

Credit Available for Virtual Transactions

Markets and Reliability Committee

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- Current Tariff language describing Credit Available for Virtual Transactions (CAVT) does not match the credit provided in PJM's practice.
- PJM is proposing to correct the Tariff as current practice reflects the intentions of the FERC order on CAVT.
- PJM proposes to submit a filing to make the corrections to Attachment Q of PJM's Open Access Transmission Tariff and to request a waiver for the CAVT wording discrepancy that has existed to date.

- Credit Available for Virtual Transactions (CAVT) was originally equal to the Working Credit Limit (WCL) plus/minus accrued profits/losses. The WCL includes a discount on all financial assurance provided, even amounts in excess of a member's credit requirement.
- In a 2003 compliance filing, PJM agreed to a Tariff change to allow the CAVT to discount only the required credit, with no discount on voluntarily provided excess financial security.
- When the FERC issued its order late the following year, PJM implemented the change in practice but did not submit the change in Tariff language.

- The proposed revisions correct the 2004 omission and also include the following proposed revisions for consistency with the current Credit Policy revisions:
 - Corrects for changes in credit policy since 2004 (e.g. Working Credit Limit discount is now 25%, not 15%);
 - Updates the definition of Credit Available for Virtual Transactions to remove duplicate and conflicting definitions and to remove confusion and ambiguity in terminology; and
 - Provides consistency for application of discount to both financial security and unsecured credit allowance in excess of a member's credit requirement.