



PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403-2497

Colleen Hicks  
Managing Counsel  
T: 610.666.3010 | F: 610.666.8211  
[Colleen.Hicks@pjm.com](mailto:Colleen.Hicks@pjm.com)

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*Via Electronic Filing*

The Honorable Debbie-Anne A. Reese  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426-0001

*Re: PJM Interconnection, L.L.C., Docket No. ER26-2651-000  
Minimum Capitalization Reform*

Dear Secretary Reese:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Federal Energy Regulatory Commission’s (the “Commission”) Regulations,<sup>1</sup> PJM Interconnection, L.L.C. (“PJM”) hereby submits proposed revisions to PJM’s Open Access Transmission Tariff (“Tariff”) Attachment Q, Section III.D.1. The proposed revisions reduce risk to PJM Markets by increasing the minimum capitalization threshold required to be eligible to participate in PJM Markets while still providing for full access to the grid by a diverse set of entities with different financial structures.

Specifically, and as further explained below, PJM proposes modifications to increase the minimum capitalization required to participate in PJM Markets and to phase in application of these new thresholds. Through these revisions, PJM will be better able to manage the risk in its markets by requiring that all Market Participants<sup>2</sup> meet a minimum

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<sup>1</sup> 18 C.F.R. Part 35.

<sup>2</sup> All capitalized terms that are not otherwise defined herein have the meaning as defined in the Tariff, Operating Agreement, and Reliability Assurance Agreement among Load Serving Entities in the PJM Region.

standard of capitalization high enough to appropriately protect the markets while low enough to not present an unreasonable barrier to entry. The proposal contains six revisions to reduce risk in PJM markets. The proposed revisions:

1. increase the Tangible Net Worth threshold for FTR Market Participants from \$1,000,000 to \$2,000,000;
2. increase the Tangible Net Worth threshold for all other Market Participants from \$500,000 to \$2,000,000;
3. add a 3% annual increase to the Tangible Net Worth threshold commencing five years after implementation for all Market Participants;
4. create more uniform requirements for minimum capitalization for all Market Participants;
5. require that a Market Participant and Guarantor of a Market Participant possess a Tangible Net Worth greater than zero; and
6. require that a Corporate Guaranty, if necessary, be established at an amount at least equal to the current applicable Tangible Net Worth threshold.<sup>3</sup>

The proposed Tariff revisions are planned to be implemented using a 5-year ramping period for Other Market Participants to reach the revised Tangible Net Worth threshold to minimize the risk of disruption or shock. In addition, to ease any adverse effects on Market Participants, PJM proposes an implementation timeline that will take place with Market Participant's Annual Officer Certificate<sup>4</sup> filing due in April 2027.

PJM and its stakeholders, including the Independent Market Monitor with whom PJM developed its proposal, recognize that increased minimum capitalization thresholds reduce risk in PJM's markets. These proposed revisions received necessary stakeholder

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<sup>3</sup> There are other requirements associated with the use of a Guaranty to demonstrate compliance with minimum capitalization requirements that not being changed by the proposed revisions. *See* Tariff, Attachment Q, Section III.D.2.

<sup>4</sup> Tariff, Attachment Q, Appendix 1, Annual Officer Certificate Form.

support. In particular, the Risk Management Committee endorsed these revisions by an 84% approval percentage on November 2, 2025. Subsequently, the Markets and Reliability Committee endorsed the proposed revisions on December 17, 2025, with a sector-weighted vote with 4.383 in favor of the proposal. On January 22, 2026, the Members Committee approved the proposal by acclamation with no objections or abstentions.

In support of this filing, PJM includes the affidavit of its Senior Manager of Underwriting, Mr. Ryan Jones.<sup>5</sup>

PJM respectfully requests an effective date of July 27, 2026, for these Tariff revisions, which is 61 days from the date of filing.

## **I. BACKGROUND ON MINIMUM CAPITALIZATION**

Minimum capitalization is a foundational credit policy tool within PJM's Tariff.<sup>6</sup> The Commission approved PJM's current minimum capitalization requirements in 2011 as part of PJM's compliance filing with Order No. 741.<sup>7</sup> PJM's current minimum capitalization requirements include a net tangible asset or Tangible Net Worth threshold for FTR Participants and Other Market Participants.<sup>8</sup> FTR Participants must demonstrate Tangible Net Worth in excess of \$1 million or tangible assets in excess of \$10 million. Other Market Participants must demonstrate Tangible Net Worth in excess of \$500,000 or tangible assets in excess of \$5 million.<sup>9</sup>

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<sup>5</sup> Affidavit of Ryan Jones on Behalf of PJM Interconnection, L.L.C. (Attachment C) ("Jones Aff.")

<sup>6</sup> Tariff, Attachment Q, Section III.

<sup>7</sup> See *PJM Interconnection, L.L.C.*, 136 FERC ¶ 61,190 (2011) (Order on compliance filing); *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,183 (2012) (Order accepting PJM's November 29, 2011 compliance filing and granting a December 13, 2011, effective date); *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,182 (2012) (Order denying rehearing).

<sup>8</sup> Tariff, Attachment Q, Section III.

<sup>9</sup> *Id.*

The minimum capitalization threshold operates as a financial screen and establishes a Market Participant's basic financial health to be eligible to participate in PJM's markets. Thus, the threshold serves as a bedrock to the overall financial health of PJM's markets. However, PJM's minimum capitalization thresholds have remained fixed for the last fifteen years and their effectiveness has been reduced by inflationary pressures.

The consequence of this 15-year-old fixed minimum capitalization threshold is that its real value has eroded over time as PJM's markets have grown in scale, complexity, and participation. As described herein, inflation has averaged approximately 3% per year during the past 15 years while the minimum capitalization requirements in PJM's Tariff have remained the same. To maintain its effectiveness as a credit policy tool, it is reasonable to allow for the minimum capitalization requirements to be updated periodically in a transparent manner to reflect changing economic conditions.

The proposed Tariff revisions reduce risk in PJM Markets by protecting the markets from risk posed by under-capitalized participants.<sup>10</sup> Additionally, an increase in minimum capitalization requirements directly reduces risk to the PJM Market by improving the ability of a Market Participant to absorb losses and reducing the likelihood of insolvency. The minimum capitalization requirement for Market Participants further protects the markets by ensuring that Market Participants, "ha[ve] adequate risk management capabilities and adequate capital to engage in trading with minimal risk, and related costs, to the market as a whole."<sup>11</sup> FERC noted the risk inherent in under capitalized companies

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<sup>10</sup> *Credit Reforms in Organized Wholesale Electric Markets*, Order No. 741, 75 Fed. Reg. 65942 (Oct. 21, 2010), FERC Stats. & Regs. ¶ 31,317 (2010); *See* Order No. 741 at P 131.

<sup>11</sup> *Id.*

in Order No. 741.<sup>12</sup> Moreover, as detailed below, these provisions are in line with similar minimum capitalization requirements that the Commission approved for other RTOs/ISOs.

PJM notes that its Tariff provides options for those entities who may not meet the minimum capitalization requirements to still participate in its markets.<sup>13</sup> Specifically, a Market Participant who cannot demonstrate compliance with its minimum capitalization requirements, may still qualify to participate in PJM Markets by posting Collateral, additional Collateral, and/or Restricted Collateral pursuant to the existing terms of PJM's Tariff.<sup>14</sup> With limited exceptions, Market Participants are permitted to provide a cash deposit, Letter of Credit or surety bond as an alternate means of demonstrating compliance with the minimum capitalization requirements.<sup>15</sup> PJM's provision of these alternative methods reflect an opportunity for new PJM Market Participants or newly formed affiliates of Market Participants who do not yet have audited financial statements to participate in PJM markets. These provisions are reasonable as they provide Market Participant's flexibility to structure and manage their balance sheets in a manner that works for their business structure and needs while meeting PJM requirements.<sup>16</sup>

## **II. PJM'S PROPOSED TARIFF REVISIONS ARE PART OF PJM'S ONGOING PROCESS TO ENHANCE ITS RISK MANAGEMENT FUNCTION**

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<sup>12</sup> See Order No. 741 at P 123; (“[t]his consideration must be balanced with protecting the market from risks posed by under-capitalized participants without adequate risk management procedures in place. Having minimum criteria in place can help minimize the dangers of mutualized defaults posed by inadequately prepared or under-capitalized participants.”)

