

**Illustrative Examples of Price Exposure for Imbalance Energy—
Various Load, Price, and Duration Assumptions**

Note that further work for all risks must be completed.

This table illustrates that (1) as the amount of load served with imbalance energy increases significantly, the market credit exposure increases significantly (unless collateralized) and (2) as the price or imbalance energy increases, the market's credit exposure increases significantly (unless collateralized).

This chart also illustrates what happens when there is a confluence of events in which both the price of imbalance energy and the amount of it used to serve load are very high and demonstrates why the Liability and Risk Management Work Group believes that it is critical to have a number of strong tools in place to mitigate price spikes and prevent heavy reliance on the imbalance energy market for serving load.

MW of Load Served by IE	IE Price	\$ Exposure for 1 Hour	\$ Exposure for 12 Days	\$ Exposure for 60 Days
5	\$50	\$250	\$72,000	\$360,000
5	\$300	\$1,500	\$432,000	\$2,160,000
5	\$750	\$3,750		
25	\$50	\$1,250	\$360,000	\$1,800,000
25	\$300	\$7,500	\$2,160,000	\$10,800,000
25	\$750	\$18,750		
100	\$50	\$5,000	\$1,440,000	\$7,200,000
100	\$300	\$30,000	\$8,640,000	\$43,200,000
100	\$750	\$75,000		
500	\$50	\$25,000	\$7,200,000	\$36,000,000
500	\$300	\$150,000	\$43,200,000	\$216,000,000
500	\$750	\$375,000		
1000	\$50	\$50,000	\$14,400,000	\$72,000,000
1000	\$300	\$300,000	\$86,400,000	\$432,000,000
1000	\$750	\$750,000		
2000	\$50	\$100,000	\$28,800,000	\$144,000,000
2000	\$300	\$600,000	\$172,800,000	\$864,000,000
2000	\$750	\$1,500,000		

MW of Load Served by IE = the amount of load served through the imbalance energy market for the specified period of time

IE Price = average imbalance energy price for the period

\$ Exposure for 1 Hour = the amount owed for one hour with the described characteristics

\$ Exposure for 12 Days = the amount owed for 12 days with the described characteristics—

12 days is the minimum possible time to settlement and payment with complete metering automation and an assumed imbalance energy billing period of one week (reflecting time elapsed between date of imbalance energy consumption and date payment for that consumption would be made)

\$ Exposure for 60 Days = the amount owed by that entity for 60 days with the described characteristics—

60 days is the minimum possible time to settlement and payment without automated metering and an assumed billing period of 30 days (reflecting time elapsed between date of imbalance energy consumption and date payment for that consumption would be made)