



Market Participant Default Flexibility

Risk Management Committee
March 22, 2022

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Associate General Counsel

- PJM implemented changes to its Tariff in 2020, along with conforming changes to the Operating Agreement, to support Know Your Customer (KYC) requirements and procedures.
- Operating Agreement, section 15.1.5 specifies actions PJM is to take in the event that a Market Participant defaults, including payment and collateral default. One such action is to limit buying or selling in a PJM market.
- Remedy periods defined in Operating Agreement, section 15.1.5 were updated at that time to conform to the Tariff changes.
- In May, this was presented as a quick fix but the Committee expressed a desire to continue discussing the details of this problem statement, issue charge, and potential solutions.

- Currently, the Operating Agreement, section 15.1.5 provides that a MP **shall** be in default and their market participation **shall** be suspended if that MP does not meet the remedy period set forth therein for provision of requested Collateral or to remedy a breach.
- Provisions relating to collateral defaults in Attachment Q are written as permissive, not mandatory (See Attachment Q, section IX).
- Recent events have demonstrated that there are instances where this may have unintended negative consequences on PJM, its Members and its markets.
- For example:
 - Where a generation supplier is precluded from offering or selling its resources into the PJM markets and it would be in PJM's best interest to permit that supplier to continue to operate to hold its generation revenues as additional collateral.

- Use Consensus-based Issue Resolution (CBIR) Lite process
- Problem Statement to be reviewed, Issue Charge to be endorsed by the Risk Management Committee
 - First read – February, 2022 RMC
 - Endorsement – March, 2022 RMC

Presenter

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