

Ongoing Risk Monitoring Update – Foreign Market Participation

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Risk Management Committee
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Continuous review by PJM of emerging and potential risks

Coordination across PJM teams, including Credit, Trade Risk & Analytics, KYC, Membership Process & Services, and Legal

Focus areas include:

- Financial exposure
- Legal/enforceability considerations
- Operational and market impacts

Action is recommended or taken where the risk profile supports it.

Recent internal review of non-U.S. Market Participants

Considered potential risks such as:

- Jurisdiction and enforceability
- Insolvency and recovery frameworks
- Other cross-border practical considerations

PJM's current approach is generally aligned with other RTO/ISO markets.

Focus on potential default and recovery scenarios.

Considered differences between:

- Market Participants (direct PJM relationship)
- Credit support providers (e.g., guarantors)

Existing protections

- Collateral requirements
- Settlement and suspension tools

Attachment Q includes tailored requirements for foreign guarantors to address enforceability risk.

20 non-U.S. Market Participants

16 in Canada

well-established and familiar legal and commercial framework

4 outside Canada

- No clear increase in foreign market participation trends
- Exposure generally secured through existing credit tools under Attachment Q
- No observed issues to date warranting changes to current framework

Review of participant structure and legal presence

May consider registered agent presence as part of overall risk evaluation

Case-by-case evaluation through membership and credit processes

Supports enforceability and administrative efficiency

1. Foreign market participation presents **potential but limited risk** to PJM at this time.
2. **Existing framework and practices address key exposures.**
3. **No additional restrictions** on foreign market participation are proposed at this time.

PJM will continue to monitor and reassess as needed.

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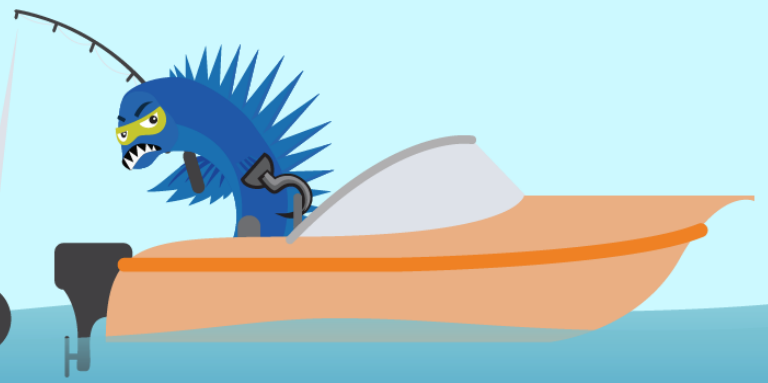
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