

**Option J1<sup>2</sup>**  
**Proposed OA and OATT Revisions for FTR Defaults**

# **Operating Agreement Redlines**

## **OPERATING AGREEMENT, SCHEDULE 1 – PJM INTERCHANGE ENERGY MARKET**

### **7.3 Auction Procedures.**

#### **7.3.1 Role of the Office of the Interconnection.**

Financial Transmission Rights auctions shall be conducted by the Office of the Interconnection in accordance with standards and procedures set forth in the PJM Manuals, such standards and procedures to be consistent with the requirements of this Schedule. PJMSettlement shall be the Counterparty to the purchases and sales of Financial Transmission Rights arising from such auctions, provided however, that PJMSettlement shall not be a contracting party to any subsequent bilateral transfers of Financial Transmission Rights between Market Participants. The conversion of an Auction Revenue Right to a Financial Transmission Right pursuant to this section 7 shall not constitute a purchase or sale transaction to which PJMSettlement is a contracting party. Financial Transmission Rights auctions conducted to liquidate a defaulting Members' Financial Transmission Rights portfolio shall be conducted by the Office of the Interconnection in accordance with the procedures set forth in the Section 7.3.9 herein and with the standards and procedures set forth in the PJM Manuals.

#### **7.3.2 Notice of Offer.**

A holder of a Financial Transmission Right wishing to offer the Financial Transmission Right for sale shall notify the Office of the Interconnection of any Financial Transmission Rights to be offered. Each Financial Transmission Right sold in an auction shall, at the end of the period for which the Financial Transmission Rights were auctioned, revert to the offering holder or the entity to which the offering holder has transferred such Financial Transmission Right, subject to the term of the Financial Transmission Right itself and to the right of such holder or transferee to offer the Financial Transmission Right in the next or any subsequent auction during the term of the Financial Transmission Right.

#### **7.3.3 Pending Applications for Firm Service.**

(a) [Reserved.]

(b) Financial Transmission Rights may be assigned to entities requesting Network Transmission Service or Firm Point-to-Point Transmission Service pursuant to Section 5.2.2 (e), only if such Financial Transmission Rights are simultaneously feasible with all outstanding Financial Transmission Rights, including Financial Transmission Rights effective for the then-current auction period. If an assignment of Financial Transmission Rights pursuant to a pending

application for Network Transmission Service or Firm Point-to-Point Transmission Service cannot be completed prior to an auction, Financial Transmission Rights attributable to such transmission service shall not be assigned for the then-current auction period. If a Financial Transmission Right cannot be assigned for this reason, the applicant may withdraw its application, or request that the Financial Transmission Right be assigned effective with the start of the next auction period.

#### **7.3.4 On-Peak, Off-Peak and 24-Hour Periods.**

On-peak, off-peak and 24-hour FTRs will be offered in the annual and monthly auction. On-Peak Financial Transmission Rights shall cover the periods from 7:00 a.m. up to the hour ending at 11:00 p.m. on Mondays through Fridays, except holidays as defined in the PJM Manuals. Off-Peak Financial Transmission Rights shall cover the periods from 11:00 p.m. up to the hour ending 7:00 a.m. on Mondays through Fridays and all hours on Saturdays, Sundays, and holidays as defined in the PJM Manuals. The 24-hour period shall cover the period from hour ending 1:00 a.m. to the hour ending 12:00 midnight on all days. Each bid shall specify whether it is for an on-peak, off-peak, or 24-hour period.

#### **7.3.5 Offers and Bids.**

(a) Offers to sell and bids to purchase Financial Transmission Rights shall be submitted during the period set forth in Section 7.1.2, and shall be in the form specified by the Office of the Interconnection in accordance with the requirements set forth below.

(b) Offers to sell shall identify the specific Financial Transmission Right, by term, megawatt quantity and receipt and delivery points, offered for sale. An offer to sell a specified megawatt quantity of Financial Transmission Rights shall constitute an offer to sell a quantity of Financial Transmission Rights equal to or less than the specified quantity. An offer to sell may not specify a minimum quantity being offered. Each offer may specify a reservation price, below which the offeror does not wish to sell the Financial Transmission Right. Offers submitted by entities holding rights to Financial Transmission Rights shall be subject to such reasonable standards for the verification of the rights of the offeror as may be established by the Office of the Interconnection. Offers shall be subject to such reasonable standards for the creditworthiness of the offer or for the posting of security for performance as the Office of the Interconnection shall establish.

(c) Bids to purchase shall specify the term, megawatt quantity, price per megawatt, and receipt and delivery points of the Financial Transmission Right that the bidder wishes to purchase. A bid to purchase a specified megawatt quantity of Financial Transmission Rights shall constitute a bid to purchase a quantity of Financial Transmission Rights equal to or less than the specified quantity. A bid to purchase may not specify a minimum quantity that the bidder wishes to purchase. A bid may specify receipt and delivery points in accordance with Section 7.2.2 and may include Financial Transmission Rights for which the associated Transmission Congestion Credits may have negative values. Bids shall be subject to such reasonable standards for the creditworthiness of the bidder or for the posting of security for performance as the Office of the Interconnection shall establish.

(d) Bids and offers shall be specified to the nearest tenth of a megawatt and shall be greater than zero. The Office of the Interconnection may require that a market participant shall not submit in excess of 5000 bids and offers for any single monthly auction, or for any single round of the annual auction, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to the start of the bidding period if possible. Where such notice is provided after the start of the bidding period, market participants shall be required within one day to reduce their bids and offers for such auction below 5000, and the bidding period in such cases shall be extended by one day.

### **7.3.6 Determination of Winning Bids and Clearing Price.**

(a) At the close of each bidding period, the Office of the Interconnection will create a base Financial Transmission Rights power flow model that includes all outstanding Financial Transmission Rights that have been approved and confirmed for any portion of the month for which the auction was conducted and that were not offered for sale in the auction. The base Financial Transmission Rights model also will include estimated uncompensated parallel flows into each interface point of the PJM Region and estimated scheduled transmission outages.

(b) In accordance with the requirements of Section 7.5 of this Schedule and subject to all applicable transmission constraints and reliability requirements, the Office of the Interconnection shall determine the simultaneous feasibility of all outstanding Financial Transmission Rights not offered for sale in the auction and of all Financial Transmission Rights that could be awarded in the auction for which bids were submitted. The winning bids shall be determined from an appropriate linear programming model that, while respecting transmission constraints and the maximum MW quantities of the bids and offers, selects the set of simultaneously feasible Financial Transmission Rights with the highest net total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers. In the event that there are two or more identical bids for the selected Financial Transmission Rights and there are insufficient Financial Transmission Rights to accommodate all of the identical bids, then each such bidder will receive a pro rata share of the Financial Transmission Rights that can be awarded.

(c) Financial Transmission Rights shall be sold at the market-clearing price for Financial Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Financial Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Financial Transmission Rights paths based on the bid value of the marginal Financial Transmission Rights, which are those Financial Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Financial Transmission Rights path relative to the marginal Financial Transmission Rights paths flow sensitivities on the binding transmission constraints. Financial Transmission Rights with a zero clearing price will only be awarded if there is a minimum of one binding constraint in the auction period for which the Financial Transmission Rights path sensitivity is non-zero.

### **7.3.7 Announcement of Winners and Prices.**

Within two (2) Business Days after the close of the bid and offer period for an annual Financial Transmission Rights auction round, and within five (5) Business Days after the close of the bid and offer period for a monthly Financial Transmission Rights auction, the Office of the Interconnection shall post the winning bidders, the megawatt quantity, the term and the receipt and delivery points for each Financial Transmission Right awarded in the auction and the price at which each Financial Transmission Right was awarded unless circumstances beyond PJM's control prevent PJM from meeting the applicable deadline. Under such circumstances, PJM will post the auction results at the earliest possible opportunity. The Office of the Interconnection shall not disclose the price specified in any bid to purchase or the reservation price specified in any offer to sell. If the Office of the Interconnection discovers an error in the results posted for a Financial Transmission Rights auction (or a given round of the annual Financial Transmission Rights auction), the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 5:00 p.m. of the Business Day following the initial publication of the results of the auction or round of the annual auction. After this initial notification, if the Office of the Interconnection determines that it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the second Business Day following the initial publication of the results of that auction or round of the annual auction. Thereafter, the Office of the Interconnection must post any corrected results by no later than 5:00 p.m. of the fourth calendar day following the initial publication of the results of the auction or round of the annual auction. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final. Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced auction results are under publicly noticed review by the FERC.

### **7.3.8 Auction Settlements.**

All buyers and sellers of Financial Transmission Rights between the same points of receipt and delivery shall pay PJMSettlement or be paid by PJMSettlement the market-clearing price, as determined in the auction, for such Financial Transmission Rights.

### **7.3.9 Liquidation of Financial Transmission Rights in the Event of Member Default.**

In the event a Member fails to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after such default is declared, initiate the following procedures to close out and liquidate the Financial Transmission Rights of a Member:

- a) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all the defaulting Member's forward Financial Transmission Rights positions.

- b) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.
- c) All current planning period Financial Transmission Right positions within the defaulting Members' Financial Transmission Right portfolio will be offered for sale in the next available monthly balance of planning period Financial Transmission Rights auction at an offer price designed to maximize the likelihood of liquidation of those positions.
- d) Financial Transmission Rights positions that do not settle until the next or subsequent planning period will be offered into the next available Financial Transmission Rights auction (taking into account timing constraints and the need for an orderly liquidation) where, based on the Office of Interconnection's commercially reasonable expectation, such positions would be expected to clear. In the event that the next scheduled Financial Transmission Rights auction is more than two (2) months subsequent to the date that the Office of the Interconnection declares a Member in default, a specially scheduled Financial Transmission Rights auction may be conducted by the Office of the Interconnection. The entire portfolio of the defaulting Member's Financial Transmission Rights will be offered for sale at an offer price designed to maximize the likelihood of liquidation of those positions.
- e) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction and the auction will be re-executed excluding the closed out Financial Transmission Right positions. Financial Transmission Right positions that are not liquidated will then be offered in the next available auction or specially scheduled auction, as appropriate.
- f) The liquidation of the defaulting Members' Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount. The final liquidated settlement amount will be included in calculating a Default Allocation Assessment as described in Section 15.1.2A(I) of the PJM Operating Agreement. If the Office of the Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void and the defaulting Member shall remain liable for the full final value of its default, such full final value being realized at the normal time for performance of the Financial Transmission Rights position.

