

**For Presentation to FRMSTF at December 17, 2019 Meeting
and December 19, 2019 MRC Meeting
Proposed Revisions to Operating Agreement, Schedule 1, section 1.4 and
Tariff, Att. K-Appendix, section 1.4**

1.4 Market ~~Participant~~Buyers.

1.4.1 Qualification.

(a) To become a Market ~~Buyer~~Participant, an ~~entity~~-Applicant shall submit an application to the Office of the Interconnection, in such form as shall be established by the Office of the Interconnection, and such further information detailed in Tariff, Attachment Q.

(b) An ~~A~~applicant that is a Load Serving Entity or that will purchase on behalf of or for ultimate delivery to a Load Serving Entity shall establish to the satisfaction of the Office of the Interconnection that the end-users that will be served through energy and related services purchased in the PJM Interchange Energy Market, are located electrically within the PJM Region, or will be brought within the PJM Region prior to any purchases from the PJM Interchange Energy Market. Such ~~A~~applicant shall further demonstrate that:

i) The Load Serving Entity for the end users is obligated to meet the requirements of the Reliability Assurance Agreement; and

ii) The Load Serving Entity for the end users has arrangements in place for Network Transmission Service or Point-To-Point Transmission Service for all PJM Interchange Energy Market purchases.

(c) An ~~A~~applicant that is not a Load Serving Entity or purchasing on behalf of or for ultimate delivery to a Load Serving Entity shall demonstrate that:

i) The ~~A~~applicant has obtained or will obtain Network Transmission Service or Point-to-Point Transmission Service for all PJM Interchange Energy Market purchases; and

ii) The ~~A~~applicant's PJM Interchange Energy Market purchases will ultimately be delivered to a load in another Control Area that is recognized by NERC and that complies with NERC's standards for operating and planning reliable bulk electric systems.

(d) An ~~A~~applicant shall not be required to obtain transmission service for purchases from the PJM Interchange Energy Market to cover quantity deviations from its sales in the Day-ahead Energy Market.

(e) All ~~A~~applicants applying to become Market Participants shall demonstrate that they:

i) ~~The applicant is~~ are capable of complying with all applicable metering, data storage and transmission, and other reliability, operation, planning and accounting standards and requirements for the operation of the PJM Region and

the PJM ~~Interchange Energy~~ Markets, ~~FTR markets and any other market operated by PJM, as applicable~~;

ii) ~~The applicant~~ meets the creditworthiness standards established by the Office of the Interconnection ~~and/or PJMSettlement~~, or has provided a Letter of Credit or other form of security acceptable to the Office of the Interconnection ~~and/or PJMSettlement~~; and

iii) ~~The applicant has~~ve paid all applicable fees and reimbursed the Office of the Interconnection ~~and/or PJMSettlement~~ for all unusual or extraordinary costs of processing and evaluating ~~its~~their application to become a Market ~~BuyerParticipant~~, and ~~has~~have agreed in ~~its~~their application to subject any disputes arising from ~~its~~their application to the ~~applicable~~ PJM ~~d~~ispute ~~r~~esolution ~~p~~rocedures.

(f) The ~~A~~applicant shall become a Market ~~Buyer-Participant~~ upon a final favorable determination on its application by the Office of the Interconnection as specified below, ~~which determination shall be made in the sole discretion of the Office of the Interconnection in conjunction with input from PJMSettlement~~, and execution by the ~~A~~applicant of counterparts of this Agreement.

1.4.2 Submission of Information.

The ~~A~~applicant shall furnish all information reasonably requested by the Office of the Interconnection ~~and/or PJMSettlement~~ in order to determine the ~~A~~applicant's qualification to be a Market ~~BuyerParticipant~~ ~~and whether the entity should be allowed to remain a Market Participant~~. The Office of the Interconnection ~~and/or PJMSettlement~~ may waive the submission of information relating to any of the foregoing criteria, to the extent the information in the Office of the Interconnection's ~~and/or PJMSettlement's~~ possession is sufficient to evaluate the application against such criteria.

1.4.3 Fees and Costs.

The Office of the Interconnection shall require all ~~A~~applicants ~~seeking~~ to become a Market ~~Buyer-Participant~~ to pay a uniform application fee, initially in the amount of \$1,500, to defray the ordinary costs of processing such applications. The application fee shall be revised from time to time as the Office of the Interconnection shall determine to be necessary to recover its ordinary costs of processing applications. Any unusual or extraordinary costs incurred by the Office of the Interconnection in processing an application shall be reimbursed by the ~~A~~applicant.

1.4.4 Office of the Interconnection Determination.

Upon submission of the information specified above, and such other information as shall reasonably be requested by the Office of the Interconnection ~~and/or PJMSettlement~~, the Office of the Interconnection ~~and/or PJMSettlement~~ shall undertake an evaluation ~~and investigation~~ to determine whether the ~~A~~applicant meets the criteria specified above, ~~and as further detailed in Tariff, Attachment Q, and whether the Applicant poses a credit risk or other unacceptable risk to the PJM Markets, FTR markets, any other market operated by PJM, or PJM Members, if it is allowed to become a Market Participant~~.

Commented [OB1]: The forms of acceptable credit support SHALL not be discretionary. Cash or LC. No Enron stock!

Commented [OB2]: I think this is misplaced. Are we not talking about the requirements to become a Member or Market Participant?

