

RPM Seller Credit Reform

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Credit Risk & Collateral Management

Market Reliability Committee
July 23, 2025

Today, unlike other credit provisions, the RPM Seller Credit, is extended without a direct assessment of the Market Participant's overall creditworthiness. (OATT, Attachment Q, Section VI.B.6)

RPM Seller Credit is a form of unsecured credit provided to Market Participants to help meet their Reliability Pricing Model (RPM) auction credit requirements.

If a Market Participant with a history of being a net seller into PJM markets, on average, over the past 12 months, then PJMSettlement will count as available unsecured credit twice the average of that participant's total net monthly bills over the past 12 months.

RPM Seller Credit is extended solely to satisfy credit requirements for RPM auction participation.

RPM Seller Credit may be utilized for the following applicable Resources only:

- Planned Generation Capacity Resource
- Planned Demand Resource
- Qualified Transmission Upgrade
- Generation Located Outside PJM without firm transmission service
- Price Responsive Demand not yet registered

RPM Seller Credit, is subject to the \$50 million overall unsecured credit allowance cap.

Explore potential enhancements to existing relevant business rules and Tariff provisions to determine if modifications, potentially including creditworthiness as a criterion for its availability, could enhance PJM's credit risk mitigation efforts.

RMC met to discuss this between September 2024 and June 2025

One package created and voted through the stakeholder process.

RMC endorsed the solution package at June 2025 meeting by acclamation with:

0
Objections

0
Abstentions

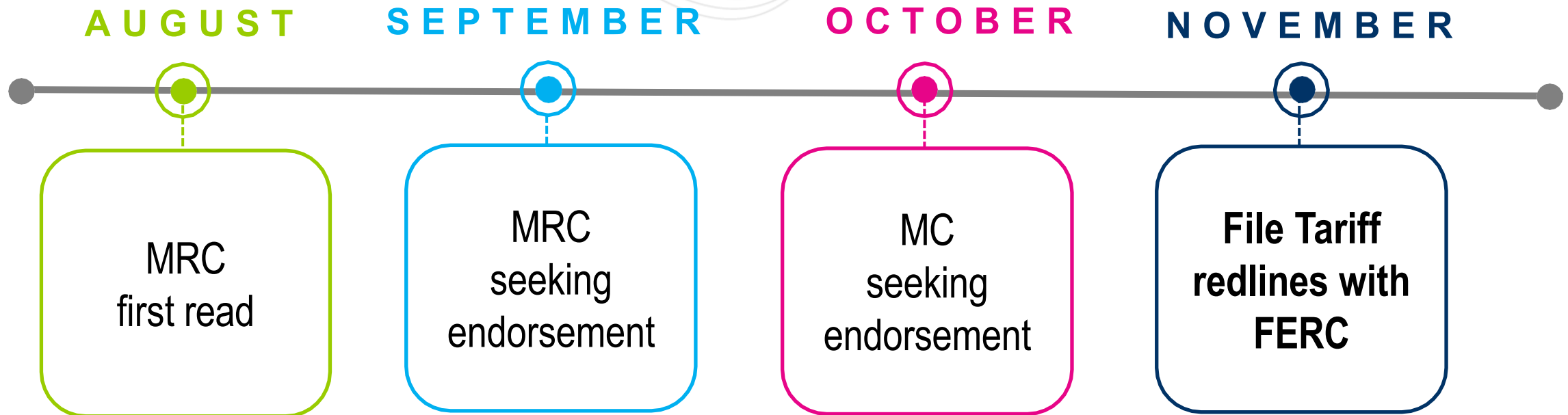
Endorsed Solution Package

PROPOSED CHANGE

RPM Seller credit may be granted **up-to** twice the average of the Market Participant's total net monthly bill over the past 12 months (only if yields a net sell position) and shall be subject to **an ongoing credit evaluation in accordance with Attachment Q, Section II** and the cap on available Unsecured Credit as established in section II.G.3 above.

Rationale:

- Current provision does not provide for credit assessment prior to extension of RPM Seller Credit
- Extending unsecured credit without assessing creditworthiness could lead to granting credit that exceeds the financial strength of certain Market Participants, increasing the risk of financial instability



Presenters:

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Member Hotline

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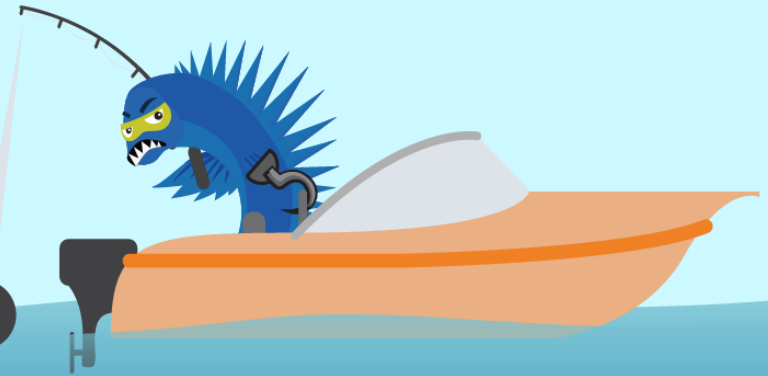
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