

CREDIT RISK ARISING FROM BILATERAL CAPACITY TRANSACTIONS

Issue Source

PJM

Issue Content

Attachment DD of the PJM Tariff, Section 4.6, as supplemented by PJM Manual 18, provides for three types of bilateral capacity transactions:

- Section 4.6(a): Unit Specific – Seller transfers both performance obligation and rights to the capacity to Buyer.
- Section 4.6(b): Auction Specific – Seller retains performance obligation and transfers rights and title to the cleared capacity to Buyer.
- Section 4.6(c): Locational UCAP – Seller retains performance obligation and transfers rights of the Locational UCAP (uncleared capacity) to Buyer.

Winter Storm Elliott highlighted some vulnerabilities with regard to bilateral capacity transactions, which are explained in the accompanying Problem Statement. There is an opportunity to review the existing provisions pertaining to bilateral capacity transactions and determine if there are modifications that would enhance PJM's credit risk mitigation efforts.

Key Work Activities and Scope

1. Review existing relevant rules and language related to bilateral capacity transactions in PJM.
2. Discuss potential concerns.
3. Consider solutions for addressing the identified issues as necessary.
4. Review, discuss and refine proposed solutions.

Out of Scope:

1. Whether these bilateral capacity transactions should be permitted in PJM

Expected Deliverables

Proposed solution to enhance credit risk mitigation for bilateral capacity transactions

Corresponding revisions to the PJM Tariff or other governing document provisions consistent with the solution proposed will be brought to the MRC and MC for review and endorsement. Proposed revisions to PJM Manuals conforming to the FERC-approved solution will be brought to the appropriate Standing Committees for review and endorsement.

Decision-Making Method

Tier 1

Stakeholder Group Assignment

PJM Risk Management Committee, with status updates to be provided to the PJM Market Implementation Committee as appropriate

Expected Duration of Work Timeline

Start Date	Priority Level	Timing	Meeting Frequency
Nov. 2023	<input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

Charter

(check one box)

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).