<sup>13</sup> Tariff, Attachment Q, Section III.D.2.

<sup>14</sup> *Id.*

<sup>15</sup> See Tariff, Definitions C-D, Collateral.

<sup>16</sup> For instance, Market Participants who choose to maintain physical assets separately still have an avenue to demonstrate compliance with the minimum capitalization thresholds.

***A. THE COMPLEMENT OF THESE TARIFF REVISIONS TAKEN TOGETHER REDUCE RISK IN PJM MARKETS***

***1. Revised Tangible Net Worth for FTR Market Participants***

Under the proposed Tariff revisions, the Tangible Net Worth<sup>17</sup> threshold of the minimum capitalization requirement for FTR Participants increases from \$1 million to greater than or equal to \$2 million.<sup>18</sup> The \$2 million threshold will then remain in place for 5 years. Following Year 5, the threshold will increase by 3% each year thereafter. Finally, after applying the annual 3% percent adjustment, the Tangible Net Worth threshold would be rounded to the nearest \$50,000.<sup>19</sup>

While this revision reflects an increase in the minimum capitalization requirements for FTR Participants, it is within the range of approved Tangible Net Worth thresholds across the RTO/ISOs that have been approved by the Commission as indicated in Table 1 below.

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<sup>17</sup> Proposed Tariff, Attachment Q, (“Tangible Net Worth shall mean total assets less goodwill and other intangible assets, minus total liabilities. The tangible net worth calculation represents the total value of a company's physical assets net of its outstanding liabilities, as based on figures shown in the company's balance sheet. In effect, it indicates an approximation of the liquidation value of the company in the event of bankruptcy or sale.”).

<sup>18</sup> Proposed Tariff, Attachment Q, Section III.D.1.a.

<sup>19</sup> Proposed Tariff, Attachment Q, Section III.D.1.a (“Other Market Participants – Tangible Net Worth greater than or equal to \$1,000,000 on the Implementation Date, with an annual increase of \$200,000 each year for five years until reaching \$2,000,000 in year five. Beginning in year six, the \$2,000,000 threshold shall be adjusted each year by a fixed rate of three percent (3%), rounded to the nearest \$50,000.”).

**Table 1.**<sup>20</sup>

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

As shown in Table 1, PJM and its stakeholders evaluated the Tangible Net Worth requirements of the other RTO/ISOs to determine the proposed Tarriff revisions.<sup>21</sup> For the RTO/ISOs who currently have a separate Tangible Net Worth requirement for FTRs, the value ranged from \$1M (PJM, ERCOT and MISO) to \$10M (SPP). PJM's proposed increase from \$1M to \$2M, for its Tangible Net Worth requirement is within the range of the existing thresholds for FTR Market Participants and when compared to SPP, falls within the lower end of the range.

In addition to reviewing the proposed thresholds as it relates to other RTO/ISOs, PJM and its stakeholders also considered the impact of inflation on the current Tangible Net Worth to inform the reasonableness of the proposed Tariff revisions. As Mr. Jones explains,<sup>22</sup> PJM calculated the inflationary impacts on the current \$1,000,000 Tangible

<sup>20</sup> PJM, Risk Management Committee, Item 2 - ISOs/RTOs Minimum Capitalization Comparison, at 8 (Sept. 26, 2025) (Tangible Net Worth and tangible assets among RTO/ISOs) (“RMC Sept. 26, 2025 Item 2”), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/rmc/2025/20250926/20250926-item-02---minimum-capitalization.pdf>.

<sup>21</sup> *Id.* at 8.

<sup>22</sup> Jones Aff. at ¶ 21.

Net Worth established in 2011. To achieve the same risk reduction effects as 2011, the amount would need to be \$1,557,967<sup>23</sup> expressed in 2026 dollars. It is reasonable that PJM's Minimum Capitalization components are periodically modified to reflect inflationary pressures and evolving financial risks.<sup>24</sup>

## ***2. Revised Tangible Net Worth for Other Market Participants***

The proposed revisions increase the Tangible Net Worth component of minimum capitalization for Other Market Participants from \$500,000 to \$2 million over time as further described in this section.<sup>25</sup> The proposed changes are reasonable and appropriate for all PJM Market Participants because:

- (a) PJM's current Tangible Net Worth for Other Participants is on the lower end of the Tangible Net Worth thresholds approved by the Commission as shown in Table 1 above. For those RTOs who break out the Other Participants, a Tangible Net Worth Threshold of \$500,000 is at the low end as represented by PJM, MISO, while ERCOT. SPP represents the higher end at \$1 million;
- (b) The proposed \$2 million threshold acknowledges the operational risk present in PJM Markets and it is PJM's prudent judgment that a higher Tangible Net Worth is appropriate for all PJM Market Participants. For illustration purposes only, the Securities and Exchange Commission defines an "accredited investor," often an individual, as having a net worth of at least \$1 million;<sup>26</sup> and

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<sup>23</sup> Calculated using a 3% fixed annual inflation factor.

<sup>24</sup> Jones Aff. at ¶ 19.

<sup>25</sup> Proposed Tariff Revisions, Attachment Q, Section III.D.1.b.

<sup>26</sup> SEC Accredited Investor Net Worth Standard. The accredited investor standards are used in determining the availability of certain exemptions from Securities Act registration for nonpublic and limited offerings, including most offerings under Regulation D. The accredited investor concept identifies investors who are eligible to participate in those offerings of unregistered and illiquid securities. To rely on investor status as

(c) Inflation has eroded the \$500,000 threshold established in 2011 to \$320,931 in 2026 dollars. To have the threshold meaningful to reduce risk in 2026, an increase in the Tangible Net Worth for Other Participants is warranted.

The proposed revisions require Other Market Participants to post \$200,000 each year after implementation until their Tangible Net Worth is greater than or equal to \$2,000,000. This ramping period prevents financial shock and provides sufficient time to plan to meet the proposed thresholds.

Further, PJM's Tariff<sup>27</sup> retains the alternative to demonstrate compliance with the Minimum Capitalization requirement by possessing the requisite tangible assets.<sup>28</sup> Currently, Market Participants can either meet the Tangible Net Worth threshold *or* alternatively meet the tangible asset threshold to satisfy minimum capitalization requirements, permitting flexibility for Market Participants of various capital structures and balance sheets.<sup>29</sup>

### ***3. The Proposed Revisions Include a Fixed Three Percent Annual Increase to the Tangible Net Worth Threshold to Address Inflationary Factors***

The proposed Tariff revisions include a fixed 3% adjustment rate designed to be applied annually to Tangible Net Worth threshold commencing in Year 6 and every year

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an "accredited investor," issuers must know or have a reasonable basis to believe that the investor falls within one of eight categories. The individual net worth standard is one such category.

<sup>27</sup> Tariff, Attachment Q, Section III.D.1.

<sup>28</sup> Tangible assets represent the value of all tangibles, physical assets of a Market Participant after subtracting liabilities and intangible assets such as goodwill, patents, trademarks, and copyrights. PJM excludes from the calculation of tangible assets which PJM believes to be restricted, highly risky, or potentially unavailable to settle a claim in the event of default. Examples include, but are not limited to, restricted assets, derivative assets, goodwill, and other intangible assets.