~~g) For the period of August 24, 2018 through November 30, 2018, the liquidation process of a defaulting Member's Financial Transmission Rights described in Tariff, Attachment K— Appendix, section 7.3.9(c)–(f) and the parallel provisions in Operating Agreement, Schedule 1, section 7.3.9(c)–(f) shall not apply, including, without limitation, that the Office of the Interconnection shall not be required to offer the defaulting Member's Financial Transmission~~

~~Rights for sale into any auction. During this period, the amount of gain or loss on each of the defaulting Member's Financial Transmission Rights positions shall be realized at the normal time for performance of such Financial Transmission Rights position. The net of such gains and losses for all such positions shall be considered the final monthly settlement amount. Such final monthly settlement amount shall be included in calculating the Default Allocation Assessments as described in Operating Agreement, section 15.1.2A(I). Such assessment shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.~~

For any Member that, as of September 27, 2018, the Office of the Interconnection has declared in default of its obligations to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after these section 7.3.9(g) provisions become effective, initiate the following procedures to settle the Financial Transmission Rights of the defaulting Member:

- 1) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all the defaulting Member's forward Financial Transmission Rights positions.
- 2) The Office of Interconnection shall identify any positions in the defaulting Member's Financial Transmission Rights portfolio when declared in default that were obtained via Financial Transmission Rights bilateral transactions for which the sellers have provided indemnity pursuant to sSection 5.2.2(d)(iv) of this Schedule, and shall notify the sellers that they have the right to assume a portion of these bilaterally-traded Financial Transmission Right positions with terms commencing on the first day of the calendar month following the declaration of default. For this purpose, the Financial Transmission Rights which the seller may assume shall be all of those Financial Transmission Rights sold bilaterally by each seller to the defaulting Member which, in the most recent applicable auction for each Financial Transmission Right prior to the date of the Member's default declaration, or the most recent applicable auction for each Financial Transmission Right prior to the effective date of this provision, if later, would have cleared at a price lower than the original purchase price of the Financial Transmission Right. The seller's election must be to assume all or none of the bilaterally-traded positions in the defaulting Member's Financial Transmission Rights Portfolio that the seller is eligible to assume per this criteria.
- 3) If the seller chooses to exercise its right to assume the identified Financial Transmission Rights, the seller must notify PJM of its exercise of such assumption right within 10 business days of the Office of Interconnection's notification to the seller of the bilaterally-traded positions the seller may elect to assume from the defaulting Member's Financial Transmission Rights portfolio or before the Financial Transmission Rights bid window opens for the next applicable annual Financial Transmission Rights auction, whichever occurs first. A seller opting to assume the identified bilaterally-traded Financial Transmission Right positions from the defaulting Member's Financial Transmission Rights

- portfolio must meet all credit requirements to assume such positions. If a seller elects to assume the identified bilaterally-traded positions and fulfills the applicable credit requirements, those positions will be transferred to the seller's Financial Transmission Rights portfolio on the first calendar day of the first month after the Office of Interconnection receives the seller's notification of its election to assume the bilaterally-traded positions and has satisfied the applicable credit requirements.
- 4) If the seller chooses not to exercise this right, the seller is still responsible for the indemnification of the bilaterally-traded positions in the defaulting Member's portfolio pursuant to sSection 5.2.2(d)-(iv) of this Schedule.
- 5) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.
- 6) For all current planning period Financial Transmission Right positions within the defaulting Member's Financial Transmission Right portfolio that have not been not assumed by bilateral counterparty pursuant to section (c), above, notwithstanding the unilateral acceleration and termination of all of a defaulting Member's forward Financial Transmission Rights positions under section 7.3.9(a) of this Schedule., the actual net charges or credits resulting from the defaulting Member's Financial Transmission Rights positions as calculated through the normal settlement processes shall be included in calculating the Default Allocation Assessment charges as described in Operating Agreement, section 15.1.2A(I), with the obligation for net charges on positions in the defaulting Member's Financial Transmission Rights portfolio obtained through bilateral transactions remaining with the indemnifying seller. The resulting Default Allocation Assessments shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.
- 7) Financial Transmission Rights positions that do not settle until the next or subsequent Planning Period will be offered for liquidation into the annual Financial Transmission Rights auction for the Planning Period in which they will settle. Financial Transmission Rights positions being offered for liquidation in multiple rounds of annual Financial Transmission Rights auctions shall be divided into equal portions per position for offer in the first annual auction round and each of the remaining rounds of the applicable annual auction. If at any time a position being offered for liquidation cannot be divided further due to the Office of Interconnection's Financial Transmission Rights auction minimum position size offer floor as described in sSection 7.3.5 (d) of this Schedule then such positions will be offered for liquidation in each of the remaining rounds of the applicable annual Financial Transmission Rights auction unless liquidated in a previous round. Positions from the portfolio of the defaulting Member's Financial Transmission Rights offered for sale in an annual Financial Transmission Rights

auction shall be offered at an offer price designed to maximize the likelihood of liquidation of those positions.

- 8) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction round and be offered in remaining annual auction rounds as described in sSection 7.3.9 (g) of this Schedule and the auction will be re-executed excluding the closed out Financial Transmission Right positions. If the Office of Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void. The liquidation of the defaulting Member's Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount for liquidated positions. The final liquidated settlement amount for liquidated positions will be included in calculating a Default Allocation Assessment as described in Ssection 15.1.2A(I) of this Agreement
- 9) For all Financial Transmission Right positions within the defaulting Member's Financial Transmission Right portfolio that are not liquidated or assumed by the seller to a bilateral transaction with the defaulting Member, notwithstanding the unilateral acceleration and termination of all of a defaulting Member's forward Financial Transmission Rights positions under section 7.3.9(a) of this Schedule the actual net charges or credits resulting from the defaulting Member's Financial Transmission Rights positions as calculated through the normal settlement processes shall be included in calculating the Default Allocation Assessment charges as described in sSection 15.1.2A(I) of this Agreement, with the obligation for net charges on positions in the defaulting Member's Financial Transmission Rights portfolio obtained through bilateral transactions remaining with the indemnifying seller. The resulting Default Allocation Assessments shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.

