

# Member Defaults



# Customer Default

- A customer default is deemed to exist if:
  - Member fails to make payment on or before the due date
  - Failure to meet PJM credit worthiness requirements
  - Failures are not corrected within 2 days after being notified by PJM
- Defaults may result in suspension of services:
  - Defaulting member will be unable to buy or sell in any PJM market
  - Defaulting member shall not be entitled to participate in the activities of any committee or body assembled by the Members Committee or PJM
  - Defaulting member is unable to vote on any committee or body



# Enforcement of Obligations

- In order to remedy a default, the PJM Board may assess and collect from non-defaulting members in proportion to their Default Allocation Assessment an amount equal to the amount the defaulting member has failed to pay along with appropriate interest
  - Such assessment does not relieve the defaulting member of their obligations
  - A member paying such an assessment retains an independent right to seek recovery from the defaulting member
  - Defaulting member shall be liable to PJM for all reasonable costs incurred in enforcing the defaulting member's obligations
  - Members may appoint PJM as agent to pursue and collect amounts assessed to non-defaulting members from the defaulting member



# Default Allocation Assessment

## Section 15.2.2 of Operating Agreement

$$(0.1(1/N) + 0.9(A/Z))$$

N = the total number of Members, calculated as of five o'clock p.m. eastern prevailing time on the date PJM declares a Member in default, excluding *ex officio* Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under section 17.2 of this Agreement.

A = for Members comprising factor "N" above, the Member's gross activity as determined by summing the absolute values of the charges and credits for each of the Activity Line Items identified in section 15.2.2(b) of this Agreement as accounted for and billed pursuant to section 3 of Schedule 1 of this Agreement for the month of default and the two previous months.

Z = the sum of factor A for all Members excluding *ex officio* Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under section 17.2 of this Agreement.



If  $(0.1(1/N))$  exceeds \$10,000 per member per calendar year, excess will be accounted for through the gross activity factor

# Questions?

**PJM Client Management & Services**  
**Telephone: (610) 666-8980**  
**Toll Free Telephone: (866) 400-8980**  
**Website: [www.pjm.com](http://www.pjm.com)**



The Member Community is PJM's self-service portal for members to search for answers to their questions or to track and/or open cases with Client Management & Services