Commented [OB3]: duplicative

As soon as practicable, but in any event not later than sixty (60) calendar days after submission of the foregoing information, or such later date as may be necessary to satisfy the requirements of the Reliability Assurance Agreements, the Office of the Interconnection shall notify the Applicant and the members Members of the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the Applicant can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further additional information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection and/or PJMSettlement shall respond promptly to any reasonable and timely request by a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

An Applicant applying to become a Market Participant may appeal the determination of the Office of the Interconnection made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedures set forth in Tariff, Attachment Q or by filing with FERC. Notwithstanding the foregoing, an Applicant's decision to appeal the determination of the Office of the Interconnection shall not operate to stay the ability of the Office of the Interconnection and/or PJMSettlement to exercise any and all of its rights under the Agreements.

1.4.5 Existing Participants.

Any entity Member that was previously qualified to participate as a Market Buyer-Participant in the PJM Interchange Energy Market under the Operating Agreement of PJM Interconnection-L.L.C. in effect immediately prior to the Effective Date shall not automatically continue to be qualified to participate as a Market Buyer-Participant in the PJM Interchange Energy Market under the Agreements. Rather, in order to retain its eligibility to continue to participate as a Market Participant in the PJM Markets, FTR markets and any other market operated by PJM, a Market Participant shall be subject to the requirements and ongoing risk evaluation described in Tariff, Attachment Q.

1.4.6 Withdrawal.

(a) An Internal Market Buyer that is a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal not earlier than the effective date of (i) its withdrawal from the Reliability Assurance Agreement, or (ii) the assumption of its obligations under the Reliability Assurance Agreement by an agent that is a Market Buyer.

(b) An External Market Buyer or an Internal Market Buyer that is not a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal at least one day after the date of the notice.

(c) Withdrawal from this Agreement shall not relieve a Market Buyer-Participant of any obligation to pay for electric energy or related services purchased from the PJM Interchange Energy Markets, FTR markets or any other markets operated by PJM prior to such withdrawal, to pay its share of any fees and charges incurred or assessed by the Office of the Interconnection

Commented [OB4]: Will the Members Committee get that written summary? Are we proposing to notify the MC about new Members or are we also proposing to notify the MC about Market Participant determination?

Commented [OB5]: Is this a proposal to negotiate Membership or Market Participant status?

Commented [OB6]: I thought we were talking about new applicants but this suggests that it applies to existing Members.

Commented [OB7]: Defined term or undefined term?

and/or PJM Settlement prior to the date of such withdrawal, or to fulfill any obligation to provide indemnification for the consequences of acts, omissions or events occurring prior to such withdrawal; and provided, further, that withdrawal from this Agreement shall not relieve any Market Buyer-Participant of any obligations it may have under, or constitute withdrawal from, any other Related PJM Agreement.

(d) A Market Buyer-Participant An entity that has withdrawn from this Agreement may reapply to become a Market Buyer-Participant in accordance with the provisions of this Sections 1.4.1 through 1.4.4, provided it is not in default of any obligation incurred under this Agreements.

1.4.7 Termination.

The Office of the Interconnection requires that Market Participants certify and provide information required and requested by the Office of the Interconnection and/or PJM Settlement at least annually as indicated in section 1.4.1, 1.4.2 and 1.4.4 above and Tariff, Attachment Q. If the Office of the Interconnection determines that the entity no longer satisfies its requirements to be a Market Participant, the Office of the Interconnection shall suspend that entity's activity in the PJM Markets, FTR markets or any other markets operated by PJM until such time as it can satisfy the requirements, and if the requirements are not satisfied the Office of the Interconnection may terminate that entity's approval to be a Market Participant. As soon as practicable, the Office of the Interconnection shall notify the entity and the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the entity can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further additional information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection shall respond promptly to any reasonable and timely request by a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

An entity whose authorization to be a Market Participant has been terminated by the Office of the Interconnection may appeal the determination of the Office of the Interconnection made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedures set forth in Operating Agreement, Schedule 5 or by filing with FERC. Notwithstanding the foregoing, an entity's decision to appeal the determination of the Office of the Interconnection shall not operate to stay the ability of the Office of the Interconnection and/or PJM Settlement to exercise any and all of its rights under the Agreements.

1.4.8 Re-entry of Defaulting Market Participant.

In addition to the provisions for curing a default contained elsewhere in the Tariff, a Market Participant whose previous default resulted in a loss to the PJM Markets, FTR markets or any other markets operated by PJM must cure such default by payment to PJM of all outstanding and unpaid obligations, as well as meet all Tariff requirements for market participation. PJM will evaluate relevant factors to determine if an entity seeking to participate in the PJM Markets, FTR markets or any other markets operated by PJM under a different name, affiliation, or organization, should be treated as the same Market Participant that experienced the previous default under this provision.

Commented [OB8]: Do we need an affirmative statement requiring a Market Participant seeking to withdraw to maintain all credit support, including any request for additional credit support, until all of its transactions in PJM have been settled?

Commented [OB9]: This paragraph creates some degree of confusion. Sections 1.4.1 through 1.4.4 address new applicants. Section 1.4.5 addresses Existing Participants. I think this paragraph needs to state the entity's re-application will be treated as a new application.

Commented [OB10]: I have a concern here. PJM should be able to terminate on its determination for Market Participants who transact act will. However, market Participants who transact because of a tariff obligation to do so, there needs to be additional steps including possibly an order from FERC.

Commented [OB11]: Same as above

Commented [OB12]: Same as above

Commented [OB13]: Same as above

Commented [OB14]: Is this meant to act as a bar to a request for a stay?

Commented [OB15]: Does this mean that the Market Participant must repay debts discharged in bankruptcy despite the bankruptcy court's order to discharge the debts?

Commented [OB16]: Does this mean that PJM will require a purchaser of a legal entity in bankruptcy will be required to satisfy the debts to PJM of the entity in bankruptcy?

Such factors may include, but are not limited to, the interconnectedness of the business relationships, overlap in relevant personnel, similarity of business activities, overlap of customer base, and the business engaged in prior to the attempted re-entry.