



Review of PJM Governing Document Default Provisions

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Risk Management Committee
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- Comments filed in response to PJM's Alignment of PJM Authority Upon Default filing (ER23-1058) requested that PJM review the default and remedy provisions in PJM's Governing Documents.
- PJM is not aware of any required changes.
- If it is determined that changes are required, PJM will initiate stakeholder action to make changes.



Default Provisions Among PJM Governing Documents

Document	Section
Operating Agreement	15. Enforcement of obligations 15.1, Failure to meet obligations
Tariff	Section 7 – Billing & Payment Section 7.3 Default Attachment Q, PJM Customer Credit Risk Policy, Section IX, Remedies
Reliability Assurance Agreement	Article 11, Billing & Payment 11.3 Failure to Pay
Consolidated Transmission Owners Agreement	Section 9.7.1, Default

- Not all Participants are PJM Members and are signatories to the Operating Agreement.
- Certain transmission customers and interconnection service customers are not required to be Members.
- Only PJM Members sign the Operating Agreement.
- PJM Governing Documents are tailored to PJM's structure.

Valid reasons exist for the various default provisions.



Default Provisions in PJM's Governing Documents

Governing Document	Section	Parties	Default	Remedy
Operating Agreement	15.1 Failure to Meet Obligation	PJM Members	Upon failure to meet obligations, PJM will issue a breach notice 15.1.4.	If Breach is not remedied, PJM may preclude member from further participation in PJM Markets. 15.1.5
Tariff	Section 7. Attachment Q, Section IX Remedies for Credit Breach, Financial Default or Credit Support Default	Governs PJM's Operations for providing service	Failure to remedy a Credit Breach, Financial Default or satisfy Collateral Default shall be an Event of Default. Att Q, Sec. IV	Remedies include: <ul style="list-style-type: none"> • Suspension • Limited participation closeout • Liquidation of positions • Other provisions
Reliability Assurance Agreement (RAA)	Article 11	Load Serving Entities	If party fails to pay their share of cost, any unpaid cost is allocated to other parties of the RAA. RAA 11.3	N/A
Consolidated Transmission Owners Agreement (CTOA)	Section 9.7.1 Default	Transmission Owners	Administrative Committee procedures are initiated after an Administrative Committee Notice.	Administrative Committee may vote to terminate after second default or if safety or reliability is imperiled.

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Commence comprehensive review of default and remedy provisions of Governing Documents with input by stakeholders.

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