

RPM Credit Reduction Clarifications

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Markets and Reliability Committee
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- PJM has identified two provisions for RPM credit requirement reductions that use language that is confusing or incomplete
 - Milestone documentation requirements for planned resources that are internally financed
 - QTU reductions when a Upgrade Construction Service Agreement (UCSA) is signed instead of an Interconnection Service Agreement (ISA)
- PJM is recommending clarifying language
 - Unanimous support received from Credit Subcommittee at its June meeting

- Planned capacity projects may receive a reduction in credit requirement for achievement of specified milestones
- Documentation for milestone achievement requires certification by an independent engineer, which typically is hired by a financing entity to help protect that entity's interests, but internally financed projects have no independent engineer
- Manual M-18 provides for a Professional Engineer (PE) or corporate officer to certify to specified milestones, but the Tariff does not match
- **Recommendation:** Tariff changes to :
 - provide for PE or Officer certification in specified situations
 - clarify the Financial Close milestone for internally funded projects in absence of formal external financing
 - clarify that Capacity Market Sellers should submit requests for reductions along with appropriate documentation

- QTU projects require signing either an ISA or a UCSA
- Original draft credit language provided for a 50% credit requirement reduction upon signing an ISA. A dollar reduction provision was added to provide for projects signing a UCSA instead of an ISA.
- Subsequent changes added the UCSA to the 50% provision but did not remove the dollar reduction provision, appearing to make the provisions additive
- Additive provisions can cause a planned QTU project to have a zero credit requirement
- **Recommendation:**
 - Make the QTU provision mirror the provision for other projects – a single 50% reduction upon executing either an ISA or UCSA

- Stakeholder Timeline

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| – Credit Subcommittee | Unanimous Endorsement by Acclamation | June 4, 2018 |
| – Market Implementation Committee | First Read | August 8, 2018 |
| | Endorsement | September 12, 2018 |
| – Markets and Reliability Committee | First Read | September 27, 2018 |
| | Endorsement | October 25, 2018 |
| – Members Committee | Endorsement | December 6, 2018 |
| – FERC Filing | | December 7, 2018 |

- Target Effective Date

February 7, 2018