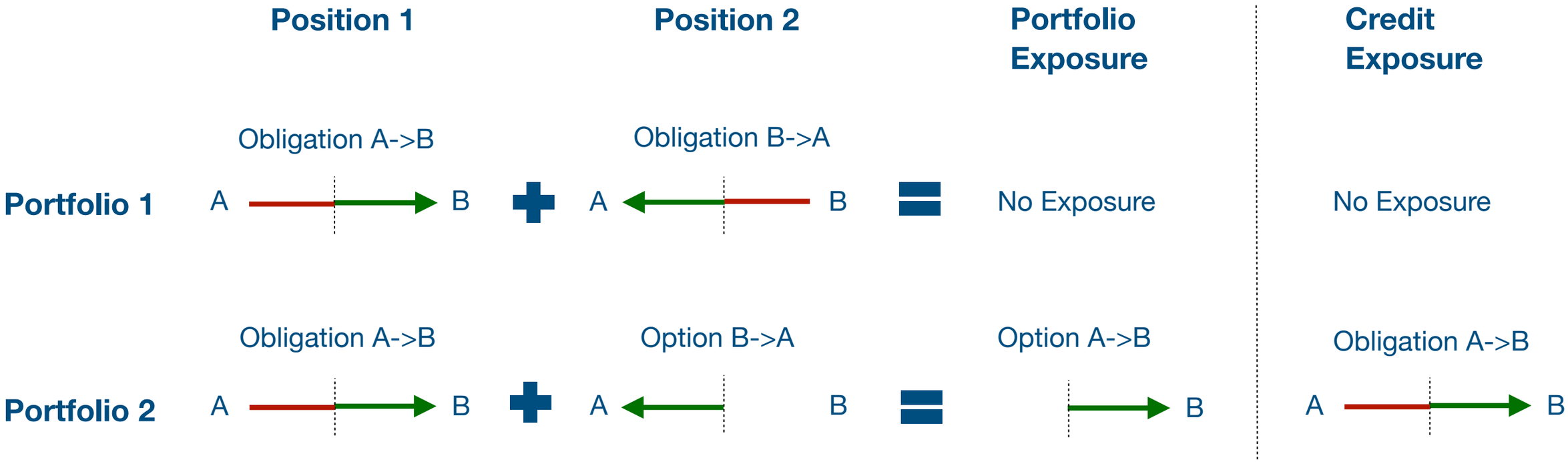
*Note: Assumes static portfolio across months

Source:

Today, the benefits of risk mitigating option CRRs are ignored

Forward Exposure Example

- Illustrative Example of Risk Reducing Transactions -



Credit policy treats Portfolio 2 as still having a liability despite elimination of downside risk. This inequality is due to obligation and option portfolios having separate Portfolio Weighted Adder (PWA) calculations that are added together

Note:

Source:

Impact of Temporal Diversification Assumption

- **Current Credit Policy Requirement is the linear sum of the worst cases for each month**
  - This assumes 100% correlation of congestion across months*. This differs from empirical observations
  - Congestion is generally uncorrelated temporally as outage months and peak load months observe different congestion patterns

Portfolio Size. $1MM Risk Case In Each Month*	Current Credit Policy Requirement (Assumes 100% correlation across months)	Hypothetical Credit Policy Requirement** (Assumes 0% correlation across months)
1 Month	$1 Million Odds: 1 in 100	$1 Million
12 Months	$12 Million Odds: 1 in one Septillion	$3.5 Million
34 Months	$34 Million Odds: 1 in one hundred Unviginitillion	$5.8 Million

*Note: Assumes static portfolio across months
**Adds months together utilizing the square root of the sum of squares

Source:

DC Energy recommends a "Gap Analysis" to compare potential CRR collateral reforms to the status quo

Next Steps

- **Gather feedback from CFSG Members on potential CRR collateral reforms**

- **Perform a "Gap Analysis" on potential CRR collateral reforms vs. the status quo**
  - Lookback period should cover volatile periods such as Uri
  - Evaluate size and number of instances of negative and positive gaps

Note:
Source: