

**For Presentation to FRMSTF at December 17, 2019 Meeting  
and December 19, 2019 MRC Meeting  
Proposed Revisions to Operating Agreement, Schedule 1, section 1.4 and  
Tariff, Att. K-Appendix, section 1.4**

**1.4 Market ~~Participant~~Buyers.**

**1.4.1 Qualification.**

(a) To become a Market ~~Buyer~~Participant, an ~~entity~~ Applicant shall submit an application to the Office of the Interconnection, in such form as shall be established by the Office of the Interconnection, and such further information detailed in Tariff, Attachment Q.

(b) An ~~A~~applicant that is a Load Serving Entity or that will purchase on behalf of or for ultimate delivery to a Load Serving Entity shall establish to the satisfaction of the Office of the Interconnection that the end-users that will be served through energy and related services purchased in the PJM Interchange Energy Market, are located electrically within the PJM Region, or will be brought within the PJM Region prior to any purchases from the PJM Interchange Energy Market. Such ~~A~~applicant shall further demonstrate that:

i) The Load Serving Entity for the end users is obligated to meet the requirements of the Reliability Assurance Agreement; and

ii) The Load Serving Entity for the end users has arrangements in place for Network Transmission Service or Point-To-Point Transmission Service for all PJM Interchange Energy Market purchases.

(c) An ~~A~~applicant that is not a Load Serving Entity or purchasing on behalf of or for ultimate delivery to a Load Serving Entity shall demonstrate that:

i) The ~~A~~applicant has obtained or will obtain Network Transmission Service or Point-to-Point Transmission Service for all PJM Interchange Energy Market purchases; and

ii) The ~~A~~applicant's PJM Interchange Energy Market purchases will ultimately be delivered to a load in another Control Area that is recognized by NERC and that complies with NERC's standards for operating and planning reliable bulk electric systems.

(d) An ~~A~~applicant shall not be required to obtain transmission service for purchases from the PJM Interchange Energy Market to cover quantity deviations from its sales in the Day-ahead Energy Market.

(e) All ~~A~~applicants applying to become Market Participants shall demonstrate that they:

i) ~~The applicant is are~~ capable of complying with all applicable metering, data storage and transmission, and other reliability, operation, planning and accounting standards and requirements for the operation of the PJM Region and

the PJM ~~Interchange Energy~~ Markets, FTR markets and any other market operated by PJM, as applicable;

ii) ~~The applicant~~ meets the creditworthiness standards established by the Office of the Interconnection and/or PJMSettlement, or has provided a Letter of Credit or other form of security acceptable to the Office of the Interconnection and/or PJMSettlement; and

iii) ~~The applicant has~~ve paid all applicable fees and reimbursed the Office of the Interconnection and/or PJMSettlement for all unusual or extraordinary costs of processing and evaluating its application to become a Market ~~Buyer~~Participant, and has agreed in its application to subject any disputes arising from its application to the applicable PJM ~~d~~Dispute ~~r~~Resolution ~~p~~Procedures.

(f) The ~~A~~applicant shall become a Market ~~Buyer~~Participant upon a final favorable determination on its application by the Office of the Interconnection as specified below, which determination shall be made in the sole discretion of the Office of the Interconnection in conjunction with input from PJMSettlement, and execution by the ~~A~~applicant of counterparts of this Agreement.

#### **1.4.2 Submission of Information.**

The ~~A~~applicant shall furnish all information reasonably requested by the Office of the Interconnection and/or PJMSettlement in order to determine the ~~A~~applicant's qualification to be a Market ~~Buyer~~Participant and whether the entity should be allowed to remain a Market Participant. The Office of the Interconnection and/or PJMSettlement may waive the submission of information relating to any of the foregoing criteria, to the extent the information in the Office of the Interconnection's and/or PJMSettlement's possession is sufficient to evaluate the application against such criteria.

#### **1.4.3 Fees and Costs.**

The Office of the Interconnection shall require all ~~A~~applicants seeking to become a Market ~~Buyer~~Participant to pay a uniform application fee, initially in the amount of \$1,500, to defray the ordinary costs of processing such applications. The application fee shall be revised from time to time as the Office of the Interconnection shall determine to be necessary to recover its ordinary costs of processing applications. Any unusual or extraordinary costs incurred by the Office of the Interconnection in processing an application shall be reimbursed by the ~~A~~applicant.

#### **1.4.4 Office of the Interconnection Determination.**

Upon submission of the information specified above, and such other information as shall reasonably be requested by the Office of the Interconnection and/or PJMSettlement, the Office of the Interconnection and/or PJMSettlement shall undertake an evaluation and investigation to determine whether the ~~A~~applicant meets the criteria specified above, and as further detailed in Tariff, Attachment Q, and whether the Applicant poses a credit risk or other unacceptable risk to the PJM Markets, FTR markets, any other market operated by PJM, or PJM Members, if it is allowed to become a Market Participant.

As soon as practicable, but in any event not later than sixty (60) calendar days after submission of the foregoing information, or such later date as may be necessary to satisfy the requirements of the Reliability Assurance Agreements, the Office of the Interconnection shall notify the Applicant and the members of the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the Applicant can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further additional information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection and/or PJMSettlement shall respond promptly to any reasonable and timely request by a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

An Applicant applying to become a Market Participant may appeal the determination of the Office of the Interconnection made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedures set forth in Tariff, Attachment Q or by filing with FERC. Notwithstanding the foregoing, an Applicant's decision to appeal the determination of the Office of the Interconnection shall not operate to stay the ability of the Office of the Interconnection and/or PJMSettlement to exercise any and all of its rights under the Agreements.

#### **1.4.5 Existing Participants.**

Any entity Member that was previously qualified to participate as a Market Buyer-Participant in the PJM Interchange Energy Market under the Operating Agreement of PJM Interconnection L.L.C. in effect immediately prior to the Effective Date shall not automatically continue to be qualified to participate as a Market Buyer-Participant in the PJM Interchange Energy Market under the Agreements. Rather, in order to retain its eligibility to continue to participate as a Market Participant in the PJM Markets, FTR markets and any other market operated by PJM, a Market Participant shall be subject to the requirements and ongoing risk evaluation described in Tariff, Attachment Q.

#### **1.4.6 Withdrawal.**

(a) An Internal Market Buyer that is a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal not earlier than the effective date of (i) its withdrawal from the Reliability Assurance Agreement, or (ii) the assumption of its obligations under the Reliability Assurance Agreement by an agent that is a Market Buyer.

(b) An External Market Buyer or an Internal Market Buyer that is not a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal at least one day after the date of the notice.

(c) Withdrawal from this Agreement shall not relieve a Market Buyer-Participant of any obligation to pay for electric energy or related services purchased from the PJM Interchange Energy Markets, FTR markets or any other markets operated by PJM prior to such withdrawal, to pay its share of any fees and charges incurred or assessed by the Office of the Interconnection and/or PJMSettlement prior to the date of such withdrawal, or to fulfill any obligation to provide

indemnification for the consequences of acts, omissions or events occurring prior to such withdrawal; and provided, further, that withdrawal from this Agreement shall not relieve any Market ~~Buyer Participant~~ of any obligations it may have under, or constitute withdrawal from, any other Related PJM Agreement.

(d) A Market ~~Buyer Participant~~ that has withdrawn from this Agreement may reapply to become a Market ~~Buyer Participant~~ in accordance with the provisions of this ~~s~~Section 1.4, provided it is not in default of any obligation incurred under the~~is~~ Agreements~~s~~.

#### **1.4.7 Termination.**

The Office of the Interconnection requires that Market Participants certify and provide information required and requested by the Office of the Interconnection and/or PJM Settlement at least annually as indicated in section 1.4.1, 1.4.2 and 1.4.4 above and Tariff, Attachment Q. If the Office of the Interconnection determines that the entity no longer satisfies its requirements to be a Market Participant, the Office of the Interconnection shall suspend that entity's activity in the PJM Markets, FTR markets or any other markets operated by PJM until such time as it can satisfy the requirements, and if the requirements are not satisfied the Office of the Interconnection may terminate that entity's approval to be a Market Participant. As soon as practicable, the Office of the Interconnection shall notify the entity and the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the entity can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further additional information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection shall respond promptly to any reasonable and timely request by a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

An entity whose authorization to be a Market Participant has been terminated by the Office of the Interconnection may appeal the determination of the Office of the Interconnection made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedures set forth in Operating Agreement, Schedule 5 or by filing with FERC. Notwithstanding the foregoing, an entity's decision to appeal the determination of the Office of the Interconnection shall not operate to stay the ability of the Office of the Interconnection and/or PJM Settlement to exercise any and all of its rights under the Agreements.

#### **1.4.8. Re-entry of Defaulting Market Participant.**

In addition to the provisions for curing a default contained elsewhere in the Tariff, a Market Participant whose previous default resulted in a loss to the PJM Markets, FTR markets or any other markets operated by PJM must cure such default by payment to PJM of all outstanding and unpaid obligations, as well as meet all Tariff requirements for market participation. PJM will evaluate relevant factors to determine if an entity seeking to participate in the PJM Markets, FTR markets or any other markets operated by PJM under a different name, affiliation, or organization, should be treated as the same Market Participant that experienced the previous default under this provision. Such factors may include, but are not limited to, the interconnectedness of the business

relationships, overlap in relevant personnel, similarity of business activities, overlap of customer base, and the business engaged in prior to the attempted re-entry.