In all other respects, Financial Transmission Rights terminated pursuant to this section shall be liquidated pursuant to the appropriate provisions and procedures set forth in the PJM Manuals.



## **OPERATING AGREEMENT**

### **15.1.2A Close Out and Liquidation of Member Financial Transmission Rights**

The Office of the Interconnection shall close out and liquidate all of a Member's current and forward Financial Transmission Rights positions if it determines the Member (i) no longer meets PJM's creditworthiness requirements, or (ii) fails to make timely payment when due under the PJM Operating Agreement or PJM Tariff, in each case following any opportunity given to cure the deficiency. Financial Transmission Rights shall be closed out and liquidated pursuant to Schedule 1, Section 7.3.9 of the PJM Operating Agreement and the Appendix to Attachment K, Section 7.3.9 of the PJM Tariff.

#### **15.1.2A(1): Allocation of Costs and Proceeds Resulting from Liquidation**

The liquidation of the defaulting Member's Financial Transmission Rights portfolio shall result in a final liquidated settlement amount. The final liquidated settlement amount may be aggregated with any other amounts owed by the defaulting Member to the Office of the Interconnection and may be set off by the Office of the Interconnection against any amounts owed by the Office of the Interconnection to the defaulting Member for purposes of determining the proper Default Allocation Assessment pursuant to the provisions of Section 15.2.2. Any payments made to a party purchasing some or all of a liquidated portfolio shall be net of that party's charge resulting from a Default Allocation Assessment.

#### **15.2.2 Default Allocation Assessment.**

(a) "Default Allocation Assessment" shall be equal to  $(0.1(1/N) + 0.9(A/Z))$ , where:

N = the total number of Members, calculated as of five o'clock p.m. eastern prevailing time on the date PJM declares a Member in default, excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under section 17.2 of this Agreement.

A = for Members comprising factor "N" above, the Member's gross activity as determined by summing the absolute values of the charges and credits for each of the Activity Line Items identified in section 15.2.2(b) of this Agreement as accounted for and billed pursuant to section 3 of Schedule 1 of this Agreement for the month of default and the two previous months.

Z = the sum of factor A for all Members excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under section 17.2 of this Agreement.

The assessment value of  $(0.1(1/N))$  shall not exceed \$10,000 per Member per calendar; cumulative of all defaults If year, cumulative of all defaults or more than once per Member

*[Italicized language is pending Commission acceptance in Docket No. ER18-2289.]*

**DRAFT 9.19.18**

default if Default Allocation Assessment charges for a single Member default span multiple calendar years. For this purpose, a default by an individual Member that spans multiple billing periods without cure shall be considered a single default. If one or more defaults arise that cause the value to exceed \$10,000 per Member, then the excess shall be reallocated through the gross activity factor.

(b) Activity Line Items shall be each of the line items on the PJM monthly bills net of load reconciliation adjustments and adjustments applicable to activity for the current billing month

**Option J1<sup>2</sup>**  
**Proposed OA and OATT Revisions for FTR Defaults**

# **Open Access Transmission Tariff Redlines**

## **7.3 Auction Procedures.**

### **7.3.1 Role of the Office of the Interconnection.**

Financial Transmission Rights auctions shall be conducted by the Office of the Interconnection in accordance with standards and procedures set forth in the PJM Manuals, such standards and procedures to be consistent with the requirements of this Schedule. PJMSettlement shall be the Counterparty to the purchases and sales of Financial Transmission Rights arising from such auctions, provided however, that PJMSettlement shall not be a contracting party to any subsequent bilateral transfers of Financial Transmission Rights between Market Participants. The conversion of an Auction Revenue Right to a Financial Transmission Right pursuant to this section 7 shall not constitute a purchase or sale transaction to which PJMSettlement is a contracting party. Financial Transmission Rights auctions conducted to liquidate a defaulting Member's Financial Transmission Rights portfolio shall be conducted by the Office of the Interconnection in accordance with the procedures set forth in Section 7.3.9 herein and in accordance with standards and procedures set forth in the PJM Manuals.

### **7.3.2 Notice of Offer.**

A holder of a Financial Transmission Right wishing to offer the Financial Transmission Right for sale shall notify the Office of the Interconnection of any Financial Transmission Rights to be offered. Each Financial Transmission Rights sold in an auction shall, at the end of the period for which the Financial Transmission Rights were auctioned, revert to the offering holder or the entity to which the offering holder has transferred such Financial Transmission Right, subject to the term of the Financial Transmission Right itself and to the right of such holder or transferee to offer the Financial Transmission Right in the next or any subsequent auction during the term of the Financial Transmission Right.

### **7.3.3 Pending Applications for Firm Service.**

(a) [Reserved.]

