148 FERC ¶ 61,135
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 21, 2014

In Reply Refer To:
PJM Interconnection, L.L.C.
Docket No. ER14-2254-000

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Attn: Steven Shparber, Esq.

Dear Mr. Shparber:

1.   On June 24, 2014, pursuant to section 205 of the Federal Power Act (FPA),[1] PJM Interconnection, L.L.C. (PJM) submitted proposed revisions to Attachment Q of its Open Access Transmission Tariff (Tariff). PJM states that the revisions are intended to more accurately reflect PJM's existing practice for calculating Credit Available for Virtual Transactions[2] using a Working Credit Limit methodology previously accepted by the Commission on December 20, 2004.[3] PJM also requests a limited waiver of Section III of Attachment Q.[4] As discussed below, we accept the proposed Tariff revisions for filing, effective August 25, 2014, as requested, and grant the requested waiver.

2.   PJM states that the need for this filing dates back to a series of orders issued in Docket No. ER03-1101-000, in which PJM had submitted revisions to Attachment Q, concerning credit requirements for virtual bidding in the Day-ahead Energy Market. The

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[1] 16 U.S.C. § 824d (2012).

[2] All capitalized terms not otherwise defined herein shall have the same meaning as they are defined in PJM's Tariff or Amended and Restated Operating Agreement.

[3] *PJM Interconnection, L.L.C.*, 109 FERC ¶ 61,286 (2004) (December 20, 2004 Order).

[4] Existing Section III of Attachment Q addresses Virtual Transaction screening.

Commission accepted the revisions in part, subject to a compliance filing regarding PJM's calculation of the Working Credit Limit, which was calculated as 85 percent[5] of Financial Security[6] and Unsecured Credit Allowance.[7] The Commission required PJM to explain in its compliance filing why additional Financial Security (e.g., letters of credit) should not be honored in the full amount.[8] In its compliance filing, PJM explained that upon Commission approval it would revise its Tariff to increase a virtual bidder's Working Credit Limit by 100 percent of any "additional Financial Security" it provided.[9] That is, PJM proposed to calculate Working Credit Limit, in part, as 85 percent of Financial Security plus 100 percent of additional Financial Security. In the December 20, 2004 Order, the Commission approved the Working Credit Limit calculation, stating that it "would both satisfy the needs of participants and address PJM's legitimate need for collateral."[10] The Commission directed PJM to submit revised tariff sheets incorporating the proposed Working Credit Limit calculation into its Tariff.

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[5] PJM states that "Working Credit Limit" historically has been a component of calculating a Market Participant's Credit Available For Virtual Transactions. Also, the 15 percent Working Credit Limit reduction was increased to 25 percent upon implementation of weekly billing, with references to 85 percent changing to 75 percent at the same time. *See PJM Interconnection, L.L.C.*, Letter Order, Docket No. ER10-1203-000 at 1 (June 30, 2010 Letter Order).

[6] Financial Security is a cash deposit or letter of credit in an amount and form determined by and acceptable to PJMSettlement [i.e., the PJM subsidiary that acts as counterparty for settling pool transactions between PJM members, as well as the subsidiary that handles all credit functions], provided by a Participant to PJMSettlement as security in order to participate in the PJM Markets or take transmission Service. *See* PJM Tariff, Attachment Q, Definitions section.

[7] Unsecured Credit Allowance is Unsecured Credit extended by PJMSettlement in an amount determined by PJMSettlement's evaluation of the creditworthiness of a Participant. This is also defined as the amount of credit that a Participant qualifies for based on the strength of its own financial condition without having to provide Financial Security. *See* PJM Tariff, Attachment Q, Definitions section.

[8] *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,309, at P 27 (2003).

[9] PJM Filing at 3 n.9. *See also* December 20, 2004 Order, 109 FERC ¶ 61,286 at P 29.

[10] December 20, 2004 Order at P 30.

3.   PJM states that it subsequently revised its credit tracking system to implement the Working Credit Limit calculation as approved in the December 20, 2004 Order, as revised in the June 30, 2010 Letter Order. However, PJM states that it "inadvertently neglected to submit the Attachment Q revisions" as directed.[11] PJM states that it recently discovered the mismatch between the actual Tariff language and its practice for calculating Working Credit Limits after an internal review.[12]

4.   Accordingly, in this proceeding PJM states that its proposed Tariff revisions incorporate PJM's proposal as approved in the December 20, 2004 Order. PJM proposes a new definition in Attachment Q, "Working Credit Limit for Virtual Transactions," which provides that any Financial Security provided in excess of a market participant's credit requirements for virtual bidding should not be discounted by 25 percent.[13] PJM states that the revisions clearly delineate small, but important, differences between the way a Market Participant's Working Credit Limit is calculated for Credit Available for Virtual Transactions and how it is used in calculations involved in managing a Market Participant's current exposure.

