



### Default Liquidation Provisions

#### Problem / Opportunity Statement

Under Operating Agreement section 15.2, when a Member defaults on a payment obligation, the net shortfall, after liquidating the Member's positions and applying any applicable setoffs, is absorbed by the remaining membership. There are, however, no provisions in the PJM governing documents to account for the situation that can occur when the liquidation results in a net gain, and the net gain exceeds all other obligations of the Member.

Additionally, although there are defined rules for liquidating the FTR positions of a defaulting member, there are currently no defined rules for liquidating the RPM commitments of a defaulting member.