



Alignment of PJM Authority in the Event of Market Participant Default

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Risk Management Committee
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- 1** Reconciled default language in Operating Agreement with default language in PJM Tariff Attachment Q, Credit Risk Policy
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- 2** Identified 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

Objective 1

- During the review of Attachment Q in 2020, certain revisions to the Operating Agreement were presented as conforming but went further.
- OA 15.1.5 language used **mandatory** language to describe the actions that PJM must take upon the occurrence of an Event of Default.
- PJM Tariff Attachment Q, section IX allows a more targeted use of the remedies that PJM may take upon the occurrence of an Event of Default.
- The OA and Tariff default sections are now aligned and provide PJM targeted flexibility.

PJM may, but is no longer required to, immediately suspend a Market Participant upon Collateral Default.

Circumstances that a Defaulted Market Participant May Be Allowed Continued Participation

Objective 2

Four circumstances were identified for potential continued participation following an Event of Default.

- (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 OA prohibitions upon Event of Default would remain including committee participation and voting.

- Risk will be mitigated using Attachment Q, PJM's Credit Risk Policy.
- Not all defaults warrant continued participation.
- Continued participation in PJM markets under OA 15.1.5 (v) shall be for a limited period of time (as circumstances warrant or until Market Participant has satisfied its obligations to PJM).

- PJM committed to codify the use of this OA/Tariff revision in the Credit Overview and Supplement to the PJM Credit Risk Management Policy.
- PJM will continue to notify members of default per 15.1.5 (iv).
- PJM will report details of continued participation after default to the RMC (as permitted due to confidentiality).

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