Credit Overview Update

Credit Subcommittee
June 10, 2014
Harold Loomis
• Membership, Accounts, and Net Financial Settlement
  – Members are not the same as accounts
  – Members, even affiliates, are treated independently
    • No sharing of credit or credit responsibilities
    • Multiple members may not net invoices together
  – An individual member may establish multiple accounts
    • Accounts are netted together
    • PJM requires a single net financial settlement of each member’s net invoices each billing period
    • PJM’s credit application includes an agreement for net settlement
Membership, Accounts, and Net Financial Settlement

Membership issues are discussed in other PJM documents, however, this section will address some of the credit-related aspects of membership. Note that members are not the same as accounts. Members may have multiple accounts, but each account is owned by only one member.

Every PJM member is a legal entity separate from every other PJM member. Many members are affiliated with other members, but they are all still separate legal entities with separate tax ID numbers. PJM considers each member as a stand-alone entity for credit purposes. There is no sharing of either credit or credit requirements between members, even if the members are affiliated (except through use of a corporate guaranty, which is addressed separately). Each member’s invoice(s) must be settled separately from each other member’s invoice(s). Netting of invoices between members, even affiliates, is not allowed.

An individual member may request that PJM establish multiple accounts/subaccounts for it so the member may segregate certain of its activities for its accounting convenience. While PJM generally accommodates these requests, each member is required to settle financially with PJM each billing period using a single net payment either to or from PJM. Multiple accounts owned by a member may not be settled with multiple payments.