

Auction Specific Bilateral Transactions

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April 6, 2016

- Auction Specific Bilateral Transactions under Tariff, Attachment DD, section 4.6(b) were designed to be a physical transaction
 - Rights and title to capacity transfers to the buyer in the transaction
 - Seller in the transaction remains obligated to perform and pay any deficiencies arising out of non-performance
 - Buyer in the transaction will indemnify PJM Settlement if Seller defaults

- Market Participants asked questions about these transactions that lead PJM to determine clarifications were necessary
 - How to maintain the transfer of rights and title to capacity in light of Capacity Performance bonus payments
 - How to maintain indemnification in light of replacement of underlying commitment
- Discussions resulted in a general consensus that maintaining the physicality of the transaction was important

- Problem Statement and Issue Charge endorsed at March MIC
 - Recognition by stakeholders that clarifying this transaction in the near term would help with uncertainty around the transactions
- PJM committed to bringing a proposal to April MIC for stakeholder review and discussion

- **Bonus Payments**
 - Will accrue to the buyer in the transaction
 - In proportion to the MWs transacted
 - 100 MW resource; 50 MWs transacted; over-performance by 10 MWs; buyer would receive any bonus payments related to 5 MWs
 - 100 MW resource; 100 MWs transacted; over-performance by 10 MWs; buyer would receive any bonus payments related to 10 MWs

- To ensure buyer's indemnification responsibility remains intact, any replacement transactions entered in to by seller to remove its commitment must ultimately be traceable
 - Replacing through an Incremental Auction would result in not being able to trace back to the buyer
- Proposal is to limit replacement to Unit-Specific Bilateral Transactions under Tariff, DD, section 4.6(a)