5.   PJM also requests limited waiver of existing Section III of Attachment Q. PJM explains that while it has acted consistently with the December 20, 2004 Order, it appears to be in technical violation of the actual Tariff because it had not filed the changes reflecting the Working Credit Limit calculation approved in the December 20, 2004 Order.

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[11] PJM Filing at 3.

[12] PJM Filing at 4.

[13] PJM Filing at 10. The new definition in Section VIII of Attachment Q states:

> The Working Credit Limit for Virtual Transactions shall be calculated as 75% of the Market Participant's Unsecured Credit Allowance and/or 75% of the Financial Security provided by the Market Participant to PJMSettlement when the Market Participant is at or below its Peak Market Activity credit requirements as specified in section II.D of this Credit Policy. When the Market Participant provides additional Unsecured Credit Allowance and/or Financial Security in excess of its Peak Market Activity credit requirements, such additional Unsecured Credit Allowance and/or Financial Security shall not be discounted by 25% when calculating the Working Credit Limit for Virtual Transactions.

6.   PJM argues that a limited tariff waiver is warranted because it meets the Commission's requirements for waiver.[14] First, PJM states that the underlying error was made in good faith, because it implemented the appropriate changes in practice, but neglected to file the requisite tariff sheets. Second, PJM argues that the waiver is limited in scope, because PJM is seeking waiver due to its inadvertent violation of a Tariff for specified period of time. Third, PJM states the limited tariff waiver remedies a concrete problem, which is PJM's technical violation of the Tariff although, according to PJM, it has been acting consistently with the Commission's December 20, 2004 Order. Finally, PJM maintains that the waiver has no undesirable consequences, such as harming third parties. PJM states that the requested waiver simply aligns the Tariff with PJM's Commission-approved conduct.

7.   Notice of PJM's June 24, 2014 filing was published in the *Federal Register*, 79 Fed. Reg. 38,020 (2014), with protests or interventions due on or before July 15, 2014. Timely motions to intervene were filed by NRG Companies[15] and Financial Marketers Coalition. No comments or protests were filed.

8.   We accept PJM's proposed Tariff revisions, effective August 25, 2014, as requested, because they are consistent with the Commission's directive in the December 20, 2004 Order. Additionally, we find that good cause exists to grant PJM a one-time, limited waiver of Section III of Attachment Q. The Commission has granted limited waivers of tariff provisions where: (i) the applicant has been unable to comply with the tariff provision at issue in good faith; (ii) the waiver is of limited scope; (iii) a concrete problem will be remedied by granting the requisite waiver; and (iv) the waiver does not have undesirable consequences, such as harming third parties.[16] We find that the error was made in good faith, because, while PJM revised its credit tracking system in practice, according to the December 20, 2004 order, it inadvertently neglected to file the requisite tariff sheets. The waiver is limited in scope, because it is confined to conduct for a specified period of time, which has already passed. Granting waiver remedies the concrete problem of PJM's technical Tariff violation, despite its acting consistently with

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[14] PJM Filing at 14 (citing, *e.g., PJM Interconnection LLC*, 146 FERC ¶ 61,119 (2014)).

[15] NRG Companies are NRG Power Marketing LLC, and GenOn Energy Management, LLC.

[16] *See, e.g., Southwest Power Pool, Inc.,* 146 FERC ¶ 61,110, at P 10 (2014); *PJM Interconnection, L.L.C.,* 144 FERC ¶ 61,060, at P 12 (2013); *New York Independent System Operator, Inc.,* 144 FERC ¶ 61,108, at P 14 (2012); *PJM Interconnection, L.L.C.,* 137 FERC ¶ 61,184, at P 13 (2011); *ISO New England Inc.,* 134 FERC ¶ 61,182, at P 8 (2011); *California Independent System Operator Corp.,* 132 FERC ¶ 61,004, at P 10 (2010).

prior Commission directives. Finally, we find that there will be no undesirable consequences in granting waiver, such as harming third parties, because PJM has been calculating Working Credit Limits for market participants in accordance with the December 20, 2004 Order since its issuance.

By direction of the Commission.

Kimberly D. Bose,
Secretary.