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Ake Almgren
Chair, PJM Board of Managers

June 7, 2019

Hon. Michael T. Richard
President, Organization of PJM States, Inc.
Maryland Public Service Commission
6 Saint Paul Street, 16th Floor
Baltimore, MD 21202

Dear Commissioner Richard,

Thank you so much for your May 24 letter related to the *Report of the Independent Consultants on the Green Hat Default*, where you raise some concerns about PJM actions that are being undertaken following the report. We appreciate your interest and constructive comments.

We believe it is critically important to urgently mitigate the risk exposures that pose the most near term threat to the market and its participants. We will then undertake the longer-term considerations that were raised in the report which include a review to ensure that the market is functioning as intended.

As such, PJM is working with its members through the Financial Risk Mitigation Senior Task Force to mitigate risks within the FTR Market that need to be addressed immediately. The task force is charged with assessing credit risk mitigation and management and not general market design. However, we expect the task force will consider whether credit risk can be appropriately mitigated by steps to simplify existing FTR products and increase the frequency of FTR auctions. Further, the Board has expanded the charter of the Audit Committee to include direct supervision of risk management within PJM and we are actively recruiting for a senior level executive to lead this important function within PJM.

We share your view of the importance of the Recommendation F3 and we are committed to examining whether our current FTR product offerings present risk management challenges that outweigh the overall benefits. However, at the same time, we cannot delay taking actions that might offer near term opportunity to mitigate immediate risk exposure. Before embarking on broader market design changes, PJM will retain experts, as we have in the past, and our market monitor will be an integral part of that process.

Finally, several of our directors will be at MACRUC and we can further discuss this matter when we are together if you would like.

Sincerely,

A handwritten signature in black ink that reads "Ake Almgren". The signature is written in a cursive, flowing style.

Ake Almgren
Chairman of the Board of Managers