

# Surety Bonds

Bridgid Cummings  
Markets and Reliability Committee  
April 25, 2019

- Two stakeholder proposals to accept Surety Bonds as an additional form of collateral for market activity have received over 50% support at the Credit Subcommittee and Market Implementation Committee
- Differences consist of:
  - Acceptability for FTRs
    - No / Yes
  - Cap on issuance by individual surety for an individual PJM Member
    - \$10 million / \$20 million
  - Cap on aggregate issuances from any individual Surety accepted by PJM
    - \$50 million / \$100 million

- If approved, requirements for surety bond issuers would be similar to those for letters of credit except:
  - Additional requirement to be U.S. Treasury-listed Approved Surety
  - Acceptance of AM Best rating as a fourth rating agency
- PJM would provide a standard form of surety bond form
  - No changes allowed
  - Immediate payment required on demand
    - Same as for letters of credit

Caps	Stakeholder Proposal 1	Stakeholder Proposal 2	ERCOT*	NYISO
Surety Bond Cap Per Bond	\$10M	\$20M	\$10M	None
Surety Bond Cap Per Issuer	\$50M	\$100M	\$100M	None
Letter of Credit Cap	None	None	Based on Tangible Net Worth	None

\*ERCOT stakeholders are currently discussing potential changes to their surety bond cap.

Applicability	Stakeholder Proposal 1	Stakeholder Proposal 2	ERCOT	NYISO
Surety Bond Applicability	All Market Activity Except FTRs	All Market Activity	All Market Activity	All Market Activity
Letter of Credit Applicability	All Market Activity	All Market Activity	All Market Activity	All Market Activity

Surety Bonds	Stakeholder Proposal 1	Stakeholder Proposal 2	Change from Status Quo
Applicable to FTRs	No	Yes	
Individual Issuer Cap	\$10 million	\$20 Million	
Aggregate Issuer Cap	\$50 million	\$100 million	
CS Poll	61%	53%	64%
MIC Vote	61%	58%	66%