

## PJM IBTs - What Is Going On?

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There is another development in the PJM Internal Bilateral Transactions (IBT) saga. PJM appears to have indirectly threatened to investigate parties that seek to comment on and help resolve the generic issues raised by PJM's interpretation of its tariff and statements concerning the scope of market participants affected by its interpretation of the "physicality" requirement of its tariff concerning IBTs. Originally, PJM indicated that only three market participants were affected; however, the number of affected participants now appears to be both undetermined and possibly much greater due to PJM's more recent guidance<sup>1</sup> which appears to apply retroactively.<sup>1</sup> In response to an intervention filed out-of-time by the Financial Institutions Energy Group (FIEG) addressing the generic and policy implications of the FERC order in the matter<sup>2</sup> and PJM's subsequent guidance,<sup>3</sup> PJM, in the guise of allegedly seeking to learn the names of the FIEG members, responded:

PJM, and presumably the Commission, would benefit from understanding the identity of the market participants constituting FIEG to allow PJM to examine the nature and characteristics of such participants' actual transactions in PJM's markets in light of claims raised in the FIEG's Request. Since the beginning of this year, the Commission has reportedly investigated or settled alleged abusive trading practices by several financial institutions, which may be members of FIEG. The Commission will be assisted by having a more complete understanding of FIEG so that it will have a context to evaluate whether FIEG's concerns and proposed remedy are reasonably raised or instead stem from a desire to have the Commission authorize overly aggressive and impermissible trading strategies under the PJM Tariff.<sup>4</sup>

As shown by FIEG in its response:

- PJM is well aware of the financial institutions that are PJM members;
- FIEG has participated in FERC proceedings for many years as a trade association; and
- those FERC proceedings have included PJM proceedings in which PJM has never raised any concerns about FIEG's bona fides.<sup>5</sup>

Accordingly, something else appears to be going on here. It is unclear why the IBT issue seems to have caused PJM to depart from its typical, more reasonable and analytical approach to market issues and appear to focus solely on winning. The proper role of IBTs is an important issue that should be addressed on the merits in service to the market as a whole. In fact, the continued ability of RTO trading hubs to support forward contracts is implicated. One hopes that both PJM and FERC can step back and look at the issue objectively with the best interests

of the market and in fairness to all. PJM's unwarranted *ad hominem* attack on FIEG for its intervention is not a good sign that this objective is being met. RTOs should be about customer service and good markets "" not "winning." Notes:

1. See David M. Perlman & Jessica H. Miller, [Update: PJM Provides its View](#) (June 15, 2012) ; Perlman & Miller, [Internal Bilateral Transactions: Regulatory Risk & Confusion Reign](#) (June 6, 2012).
2. *Intervention Out-of-Time, Request for Clarification and/or Technical Conference and Request for Safe Harbor of The Financial Institutions Energy Group*, Docket No. EL12-8-000 (June 29, 2012).
3. See PJM June 13 Clarification notice to all market participants, available at [www.pjm.com/~media/documents/reports/20120613-pjm-statement-regarding-ibts.ashx](http://www.pjm.com/~media/documents/reports/20120613-pjm-statement-regarding-ibts.ashx).
4. *Answer of PJM Interconnection, L.L.C.*, Docket No. EL12-8-000 (July 10, 2012) at 6.
5. *Answer of The Financial Institutions Energy Group*, Docket No. EL12-8-000 (July 23, 2012).