(b) Financial Transmission Rights may be assigned to entities requesting Network Transmission Service or Firm Point-to-Point Transmission Service pursuant to Section 5.2.2 (e), only if such Financial Transmission Rights are simultaneously feasible with all outstanding Financial Transmission Rights, including Financial Transmission Rights effective for the then-current auction period. If an assignment of Financial Transmission Rights pursuant to a pending application for Network Transmission Service or Firm Point-to-Point Transmission Service cannot be completed prior to an auction, Financial Transmission Rights attributable to such transmission service shall not be assigned for the then-current auction period. If a Financial

Transmission Right cannot be assigned for this reason, the applicant may withdraw its application, or request that the Financial Transmission Right be assigned effective with the start of the next auction period.

#### **7.3.4 On-Peak, Off-Peak and 24-Hour Periods.**

On-peak, off-peak and 24-hour FTRs will be offered in the annual and monthly auction. On-Peak Financial Transmission Rights shall cover the periods from 7:00 a.m. up to the hour ending at 11:00 p.m. on Mondays through Fridays, except holidays as defined in the PJM Manuals. Off-Peak Financial Transmission Rights shall cover the periods from 11:00 p.m. up to the hour ending 7:00 a.m. on Mondays through Fridays and all hours on Saturdays, Sundays, and holidays as defined in the PJM Manuals. The 24-hour period shall cover the period from hour ending 1:00 a.m. to the hour ending 12:00 midnight on all days. Each bid shall specify whether it is for an on-peak, off-peak, or 24-hour period.

#### **7.3.5 Offers and Bids.**

(a) Offers to sell and bids to purchase Financial Transmission Rights shall be submitted during the period set forth in Section 7.1.2, and shall be in the form specified by the Office of the Interconnection in accordance with the requirements set forth below.

(b) Offers to sell shall identify the specific Financial Transmission Right, by term, megawatt quantity and receipt and delivery points, offered for sale. An offer to sell a specified megawatt quantity of Financial Transmission Rights shall constitute an offer to sell a quantity of Financial Transmission Rights equal to or less than the specified quantity. An offer to sell may not specify a minimum quantity being offered. Each offer may specify a reservation price, below which the offeror does not wish to sell the Financial Transmission Right. Offers submitted by entities holding rights to Financial Transmission Rights shall be subject to such reasonable standards for the verification of the rights of the offeror as may be established by the Office of the Interconnection. Offers shall be subject to such reasonable standards for the creditworthiness of the offeror or for the posting of security for performance as the Office of the Interconnection shall establish.

(c) Bids to purchase shall specify the term, megawatt quantity, price per megawatt, and receipt and delivery points of the Financial Transmission Right that the bidder wishes to purchase. A bid to purchase a specified megawatt quantity of Financial Transmission Rights shall constitute a bid to purchase a quantity of Financial Transmission Rights equal to or less than the specified quantity. A bid to purchase may not specify a minimum quantity that the bidder wishes to purchase. A bid may specify receipt and delivery points in accordance with Section 7.2.2 and may include Financial Transmission Rights for which the associated Transmission Congestion Credits may have negative values. Bids shall be subject to such reasonable standards for the creditworthiness of the bidder or for the posting of security for performance as the Office of the Interconnection shall establish.

(d) Bids and offers shall be specified to the nearest tenth of a megawatt and shall be greater than zero. The Office of the Interconnection may require that a market participant shall

not submit in excess of 5000 bids and offers for any single monthly auction, or for any single round of the annual auction, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to the start of the bidding period if possible. Where such notice is provided after the start of the bidding period, market participants shall be required within one day to reduce their bids and offers for such auction below 5000, and the bidding period in such cases shall be extended by one day.

### **7.3.6 Determination of Winning Bids and Clearing Price.**

(a) At the close of each bidding period, the Office of the Interconnection will create a base Financial Transmission Rights power flow model that includes all outstanding Financial Transmission Rights that have been approved and confirmed for any portion of the month for which the auction was conducted and that were not offered for sale in the auction. The base Financial Transmission Rights model also will include estimated uncompensated parallel flows into each interface point of the PJM Region and estimated scheduled transmission outages.

(b) In accordance with the requirements of Section 7.5 of this Schedule and subject to all applicable transmission constraints and reliability requirements, the Office of the Interconnection shall determine the simultaneous feasibility of all outstanding Financial Transmission Rights not offered for sale in the auction and of all Financial Transmission Rights that could be awarded in the auction for which bids were submitted. The winning bids shall be determined from an appropriate linear programming model that, while respecting transmission constraints and the maximum MW quantities of the bids and offers, selects the set of simultaneously feasible Financial Transmission Rights with the highest net total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers. In the event that there are two or more identical bids for the selected Financial Transmission Rights and there are insufficient Financial Transmission Rights to accommodate all of the identical bids, then each such bidder will receive a pro rata share of the Financial Transmission Rights that can be awarded.

(c) Financial Transmission Rights shall be sold at the market-clearing price for Financial Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Financial Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Financial Transmission Rights paths based on the bid value of the marginal Financial Transmission Rights, which are those Financial Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Financial Transmission Rights path relative to the marginal Financial Transmission Rights paths flow sensitivities on the binding transmission constraints. Financial Transmission Rights with a zero clearing price will only be awarded if there is a minimum of one binding constraint in the auction period for which the Financial Transmission Rights path sensitivity is non-zero.

