



Alignment of PJM Authority in the Event of Market Participant Default

Colleen Hicks
Associate General Counsel

Risk Management Committee
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- 1** Reconcile default language in Operating Agreement with default language in PJM Tariff Attachment Q
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- 2** Clarify specific circumstances in which a Market Participant may be permitted to continue participating in the PJM markets notwithstanding the occurrence of an Event of Default

OA Section 15 Failure To Meet Obligations

A Market Participant :

- *Shall* be precluded from buying or selling in market until default is cured – OA 15.1.5(i)
- *Shall not* be permitted to participate in Committees – OA 15.1.5(ii)
- *Shall not* be entitled to vote – OA 15.1.5(iii)

BUT the OA also says:

- PJM *may* limit, suspend or terminate rights of MP if PJM determines it does not meet its obligations – OA 15.1.1
- Defaulting MPs are obligated to take steps to mitigate the impact of a default, including scheduling its own load – OA 15.4

Operating Agreement generally uses *mandatory* language to describe consequences following an Event of Default.

PJM Tariff Attachment Q, Section IX

- If PJM determines that a Market Participant is in Credit Breach, or that a Financial Default or Credit Support Default exists, PJM *may* issue to the Market Participant a breach notice and/or a Collateral Call or demand for additional documentation or assurances.
- At such time, PJM *may* also suspend payments of any amounts due to the participant and limit, restrict or rescind the Market Participant's privileges to participate in any or all PJM Markets under the Agreements during any such cure period.
- In the Event of Default by a Participant, PJM *may* exercise any remedy or action allowed or prescribed by this Attachment Q immediately or following investigation and determination of an orderly exercise of such remedy or action.

Attachment Q allows remedies to be used strategically following an Event of Default.

Operating Agreement Change

OA 15.1.5 language would be revised to align with the Attachment Q language upon an Event of Default and provide greater authority to PJM to respond.

A defaulting Market Participant **may** ~~shall~~ be precluded from buying or selling in any market operated by PJM until the default is remedied as set forth above.

Other prohibitions upon Event of Default would remain, including committee participation and voting.

**Grid Reliability/
Emergencies**

**Net Market Seller/Ability
To Generate Revenues**

**Ability to Post Collateral
(Assurance of Payment)**

**Certain Transmission
Customers/Load Serving
Entities**

Reciprocal Provisions to Tariff Attachment Q Section (IX) and Operating Agreement 15.1.5

- (a) circumstances in support of grid reliability,
- (b) when a Market Participant is a net market seller,
- (c) when a Market Participant has the ability to post sufficient collateral, or
- (d) to enable certain Members to continue to receive service prior to PJM receiving regulatory approval to terminate.

Other prohibitions upon Event of Default would remain including committee participation and voting.