Minimum Capitalization Requirement Reform

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Markets & Reliability Committee

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Background on Minimum Capitalization Requirement

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 not been changed 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.

Issue Charge Scope

PJM brought this issue charge to enhance its risk management practices. PJM’s Minimum Capitalization requirements for eligibility were established in 2011 and have remained unchanged since implementation.

This effort included a review of the Minimum Capitalization requirements for participation in PJM Markets. This effort was limited to Minimum Capitalization and did not include review of Member risk policy requirements or market eligibility.

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 at the October 2025 meeting by vote:	**84%** in favor	**74%** 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.

Proposed Next Steps

2025 Nov.	Dec.	2026 Jan.	Feb.
MRC first read	MRC seeking endorsement	MC seeking endorsement	File Tariff redlines with FERC

Contact

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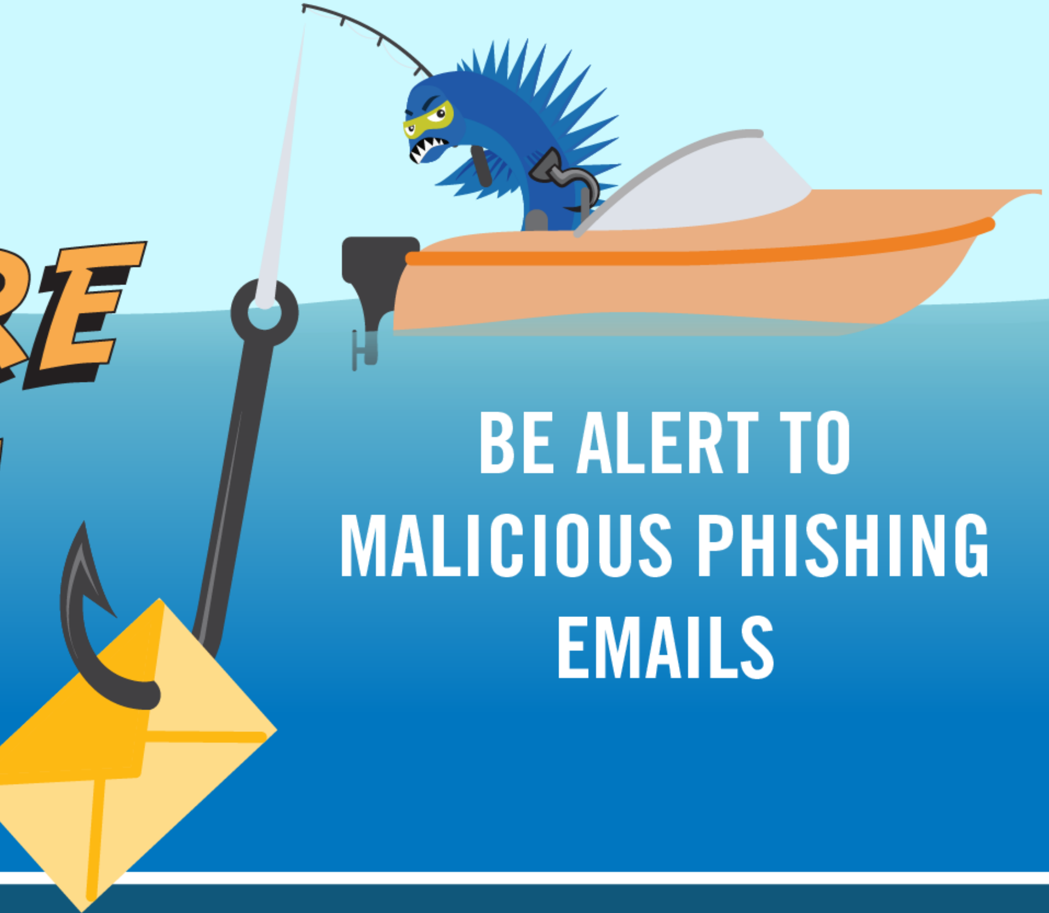

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