



Auction Specific Bilateral Transactions

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- To ensure physicality of Auction Specific Bilateral (“ASB”) transactions under Tariff, Attachment DD, section 4.6(b), the PJM Tariff requires that:
 - Rights and title to capacity transfers to the buyer in the transaction
 - Seller in the transaction remains obligated to perform and pay any deficiencies arising out of non-performance
 - Buyer in the transaction will indemnify PJM Settlement if Seller defaults on its performance or payment obligations

- Market Participants asked questions about these transactions given Capacity Performance changes
- PJM concluded clarifications were necessary to address issues raised regarding:
 - Entitlement to Capacity Performance bonus payments
 - Performance obligation if replacement transaction after initial buy/sell transaction
 - Indemnification obligation if replacement transaction after initial buy/sell transaction
- Discussions resulted in a general consensus that maintaining the physicality of the transaction was important

What does this transaction look like?

X

- Seller in the ASB
- Original CMS

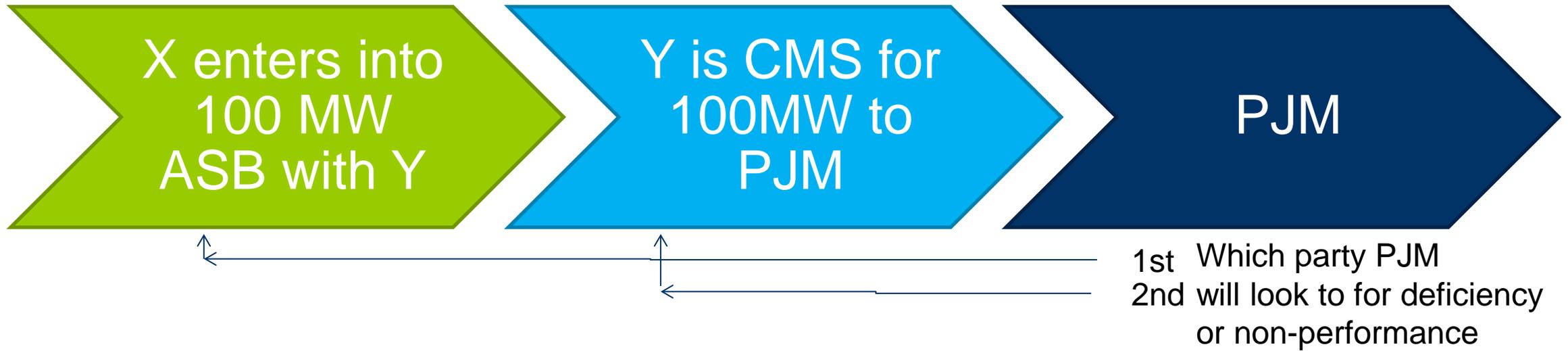
Y

- Buyer in the ASB
- Becomes the new CMS
- Entity which can enter into a replacement

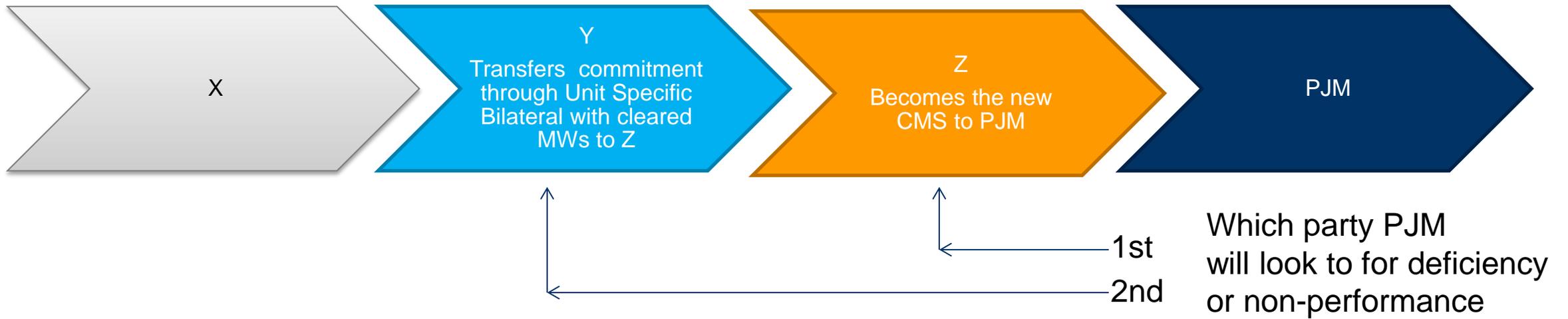
Z

- Enters the picture if they sell available capacity to Y to be used in a replacement transaction











- Bonus Payments related to the ASB
 - Will accrue to the buyer (i.e., the CMS) based on the Expected Performance and Actual Performance of the MWs that are in that new CMS's account.
 - M18 section 4.6.6

- Because the new CMS is the entity that has the MWs in its account, it is the one that will enter into a replacement transaction if it is desired to replace the commitment.
- As such, there are no restrictions on the source of replacement
- The replacement rules in M18, section 8.7, apply