### **7.3.7 Announcement of Winners and Prices.**

Within two (2) Business Days after the close of the bid and offer period for an annual Financial Transmission Rights auction round, and within five (5) Business Days after the close of the bid and offer period for a monthly Financial Transmission Rights auction, the Office of the Interconnection shall post the winning bidders, the megawatt quantity, the term and the receipt and delivery points for each Financial Transmission Right awarded in the auction and the price at which each Financial Transmission Right was awarded unless circumstances beyond PJM's control prevent PJM from meeting the applicable deadline. Under such circumstances, PJM will post the auction results at the earliest possible opportunity. The Office of the Interconnection shall not disclose the price specified in any bid to purchase or the reservation price specified in any offer to sell. If the Office of the Interconnection discovers an error in the results posted for a Financial Transmission Rights auction (or a given round of the annual Financial Transmission Rights auction), the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 5:00 p.m. of the Business Day following the initial publication of the results of the auction or round of the annual auction. After this initial notification, if the Office of the Interconnection determines that it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the second Business Day following the initial publication of the results of that auction or round of the annual auction. Thereafter, the Office of the Interconnection must post any corrected results by no later than 5:00 p.m. of the fourth calendar day following the initial publication of the results of the auction or round of the annual auction. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final. Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced auction results are under publicly noticed review by the FERC.

### **7.3.8 Auction Settlements.**

All buyers and sellers of Financial Transmission Rights between the same points of receipt and delivery shall pay PJMSettlement or be paid by PJMSettlement the market-clearing price, as determined in the auction, for such Financial Transmission Rights.

### **7.3.9 Liquidation of Financial Transmission Rights in the Event of Member Default.**

In the event a Member fails to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after such default is declared, initiate the following procedures to close out and liquidate the Financial Transmission Rights of a Member:

- a) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all forward Financial Transmission Rights positions.
- b) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.

c) All current planning period Financial Transmission Right positions within the defaulting Members' Financial Transmission Right portfolio will be offered for sale in the next available monthly balance of planning period Financial Transmission Rights auction at an offer price designed to maximize the likelihood of liquidation of those positions. d) Financial Transmission Rights positions that do not settle until the next or subsequent planning period will be offered into the next available Financial Transmission Rights auction for an orderly liquidation) where, based on the Office of Interconnection's such positions would be expected to clear. In the event that the next scheduled Financial Transmission Rights Financial Transmission Rights auction portfolio of the defaulting Member's Financial Transmission Rights will be offered for sale at an offer price designed to maximize the likelihood of liquidation of those positions.

e) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction and the auction will be re-executed excluding the closed out Financial Transmission Right positions. Financial Transmission Right positions that are not liquidated will then be offered in the next available auction or specially scheduled auction, as appropriate.

f) The liquidation of the defaulting Members' Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount. The final liquidated settlement amount will be included in calculating a Default Allocation Assessment as described in Section 15.1.2A(I) of the PJM Operating Agreement. If the Office of the Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void and the defaulting Member shall remain liable for the full final value of its default, such full final value being realized at the normal time for performance of the Financial Transmission Rights position.

~~g) For the period of August 24, 2018 through November 30, 2018, the liquidation process of a defaulting Member's Financial Transmission Rights described in Tariff, Attachment K— Appendix, section 7.3.9(c)–(f) and the parallel provisions in Operating Agreement, Schedule 1, section 7.3.9(c)–(f) shall not apply, including, without limitation, that the Office of the Interconnection shall not be required to offer the defaulting Member's Financial Transmission Rights for sale into any auction. During this period, the amount of gain or loss on each of the defaulting Member's Financial Transmission Rights positions shall be realized at the normal time for performance of such Financial Transmission Rights position. The net of such gains and losses for all such positions shall be considered the final monthly settlement amount. Such final monthly settlement amount shall be included in calculating the Default Allocation Assessments as described in Operating Agreement, section 15.1.2A(I). Such assessment shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default. For any Member that, as~~

of September 27, 2018, the Office of the Interconnection has declared in default of its obligations to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after these section 7.3.9(g) provisions become effective, initiate the following procedures to settle the Financial Transmission Rights of the defaulting Member:

- 1) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all the defaulting Member's forward Financial Transmission Rights positions.
- 2) The Office of Interconnection shall identify any positions in the defaulting Member's Financial Transmission Rights portfolio when declared in default that were obtained via Financial Transmission Rights bilateral transactions for which the sellers have provided indemnity pursuant to sSection 5.2.(d)2(iv) of this Schedule, and shall notify the sellers that they have the right to assume a portion of these bilaterally-traded Financial Transmission Right positions with terms commencing on the first day of the calendar month following the declaration of default. For this purpose, the Financial Transmission Rights which the seller may assume shall be all of those Financial Transmission Rights sold bilaterally by each seller to the defaulting Member which, in the most recent applicable auction for each Financial Transmission Right prior to the date of the Member's default declaration, or the most recent applicable auction for each Financial Transmission Right prior to the effective date of this provision, if later, would have cleared at a price lower than the original purchase price of the Financial Transmission Right. The seller's election must be to assume all or none of the bilaterally-traded positions in the defaulting Member's Financial Transmission Rights portfolio that the seller is eligible to assume per this criteria.
- 3) If the seller chooses to exercise its right to assume the identified Financial Transmission Rights, the seller must notify PJM of its exercise of such assumption right within 10 business days of the Office of Interconnection's notification to the seller of the bilaterally-traded positions the seller may elect to assume from the defaulting Member's Financial Transmission Rights portfolio or before the Financial Transmission Rights bid window opens for the next applicable annual Financial Transmission Rights auction, whichever occurs first.. A seller opting to assume the identified bilaterally-traded Financial Transmission Right positions from the defaulting Member's Financial Transmission Rights portfolio must meet all credit requirements to assume such positions. If a seller elects to assume the identified bilaterally-traded positions and fulfills the applicable credit requirements, those positions will be transferred to the seller's Financial Transmission Rights portfolio on the first calendar day of the first month after the Office of Interconnection receives the seller's notification of its election to assume the bilaterally-traded positions and has satisfied the applicable credit requirements.



