



Credit Risk Arising from Bilateral Capacity Transactions

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Markets & Reliability Committee
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Credit Risk Arising from Bilateral Capacity Transactions Solution Package

October 2023

Problem Statement and Issue Charge introduced.

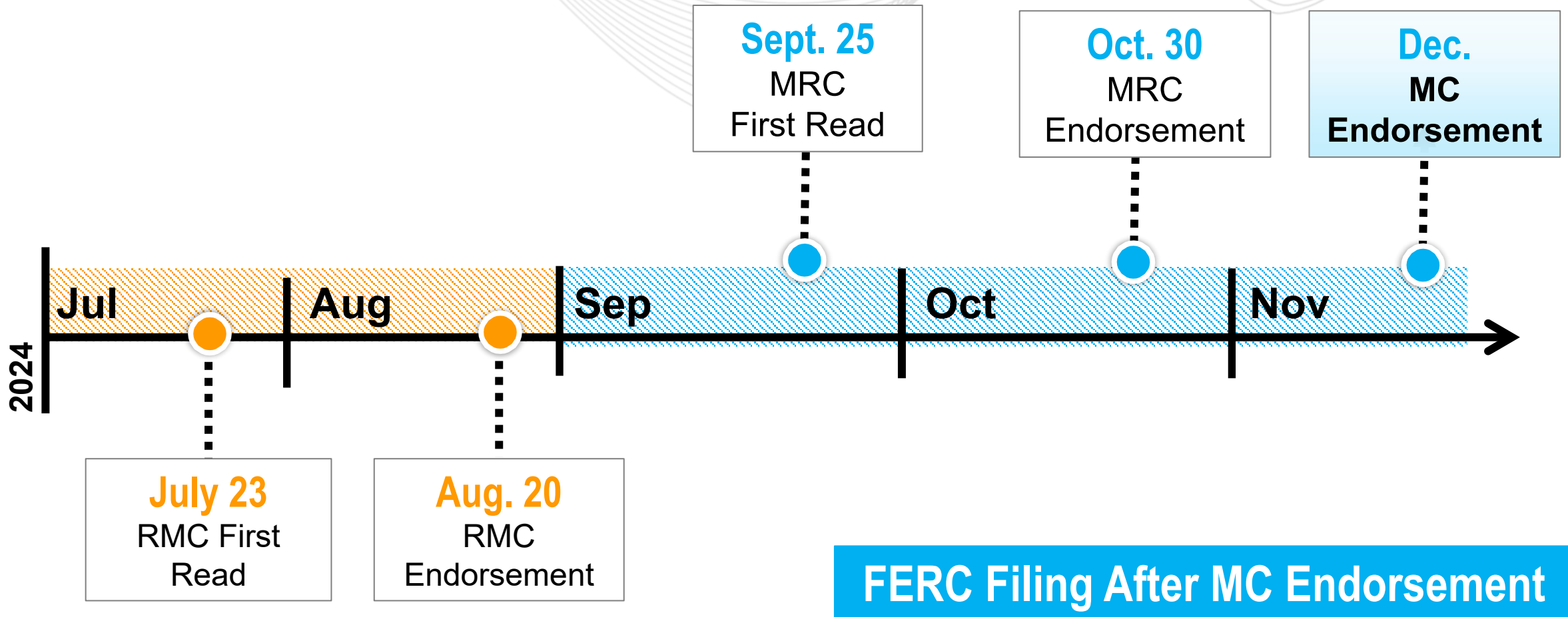
One package created and voted through the stakeholder process.

August 2024

Endorsed by acclamation

Solution Package provides PJM the ability to evaluate the creditworthiness of a proposed Seller/Buyer in advance of executing the bilateral capacity transaction.

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<p>Submission of Transaction to PJM for Prior Review & Consent</p> <p>Auction-Specific and Locational UCAP bilateral capacity transactions will be subject to prior credit review and consent by PJM.</p>	<p>Timeline for PJM Action</p> <p>PJM will review Auction-Specific and Locational UCAP bilateral capacity transactions by close of next business day, if transaction is received by 1 p.m. EPT.</p> <p>If Buyer/Seller provides the necessary information later than 1 p.m. EPT, PJM will review the transaction by close of business two business days later.</p>	<p>Credit Risk Assessment</p> <p>Both market participants' (Seller and Buyer) creditworthiness and impact of the transaction will be considered in alignment with Attachment Q.</p>





Summary of the Bilateral Capacity Transaction Changes

Updated OATT to include a credit review of Auction-Specific and Locational UCAP bilateral transactions:

