Virtual Transactions
Credit Requirement Timeframe

Market Implementation Committee

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- Credit Subcommittee has indicated support for consideration of modification to virtual transactions credit requirements
  - Pending enhancements to credit data availability
- Current virtual transactions credit requirement includes up to four days of bidding activity
  - One day of submitted bids for next market day, plus three most recent days of cleared bids
    - Referred to as "1+3" calculation
    - Four-day timeframe needed due to Market Settlements calculation process
      - RT data submittals may be days after the market day
  - Alternate calculation uses two days of submitted bids if that is less than the "1+3" calculation

- Credit data enhancements are underway to speed up data availability to the credit system
  - Calculation of the majority of virtual transactions exposure before complete Market Settlements data is available
    - Simple LMP calculation on known volumes and locations
    - Would use LMP data prior to official confirmation
  - Data incorporated into current exposure for credit purposes
    - Subject to collateral calls
  - Will reduce exposure to member defaults
  - May also reduce amount of credit needed for virtual transactions
    - Market days already in current exposure calculation do not also need to be in virtual credit requirement

- Credit data enhancements coding currently underway
  - When complete, PJM will evaluate timeliness and effectiveness of data enhancements
  - PJM will provide Credit Subcommittee a recommendation regarding shortening the virtual transactions credit requirement timeframe
- Credit Subcommittee will consider a proposal to reduce credit requirements timeframe from "1+3" to "1+1"
  - One day of submitted bids for next market day plus one day of cleared bids from most recent cleared market day
  - Elimination of current alternative using two days of submitted bids (when less than "1+3")
  - If endorsed at Credit Subcommittee, proposal would be submitted to MIC for consideration