- 4) If the seller chooses not to exercise this right, the seller is still responsible for the indemnification of the bilaterally-traded positions in the defaulting Member's portfolio pursuant to sSection 5.2.2-(d)(iv) of this Schedule.
- 5) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.
- 6) For all current planning period Financial Transmission Right positions within the defaulting Member's Financial Transmission Right portfolio that have not been not assumed by bilateral counterparty pursuant to section (c), above, notwithstanding the unilateral acceleration and termination of all of a defaulting Member's forward Financial Transmission Rights positions under sSection 7.3.9(a) of this Schedule the actual net charges or credits resulting from the defaulting Member's Financial Transmission Rights positions as calculated through the normal settlement processes shall be included in calculating the Default Allocation Assessment charges as described in Operating Agreement, section 15.1.2A(I), with the obligation for net charges on positions in the defaulting Member's Financial Transmission Rights portfolio obtained through bilateral transactions remaining with the indemnifying seller. The resulting Default Allocation Assessments shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.
- 7) Financial Transmission Rights positions that do not settle until the next or subsequent Planning Period will be offered for liquidation into the annual Financial Transmission Rights auction for the Planning Period in which they will settle. Financial Transmission Rights positions being offered for liquidation in multiple rounds of annual Financial Transmission Rights auctions shall be divided into equal portions per position for offer in the first annual auction round and each of the remaning rounds of the applicable annual auction. If at any time a position being offered for liquidation cannot be divided further due to the Office of Interconnection's Financial Transmission Rights auction minimum position size offer floor as described in sSection 7.3.5 (d) of this Schedule then such positions will be offered for liquidation in each of the remaining rounds of the applicable annual Financial Transmission Rights auction unless liquidated in a previous round. Positions from the portfolio of the defaulting Member's Financial Transmission Rights offered for sale in an annual Financial Transmission Rights auction shall be offered at an offer price designed to maximize the likelihood of liquidation of those positions.
- 8) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only

one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction round and be offered in remaining annual auction rounds as described in section 7.3.9 (g) of this Schedule and the auction will be re-executed excluding the closed out Financial Transmission Right positions. If the Office of Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void. The liquidation of the defaulting Member's Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount for liquidated positions. The final liquidated settlement amount for liquidated positions will be included in calculating a Default Allocation Assessment as described in sSection 15.1.2A(I) of this Agreement.

- 9) For all Financial Transmission Right positions within the defaulting Member's Financial Transmission Right portfolio that are not liquidated or assumed by the seller to a bilateral transaction with the defaulting Member, notwithstanding the unilateral acceleration and termination of all of a defaulting Member's forward Financial Transmission Rights positions under sSection 7.3.9(a) of this Schedule the actual net charges or credits resulting from the defaulting Member's Financial Transmission Rights positions as calculated through the normal settlement processes shall be included in calculating the Default Allocation Assessment charges as described in Operating Agreement, section 15.1.2A(I), with the obligation for net charges on positions in the defaulting Member's Financial Transmission Rights portfolio obtained through bilateral transactions remaining with the indemnifying seller. The resulting Default Allocation Assessments shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.

In all other respects, Financial Transmission Rights terminated pursuant to this section shall be liquidated pursuant to the appropriate provisions and procedures set forth in the PJM Manuals.

**Backup Alternative Operating Agreement and Tariff Language**

**(To be Offered for Acceptance only if (1) FERC does not find PJM's preferred proposal to be just and reasonable, or (2) none of the options from issues matrix or otherwise proposed receives a 2/3 endorsement at 9/27/18 Members Committee Meeting)**

**OPERATING AGREEMENT, SCHEDULE 1 – PJM INTERCHANGE ENERGY MARKET**

**7.3 Auction Procedures.**

**7.3.9 Liquidation of Financial Transmission Rights in the Event of Member Default.**

In the event a Member fails to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after such default is declared, initiate the following procedures to close out and liquidate the Financial Transmission Rights of a Member:

- a) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all forward Financial Transmission Rights positions.
- b) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.
- c) All current planning period Financial Transmission Right positions within the defaulting Members' Financial Transmission Right portfolio will be offered for sale in the next available monthly balance of planning period Financial Transmission Rights auction at an offer price designed to maximize the likelihood of liquidation of those positions.
- d) Financial Transmission Rights positions that do not settle until the next or subsequent planning period will be offered into the next available Financial Transmission Rights auction (taking into account timing constraints and the need for an orderly liquidation) where, based on the Office of Interconnection's commercially reasonable expectation, such positions would be expected to clear. In the event that the next scheduled Financial Transmission Rights auction is more than two (2) months subsequent to the date that the Office of the Interconnection declares a Member in default, a specially scheduled Financial Transmission Rights auction may be conducted by the Office of the Interconnection. The entire portfolio of the defaulting Member's Financial Transmission Rights will be offered for sale at an offer price designed to maximize the likelihood of liquidation of those positions.
- e) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission

Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction and the auction will be re-executed excluding the closed out Financial Transmission Right positions. Financial Transmission Right positions that are not liquidated will then be offered in the next available auction or specially scheduled auction, as appropriate.

