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June 23, 2011

*Via Electronic and U.S. Mail*

Mr. Howard Schneider  
Chair, PJM Board of Managers  
PJM Interconnection, Inc.  
955 Jefferson Avenue  
Norristown, Pennsylvania 19403-2497

Dear Mr. Schneider and Members of the PJM Board of Managers:

On behalf of the 13 member companies of the Competitive Markets Coalition, we write to urge the PJM Board to reject the PJM proposal on minimum participation requirements drafted pursuant to FERC Order 741, and instead either select the Coalition alternative proposal or immediately convene a special stakeholder meeting to reconsider both proposals in a fair and equitable manner.

We believe the minimum market participation option selected will be one of the most fundamentally important decisions this Board makes. It will determine whether PJM can continue to operate as an independent market entity, with open and competitive markets, or will become an exclusive club which only traditional utilities and large companies can afford to join. Under the PJM proposal this organization would, for the first time, erect high barriers to market entry that could exclude more than 50 current member companies from trading in PJM and make it impossible or uneconomic for most small new companies to join. This would greatly reduce market competition and market liquidity, resulting in higher consumer electricity prices and a far more volatile market.

Additionally, through an overly prescriptive and intrusive Officer Certification process PJM would for the first time extend its regulatory review authority into the internal management decisions and risk assessment procedures of its members. This represents a new and ill-advised role for a market that was designed to operate based on competition and balanced credit requirements. PJM also lacks the expertise and mandate to judge the adequacy of company specific trading policies and risk assessment procedures.

As discussed more fully below, if adopted the PJM proposal would have significant anticompetitive effects, creating barriers to market entry that reverberate throughout the market as a whole. These adverse results include:

1. No smaller companies could afford to trade in PJM and no small trading positions would be economic. Under the PJM proposal, any company with less than \$1 million in proven tangible net worth ("TNW") or \$10 million in TNW for FTR trading would be denied access to trading unless they posted excess collateral, in addition to the current high collateral requirements needed to cover the full value of their trades, of \$200,000 or \$500,000 respectively. This extra cash collateral could not be used for trading, it would be permanently trapped. Additionally, all cash collateral provided to cover such members' trading activity would be arbitrarily discounted by a further 10 percent. This "haircut" in cash collateral is in addition to the 15 percent discount already applied under current PJM credit policies, for a total discount of cash collateral equal to 25 percent. These market entry requirements effectively preclude many smaller companies from trading in PJM, and even more damaging to the market itself, make most small position trading uneconomic. Further, the PJM proposal is likely to exclude more than 50 current member companies from trading.<sup>1</sup> Additionally, no explanation has ever been provided by PJM management for why a discount should apply when cash collateral is posted. Nothing in Order 741 supports the use of a TNW standard or the proposed discounts; in fact they are wholly inconsistent with FERC's well established open access policies.
2. The PJM excess collateral requirement is not scaled to allow companies to trade smaller positions, although such trading adds valuable liquidity to the PJM markets. Under the PJM proposal, a company that only seeks to trade positions equal to \$50,000, for example, would be effectively precluded from trading in PJM since the minimum extra collateral amount of \$200,000 would be 4 times the value of the company's total market position. We know of no legitimate reason for declining to scale excess collateral requirements so smaller trades remain economic. As FERC Order 741-A recognized, "we see value in Six Cities' suggestion that Stakeholders consider whether some criteria can be tiered or calibrated based on, for example, the size of a market participant's positions. Such an approach would allow for differentiation based on a market participant's characteristics." (Order 741-A, at para. 33).
3. The PJM excess collateral plus extra 10 percent discount proposal puts all smaller companies that do choose to trade in PJM in an unfair competitive position, making the playing field anything but level. When the high cost of doing business in PJM for companies that cannot meet the \$1 million or \$10 million TNW requirements is compared to the ability of larger companies to readily meet these TNW thresholds without having to post collateral, it is evident that these onerous TNW requirements create a barrier to market entry on a discrete market sector. These high administrative

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<sup>1</sup> Although PJM management has declined to provide the actual number of existing members that would be excluded from the market by its TNW proposal, when a \$1 million TNW proposal was considered by PJM in 2008, PJM stated that it would exclude 53 companies from its market. Since PJM membership has grown substantially since 2008, the number of companies adversely affected is likely to be much higher today.

costs imposed on a select market sector have a discriminatory effect and assure that such participants cannot effectively compete with large companies, which can trade based solely on their balance sheets.

4. The proposed PJM Officer Certification form is also ill-advised and discriminatory. Under the PJM Officer Certification requirements, no company can trade unless it has an "independent risk management function," such as a "risk officer" or "board committee;" or in the case of FTR trading unless the company's weekly valuation and risk assessment functions "are performed either by persons within Participant's organization independent from those trading" or by a qualified outside risk assessment firm. This requirement overtly discriminates against smaller companies and is inconsistent with the goals of Order 741. Few small companies can afford to hire a highly qualified risk officer and then keep that person from trading in the very markets in which they are expert. Similarly, smaller companies do not have risk committees or board committees. What the PJM proposal ignores is that when smaller companies trade they already use very stringent risk assessments because it is their own money that is at stake.
5. The PJM proposal further discriminates against smaller companies that do not meet the TNW standard by applying a 10 percent discount to any cash collateral provided by a parent company or corporate guarantor. Again, no rationale is provided for why cash collateral should be discounted. Even under CFTC regulations cash collateral is not discounted.
6. The PJM proposal also acts to price smaller companies out of the market by stating that TNW can only be established through the annual submission of audited financial statements. Most small companies do not have audited financial statements because they cost \$10,000 to \$60,000 per year to prepare and are not needed for any other business purpose. Although PJM itself has accepted alternative showings of financial viability for many years, and the provision of current year tax returns are routinely accepted elsewhere, under PJM's proposal only this one expensive showing of financial viability is deemed to suffice. Significantly, nothing in Order 741 or FERC precedent requires the use of audited financials to demonstrate credit worthiness.

Despite the importance of the issues presented by the competing PJM and Coalition minimum participation proposals, the stakeholder process used to assess these proposals has been unbalanced, based on inadequate factual information and biased in favor of PJM's proposal. First, as described in the attached letter to PJM management, the June 14, 2011 Members Committee meeting that considered the two alternatives was grossly unfair. The votes of Coalition supporters were disqualified, voting on the primary Coalition proposal was denied and a far from fair and impartial consideration process was used. Importantly, this was the only committee that voted to prefer the PJM proposal, the MRC committee vote favored the Coalition proposal. Second, throughout the stakeholder process, PJM made off the record changes to its proposal in order to win over favored groups while ignoring even broadly supported Coalition proposed revisions. The following examples are noteworthy:

- PJM made an accommodation to eliminate a \$100,000 minimum excess collateral provision for certain industrial and demand side management members, outside of the stakeholder process; this significant change was made after PJM's own deadline for submitting alternatives.
- PJM made a last minute accommodation after the April 27th MRC meeting and just before the June 14th MC meeting to modify the certification requirements for FTR risk assessment requirements, which allowed an exemption for generators and load serving entities.
- By contrast, PJM refused to consider a broadly supported Coalition proposal to calibrate the minimum extra collateral requirement so that companies submitting smaller value trades would only be required to submit a proportionally smaller amount of excess collateral.

The stakeholder process used here demonstrated a pattern of favoring powerful and well-established groups in PJM while refusing even minor accommodations to allow smaller companies and new market entrants to participate in the PJM market.