<sup>29</sup> Tariff, Attachment Q, Section III.D.1.c ("In addition to the Tangible Net Worth thresholds set forth above, a Market Participant may satisfy the minimum capitalization requirements through tangible assets meetings or exceeding the following levels(i) FTR Participants – tangible assets of at least \$10,000,000; and (ii) all other Market Participants – tangible assets of at least \$5,000,000....").

thereafter.<sup>30</sup> The fixed three percent closely aligns with the 10- and 20-year historical inflation averages. As explained by Mr. Jones, the 3% rate was selected after evaluating various rate options.<sup>31</sup> PJM considered 10- and 20-year average rates for various inflation indices.<sup>32</sup> PJM's analysis drew from historical data from public sources to compare five inflation indices namely, the Consumer Price - Urban, the Handy-Whitman, the Producer Price Index- Electric, the Producer Price Index - Industry and the Personal Consumption Expenditures. The 10-year averages of these indices ranged from 2.6% - 4.7% per year while the 20-year average ranged from 2.2% - 4.2%. PJM proposed a 3% escalator as part of its new minimum capitalization requirements because it provides a fixed and stable estimate that avoids extremes and has the effect of smoothing cyclical highs and lows.

As further explained by Mr. Jones,<sup>33</sup> PJM extrapolated the fixed three percent (3%) to evaluate the reasonableness of the multiplier. Starting in Year 6, the Tangible Net Worth figures will increase over 5 years to \$2,250,000 in 2036 and further increase to \$2,500,500<sup>34</sup> in 2041 after ten years. The Tangible Net Worth thresholds continue to be within the range of existing Commission approved Tangible Net Worth thresholds.

#### ***4. Creates More Uniform Requirements for Minimum Capitalization for all Market Participants***

As shown in Table 2 below, the proposed Tariff revisions will result in all Market Participants having the same minimum capitalization requirements in six years.<sup>35</sup>

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<sup>30</sup> Proposed Tariff, Attachment Q, Section III.D.1.a and b.

<sup>31</sup> Jones Aff. at ¶ 22.

<sup>32</sup> *Id.* at ¶ 12; *see also* RMC Sept. 26, 2025 Item 2 at 3.

<sup>33</sup> Jones Aff. at ¶ 23.

<sup>34</sup> Figures are rounded to nearest \$50,000.

<sup>35</sup> Proposed Tariff, Attachment Q, Section III.D.1.d.

**Table 2**

Interim (Year 1- Year 5)	Tangible Net Worth	Tangible Assets	Final State (Year 6)	Tangible Net Worth	Tangible Assets
<b>FTR</b>	>\$2M	>\$10M	<b>FTR</b>	>\$2M <i>Increases by 3% fixed rate annually</i>	>\$10M
<b>All Others (Non- FTRs)</b>	>\$1M <i>Increase \$200,000 per year for next 5 years</i>	>\$5M	<b>All Others (Non-FTRs)</b>	>\$2M <i>Increases by 3% fixed rate annually</i>	>\$5M
	<b>Tangible Net Worth &gt;0</b>			<b>Tangible Net Worth &gt; 0</b>	

In Order No. 741, FERC directed the minimum criteria for market eligibility to “apply to all market participants rather than only certain participants.”<sup>36</sup> PJM’s proposed Tariff revisions accomplish this objective. That is, if the Tariff revisions are approved in 2026, the minimum capitalization requirements will become uniform for all Market Participants in 2032. This uniform compliance standard will result in enhanced compliance abilities, comparability and enable more robust risk management decision making. This is appropriate as the minimum capitalization requirements establish the minimum requirements to participate in PJM’s Markets are *not* intended to correlate to Market Participant’s market activity.

There are three RTO/ISOs that currently have a single threshold to meet minimum capitalization requirements for all Market Participants.<sup>37</sup> The various and flexible approaches to structure of the minimum capitalization reflect the various approaches envisioned by Order No. 741. The Commission stated that, “we did not mandate a single

<sup>36</sup> Order No. 741 at P 133.

<sup>37</sup> CAISO, ISO-NE, and NYISO.

set of criteria for all participants in a market.”<sup>38</sup> Instead, the Commission noted that “our intent was that there be minimum criteria for all market participants and not that all market participants necessarily be held to the same minimum criteria. For some criteria, holding all market participants to the same minimum criteria may be appropriate. For other criteria, however, it may be appropriate to hold different participants to different minimum criteria, e.g., based on the size of the participants’ positions.”<sup>39</sup> Consequently, PJM’s proposed approach to using one threshold for all Market Participants is consistent with the flexibility the Commission afforded.

#### ***5. Requires a Tangible Net Worth Greater Than Zero***

The proposed Tariff revisions require that a Market Participant’s Tangible Net Worth (as determined by their audited financial statements) be greater than zero.<sup>40</sup> This revision reduces risk to PJM markets as it bolsters the overall financial health of PJM Markets by requiring that companies simply have positive equity. This is an appropriate and entirely reasonable requirement to be eligible to participate in PJM’s markets. In practical terms, a positive Tangible Net Worth means that an entity’s physical assets exceed its liabilities (i.e., that it is a solvent entity). In contrast, an entity with a negative Tangible Net Worth indicates that the entity is not a healthy entity, poses undue risk and is at risk for meeting their financial obligations. Consequently, requiring the Tangible Net Worth be greater than zero, in combination with other credit and risk management tools, reduces risk to PJM markets by requiring Market Participants to maintain stronger balance sheets

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<sup>38</sup> *Credit Reforms in Organized Wholesale Electric Markets*, Order No. 741-A, 76 Fed. Reg. 10492 (Feb. 25, 2011), FERC Stats. & Regs. ¶ 31,320 (2011) (Order No. 741-A).

<sup>39</sup> *Id.* at P 33, n.43.

<sup>40</sup> Proposed Tariff, Attachment Q, Section III.D.1.c.

enabling to better meet their performance and obligations. If a Market Participant is using a Corporate Guaranty to demonstrate compliance, the Guarantor is also required to have a Tangible Net Worth greater than zero.<sup>41</sup>

***6. Require that a Corporate Guaranty, if Necessary, be Established at an amount at Least Equal to the current Tangible Net Worth Threshold***

For Market Participants who choose to demonstrate that they meet the minimum capitalization threshold using a Corporate Guaranty, the proposed Tariff revisions<sup>42</sup> make clear that the Corporate Guaranty is required to be maintained in an amount equal to the Tangible Net Worth as described in proposed Tariff revisions. This revision makes clear that the amount of the Corporate Guaranty remains the same as the Tangible Net Worth threshold and both serve to provide flexible and varied methods of accessing PJM's markets.

Taken together, these proposed revisions reduce risk to PJM markets while providing flexibility in the manner that diverse Market Participants may demonstrate Tangible Net Worth. These revisions also help ensure that the threshold requirements are not eroded by inflation by incorporating a 3% escalator.

***B. The Tariff Revisions Establish an Implementation Schedule for the Adoption of the Revised Minimum Capitalization Thresholds***

The proposed Tariff revisions<sup>43</sup> establish the first December 31 *following* the effective date of the proposed Tariff revisions as the date on which the new minimum

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<sup>41</sup> Proposed Tariff, Attachment Q, Section III.D.1.c.

<sup>42</sup> Proposed Tariff, Attachment Q, Section III.D.1

<sup>43</sup> *Id.*

capitalization thresholds will be effective.<sup>44</sup> This timing provides Market Participants with adequate notice and sufficient time to procure additional capital or Corporate Guaranty that will be required to meet the minimum capitalization thresholds.

The proposed implementation date aligns with PJM's current process of certifying that the Market Participant meets the minimum capitalization requirement on each April 30, using their audited financial statements from the previous fiscal year.<sup>45</sup> Thus, approval of the proposed Tariff revisions in 2026, would allow PJM to use a Market Participant's fiscal year end audited financial statements to demonstrate that a Market Participant meets the minimum capitalization threshold through the Officer Certification due on April 30, 2027. The annual certification is the vehicle by which an entity attests to the accuracy of the information provided. Because Market Participants must demonstrate that they meet the minimum capitalization requirements as part of the Officer Certification process,<sup>46</sup> Market Participants would need to first demonstrate adherence to the changes in April 2027 which provides adequate time for those Market Participants to make changes to do so.

