Credit Available for Virtual Transactions

Credit Subcommittee
April 4, 2014
Credit Available for Virtual Transactions

- Current Tariff language describing Credit Available for Virtual Transactions (CAVT) does not match the credit provided in PJM's practice.

- PJM is proposing to correct the Tariff as current practice reflects the intentions of the FERC order on CAVT.

- PJM proposes to submit a filing to make the corrections to Attachment Q of PJM's Open Access Transmission Tariff and to request a waiver for the CAVT wording discrepancy that has existed to date.
Credit Available for Virtual Transactions

- Credit Available for Virtual Transactions (CAVT) was originally equal to the Working Credit Limit (WCL) plus/minus accrued profits/losses. The WCL includes a discount on all financial assurance provided, even amounts in excess of a member’s credit requirement.

- In a 2003 compliance filing, PJM agreed to a Tariff change to allow the CAVT to discount only the required credit, with no discount on voluntarily provided excess financial security.

- When the FERC issued its order late the following year, PJM implemented the change in practice but did not submit the change in Tariff language.
The proposed revisions correct the 2004 omission and also include the following proposed revisions for consistency with the current Credit Policy revisions:

- Corrects for changes in credit policy since 2004 (e.g. Working Credit Limit discount is now 25%, not 15%);
- Updates the definition of Credit Available for Virtual Transactions to remove duplicate and conflicting definitions and to remove confusion and ambiguity in terminology; and
- Provides consistency for application of discount to both financial security and unsecured credit allowance in excess of a member’s credit requirement.