The Coalition requests that the Board reject the PJM proposal and instead adopt the alternative minimum participation provisions submitted by the Coalition and endorsed by the MRC. The Coalition proposal provides PJM and its members with greater credit protections, treats all participants equally and avoids undue barriers to market entry. The Coalition proposal is also fully consistent with Orders 741 and 741-A, as it effectively eliminates any market exposure from new or small company trading by scaling the participation requirements to fit the size of a company's total market positions. Further, it does not artificially restrict trading by trapping or discounting cash collateral, but rather requires that companies retain extra cash or cash equivalent funds to meet their maximum potential market obligations.

Under the Coalition proposal, a copy of which is attached, all member companies would be required to demonstrate each year that they maintain a minimum liquidity position at least equal to 10 percent more than the participant's three week maximum exposure to PJM (the Peak Market Activity or "PMA" calculation). The member company would retain these funds but would have to demonstrate their availability to meet financial obligations to PJM at all times. The failure of a member company to maintain a minimum liquidity position of 10 percent of PMA would result in the suspension of that member's ability to transact. The minimum liquidity level could be demonstrated through cash on hand, posted bank letters of credit or through other cash equivalent assets. Additionally, each member company would be required to demonstrate that it passes this 10 percent minimum liquidity test each year, through the submission of its most recent year tax returns, audited financials or, at its option, the actual posting with PJM of 10 percent of the company's PMA.

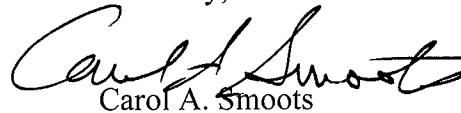
The Coalition proposal is not only more balanced and consistent with pro-competitive policies, but it is also more effective in protecting PJM and its members. Adding a minimum TNW requirement to all members does nothing to enhance credit protections in PJM in the event of a default (as the failure of several large market participants in PJM has amply demonstrated),

since TNW is not a meaningful indicator of a member's ability to satisfy cash obligations. By contrast, the FERC's concern in Order 741 with "under capitalization" is essentially a concern that a participant will not have sufficient liquidity to meet its market obligations as they come due. Thus, the Coalition endorsed approach fully meets that objective while avoiding wholly unwarranted barriers to trading.

Because of the high importance of the minimum participation rules to the future of PJM we urge the Board to either adopt the Coalition alternative, or at the very least convene a special stakeholder meeting so the two proposals can be more fully and fairly contrasted and evaluated. It is clear that the PJM proposal is highly objectionable to a large share of the member companies, will act to exclude many current PJM members who have traded responsibly and successfully in PJM and will act to greatly reduce trading volumes and competition. No study has been undertaken to assess the impact of PJM's proposal on the market or on competition, PJM has never informed the members how many current participants are likely to be disenfranchised by its proposal and no existing market risk has been identified by PJM to warrant such stringent requirements.

The extensive credit study undertaken for PJM in 2008 by Credit Reform rejected the use of the very tangible net worth standard advocated here and repeatedly noted that participation by smaller companies is helpful to the market and should be encouraged. In light of the clear deficiencies in PJM's proposal, where the downsides are both obvious and severe, great caution is warranted. By contrast, neither PJM nor any other party has identified any deficiencies in the Coalition sponsored proposal. It is effective, balanced and fair. We urge the Board to endorse the Coalition proposal, it was strongly supported by the MRC and fully satisfies the FERC directives in Orders 741 and 741-A.

Sincerely,



Carol A. Smoots

**On Behalf of**  
**CBK Group, LTD**  
**Elliott Bay Energy Trading, LLC**  
**Great Bay Energy, LLC**  
**GRG Energy, LLC**  
**Hexis Energy Trading, LLC**  
**Highlands Energy Group, LLC**  
**JPTC, LLC**  
**Mac Trading, Inc.**  
**MET MA, LLC**  
**Monterey Companies**  
**Pure Energy, Inc.**  
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June 20, 2011

