Credit Overview and Supplement Revisions: Minimum Capitalization

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Risk Management Committee
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Disclaimer: While materials are current at the time of publishing, applicable requirements may change. PJM Governing Documents control.

Minimum Capitalization Requirements

Minimum Capitalization Tangible Net Worth (TNW) thresholds modified to:

Interim (Implementation)	TNW	Total Assets (TA)
FTR	>$2M	>$10M
All Others (Non-FTRs)	>$1M *Increase $200,000 per year for next 5 years*	>$5M
	TNW >0	

Final State	TNW	TA
FTR	>$2M *Increases by 3% fixed rate annually*	>$10M
All Others (Non-FTRs)	>$2M *Increases by 3% fixed rate annually*	>$5M
	TNW > 0	

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Capitalization

In advance of certification, Applicants shall meet the minimum capitalization requirements below pursuant to requirements in Attachment Q section III.D.1. A Market Participant must satisfy the minimum capitalization requirements on an annual basis. A Participant must demonstrate that it meets the minimum financial requirements appropriate for the PJM Markets in which it transacts by satisfying either the minimum capitalization or the Collateral alternative provisions.

Minimum Capitalization

Minimum capitalization may be met by demonstrating minimum levels of Tangible Net Worth or tangible assets. ~~FTR Participants must demonstrate a tangible net worth in excess of $1 million or tangible assets in excess of $10 million. Other Participants must demonstrate a tangible net worth in excess of $500,000 or tangible assets in excess of $5 million.~~ Demonstration must be through presentation of unqualified audited financials or an acceptable Corporate Guaranty ~~(or unlimited) from an affiliate company that satisfies the tangible net worth or tangible assets requirements.~~

(a) Demonstration of "tangible" assets and Tangible Net Worth may be satisfied through presentation of an acceptable Corporate Guaranty, provided that both:

(i) the Guarantor is a Credit Affiliate company that satisfies the Tangible Net Worth or tangible assets requirements herein and whose Tangible Net Worth is greater than zero, and;

(ii) the Corporate Guaranty is either unlimited or in an amount at equal to the full Tangible Net Worth threshold applicable for its Participant type and year, including any fixed-rate or scheduled adjustments provided below.

(b) For purposes of minimum capitalization, a Market Participant that (i) meets neither the tangible asset requirement nor the Tangible Net Worth requirement or (ii) meets the tangible asset requirement but has Tangible Net Worth less than or equal to zero shall be deemed not to satisfy the minimum capitalization requirement and shall be required to post Collateral equal to the full Tangible Net Worth threshold applicable for its Participant type and year, including any fixed-rate or scheduled adjustments provided below.

Credit Overview and Supplement Language (cont.)

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The applicable Tangible Net Worth thresholds, tangible asset thresholds and related requirements are displayed in the table below:

Minimum Capitalization Tangible Net Worth thresholds modified to:

Interim (2027- 2032)	Tangible Net Worth	Tangible Assets
FTR	>$2M	>$10M
All Others (Non-FTRs)	>$1M **Increase $200,000 per year for next 5 years*	>$5M
	Tangible Net Worth >0	

Final State (2033)	Tangible Net Worth	Tangible Assets
FTR	>$2M *Increases by 3% fixed rate annually*	>$10M
All Others (Non-FTRs)	>$2M *Increases by 3% fixed rate annually*	>$5M
	Tangible Net Worth > 0	

**After the five-year phase-in period described above, all Market Participants shall be subject to the same Tangible Net Worth threshold set forth in subsection (a) as annually adjusted.*

Stakeholder Feedback and Next Steps

PJM is presenting the proposed revisions to the Credit Overview and Supplement for stakeholder review and comment pursuant to Tariff, Attachment Q, section II.F.

Stakeholders are invited to provide feedback at this RMC meeting or by separate communication to PJM Credit through Sept. 30, 2026.

Following consideration of stakeholder comments, PJM will finalize and post the revised Credit Overview and Supplement.

The revised minimum capitalization provisions will have a compliance date of Dec. 31, 2026, consistent with the implementation date of the related Attachment Q requirements.

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Credit Overview and Supplement Revisions: Minimum Capitalization

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