- **Attachment DD, Section 4.6(b) to provide for PJM credit review in advance of Auction Specific bilateral transactions**
Added subsection (v) and previous subsection (v) becomes (vi)
- **Attachment DD, Section 4.6(c) to provide for PJM credit review in advance of Locational UCAP bilateral transactions**
Added new subsection (v)
- **Attachment Q, Section VI.B to provide the details of PJM credit review of these transactions**
Added new subsection 8(a) through (g)

– Attachment DD, Section 4.6(b) and (c)

(v) To the extent the capacity that is the subject of the [Section 4.6(b) Bilateral transaction/Locational UCAP bilateral transaction] already has cleared an auction under this Attachment DD, such bilateral capacity transactions shall be subject to the prior consent of the Office of the Interconnection and its determination that sufficient credit is in place for the buyer and seller with respect to the credit exposure associated with such obligations. Credit reviews of such transactions will be performed in accordance with Section VI.B.8 of Tariff, Attachment Q. The timing of the transacting parties' submission of the transaction to the Office of Interconnection for credit review is at their discretion; however, they assume all risk for any delays and hold the Office of Interconnection harmless from any resulting consequences.

Attachment Q

- Section VI - Supplemental Credit Requirements for Screened Transactions;
- B. RPM Auction and Price Responsive Demand Credit Requirements
- added new sub-section 8. Credit Review of Bilateral Capacity Transactions
 - (a) The Office of the Interconnection shall complete its review of an anticipated Section 4.6(b) Bilateral transaction on Locational UCAP bilateral transaction by no later than the close of the next Business Day if such Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction has been received by the Office of the Interconnection's Credit Department for review by 1:00 p.m. Eastern Prevailing Time.
 - (b) The Office of the Interconnection shall complete its review of an anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction by no later than the close of the second (2nd) Business Day if such Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction has been received by the Office of the Interconnection's Credit Department for review after 1:00 p.m. Eastern Prevailing Time.

- (c) The timing of the Market Participants' submission of an anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction to the Office of the Interconnection's Credit Department for review, relative to the desired transaction start date, is at the Market Participants' discretion. The Market Participants, however, assume all risk in delaying the submission to the Office of the Interconnection and the Market Participants hold the Office of the Interconnection harmless from any consequences of such delay.
- (d) The Office of the Interconnection will make reasonable efforts to communicate its credit determination and any associated requirements regarding the anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction with the buyer and seller in advance of the deadlines set forth in subparts (a) and (b) above.
- (e) Each submission of an anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction to the Office of the Interconnection for its review shall contain the following information supplied by the buyer and/or seller: (i) seller's account; (ii) buyer's account; (iii) auction/resource; (iv) quantity (MWs); (v) price; (vi) total notional value; and (vii) start and end dates.

- (f) All credit reviews of Section 4.6(b) Bilateral transactions and Locational UCAP bilateral transactions, including, but not limited to, with respect to the creditworthiness of the buyer and seller, the impact of the anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction on the buyer and seller, and the determination and timing requirements of any additional credit that the Office of the Interconnection may require from one or both of buyer and seller as a condition for its consenting to the transaction, shall be performed by the Office of the Interconnection in accordance with the provisions of this Attachment Q.

- (g) For anticipated Section 4.6(b) Bilateral transactions and Locational UCAP bilateral transactions in which (i) both the buyer and seller have external “investment grade” ratings and (ii) the total notional value of the anticipated Section 4.6(b) Bilateral transaction or Locational UCAP bilateral transaction is less than the Unsecured Credit Allowance for each of the buyer and seller, the Office of the Interconnection will be deemed to have consented to such transaction unless the Office of the Interconnection has informed the buyer and seller otherwise in advance of the applicable deadline under subparts (a) and (b) above.

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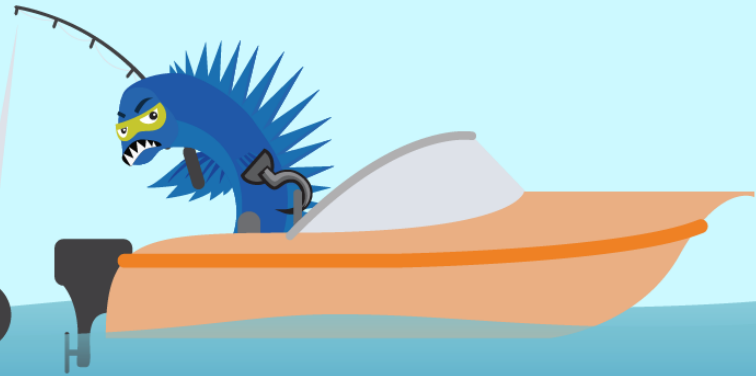
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POWER GRID**

**THINK BEFORE
YOU CLICK!**



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EMAILS**



**Report suspicious email activity to PJM.
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