Terry Boston, President and CEO  
Andrew L. Ott, Senior Vice President-Markets  
Stuart F. Bresler, Executive Director of Market Operations  
Suzanne S. Daugherty, Vice President, CFO and Treasurer  
Vincent P. Duane, Vice President and General Counsel  
David Anders, Secretary, PJM Members Committee  
Michael J. Kormos, Senior Vice President - Operations  
PJM Interconnection, Inc.  
955 Jefferson Avenue  
Norristown, Pennsylvania 19403

Re: Members Committee Meeting of June 14, 2011

Dear Sirs and Madame:

On behalf of the 14 member companies of the Competitive Market Coalition ("Coalition"), we wish to object in the strongest possible terms to the fundamentally unfair and deficient Members Committee meeting ("MC meeting") that was conducted by PJM on June 14, 2011. This meeting was held to consider and vote on the competing PJM sponsored and Coalition sponsored proposals for complying with the FERC's Order 741 minimum participation requirements. As illustrated below, this meeting was a sham. The Chairman did everything possible to prevent a full and fair Stakeholder consideration and voting process at the meeting. Unfortunately PJM Staff sat silently, allowing Stakeholder rights to be ignored and violated. It is noteworthy that the PJM sponsored proposal was the beneficiary of this grossly unfair Stakeholder process.

I will highlight below some of the more serious deficiencies in the conduct of the June 14th MC meeting. They amply demonstrate that the MC meeting was biased and unfair and that the voting results do not represent the views of the PJM member companies.

1) My presentation of the Coalition proposal was repeatedly interrupted and frustrated by the Chairman. During my presentation I was informed by the Chairman that no discussion

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critical of the PJM proposal would be permitted. Further, on several occasions he spoke over me and other Stakeholders in an effort to prevent our saying anything negative about the PJM proposal;

2) My presentation on behalf of the Coalition's minimum participation proposal was arbitrarily limited to less than 10 minutes, although I had been assured--and the Agenda indicated--we would be given 15 minutes to present our proposal;

3) Stakeholder comments and questions, either in support of the Coalition proposal or questioning the PJM proposal, were severely limited by the Chairman. No Stakeholder discussion of the PJM proposal was permitted beyond a few "clarifying" questions. In one case a questioner on the phone was simply cut off. These artificial and unduly short time limits were imposed only on discussion related to the Coalition's proposal and on questioning of PJM's proposal. Other issues were discussed in full without interruption;

4) The PJM advance notice protections were blatantly disregarded. PJM made numerous material changes to its Officer Certificate proposal, not only after the MRC meeting and vote, but even after the quickly arranged special Credit Subcommittee meeting held on June 6th. The version of the PJM proposal presented and voted on at the MC meeting had not been considered or voted on by the Credit Subcommittee or by any other Committee. Additionally, a number of substantive changes were not even noted at the MC meeting. Clearly, all Stakeholder notice protections and deliberation rights were ignored;

5) The Chairman refused to allow a vote on the complete Coalition proposal, which was submitted to PJM and posted on the Committee website as the proposal to be voted on at the MC meeting. He refused to allow the slides on the Coalition's proposal to be projected so Stakeholders could see them, and he took the position--for the first time in the meeting--that because the Officer Certification language in the Coalition proposal had not been voted on at the MRC meeting it could not be voted in at the MC meeting. The Chairman had sent me at least two emails before the meeting and I spoke with him at least twice before the meeting and at no time did he say our proposal would not be considered and voted on. Furthermore, PJM had sent me the Officer Certification template so I could modify the proposal considered at the MRC in order to add our version of the Officer Certification form for consideration at the MC. It is hard to view what occurred as anything other than an ambush. Additionally, although the PJM proposal was materially modified after the MRC, with far more extensive Officer Certificate provisions added, the Chairman expressed no objection to the modified PJM proposal being voted on.

Finally, when both AEP and a group of municipality members submitted their own Officer Certification proposals at the meeting, the Chairman raised no objections to these proposals being voted on, and did not interrupt their presentations.