The proposed revisions include a 5-year ramping process for Other Market Participants to reach the \$2 million Tangible Net Worth threshold required in Year 6. The proposed schedule requires Other Market Participants to increase their Tangible Net Worth by \$200,000 each year until it is equal or greater than \$2 million. At that point, all

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<sup>44</sup> In Order No. 741, FERC anticipated that, "Minimum criteria for market participation, such as the capability to engage in risk management or hedging or to out-source this capability with *periodic compliance verification*, are intended to make sure that each market participant has at its disposal adequate risk management capabilities and adequate capital to engage in trading with minimal risk, and related costs, to the market as a whole." Order 741 at P 26.

<sup>45</sup> See Tariff, Attachment Q, Section II.E.2.

<sup>46</sup> Tariff, Attachment Q, Appendix 1, Officer's Certificate.

PJM Market Participants will have a \$2 million Tangible Net Worth requirement in Year 6.

The five-year ramping period provides sufficient notice and time for entities to plan and secure any capital needed to meet the threshold. Further, the ramping period lessens any rate shock that Market Participants may encounter as they meet the threshold. Notably, this ramping period was developed with stakeholders to moderate the impact of the increase in the Tangible Net Worth threshold.

### **III. A MAJORITY OF MARKET PARTICIPANTS MEET THE REVISED MINIMUM CAPITALIZATION REQUIREMENTS**

Based on PJM's analysis, eighty percent<sup>47</sup> (80%) of PJM Market Participants are anticipated to meet the proposed minimum capitalization requirements in Year 6 based on their 2024 audited financial statements.<sup>48</sup> In determining the revised Tariff revisions, PJM and its stakeholders considered the impact of the proposal on the PJM sectors to evaluate the reasonableness of its proposal. Table 3 below summarizes PJM's analysis on a sector basis.

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<sup>47</sup> Further, the 80% does not include those Market Participants who will elect to demonstrate compliance with the minimum capitalization requirements by alternative methods. PJM anticipates the percentage of Market Participants demonstrating the threshold is anticipated to be higher than 80%.

<sup>48</sup> Jones Aff. at ¶ 27. These figures were based on Market Participants audited financial statements. If a Market Participant was using a Guaranty to demonstrate compliance, the Guarantor's financial statements would be used.

**Table 3**

	<b>(1)</b>					<b>(2)</b>				<b>(3)</b>			
	<b>Status Quo</b>					<b>Package G Yr 1</b>				<b>Package G Year 6</b>			
	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			
	Doesn't Meet # Doesn't Meet %		Collateral Required (000s)			Doesn't Meet # Doesn't Meet %		Collateral Required (000s)		Doesn't Meet # Doesn't Meet %		Collateral Required (000s)	
Total	#	% of Total MP	% of LOB		#	% of Total MP	% of LOB		#	% of Total MP	% of LOB		
Generation Owner/Transmission Owner	359	12	2%	3%	\$6,500	43	5%	12%	\$47,430	44	6%	12%	\$88,000
Load Serving Entity	103	8	1%	8%	\$4,500	36	5%	35%	\$38,821	42	5%	41%	\$84,000
Curtailement Service Provider	25	6	1%	24%	\$3,000	14	2%	56%	\$11,734	16	2%	64%	\$32,000
Financial Trader	129	10	1%	8%	\$7,000	17	2%	13%	\$20,059	26	3%	20%	\$52,000
Power Marketer	134	4	1%	3%	\$2,500	18	2%	13%	\$19,364	24	3%	18%	\$48,000
Other	48	0	0%	0%	\$0	5	0%	10%	\$8,068	6	1%	13%	\$12,000
<b>Total</b>	<b>798</b>	<b>40</b>	<b>5%</b>		<b>\$23,500</b>	<b>133</b>	<b>17%</b>		<b>\$145,477</b>	<b>158</b>	<b>20%</b>		<b>\$316,000</b>

Table 3 illustrates that under the current or status quo minimum capitalization standards, five percent (5%) of PJM Market Participants do not meet the minimum capitalization threshold.<sup>49</sup> Their status as a Market Participant means that they have demonstrated compliance with the minimum capitalization thresholds using another alternative. They may have posted Cash, a Letter of Credit or a Surety Bond to satisfy the minimum capitalization requirements pursuant to PJM’s Tariff.<sup>50</sup>

Under the proposed Tariff revisions, PJM has determined that eighty-three percent (83%) of Market Participants will meet the thresholds in Year 1 and that number decreases

<sup>49</sup> These Market Participants post a form of Collateral to participate in PJM Markets.

<sup>50</sup> Tariff, Attachment Q, Section III.D.2. (“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 provision of Collateral requirements....”).

to eighty percent (80%) in Year 6. As explained by Mr. Jones,<sup>51</sup> this decline in Market Participants not meeting the revised Tangible Net Worth threshold (is derived solely from PJM's analysis of Market Participants' 2024 audited financial statements) is attributed to two primary factors: (1) the requirement that Total Net Worth be greater than zero; and (2) Market Participants' individual decisions to manage their balance sheet and corporate structure. The decline in Market Participants that do not meet the revised threshold is due in a lesser part to the use of 2024 financials which become stale for projections from Years 2-6.

PJM applied the proposed thresholds to Market Participants using their 2024 audited financial statements as part of its impact analysis. This impact analysis began with the five percent (5%) of Market Participants who did not meet the minimum capitalization thresholds at status quo. PJM then determined that twenty percent (20%) of Market Participants would not meet the revised requirements based on the 2024 audited financial statements in Year 6. The increase in Market Participants that did not meet the revised minimum capitalization thresholds (from 5% at status quo to 20% in Year 6) was specifically attributed to the requirement in the proposed revisions that Total Net Worth be greater than zero. As explained above in Section II.6 above, this requirement merely requires that Market Participants be solvent and have real assets that could potentially be available to meet payment obligations. This is a proper component of minimum capitalization as it merely requires more assets than liabilities.

PJM's analysis determined that the other reason Market Participants are not anticipated to meet the threshold is related to individual choice and reflects the varied type

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<sup>51</sup> Jones Aff. at ¶ 27.

of entities, corporate structure and liquidity arrangements found within PJM Market Participants. For example, some Market Participants elect to retain the minimum capitalization on their balance sheets and therefore *any* increase in the minimum capitalization requirements will necessarily indicate Market Participants that do not meet the requirement.

PJM's analysis of Market Participant balance sheets showed that some entities maintain the minimum capitalization requirements on their balance sheets despite evidence of increased growth and revenues. Market Participants are certainly entitled to manage their balance sheets as they see fit. As explained by Mr. Jones, the projections of Market Participant's not meeting the revised thresholds does not translate into an inability to meet an increased minimum requirement.<sup>52</sup>

PJM's analysis showed that the largest percentage of Market Participants projecting an inability to meet the revised thresholds were in the Generation Owner sector at six percent (6%), and Transmission Owner and Load Serving Entity sectors at five percent (5%). PJM's analysis also determined that Market Participants in the Other Supplier sector comprised only one percent (1%) of the Market Participants projected to have an inability to meet the revised threshold. PJM's analysis provides evidence that the revised threshold does not present barriers to entry but rather highlights the individual choices made by Market Participants.

The requirement that Tangible Net Worth be greater than zero in combination with the other risk management enhancements improve the overall health of PJM markets. The proposed revisions have the effect of encouraging all Market Participants to have stronger

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<sup>52</sup> *Id.* at ¶ 29.

balance sheets and to engage in disciplined debt management and reduction, increasing the health of PJM Participants and as a consequence reducing risk.

As the Commission noted in Order No. 741, “[t]he management of risk and credit necessarily involves balance. If access to credit is too restrictive, competition suffers because fewer entities are eligible to participate, which can potentially reduce competition. Conversely, if more risk is tolerated and access to credit is too easy to obtain, then the market is more susceptible to defaults and customers bear the burden of the costs that flow from such defaults. In organized wholesale electric markets, defaults not supported by collateral are socialized among all other market participants.”<sup>53</sup>

PJM’s proposed revisions strike the right balance. Eighty percent (80%) of Market Participants meet the revised threshold. Those that do not have the ability to continue to participate in PJM Markets by posting other Collateral, additional Collateral or Restricted Collateral. Market Participants also have the option of increasing the assets on their balance sheet to meet the revised thresholds. Regardless of an entity’s capitalization, all Market Participants have alternatives to become eligible to participate in PJM Markets.<sup>54</sup>

The Commission has determined that an RTO must be given reasonable discretion to consider the minimum criteria that is most applicable to its markets.<sup>55</sup> PJM’s Tariff and its proposed Tariff revisions provide Market Participants the flexibility to demonstrate

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<sup>53</sup> Order No. 741 at P 2. Given that under the default provisions of PJM’s Operating Agreement PJM Members bear certain risks, PJM’s proposal to revise the minimize capitalization requirement serves to protect PJM Members.

<sup>54</sup> Attachment Q, Section III.D.1.

<sup>55</sup> Order No. 741 at P 132. (“[T]he Commission will not specify criteria at this time and instead directs that each ISO and RTO develop these criteria through their stakeholder processes. Consequently, the Commission directs each ISO and RTO to submit a compliance filing that includes tariff revisions to establish minimum criteria for market participation. Each RTO will need to consider the minimum criteria that are most applicable to its markets.”).

compliance with minimum capitalization requirements by using several methods, namely audited financial statements, by providing a corporate Guaranty and by posting Collateral.

The Commission recognized that the minimum criteria established to participate in wholesale markets, “should not be unduly burdensome compared to the need to protect the stability of the organized markets.”<sup>56</sup> Further, FERC stated in Order No. 741 that, “minimum criteria should not be onerous, however, and should allow most traditional market participants – including small load-serving entities, municipalities, cooperatives, and other similar participants in organized wholesale electric markets – to participate.”<sup>57</sup> The Commission recognized that, “trading by undercapitalized entities without adequate risk management procedures in place poses an unwarranted risk to organized wholesale electric markets and to their market participants.”<sup>58</sup>

PJM’s proposed revisions align with the Commission’s objectives. PJM stakeholders overwhelmingly adopted these provisions - that a majority of Market Participants could meet as adopted or meet using alternative methods to demonstrate compliance. Market Participants can alternatively post Collateral to satisfy the minimum capitalization requirements.

#### **IV. THE PROPOSED TARIFF REVISIONS DO NOT POSE BARRIERS TO ENTRY INTO PJM MARKETS**

The proposed Tariff revisions are not barriers to entry for new entrants or current Market Participants to continue to participate in PJM's Markets. As shown in Table 3

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<sup>56</sup> *Id.* at P 133.

<sup>57</sup> *Id.* at P 26.

<sup>58</sup> *Id.*

above, these proposed Tariff revisions do not disproportionately impact any sector of PJM Market Participants.

The percentage of Market Participants that PJM's analysis determined as not meeting the minimum capitalization requirements is not synonymous with Market Participants who cannot participate in PJM Markets. Instead, the numbers reflect the Market Participants who do not meet the thresholds based on their audited financial statements for the fiscal year 2024. As explained by Mr. Jones,<sup>59</sup> some Market Participants choose to manage their balance sheets to meet the minimum requirements and do not reflect an inability to meet the current or revised minimum capitalization thresholds.

PJM's proposed revisions are transparent and do not discriminate against any type of Market Participant. The minimum eligibility requirements are clearly indicated in Attachment Q of PJM's Tariff. This transparency permits current and future Market Participants to adequately plan and maintain their participation in PJM markets. Because the proposed threshold is clear and easily calculated in future years via a fixed percentage, all Market Participants have confidence that the requirements are being applied on a non-discriminatory basis.

The proposed revisions are flexible and permit alternative methods of meeting the minimum capitalization requirements. Market Participants may demonstrate compliance by Tangible Net Worth, tangible assets, posting a form of Collateral or through the provision of a Corporate Guaranty. The proposed revisions do not create barriers to entry as they permit Market Participants, the ability to manage and maintain their balance

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<sup>59</sup> Jones Aff. at ¶ 32.

sheets in a manner most suitable for their capital structure of their company. Even new entrants who may not have an established history of participation in PJM markets have an avenue to demonstrate eligibility among the various alternatives.

Each Market Participant is unique and presents different market risks that may manifest under various times, seasons, and circumstances. These proposed revisions reduce risk within PJM Markets as they provide a baseline level of default risk protection from counterparties that Market Participants are not otherwise able to protect themselves from. As FERC noted in Order No 741A, “[t]he management of risk and credit requires a balance between protecting the markets from costly defaults and ensuring that barriers to entry for market participants are not prohibitive.”<sup>60</sup>

As discussed below, these proposed revisions received significant support from its stakeholder community during which various perspectives were heard and evaluated and which helped to inform the proposed revisions.

## **V. STAKEHOLDER PROCESS**

PJM and its stakeholders developed these Tariff revisions in meetings throughout 2024 and 2025, and the proposed revisions have the support of the PJM membership. The Risk Management Committee approved the revisions on November 22, 2025. The Markets and Reliability Committee endorsed this package on December 17, 2025, with a sector-weighted vote with 4.383 in favor of the proposal.<sup>61</sup> The Members Committee subsequently

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<sup>60</sup> Order No. 741-A at P 2.

<sup>61</sup> PJM, MRC, Item 1a – Minimum Capitalization Requirement Reform (Dec. 17, 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20251217/20251217-item-01a--1-minimum-capitalization-.pdf>.

considered and endorsed the proposal on January 22, 2026, by acclamation with no objections and no abstention.

## **VI. EFFECTIVE DATE AND REQUEST FOR WAIVER**

PJM respectfully requests an effective date of July 27, 2026, which is 61 days from the date of filing.

## **VII. DESCRIPTION OF SUBMITTAL**

This filing consists of the following:

1. This transmittal letter;
2. Attachment A – Revisions to the Tariff in marked format;
3. Attachment B – Revisions to the Tariff in clean format and
4. Attachment C – Affidavit of Ryan Jones, PJM Interconnection, L.L.C.

## **VIII. CORRESPONDENCE**

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

Colleen Hicks  
Managing Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, Pennsylvania 19403  
(610) 666-3010  
[colleen.hicks@pjm.com](mailto:colleen.hicks@pjm.com)

Craig Glazer  
Vice President - Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W, Suite 600  
Washington, D.C. 20005  
(202) 423-4743  
[craig.glazer@pjm.com](mailto:craig.glazer@pjm.com)

## **IX. SERVICE**

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,<sup>62</sup> PJM will post a copy of this filing to the

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<sup>62</sup> See 18 C.F.R. §§ 35.2(e) and 385.2010(f)(3).

FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region<sup>63</sup> alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp>, in accordance with the Commission's regulations and Order No. 714.

## X. CONCLUSION

Based on the foregoing, PJM respectfully requests that the Commission accept the proposed revisions to PJM's Tariff no later than July 26, 2026.

Respectfully submitted,

Craig Glazer  
Vice President–Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 423-4743 (phone)  
(202) 393-7741 (fax)  
[Craig.Glazer@pjm.com](mailto:Craig.Glazer@pjm.com)

/s/ Colleen Hicks  
Colleen Hicks  
Managing Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403  
(610) 666-3010 (phone)  
(610) 666-8211 (fax)  
[Colleen.Hicks@pjm.com](mailto:Colleen.Hicks@pjm.com)

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<sup>63</sup> PJM already maintains, updates, and regularly uses e-mail lists for all PJM Members and affected state commissions.

