Indemnification

June 28, 2022

Disclaimers

DC Energy is not soliciting commodity pool business or investors or providing any advice via these materials or the related presentation. These materials and the related presentation are not an advertisement for investors or prospective investors or to the public generally. These materials are only for general information and discussion. The information included in these materials is not investment, trading or financial product advice.

The presentation may contain forward looking statements or statements of opinion. No representation or warranty is made regarding the accuracy, completeness or reliability of the forward looking statements or opinion, or the assumptions on which either is based. All such information is, by its nature, subject to significant uncertainties outside of the control of the presenter and DC Energy and also may become quickly outdated. These materials and the related presentation are not intended to be, and should not be, relied upon by the recipient in making decisions of a commercial, investment or other nature with respect to the issues discussed herein or by the presenter. To the maximum extent permitted by law, DC Energy and its officers, owners, affiliates and representatives do not accept any liability for any loss arising from the use of the information contained in these materials.

Introduction

- The goal is to foster a more robust secondary bilateral markets
- Currently, any seller in the applicable PJM bilateral market remains liable for any charges that the buyer does not pay to PJM
- Sellers retain settlement risk for PJM products they no longer own
- So, for example, a market participant cannot sell its Capacity or FTR portfolio and exit the market without retaining settlement risk liability
- Bilateral Market (outside PJM) Principle - In other markets when Company A sells an asset to Company B, upon closure of the transaction Company A no longer has any obligations or liabilities associated with the asset

Note:

Source:

- **Operating Agreement Schedule 1, section 5.2.2(d)(iv)**
- (iv) ~~A~~ **<u>If the buyer is an Affiliate or Credit Affiliate of the seller, then the</u>** seller under such a bilateral contract shall guarantee and indemnify the Office of the Interconnection, PJMSettlement, and the Members for the buyer's obligation to pay ~~any charges~~ **<u>the monthly net settlement loss</u>** associated with the transferred Financial Transmission Right and for which payment is not made to PJMSettlement by the buyer under such a bilateral transaction.

Note:

Source:

We recommend PJM be consistent on indemnification across its bilateral markets

- **Other bilateral transaction indemnification language requiring the same reforms include:**
- **Bilateral ARR Transactions at Operating Agreement Schedule 1, section 7.4(d)**
- **Bilateral Capacity Transactions at OATT Attachment DD, section 4.6(a)(v)**

Note:

Source: