

Market Participant Minimum Capitalization Proposed Solution Packages

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Comparison of RMC Minimum Capitalization Packages

			Alternative Security	Meet	Doesn't Meet	Collateral Required (000s)
Status Quo	FTR	TNW \$1MM or TA \$10MM	\$1M	95%	5%	\$23,500
	Other	TNW \$500,000 or TA \$5MM	\$500k			
Package D		TNW Must Be > \$0 and		83%	17%	\$188,500
	FTR	TNW \$2MM or TA \$10MM (FTR)	\$2-3MM			
	Other	\$1MM per Mkt or TA \$5MM (Others)	\$1M per Mkt, Max \$3MM			
Package G YR 1		TNW Must Be > \$0 and		83%	17%	\$145,476
	FTR	TNW \$2MM or TA \$10MM	FTR \$2MM – TNW			
	Other	TNW \$1MM or TA \$5MM with TNW adjustment \$200,000 per/yr for 5 yrs	Other \$1MM – TNW			
Package G YR 6	All	TNW Must Be > \$0 and TNW \$2MM or TA \$10MM w/TNW adjustment 3% per year	\$2MM	80%	20%	\$316,000
Package C	FTR/Virtuals – Status Quo		FTR 1MM	84%	16%	\$75,000
	Others	TNW > max(500k, 2* highest weekly bill) or TA > max(5MM, 10* highest weekly bill)	Other \$500K			

Inflation Indices for the past 20 years

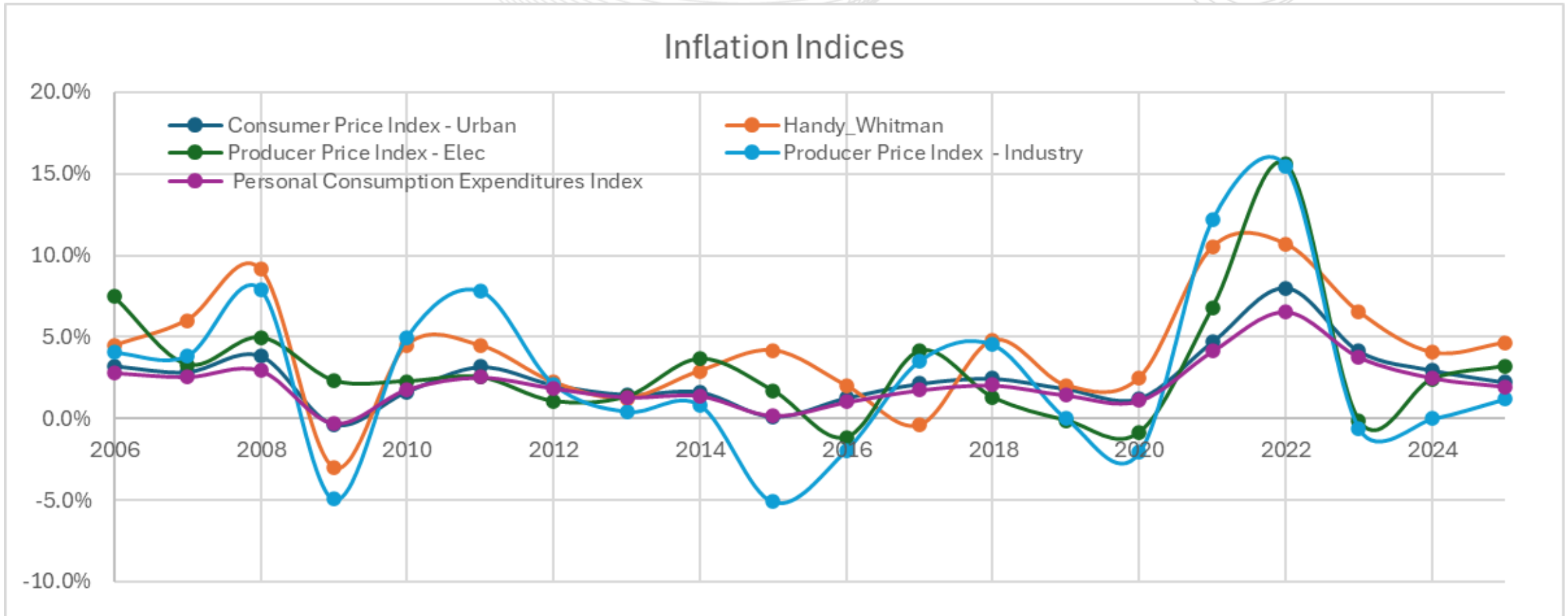
	Consumer Price Index – Urban	Handy_Whitman	Producer Price Index – Elec	Producer Price Index – Industry	Personal Consumption Expenditures
2006-2010 Average	2.2%	4.2%	4.1%	3.2%	2.0%
2011-2015 Average	1.7%	3.0%	2.0%	1.2%	1.5%
2016-2020 Average	1.8%	2.2%	0.6%	0.8%	1.5%
2021-2025 Average	4.4%	7.3%	5.6%	5.6%	3.8%
10 Year Average (2016-2025)	3.1%	4.7%	3.1%	3.2%	2.6%
20 Year Average (2006-2025)	2.5%	4.2%	3.1%	2.7%	2.2%

PJM's package includes annually adjusting TNW by a fixed 3% after Year 6

The 3% fixed number:

- Closely aligns with the 10-year and 20-year averages
- Provides a stable, balanced estimate that avoids extremes
 - Smooths out cyclical highs and lows

Appendix



Comparison of Minimum Capitalization RMC Packages

					Proposed Solution:					
Status Quo					Package C			Package D		
TNW \$1MM or TA \$10MM (FTR) TNW \$500,000 or TA \$5MM (Others)					FTR and Virtuals – Status Quo All others: TNW > max(500k, 2* highest weekly bill) or TA > max(5MM, 10* highest weekly bill)			TNW Must Be > \$0 and TNW \$2MM or TA \$10MM (FTR) TNW \$1MM per Mkt or TA \$5MM (Others)		
Alternative Security FTR \$1M/ Other – \$500K					Alternative Security – FTR 1MM Other - \$500K			Alternate Security FTR \$2–3MM/ Other – \$1M per Mkt, Max \$3MM		
Total	Doesn't Meet		Collateral Required (000s)		Doesn't Meet		Collateral Required (000s)	Doesn't Meet # Doesn't Meet %		Collateral Required (000s)
	#	%			#	%		#	%	
Generation Owner/ Transmission Owner	359	12	2%	\$6,500	43	5%	\$25,500	43	5%	\$61,500
Load Serving Entity	103	8	1%	\$4,500	35	4%	\$19,500	38	5%	\$63,500
Curtailed Service Provider	25	6	1%	\$3,000	12	2%	\$7,000	14	1%	\$11,000
Financial Trader	129	10	1%	\$7,000	12	2%	\$16,500	13	2%	\$7,000
Power Marketer	134	4	0%	\$2,500	20	3%	\$11,500	19	2%	\$31,500
Other	48	0	0%	\$0	4	1%	\$4,000	6	1%	\$14,000
Total	798	40	5%	\$23,500	127	16%	\$75,000	133	16%	\$188,500

Comparison of Minimum Capitalization RMC Packages

	Status Quo				Package G Yr 1			Package G Year 6		
	TNW \$1MM or TA \$10MM (FTR) TNW \$500,000 or TA \$5MM (Others)				TNW Must Be > \$0 and TNW \$2MM or TA \$10MM (FTR) TNW \$1MM or TA \$5MM (Others w/TNW adjustment \$200,000 per/yr. for 5 yrs.			TNW Must Be > \$0 and TNW \$2MM or TA \$10MM (All) with Fixed 3% adjustment per year		
	Alternative Security – FTR \$1MM Other – \$500K				Alternative Security – FTR \$2MM Other – \$1MM			Alternative Security – \$2MM		
	Total	Doesn't Meet		Collateral Required (000s)	Doesn't Meet # Doesn't Meet %		Collateral Required (000s)	Doesn't Meet # Doesn't Meet %		Collateral Required (000s)
		#	%		#	%		#	%	
Generation Owner/ Transmission Owner	359	12	2%	\$6,500	43	5%	\$47,430	44	6%	\$88,000
Load Serving Entity	103	8	1%	\$4,500	36	5%	\$38,821	42	5%	\$84,000
Curtailement Service Provider	25	6	1%	\$3,000	14	2%	\$11,734	16	2%	\$32,000
Financial Trader	129	10	1%	\$7,000	17	2%	\$20,059	26	3%	\$52,000
Power Marketer	134	4	1%	\$2,500	18	2%	\$19,364	24	3%	\$48,000
Other	48	0	0	\$0	5	0%	\$8,068	6	1%	\$12,000
Total	798	40	5%	\$23,500	133	17%	\$145,477	158	20%	\$316,000

ISOs/RTOs Minimum Capitalization Comparison

RTO/ISO	Participant Type	Tangible Net Worth (TNW)	Tangible Assets (TA)
PJM	FTR	>\$1M	>\$10M
	Others	>\$500k	>\$5M
SPP	FTR	>\$10M	>\$20M
	Others	>\$1M	>\$10M
MISO	FTR	>\$1M	>\$10M
	Others	>\$500K	>\$5M
CAISO	All Market Participants	>\$1M	>\$10M
ERCOT	FTR	>\$1M	≥\$10M
	Others	>\$500k	>\$5M
ISO-NE	All Market Participants	>\$1M	>\$10M
NYISO	All Market Participants	>\$1M	>\$10M

Per Tariff, Attachment Section III, 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:

1 Market Participant Eligibility Requirements –

met through submission of an Annual Officer Certification Form – demonstrating they can meet the definition of “appropriate person,” “eligible contract participant,” or an entity that generates, transmits or distributes electric energy, to ensure minimum criteria are in place

2 Risk Management and Verification –

met through the submission of current written risk policies and procedures

3 Minimum Capitalization Requirements – Participants must meet certain financial thresholds or provide alternative forms of security to demonstrate their ability to fulfill financial obligations.

- **Tangible Net Worth:** Maintaining a minimum tangible net worth greater than \$1 million for FTRs and greater than \$500K for all other Market Participants
- **Tangible Assets:** Having greater than \$10 million in tangible assets for FTRs and greater than \$5 million in tangible assets for all other Market Participants
- **Alternative Security:** If a participant doesn't meet the tangible asset or tangible net worth requirements, they can post a letter of credit, cash deposit, surety bond or parental guaranty from a guarantor that meets the above min cap thresholds. Such security is restricted collateral and may not be used to support market activity.

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Market Participant Minimum Capitalization Proposed Solution Packages



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**PROTECT THE
POWER GRID**

**THINK BEFORE
YOU CLICK!**



**BE ALERT TO
MALICIOUS PHISHING
EMAILS**



Report suspicious email activity to PJM.
Call (610) 666-2244 or email it_ops_ctr_shift@pjm.com