



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
 - Buyer shall be considered in the DY as party to the transaction with PJM Settlement
 - 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

- To effectuate the Tariff requirements and maintain the physicality of this transaction PJM proposes:
 - Rights & title to buyer:
 - MWs transfer to buyer's account
 - buyer receives auction credits and any bonus payments arising out performance of MWs transferred
 - buyer can enter into a replacement transaction if it is desired to replace the commitment.
 - Obligation to perform & deficiencies to seller:
 - seller maintains obligation to perform
 - seller pays any deficiencies upon non-performance

- Buyer indemnifies PJM if seller fails to pay deficiencies
- Buyer cannot sell the MWs in another bilateral