Attachment A

Revisions to the  
PJM Open Access Transmission Tariff

(Marked Format)

### **III. MINIMUM PARTICIPATION REQUIREMENTS**

A Participant seeking to participate in any PJM Markets shall submit to PJM any information or documentation reasonably required for PJM to evaluate its experience and resources. If PJM determines, based on its review of the relevant information and after consultation with the Participant, that the Participant's participation in any PJM Markets presents an unreasonable credit risk, PJM may reject the Participant's application to become a Market Participant, notwithstanding applicant's ability to meet other minimum participation criteria, registration requirements and creditworthiness requirements.

#### **A. Annual Certification**

Before they are eligible to transact in any PJM Market, all Applicants shall provide to PJM (i) an executed copy of a credit application and (ii) a copy of the annual certification set forth in Attachment Q, Appendix 1. As a condition to continued eligibility to transact in any PJM Market, Market Participants shall provide to PJM the annual certification set forth in Attachment Q, Appendix 1.

After the initial submission, the annual certification must be submitted each calendar year by all Market Participants between January 1 and April 30. PJM will accept such certifications as a matter of course and the Market Participants will not need further notice from PJM before commencing or maintaining their eligibility to participate in any PJM Markets.

A Market Participant that fails to provide its annual certification by April 30 shall be ineligible to transact in any PJM Markets and PJM will disable the Market Participant's access to any PJM Markets until such time as PJM receives the certification. In addition, failure to provide an executed annual certification in a form acceptable to PJM and by the specified deadlines may result in a default under the Tariff.

Market Participants acknowledge and understand that the annual certification constitutes a representation upon which PJM will rely. Such representation is additionally made under the Tariff, filed with and accepted by FERC, and any false, misleading or incomplete statement knowingly made by the Market Participant and that is material to the Market Participant's ability to perform may be considered a violation of the Tariff and subject the Market Participant to action by FERC. Failure to comply with any of the criteria or requirements listed herein or in the certification may result in suspension or limitation of a Market Participant's transaction rights in any PJM Markets.

Applicants and Market Participants shall submit to PJM, upon request, any information or documentation reasonably and/or legally required to confirm Applicant's or Market Participant's compliance with the Agreements and the annual certification.

#### **B. PJM Market Participation Eligibility Requirements**

PJM may conduct periodic verification to confirm that Applicants and Market Participants can demonstrate that they meet the definition of “appropriate person” to further ensure minimum criteria are in place. Such demonstration will consist of the submission of evidence and an executed Annual Officer Certification form as set forth in Attachment Q, Appendix 1 in a form acceptable to PJM. If an Applicant or Market Participant does not provide sufficient evidence for verification to PJM within five (5) Business Days of written request, then such Applicant or Market Participant may result in a default under this Tariff. Demonstration of “appropriate person” status and support of other certifications on the annual certification is one part of the Minimum Participation Requirements for any PJM Markets and does not obviate the need to meet the other Minimum Participation Requirements such as those for minimum capitalization and risk profile as set forth in this Attachment Q.

To be eligible to transact in any PJM Markets, an Applicant or Participant must demonstrate in accordance with the Risk Management and Verification processes set forth below that it qualifies in one of the following ways:

1. an “appropriate person,” as that term is defined under Commodity Exchange Act, section 4(c)(3), or successor provision, or;
2. an “eligible contract participant,” as that term is defined in Commodity Exchange Act, section 1a(18), or successor provision, or;
3. a business entity or person who is in the business of: (1) generating, transmitting, or distributing electric energy, or (2) providing electric energy services that are necessary to support the reliable operation of the transmission system, or;
4. an Applicant or Market Participant seeking eligibility as an “appropriate person” providing an unlimited Corporate Guaranty in a form acceptable to PJM as described in section V below from a Guarantor that has demonstrated it is an “appropriate person,” and has at least \$1 million of total net worth or \$5 million of total assets per Applicant and Market Participant for which the Guarantor has issued an unlimited Corporate Guaranty, or;
5. an Applicant or Market Participant providing a Letter of Credit of at least \$5 million to PJM in a form acceptable to PJM as described in section V below, that the Applicant or Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements to PJM, or;
6. an Applicant or Market Participant providing a surety bond of at least \$5 million to PJM in a form acceptable to PJM as described in section V below, that the Applicant or Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements to PJM.

If, at any time, a Market Participant cannot meet the eligibility requirements set forth above, it shall immediately notify PJM and immediately cease conducting transactions in any PJM Markets. PJM may terminate a Market Participant’s transaction rights in any PJM Markets if, at

any time, it becomes aware that the Market Participant does not meet the minimum eligibility requirements set forth above.

In the event that a Market Participant is no longer able to demonstrate it meets the minimum eligibility requirements set forth above, and possesses, obtains or has rights to possess or obtain, any open or forward positions in any PJM Markets, PJM may take any such action it deems necessary with respect to such open or forward positions, including, but not limited to, liquidation, transfer, assignment, sale or allowing position(s) to go to settlement; provided, however, that the Market Participant will, notwithstanding its ineligibility to participate in any PJM Markets, be entitled to any positive market value of those positions, net of any obligations due and owing to PJM.

### **C. Risk Management and Verification**

All Market Participants must maintain current written risk management policies, procedures, or controls to address how market and credit risk is managed, and are required to submit to PJM (at the time they make their annual certification) a copy of their current governing risk control policies, procedures and controls applicable to their market activities. PJM will review such documentation to verify that it appears generally to conform to prudent risk management practices for entities participating in any PJM Markets.

All Market Participants subject to this provision shall make a one-time payment of \$1,500.00 to PJM to cover administrative costs. Thereafter, if such Participant's risk policies, procedures and controls applicable to its market activities change substantively, it shall submit such modified documentation, with applicable administrative charge determined by PJM, to PJM for review and verification at the time it makes its annual certification. All Market Participant's continued eligibility to participate in any PJM Markets is conditioned on PJM notifying a Participant that its annual certification, including the submission of its risk policies, procedures and controls, has been accepted by PJM. PJM may retain outside expertise to perform the review and verification function described in this section, however, in all circumstances, PJM and any third-party it may retain will treat as confidential the documentation provided by a Participant under this section, consistent with the applicable provisions of the Operating Agreement.

Participants must demonstrate that they have implemented prudent risk management policies and procedures in order to be eligible to participate in any PJM Markets. Participants must demonstrate on at least an annual basis that they have implemented and maintained prudent risk management policies and procedures in order to continue to participate in any PJM Markets. Upon written request, the Participant will have fourteen (14) calendar days to provide to PJM current governing risk management policies, procedures, or controls applicable to Participant's activities in any PJM Markets.

### **D. Capitalization**

In advance of certification, Applicants shall meet the minimum capitalization requirements below. In addition to the annual certification requirements in Attachment Q, Appendix 1, a Market Participant shall satisfy the minimum capitalization requirements on an annual basis

thereafter. 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 provision of Collateral requirements listed below:

## 1. Minimum Capitalization

For purposes of this Section III.D, the “Implementation Date” shall mean the first December 31 following the effective date of the version of this Section III.D that is currently in effect. All phase-in periods, five-year calculations, and annual fixed-rate adjustments specified herein shall be measured from the Implementation Date. The minimum capitalization requirements set forth in this Section shall apply beginning on the Implementation Date. A Market Participant’s annual certification due by April 30 each year shall certify compliance with the standards applicable as of the immediately preceding December 31.

Minimum capitalization may be met by demonstrating minimum levels of Tangible Net Worth or tangible assets. ~~The applicable Tangible Net Worth thresholds, tangible asset thresholds, and related requirements are set forth below. FTR Participants must demonstrate a Tangible Net Worth in excess of \$1 million or tangible assets in excess of \$10 million. Other Market Participants must demonstrate a Tangible Net Worth in excess of \$500,000 or tangible assets in excess of \$5 million.~~

(a) FTR Participants – Tangible Net Worth greater than or equal to \$2,000,000. This threshold shall remain fixed for the first five years after the Implementation Date and, beginning in year six, shall be increased each year by a fixed rate of three percent (3%), rounded to the nearest \$50,000.

(b) Other Market Participants – Tangible Net Worth greater than or equal to \$1,000,000 on the Implementation Date, with an annual increase of \$200,000 each year for five years until reaching \$2,000,000 in year five. Beginning in year six, the \$2,000,000 threshold shall be adjusted each year by a fixed rate of three percent (3%), rounded to the nearest \$50,000.

(c) Tangible Asset Thresholds – In addition to the Tangible Net Worth thresholds set forth above, a Market Participant may satisfy the minimum capitalization requirement through tangible assets meeting or exceeding the following levels: (i) FTR Participants – tangible assets of at least \$10,000,000; and (ii) all other Market Participants – tangible assets of at least \$5,000,000. For the avoidance of doubt, a Market Participant relying on tangible assets must also maintain Tangible Net Worth greater than zero.

(d) 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 under this Section.

(ae) Consideration of tangible assets and Tangible Net Worth shall exclude assets which PJM reasonably believes to be restricted, highly risky, or potentially unavailable to settle a claim in the event of default. Examples include, but are not limited to, restricted assets, derivative assets, goodwill, and other intangible assets.

(bf) 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 least \$500,000 equal to the full Tangible Net Worth threshold applicable for its Participant type and year, including any fixed-rate or scheduled adjustments provided above.

If the Corporate Guaranty presented by the Participant to satisfy these capitalization requirements is limited in value, then the Participant’s resulting Unsecured Credit Allowance shall be the lesser of:

- (1) the applicable Unsecured Credit Allowance available to the Participant by the Corporate Guaranty pursuant to the creditworthiness provisions of this Attachment Q, or,
- (2) the face value of the Corporate Guaranty, reduced by \$500,000 and further reduced by 10%. (For example, a \$10.5 million Corporate Guaranty would be reduced first by \$500,000 to \$10 million and then further reduced 10% more to \$9 million. The resulting \$9 million would be the Participant’s Unsecured Credit Allowance available through the Corporate Guaranty).

In the event that a Participant provides Collateral in addition to a limited Corporate Guaranty to increase its available credit, the value of such Collateral shall be reduced by 10%. This reduced value shall be considered the amount available to satisfy requirements of this Attachment Q.

(g) 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 above.

(eh) Demonstrations of minimum capitalization (minimum Tangible Net Worth or tangible assets) must be presented in the form of audited financial statements for the Participant’s most recent fiscal year during the initial risk evaluation process and ongoing risk evaluation process.

## 2. Provision of Collateral

If a Participant does not demonstrate compliance with its applicable minimum capitalization requirements above, it may still qualify to participate in any PJM Markets by posting Collateral, additional Collateral, and/or Restricted Collateral, subject to the terms and conditions set forth herein.

Any Collateral provided by a Participant unable to satisfy the minimum capitalization requirements above will also be restricted in the following manner:

- (a) Collateral provided by Market Participants that engage in FTR transactions shall be reduced by an amount of the current risk plus any future risk to any PJM Markets and PJM membership in general, and may coincide with limitations on market participation. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.
- (b) Collateral provided by other Participants that engage in Virtual Transactions or Export Transactions shall be reduced by \$200,000 and then further reduced by 10%. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.
- (c) Collateral provided by other Participants that do not engage in Virtual Transactions or Export Transactions shall be reduced by 10%. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.

In the event a Participant that satisfies the minimum capital requirement through provision of Collateral also provides a Corporate Guaranty to increase its available credit, then the Participant's resulting Unsecured Credit Allowance conveyed through such Corporate Guaranty shall be the lesser of:

- (a) the applicable Unsecured Credit Allowance available to the Participant by the Corporate Guaranty pursuant to the creditworthiness provisions of this Attachment Q; or
- (b) the face value of the Corporate Guaranty, reduced commensurate with the amount of the current risk plus any anticipated future risk to any PJM Markets and PJM membership in general, and may coincide with limitations on market participation.

Attachment B

Revisions to the  
PJM Open Access Transmission Tariff

(Clean Format)

### **III. MINIMUM PARTICIPATION REQUIREMENTS**

A Participant seeking to participate in any PJM Markets shall submit to PJM any information or documentation reasonably required for PJM to evaluate its experience and resources. If PJM determines, based on its review of the relevant information and after consultation with the Participant, that the Participant's participation in any PJM Markets presents an unreasonable credit risk, PJM may reject the Participant's application to become a Market Participant, notwithstanding applicant's ability to meet other minimum participation criteria, registration requirements and creditworthiness requirements.

#### **A. Annual Certification**

Before they are eligible to transact in any PJM Market, all Applicants shall provide to PJM (i) an executed copy of a credit application and (ii) a copy of the annual certification set forth in Attachment Q, Appendix 1. As a condition to continued eligibility to transact in any PJM Market, Market Participants shall provide to PJM the annual certification set forth in Attachment Q, Appendix 1.

After the initial submission, the annual certification must be submitted each calendar year by all Market Participants between January 1 and April 30. PJM will accept such certifications as a matter of course and the Market Participants will not need further notice from PJM before commencing or maintaining their eligibility to participate in any PJM Markets.

A Market Participant that fails to provide its annual certification by April 30 shall be ineligible to transact in any PJM Markets and PJM will disable the Market Participant's access to any PJM Markets until such time as PJM receives the certification. In addition, failure to provide an executed annual certification in a form acceptable to PJM and by the specified deadlines may result in a default under the Tariff.

Market Participants acknowledge and understand that the annual certification constitutes a representation upon which PJM will rely. Such representation is additionally made under the Tariff, filed with and accepted by FERC, and any false, misleading or incomplete statement knowingly made by the Market Participant and that is material to the Market Participant's ability to perform may be considered a violation of the Tariff and subject the Market Participant to action by FERC. Failure to comply with any of the criteria or requirements listed herein or in the certification may result in suspension or limitation of a Market Participant's transaction rights in any PJM Markets.

Applicants and Market Participants shall submit to PJM, upon request, any information or documentation reasonably and/or legally required to confirm Applicant's or Market Participant's compliance with the Agreements and the annual certification.

#### **B. PJM Market Participation Eligibility Requirements**

PJM may conduct periodic verification to confirm that Applicants and Market Participants can demonstrate that they meet the definition of “appropriate person” to further ensure minimum criteria are in place. Such demonstration will consist of the submission of evidence and an executed Annual Officer Certification form as set forth in Attachment Q, Appendix 1 in a form acceptable to PJM. If an Applicant or Market Participant does not provide sufficient evidence for verification to PJM within five (5) Business Days of written request, then such Applicant or Market Participant may result in a default under this Tariff. Demonstration of “appropriate person” status and support of other certifications on the annual certification is one part of the Minimum Participation Requirements for any PJM Markets and does not obviate the need to meet the other Minimum Participation Requirements such as those for minimum capitalization and risk profile as set forth in this Attachment Q.

