

Virtual Transactions Credit Requirement Timeframe

Market Implementation Committee

August 6, 2014

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Virtual Transactions Credit Requirement Timeframe Reducing Calculation from Four Days to Two Days

- Current Virtual Transactions credit requirement uses a four-day calculation
 - Submitted bids for upcoming market day plus cleared bids for three prior days
- Enhancements to credit data availability now include Virtual Transactions results through the day prior to current day
- With more current data available, the Virtual Transactions credit requirement hold period could be reduced from four days to two
 - Upcoming market day submitted bids plus one prior day (i.e. tomorrow plus today)
- An alternative credit calculation involving two days of submitted bids would be rendered moot by reducing the primary calculation to two days

- PJM has identified a Virtual Transactions risk related to the current billing timeframe
 - Risk that value from billed profits may not be available to cover transaction losses
- Billed profits posted Tuesday currently support Wednesday submissions of Virtual Transaction bids for market day Thursday
- Results from Thursday virtual transactions available to eCredit until Friday
- Bills issued on Tuesday are already being prepared Friday for Monday payment commitment
 - Although it is still technically possible to withhold payment on Monday, the tight timeframe and required one-off processing together increase process risk
- Bids submitted for later market days are likewise at risk

- PJM proposes to:
 - Reduce the virtual transactions credit requirement from four days to two
 - One day of submitted bids for next market day plus one day of cleared bids
 - Eliminate current alternative of two days of submitted bids
 - Modify the Credit Available for Virtual Transactions to exclude billed profits
- The Credit Subcommittee unanimously endorsed this proposal at its July 2014 meeting
- The MIC is being asked to endorse the proposal