

Default Liquidation Provisions

Under Operating Agreement section 15.2, when a Member defaults on a payment obligation, the net shortfall, after liquidating the Member's positions and applying any applicable setoffs, is absorbed by the remaining membership. There are, however, no provisions in the PJM governing documents to account for the situation that can occur when the liquidation results in a net gain, and the net gain exceeds all other obligations of the Member.

Additionally, although there are defined rules for liquidating the FTR positions of a defaulting member, there are currently no defined rules for liquidating the RPM commitments of a defaulting member.

Issue Source

PJM is bringing this issue forward.

Stakeholder Group Assignment

~~Market Implementation Committee~~ Credit Subcommittee

Key Work Activities

Discussion and development of governing language modifications to:

1. Clarify disposition of amounts that remain when liquidation of a defaulting member's forward positions results in a net gain that exceeds other obligations of the defaulting member.
2. Specify rules for liquidating RPM commitments of a defaulting member.

Expected Deliverables

Possible Tariff, RAA and/or manual changes.

Expected Overall Duration of Work

Three months

Decision-Making Method

Tier 1, consensus (unanimity) on a single proposal

More detail available in M34; Section 6.3: Determining to pursue a new Issue & Section 6.4: Charging a new issue