Credit Risk Arising from Bilateral Capacity Transactions Implementation Update

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Bilateral Capacity Transactions Approval History

Credit Risk Arising From Bilateral Capacity Transactions Solution Package

Oct. 2023

Problem Statement and Issue Charge introduced.

Aug./Oct. 2024

Endorsed by acclamation at RMC/MRC/MC

Dec. 2024/Feb. 2025

FERC filing, approval and implementation

Single solution package provided PJM the ability to evaluate the creditworthiness of a proposed seller/buyer in advance of executing the bilateral capacity transaction.

Bilateral Transactions Summary

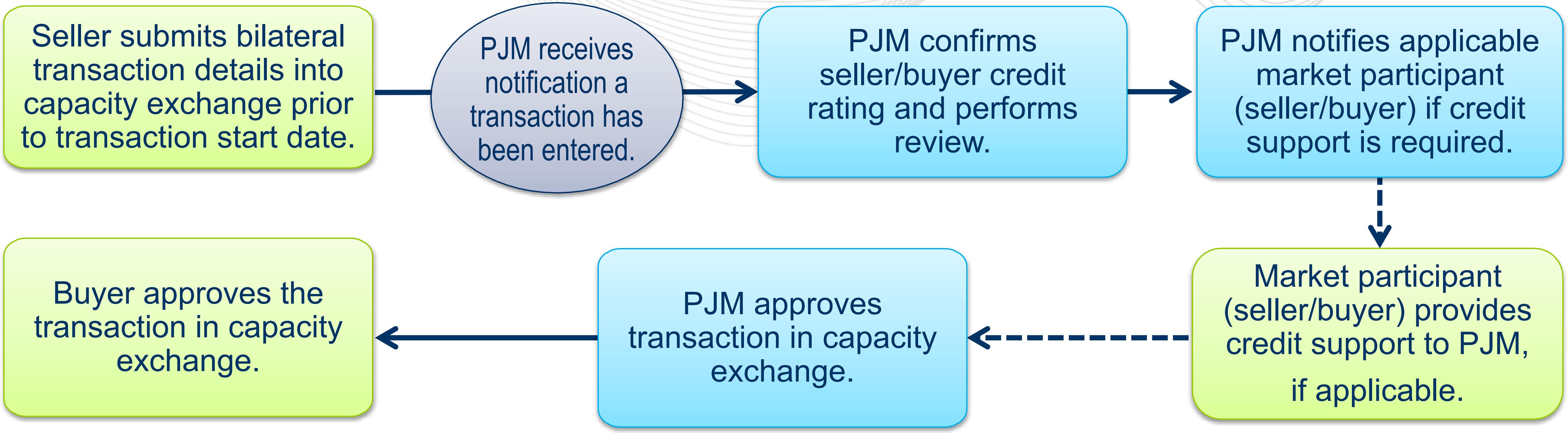
AUCTION-SPECIFIC, UNIT-SPECIFIC AND LOCATIONAL UCAP			
Seller	**Buyer**	**# Transactions**	**%**
IG	IG	54	18%
IG	Non-IG	70	24%
Non-IG	IG	73	25%
Non-IG	Non-IG	95	33%
	Total	**292**	100%

IG = Investment Grade | **Non-IG** = Non-Investment Grade

(Data – Feb. 19, 2025, through Sept. 30, 2025)

292 transactions have been reviewed PJM. 89% were approved, and 11% were withdrawn at the request of the seller or buyer.

High-Level Process Overview



- Note: Seller/buyer decides how far in advance of transaction start date to submit proposed bilateral capacity transaction to PJM.
- Seller/buyer bears the risk from delaying submission of the transaction to PJM and needs to factor in time for posting credit support.
- Primary transaction data including seller, buyer, start/end date, seller account, buyer account, auction/resource, quantity (megawatts), price and total notional value

Key Process Takeaways

1	2	3	4
Submission of Transaction to PJM for Prior Review & Consent	**Timeline for PJM Action**	**Credit Risk Assessment**	**Timing of Approval**
Auction-Specific, Unit-Specific and Locational UCAP bilateral capacity transactions subject to prior credit review and consent by PJM.	PJM will review bilateral capacity transactions by close of next business day if transaction is received by 1 p.m. EPT. If buyer/seller provides the necessary information later than 1 p.m. EPT, PJM will review the transaction by close of business two business days later.	Both market participants' (seller and buyer) creditworthiness and impact of the transaction will be considered in alignment with Attachment Q.	PJM will notify market participant (seller or buyer) if additional credit support is required. Approval is granted upon receipt of credit support.

Process Insights and Next Steps

Importance of Automation	Incorporating the credit review approval directly into capacity exchange streamlined the process and reduced manual steps.
Benefit	Streamlining the process reduced manual submissions, shortened review turnaround times, and made tracking and reporting of bilateral capacity transactions more transparent and efficient.
Improvement Opportunity	The system message indicating credit review status could be made clearer to help stakeholders more easily determine the status of their transactions.
Planned Enhancement	PJM plans to enhance the system message to provide greater transparency into transaction review status and will continue to seek stakeholder feedback to improve process efficiency.

Appendix

Bilateral Transactions Summary

AUCTION SPECIFIC			
Seller	**Buyer**	**# Transactions**	**%**
IG	IG	10	42%
IG	Non-IG	0	
Non-IG	IG	14	58%
Non-IG	Non-IG	0	
	Total	**24**	100%

IG = Investment Grade | **Non-IG** = Non-Investment Grade

(Data – Feb. 19, 2025, through Sept. 30, 2025)

Location UCAP Transactions Summary

LOCATION UCAP			
Seller	**Buyer**	**# Transactions**	**%**
IG	IG	16	10%
IG	Non-IG	59	37%
Non-IG	IG	42	26%
Non-IG	Non-IG	44	27%
	Total	**161**	100%

IG = Investment Grade | **Non-IG** = Non-Investment Grade

(Data – Feb. 19, 2025, through Sept. 30, 2025)

Unit-Specific Transactions Summary

UNIT SPECIFIC			
Seller	**Buyer**	**# Transactions**	**%**
IG	IG	28	26%
IG	Non-IG	11	10%
Non-IG	IG	17	16%
Non-IG	Non-IG	51	48%
	Total	**107**	100%

IG = Investment Grade | **Non-IG** = Non-Investment Grade

(Data – Feb. 19, 2025, through Sept. 30, 2025)

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