



Minimum Capitalization Requirement Reform

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Underwriting

Members Committee
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Per Tariff, Attachment Q Section III.D.1 before participants are eligible to transact in the PJM markets and as a condition to continued eligibility to transact in the PJM markets, participants must demonstrate they meet the Minimum Capitalization requirement.

- PJM's Minimum Capitalization requirements for eligibility were established in compliance with FERC Order No. 741 in 2011 and have remained unchanged since implementation.
- Today PJM Minimum Capitalization requirements include a net tangible asset (TA) or tangible net worth (TNW) threshold:

	TNW	TA
FTR	>\$1M	>\$10M
All Others (Non-FTRS)	>\$0.5M	>\$5M

- If a Market Participant does not demonstrate compliance with the Minimum Capitalization requirements, they may still qualify to participate by posting Restricted Collateral.

Evaluate whether the current Minimum Capitalization requirements for participation in PJM Markets should be revised as they have remained unchanged since implementation in 2011

RMC met to discuss this between April 2024 and October 2025.

Three packages were created and voted through the RMC.

RMC endorsed the PJM/IMM solution (Package G) at the October 2025 meeting by vote:	84% in favor	74% in favor over Status Quo
The Energy Co-op (Package C)	7.5% in favor	5.2% in favor over Status Quo
Hexit Energy Trading (Package H)	12.5% in favor	15.1% in favor over Status Quo



Endorsed Solution Package

PROPOSED CHANGE

Minimum Capitalization TNW thresholds modified to:

Interim (Implementation)	TNW	TA
FTR	>\$2MM	>\$10MM
All Others (Non-FTRs)	>\$1MM Increase \$200k per year for next 5 years	>\$5MM
	TNW >0	
Final State	TNW	TA
FTR	>\$2MM Increases by 3% fixed rate annually	>\$10MM
All Others (Non-FTRs)	>\$2MM Increases by 3% fixed rate annually	>\$5MM
	TNW > 0	

Rationale:

- Existing requirements have remained unchanged since implementation, while Economy/Markets are significantly different.
- These requirements are intended to provide controls such that those participating in PJM markets have the financial ability and risk management capabilities for their planned market positions to protect against potential defaults.
- Demonstration of adequate capitalization is an indicator of the ability to meet obligations and possessing the necessary financial cushion to absorb unexpected costs or downturns in revenue, thus protecting against defaults in PJM.

2025

Nov.

MRC first read

Dec.

MRC seeking endorsement

2026

Jan.

MC seeking endorsement

Feb.

File Tariff redlines with FERC

1	2	3	4
<ul style="list-style-type: none"> • All Solution packages addressed the PS/IC increasing the Minimum Capitalization thresholds for all market participants 	<ul style="list-style-type: none"> • Endorsed Solution Package includes provisions such as: <ul style="list-style-type: none"> • Tangible Net Worth must be >0 and • Initial threshold for Non-FTR Market Participants would be \$1MM and then increase \$200k per year over the next 5 years • Final Thresholds set at \$2MM, increasing by a 3% fixed rate annually 	<ul style="list-style-type: none"> • Three packages were created and one package was endorsed by the RMC. 	<ul style="list-style-type: none"> • MC endorsement will be sought at the January 22, 2026 meeting. FERC Filing after MC endorsement.

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