Billing Line Item Transfers

Credit Subcommittee
April 4, 2014
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What are BLI Transfers?

• Billing Line Items (BLIs) are the individual billing items on a PJM invoice
• PJM calculates BLI values in accordance with its Operating Agreement and Tariff
• A BLI Transfer is the transfer of the full charge or credit for a specific BLI from one invoice to another for a specific period of time
  – A financial billing convenience requested by PJM members
• The transfer is effected after all other Market Settlements processes are complete, so it fully removes the charge or credit from one invoice when moving it to the other
Current Impact of BLI Transfers

- BLI Transfers cause one net invoice value to increase and the other to decrease
- PJM’s credit calculations currently use net invoice values
- BLI Transfer netting on invoices may reduce calculated credit requirements
- BLI Transfer netting could inappropriately create “three party setoff” between PJM and the two members involved in the transfer
  - Recent bankruptcy court rulings have disallowed three-party setoffs
  - Bankruptcy disallowance could cause exposure above the reduced credit amounts required if netting were allowed for credit purposes
Anticipated Changes to Credit Impact of BLI Transfers

• PJM plans to implement a credit calculation adjustment to remove BLI Transfer effects in order to mitigate the risk in bankruptcy
  – Credit calculations will be performed on net invoice values as they would have been absent any BLI Transfers
  – Credit requirements may not match invoice values which include transfers
  – In case of payment default involving BLI Transfers, PJM will “reverse the charges” to the other party
• PJM anticipates implementation of the adjustment on April 15, 2014
  – Timing coincident with the semiannual PMA reset will mitigate need to request additional collateral
• PJM will not restrict members’ ability to request BLI Transfers
  – PJM is currently creating a BLI Transfer tool to facilitate the process
BLI Transfers - Example

All transfers are removed when doing credit calculations. If B does not pay its invoice, PJM will charge A for the $100.

Original Bill: $50 Net Credit
After BLI Transfer: $50 Net Charge
Credit requirement: $0
($100 transfer disallowed for credit)

Original Bill: $200 Net Charge
After BLI Transfer: $100 Net Charge
Credit Requirement: $200
($100 transfer disallowed for credit)
BLI Transfers - Example

BLI Transfer $100 Credit

Member B
Original Bill: $50 Net Charge
After BLI Transfer: $50 Net Credit
Credit requirement: $50
($100 transfer disallowed for credit)

Member A
Original Bill: $200 Net Charge
After BLI Transfer: $300 Net Charge
Credit Requirement: $200
($100 transfer disallowed for credit)

PJM

All transfers are removed when doing credit calculations.
If A does not pay its invoice, PJM will charge B for the $100.