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The result of the Chairman's improper conduct and arbitrary decisions was that the Coalition proposal, as submitted and posted on the PJM website, was never voted on and instead the Coalition was forced to immediately turn to an alternative proposal, which had to be submitted through a "friendly amendment". The Coalition's main proposal was not voted on; the Chair refused to permit a vote. Perhaps most troubling, at no time did anyone from PJM intervene to state that the full Coalition proposal should be considered and voted on;

6) At least 5 companies supporting the Competitive Market Coalition proposal did not have their votes in favor of the Coalition proposal counted. This was because of issues using a new PJM provided voting application. Even though a number of these companies informed PJM of the problem immediately, they were still refused an opportunity to vote on the Coalition proposal. When this occurred I immediately asked for PJM's assistance so these votes would be counted but was told by PJM that they would not intervene. Similarly, the Chairman refused to consider my request to remedy this obvious inequity and denied my objections. Further, PJM staff said nothing to the Chair about this unfair exclusion of member company votes. I would note that in all previous PJM meetings I have attended those experiencing voting problems were allowed to re-vote or to give their vote orally to PJM Staff. Given that a new voting application was being used for the first time, it was extremely surprising that a similar procedure was not allowed.

As this summary shows, the Members Committee meeting on June 14th was no Stakeholder process at all. It appeared to be a meeting "wired" in advance to make sure no actual debate or discussion on the competing proposals could occur, and that the PJM proposal would prevail.

We believe that the MC meeting was a sham and that the voting results are fundamentally tainted and unreliable. The best evidence of this taint is that when the Coalition proposal was presented and voted on by the Markets Reliability Committee on April 27, 2011. Where a full and fair consideration process was afforded, the Coalition proposal passed with a significantly higher level of support than the PJM proposal which did not pass. It is clear that the only way to remedy the harm that has occurred, and to determine actual Stakeholder support for the competing proposals, is for the MC to be reconvened, with a special or interim Chair appointed, in order to assure a full and fair consideration process. The votes on the two minimum participation proposals must be retaken and all votes counted.

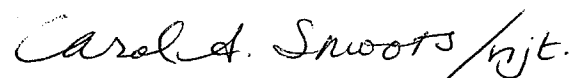
Finally, should PJM decline to reconvene the MC meeting so that a fair Stakeholder discussion and vote can be taken we request that this letter be provided to the PJM Board for their consideration prior to any action on the Order 741 compliance provisions.

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We hope that the disgraceful conduct at last week's Member Committee meeting will never again be permitted. Not only was the meeting inconsistent with the consideration process directed by FERC in Order 741 but, like the PJM proposal itself, had the effect of disenfranchising many smaller companies and new market entrants in PJM.

Sincerely,

Handwritten signature of Carol A. Smoots in cursive script, with a diagonal slash and the initials 'njt.' at the end.

Carol A. Smoots

**On behalf of  
Competitive Markets Coalition**

**The Members for Competitive  
Markets Coalition**

**Proposal to Meet FERC Order 741  
Capitalization Requirements**

**June, 2011**

# Significance of Capitalization

- FERC Order 741 suggests that a minimum capitalization requirement would protect the markets from "risks posed by under-capitalized participants ..."
- The fear of a member company being "under-capitalized" is essentially the fear that the member company will not have sufficient liquidity available to them (based on their capital structure) to cover their financial obligations within PJM.
- The components of "liquidity" for a PJM member consist of 1) cash on hand, 2) the ability to raise cash using existing credit lines with financial institutions, and 3) the ability to post bank letters of credit.
- We would suggest that the terms "under-capitalization" and "insufficient-liquidity" are interchangeable.
  - The risk of payment default depends upon the member's liquidity position; i.e, whether the company has sufficient working capital to meet cash-flow needs. .

