



Auction Specific Bilateral Transactions

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- Three types of bilateral capacity transactions in Attachment DD of the Tariff:
 - 4.6(a) - Unit Specific – generally transfers both performance obligation and rights to the capacity to the buyer
 - 4.6(b) - Auction Specific – generally seller retains performance obligation; rights and title to the cleared capacity to the buyer
 - 4.6(c) - Locational UCAP – generally seller retains performance obligation; transfers rights of the Locational UCAP (uncleared capacity) to buyer
- These transactions were, by design, developed to be physical transactions, and not merely financial transactions

- Market Participants asked questions about the Auction Specific transactions given Capacity Performance changes
- PJM concluded clarifications were necessary to address issues raised regarding:
 - Entitlement to Capacity Performance bonus payments
 - Which party does a replacement and are there any restrictions
 - Indemnification obligation if replacement transaction after initial buy/sell transaction
- Discussions resulted in a general consensus that maintaining the physicality of the transaction was important

- To ensure physicality of an Auction Specific bilateral, the PJM Tariff requires that:
 - Rights and title to cleared capacity transfers to the buyer in the transaction
 - Buyer shall be considered in the Delivery Year as party to the transaction with PJM Settlement
 - Seller in the transaction remains obligated to perform and pay any deficiencies arising out of non-performance
 - Buyer in the transaction will indemnify PJM Settlement if seller defaults on its performance or payment obligations

- Based on the questions received:
 - It became clear while the basic construct of the transaction was spelled out in the Tariff, some of the details were not spelled out
 - It appeared this transaction was going to be utilized more in the future than it had been to date
- PJM's proposal clarifies the details

Rights & Title to the Buyer

- cleared UCAP MWs transfer to buyer's account
- buyer receives auction credits
- buyer receives bonus credits
- seller restricted from re-selling such capacity rights

Obligation to Perform & Deficiencies to seller

- ICAP remains in seller's account
- seller maintains obligation to perform
- seller pays all applicable resource performance charges
- seller may replace commitment

Indemnification

- buyer indemnifies PJM if seller fails to pay deficiencies
- buyer cannot sell the MWs in another bilateral