Virtual Transactions
Credit Requirement Timeframe

Credit Subcommittee
June 10, 2014
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• Credit Subcommittee has indicated support for consideration of modification to virtual transactions credit requirements
  – Pending enhancements to credit data availability
• Current virtual transactions credit requirement includes up to four days of bidding activity
  – One day of submitted bids for next market day, plus three most recent days of cleared bids
    • Referred to as “1+3” calculation
    • Four-day timeframe needed due to Market Settlements calculation process
      – RT data submittals may be days after the market day
  – Alternate calculation uses two days of submitted bids if that is less than the “1+3” calculation
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- Credit data enhancements are underway to speed up data availability to the credit system
  - Calculation of the majority of virtual transactions exposure before complete Market Settlements data is available
    - Simple LMP calculation on known volumes and locations
    - Would use LMP data prior to official confirmation
  - Data incorporated into current exposure for credit purposes
    - Subject to collateral calls
  - Will reduce exposure to member defaults
  - May also reduce amount of credit needed for virtual transactions
    - Market days already in current exposure calculation do not also need to be in virtual credit requirement
Virtual Transactions Credit Requirement Timeframe

• Credit data enhancements coding currently underway
  – When complete, PJM will evaluate timeliness and effectiveness of data enhancements
  – PJM will provide Credit Subcommittee a recommendation regarding shortening the virtual
    transactions credit requirement timeframe

• Credit Subcommittee will consider a proposal to reduce credit requirements timeframe from
  “1+3” to “1+1”
  – One day of submitted bids for next market day plus one day of cleared bids from most recent
    cleared market day
  – Elimination of current alternative using two days of submitted bids (when less than “1+3”)
  – Modification of Credit Available for Virtual Bidding to exclude billed profits
    • Since they will be paid out by the time virtual bid exposure is measured
  – If endorsed at Credit Subcommittee, proposal would be submitted to MIC for consideration