# PJM's Existing Credit Requirements

- The CRMSC analyzed PJM's existing credit requirements to ensure that members have sufficient liquidity in order to transact in the market.
  - PJM members are currently required to post sufficient cash collateral to cover their Peak Market Activity (PMA) credit requirement.
  - PJM members are also required to provide additional cash collateral within a two-day period as PMA/other credit requirements increase.
- The CRMSC did not recommend a minimum tangible net worth requirement as part of PJM's overall credit requirements, and PJM does not currently monitor every member's tangible net worth.
  - PJM does, however, maintain measurements of the tangible net worth of members to whom PJM has extended unsecured credit.
- Adding a minimum tangible net worth requirement to all members does nothing to enhance credit protection to PJM members in the event of a payment default, since tangible net worth is not a meaningful indicator of a member's ability to satisfy cash collateral obligations.

## Alternative Measurement

- PJM could require that all existing members demonstrate a minimum liquidity position of at least 10% of the member company's three week maximum exposure to PJM (the PMA calculation) at any time during their membership.
- The failure of a member to maintain a minimum liquidity position of 10% of their PMA would result in the suspension of that member's ability to transact in the PJM markets.
- PJM could require that all prospective members demonstrate a minimum liquidity position (consisting of cash on hand, the ability to raise cash from various credit facilities, and the ability to post bank letters of credit) of at least \$100,000.00 at the time of application for membership.
- The above would satisfy the FERC Order 741 request for minimum participation requirements.
  - The tangible net worth measurement in the FERC order was merely a suggestion.

# Alternative Measurement FAQs

- Does the calculated minimum liquidity amount have to be posted as additional collateral with PJM?
  - No. Rather than actually transferring funds, a member company only has to demonstrate that they could remit the minimum liquidity amount to PJM if required.
- How often would this liquidity test be performed?
  - Annually, preferably with the member's most recent fiscal year end financials.
- What financial statements would be required in order to facilitate the minimum liquidity calculation?
  - Audited financial statements are preferred. However, members without audited financial statements could submit their most recent federal tax return. Additionally, members could simply provide the 10% liquidity amount to PJM as extra collateral they could not trade on in lieu of submitting either an audited financial statement or their most recent federal tax return.
- What types of cash would constitute an acceptable liquid asset?
  - Any cash that a member company has on hand that is not somehow restricted from use by the member company is acceptable. Cash posted as collateral with an RTO/clearing house/etc. is not acceptable.
- How does a member company demonstrate that they have liquidity under a financial institution line of credit/letter of credit facility?
  - If the credit facility is not discussed in the footnotes of the member company's audited financial statements, a letter from the credit-providing financial institution indicating availability under the credit facility as of the member company's fiscal year end date would be acceptable.

# **The Members of the Competitive Markets Coalition Include:**

**CBK Group, LTD**

**Elliott Bay Energy Trading, LLC**

**Great Bay Energy, LLC**

**GRG Energy, LLC**

**Hexis Energy Trading, LLC**

**Highlands Energy Group, LLC**

**JPTC, LLC**

**MAC Trading, Inc.**

**MET MA, LLC**

**Monterey Companies**

**Pure Energy, Inc.**

**Red Wolf Energy Trading, LLC**

**XO Energy Companies**

**\*Please note that a minor correction to the Coalition Membership list was made.**

# **The Members of the Competitive Markets Coalition:**

**CBK Group, LTD**

**Elliott Bay Energy Trading, LLC**

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**\*Please note that a minor correction to the Coalition Membership list was made.**

**Alternative Proposal of  
The Competitive Markets Coalition MINIMUM PARTICIPATION CRITERIA  
OFFICER CERTIFICATION FORM**

**Participant Name:** \_\_\_\_\_ **("Participant")**

I, \_\_\_\_\_, a duly authorized officer of Participant, understanding that PJM Interconnection, LLC and PJM Settlement, Inc. are relying on this certification as evidence that Participant meets the minimum participation requirements set forth in Attachment Q to the PJM Open Access Transmission Tariff ("PJM Tariff"), hereby certify that I have full authority to certify and represent on behalf of Participant and further certify and represent as follows:

