

FTR BILATERAL TRANSACTIONS REVIEW AND REPORTING REQUIREMENTS

Problem / Opportunity Statement

PJM's Tariff provides that a Financial Transmission Right “may be sold or otherwise transferred to a third party by bilateral agreement, subject to compliance with such procedures as may be established by the Office of the Interconnection for verification of the rights of the purchaser or transferee.” (Tariff, Attachment K-Appendix, Section 5.2.2(d) and Operating Agreement, Schedule 1, section 5.2.2(d)). Among other things, the Tariff and Operating Agreement provide that:

- Bilateral transactions shall be reported to the Office of the Interconnection
- The rights and obligations pertaining to the Financial Transmission Rights that are the subject of such a bilateral transaction shall pass to the buyer under the bilateral contract
- Consent of the Office of the Interconnection shall be required for a seller to transfer to a buyer any Financial Transmission Right Obligation.
- Such consent shall be based upon the Office of the Interconnection's assessment of the buyer's ability to perform the obligations, including meeting applicable creditworthiness requirements, transferred in the bilateral contract

Current data provided by market participants in PJM's FTR reporting tool is insufficient for an accurate assessment by PJM of market participant risk transferred in the bilateral contract. As a result, additional procedures and market rules may be needed to better assess and mitigate risk associated with bilateral FTR transfers.

This provides an opportunity to review bilateral FTR transactions in the PJM market and make improvements to enable accurate risk assessment and mitigation.