f) The liquidation of the defaulting Members' Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount. The final liquidated settlement amount will be included in calculating a Default Allocation Assessment as described in Section 15.1.2A(I) of the PJM Operating Agreement. If the Office of the Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void and the defaulting Member shall remain liable for the full final value of its default, such full final value being realized at the normal time for performance of the Financial Transmission Rights position.

g) *For the period of August 24, 2018 through ~~November 30, 2018~~ February 28, 2019, the liquidation process of a defaulting Member's Financial Transmission Rights described in Tariff, Attachment K – Appendix, section 7.3.9(c)-(f) and the parallel provisions in Operating Agreement, Schedule 1, section 7.3.9(c)-(f) shall not apply, including, without limitation, that the Office of the Interconnection shall not be required to offer the defaulting Member's Financial Transmission Rights for sale into any auction. During this period, the amount of gain or loss on each of the defaulting Member's Financial Transmission Rights positions shall be realized at the normal time for performance of such Financial Transmission Rights position. The net of such gains and losses for all such positions shall be considered the final monthly settlement amount. Such final monthly settlement amount shall be included in calculating the Default Allocation Assessments as described in Operating Agreement, section 15.1.2A(I). Such assessment shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.*

In all other respects, Financial Transmission Rights terminated pursuant to this section shall be liquidated pursuant to the appropriate provisions and procedures set forth in the PJM Manuals.

# **Open Access Transmission Tariff**

## **7.3 Auction Procedures.**

### **7.3.9 Liquidation of Financial Transmission Rights in the Event of Member Default.**

In the event a Member fails to meet creditworthiness requirements or make timely payments when due pursuant to the PJM Operating Agreement or PJM Tariff, the Office of the Interconnection shall, as soon as practicable after such default is declared, initiate the following procedures to close out and liquidate the Financial Transmission Rights of a Member:

- a) The Office of the Interconnection shall close out the defaulting Member's positions as of the date of its default, by unilaterally accelerating and terminating all forward Financial Transmission Rights positions.
- b) The Office of the Interconnection shall post on its website all salient information relating to the closed out portfolio of Financial Transmission Rights.
- c) All current planning period Financial Transmission Right positions within the defaulting Members' Financial Transmission Right portfolio will be offered for sale in the next available monthly balance of planning period Financial Transmission Rights auction at an offer price designed to maximize the likelihood of liquidation of those positions.
- d) Financial Transmission Rights positions that do not settle until the next or subsequent planning period will be offered into the next available Financial Transmission Rights auction (taking into account timing constraints and the need for an orderly liquidation) where, based on the Office of Interconnection's commercially reasonable expectation, such positions would be expected to clear. In the event that the next scheduled Financial Transmission Rights auction is more than two (2) months subsequent to the date that the Office of the Interconnection declares a Member in default, a specially scheduled Financial Transmission Rights auction may be conducted by the Office of the Interconnection. The entire portfolio of the defaulting Member's Financial Transmission Rights will be offered for sale at an offer price designed to maximize the likelihood of liquidation of those positions.
- e) The Financial Transmission Right positions comprising the defaulting Member's portfolio that are liquidated in a Financial Transmission Rights auction should avoid setting the price in the auction at the bid prices with which they were initially submitted. In the event that any of the closed out Financial Transmission Rights would set market based on the auction's preliminary solution, then only one-half of each Financial Transmission Rights position will be offered for sale and the auction will be re-executed. In the event that any Financial Transmission Rights position that has been closed out once again sets price, then all Financial Transmission Rights scheduled to be liquidated will be removed from the affected auction and the auction will be re-executed excluding the closed out Financial Transmission Right positions. Financial

Transmission Right positions that are not liquidated will then be offered in the next available auction or specially scheduled auction, as appropriate.

f) The liquidation of the defaulting Members' Financial Transmission Rights portfolio pursuant to the foregoing procedures shall result in a final liquidated settlement amount. The final liquidated settlement amount will be included in calculating a Default Allocation Assessment as described in Section 15.1.2A(I) of the PJM Operating Agreement. If the Office of the Interconnection is unable to close out and liquidate a Financial Transmission Rights position under the foregoing procedures, the close out shall be deemed void and the defaulting Member shall remain liable for the full final value of its default, such full final value being realized at the normal time for performance of the Financial Transmission Rights position.

g) *For the period of August 24, 2018 through ~~November 30, 2018~~ February 28, 2019, the liquidation process of a defaulting Member's Financial Transmission Rights described in Tariff, Attachment K – Appendix, section 7.3.9(c)-(f) and the parallel provisions in Operating Agreement, Schedule 1, section 7.3.9(c)-(f) shall not apply, including, without limitation, that the Office of the Interconnection shall not be required to offer the defaulting Member's Financial Transmission Rights for sale into any auction. During this period, the amount of gain or loss on each of the defaulting Member's Financial Transmission Rights positions shall be realized at the normal time for performance of such Financial Transmission Rights position. The net of such gains and losses for all such positions shall be considered the final monthly settlement amount. Such final monthly settlement amount shall be included in calculating the Default Allocation Assessments as described in Operating Agreement, section 15.1.2A(I). Such assessment shall in no way relieve the defaulting Member of its obligations, including, without limitation, the defaulting Member's obligations arising from or associated with the full value of its default.*

In all other respects, Financial Transmission Rights terminated pursuant to this section shall be liquidated pursuant to the appropriate provisions and procedures set forth in the PJM Manuals.