1. All employees or agents transacting in markets or services provided pursuant to the PJM Tariff or PJM Amended and Restated Operating Agreement ("PJM Operating Agreement") on behalf of the Participant have received adequate training and are qualified to transact on behalf of Participant.
2. Participant has policies and controls in place applicable to the PJM markets in which it participates and for which employees or agents transacting in markets or services provided pursuant to the PJM Tariff or PJM Operating Agreement have been trained, which provide a risk management framework that at a minimum, clearly identifies and considers the full range of risks to which Participant is exposed.
3. Participant will request eTool transaction deactivation for any PJM markets in which is it not duly prepared to transact.
4. Participant has appropriate personnel resources, operating procedures and technical abilities to promptly and effectively respond to all PJM communications and directions.
5. Participant intends to satisfy the following minimum participation requirements.

In addition to providing sufficient collateral to cover a Participant's Peak Market Activity ("PMA") in PJM, and to providing additional cash or cash equivalent collateral within a two-day period as PJM or other credit requirements may specify, all as provided under PJM's currently filed credit requirements, Participant hereby certifies and agrees as follows (check all boxes):

\_\_\_\_\_ That Participant maintains a minimum liquidity position ("Liquidity Position")<sup>1</sup> equal to at least ten percent (10%) of Participant's Peak Market Activity (as defined in Attachment Q PJM Credit Policy);

\_\_\_\_\_ That Participant will annually demonstrate to PJM through the submission of its audited financial statements, or its most recent federal tax return, or other equivalent showing reasonably acceptable to PJM, that it has sufficient liquidity to meet the Liquidity Position, or in lieu of providing such documentation, to post additional cash collateral with PJM in the amount of the Liquidity Position;

<sup>1</sup> The Liquidity Position can be satisfied through cash on hand that is not restricted from use, bank letters of credit, the demonstrated ability to immediately raise cash from specified credit facilities, corporate guarantees or other sources as PJM reasonably determines are sufficiently liquid to meet the Participant's financial obligations to PJM as they come due. Participant does not need to actually transfer the Liquidity Position to PJM, only to demonstrate that it could remit the Liquidity Position to PJM if required to do so in order to satisfy its financial obligations to PJM. If a credit facility is not discussed in the footnotes of the Participant's audited financial statements, a letter from the credit-providing institution showing fund availability as of the Participant's fiscal year end date would be acceptable

**Alternative Proposal of  
The Competitive Markets Coalition MINIMUM PARTICIPATION CRITERIA  
OFFICER CERTIFICATION FORM**

\_\_\_\_\_ That PJM retains the right to require Participant to demonstrate more frequently than annually that it satisfies the Liquidity Position if PJM, in its reasonable discretion, believes the Participant may no longer be able to satisfy the Liquidity Position; and

\_\_\_\_\_ That PJM retains the right to suspend the trading of any Participant that cannot satisfy the Liquidity Position.

\_\_\_\_\_ Participant also certifies that to its knowledge no event has occurred since the date of Participant's, or its guarantor's most recent Liquidity Position showing, nor is any event known or suspected to be imminent, that could adversely affect Participant's compliance with these minimum participation requirements.

Further, if Participant is a new applicant for membership, Participant agrees to demonstrate to PJM a minimum Liquidity Position equal to at least \$100,000 at the time of application for membership.

Date: \_\_\_\_\_

\_\_\_\_\_

(Signature)

Print Name: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Subscribed and sworn before me \_\_\_\_\_, a notary public of the State of \_\_\_\_\_, in and for the County of \_\_\_\_\_, this \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

(Notary Public Signature)

My commission expires: \_\_\_\_ / \_\_\_\_ / \_\_\_\_