



Virtual Transactions Credit Requirement Timeframe

Credit Subcommittee

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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

- 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

- 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