To be eligible to transact in any PJM Markets, an Applicant or Participant must demonstrate in accordance with the Risk Management and Verification processes set forth below that it qualifies in one of the following ways:

1. an “appropriate person,” as that term is defined under Commodity Exchange Act, section 4(c)(3), or successor provision, or;
2. an “eligible contract participant,” as that term is defined in Commodity Exchange Act, section 1a(18), or successor provision, or;
3. a business entity or person who is in the business of: (1) generating, transmitting, or distributing electric energy, or (2) providing electric energy services that are necessary to support the reliable operation of the transmission system, or;
4. an Applicant or Market Participant seeking eligibility as an “appropriate person” providing an unlimited Corporate Guaranty in a form acceptable to PJM as described in section V below from a Guarantor that has demonstrated it is an “appropriate person,” and has at least \$1 million of total net worth or \$5 million of total assets per Applicant and Market Participant for which the Guarantor has issued an unlimited Corporate Guaranty, or;
5. an Applicant or Market Participant providing a Letter of Credit of at least \$5 million to PJM in a form acceptable to PJM as described in section V below, that the Applicant or Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements to PJM, or;
6. an Applicant or Market Participant providing a surety bond of at least \$5 million to PJM in a form acceptable to PJM as described in section V below, that the Applicant or Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements to PJM.

If, at any time, a Market Participant cannot meet the eligibility requirements set forth above, it shall immediately notify PJM and immediately cease conducting transactions in any PJM Markets. PJM may terminate a Market Participant’s transaction rights in any PJM Markets if, at

any time, it becomes aware that the Market Participant does not meet the minimum eligibility requirements set forth above.

In the event that a Market Participant is no longer able to demonstrate it meets the minimum eligibility requirements set forth above, and possesses, obtains or has rights to possess or obtain, any open or forward positions in any PJM Markets, PJM may take any such action it deems necessary with respect to such open or forward positions, including, but not limited to, liquidation, transfer, assignment, sale or allowing position(s) to go to settlement; provided, however, that the Market Participant will, notwithstanding its ineligibility to participate in any PJM Markets, be entitled to any positive market value of those positions, net of any obligations due and owing to PJM.

### **C. Risk Management and Verification**

All Market Participants must maintain current written risk management policies, procedures, or controls to address how market and credit risk is managed, and are required to submit to PJM (at the time they make their annual certification) a copy of their current governing risk control policies, procedures and controls applicable to their market activities. PJM will review such documentation to verify that it appears generally to conform to prudent risk management practices for entities participating in any PJM Markets.

All Market Participants subject to this provision shall make a one-time payment of \$1,500.00 to PJM to cover administrative costs. Thereafter, if such Participant's risk policies, procedures and controls applicable to its market activities change substantively, it shall submit such modified documentation, with applicable administrative charge determined by PJM, to PJM for review and verification at the time it makes its annual certification. All Market Participant's continued eligibility to participate in any PJM Markets is conditioned on PJM notifying a Participant that its annual certification, including the submission of its risk policies, procedures and controls, has been accepted by PJM. PJM may retain outside expertise to perform the review and verification function described in this section, however, in all circumstances, PJM and any third-party it may retain will treat as confidential the documentation provided by a Participant under this section, consistent with the applicable provisions of the Operating Agreement.

Participants must demonstrate that they have implemented prudent risk management policies and procedures in order to be eligible to participate in any PJM Markets. Participants must demonstrate on at least an annual basis that they have implemented and maintained prudent risk management policies and procedures in order to continue to participate in any PJM Markets. Upon written request, the Participant will have fourteen (14) calendar days to provide to PJM current governing risk management policies, procedures, or controls applicable to Participant's activities in any PJM Markets.

### **D. Capitalization**

In advance of certification, Applicants shall meet the minimum capitalization requirements below. In addition to the annual certification requirements in Attachment Q, Appendix 1, a Market Participant shall satisfy the minimum capitalization requirements on an annual basis

thereafter. 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 provision of Collateral requirements listed below:

## **1. Minimum Capitalization**

For purposes of this Section III.D, the “Implementation Date” shall mean the first December 31 following the effective date of the version of this Section III.D that is currently in effect. All phase-in periods, five-year calculations, and annual fixed-rate adjustments specified herein shall be measured from the Implementation Date. The minimum capitalization requirements set forth in this Section shall apply beginning on the Implementation Date. A Market Participant’s annual certification due by April 30 each year shall certify compliance with the standards applicable as of the immediately preceding December 31.

Minimum capitalization may be met by demonstrating minimum levels of Tangible Net Worth or tangible assets. The applicable Tangible Net Worth thresholds, tangible asset thresholds, and related requirements are set forth below.

- (a) FTR Participants – Tangible Net Worth greater than or equal to \$2,000,000. This threshold shall remain fixed for the first five years after the Implementation Date and, beginning in year six, shall be increased each year by a fixed rate of three percent (3%), rounded to the nearest \$50,000.
- (b) Other Market Participants – Tangible Net Worth greater than or equal to \$1,000,000 on the Implementation Date, with an annual increase of \$200,000 each year for five years until reaching \$2,000,000 in year five. Beginning in year six, the \$2,000,000 threshold shall be adjusted each year by a fixed rate of three percent (3%), rounded to the nearest \$50,000.
- (c) Tangible Asset Thresholds – In addition to the Tangible Net Worth thresholds set forth above, a Market Participant may satisfy the minimum capitalization requirement through tangible assets meeting or exceeding the following levels: (i) FTR Participants – tangible assets of at least \$10,000,000; and (ii) all other Market Participants – tangible assets of at least \$5,000,000. For the avoidance of doubt, a Market Participant relying on tangible assets must also maintain Tangible Net Worth greater than zero.
- (d) 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 under this Section.
- (e) Consideration of tangible assets and Tangible Net Worth shall exclude assets which PJM reasonably believes to be restricted, highly risky, or potentially unavailable to settle a claim in the event of default. Examples include, but are not limited to, restricted assets, derivative assets, goodwill, and other intangible assets.
- (f) 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 least equal to the full Tangible Net Worth threshold applicable for its Participant type and year, including any fixed-rate or scheduled adjustments provided above.

If the Corporate Guaranty presented by the Participant to satisfy these capitalization requirements is limited in value, then the Participant's resulting Unsecured Credit Allowance shall be the lesser of:

- (1) the applicable Unsecured Credit Allowance available to the Participant by the Corporate Guaranty pursuant to the creditworthiness provisions of this Attachment Q, or,
- (2) the face value of the Corporate Guaranty, reduced by \$500,000 and further reduced by 10%. (For example, a \$10.5 million Corporate Guaranty would be reduced first by \$500,000 to \$10 million and then further reduced 10% more to \$9 million. The resulting \$9 million would be the Participant's Unsecured Credit Allowance available through the Corporate Guaranty).

In the event that a Participant provides Collateral in addition to a limited Corporate Guaranty to increase its available credit, the value of such Collateral shall be reduced by 10%. This reduced value shall be considered the amount available to satisfy requirements of this Attachment Q.

(g) 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 above.

(h) Demonstrations of minimum capitalization (minimum Tangible Net Worth or tangible assets) must be presented in the form of audited financial statements for the Participant's most recent fiscal year during the initial risk evaluation process and ongoing risk evaluation process.

## **2. Provision of Collateral**

If a Participant does not demonstrate compliance with its applicable minimum capitalization requirements above, it may still qualify to participate in any PJM Markets by posting Collateral,

additional Collateral, and/or Restricted Collateral, subject to the terms and conditions set forth herein.

Any Collateral provided by a Participant unable to satisfy the minimum capitalization requirements above will also be restricted in the following manner:

- (a) Collateral provided by Market Participants that engage in FTR transactions shall be reduced by an amount of the current risk plus any future risk to any PJM Markets and PJM membership in general, and may coincide with limitations on market participation. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.
- (b) Collateral provided by other Participants that engage in Virtual Transactions or Export Transactions shall be reduced by \$200,000 and then further reduced by 10%. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.
- (c) Collateral provided by other Participants that do not engage in Virtual Transactions or Export Transactions shall be reduced by 10%. The amount of this Restricted Collateral shall not be available to cover any credit requirements from market activity. The remaining value shall be considered the amount available to satisfy requirements of this Attachment Q.

In the event a Participant that satisfies the minimum capital requirement through provision of Collateral also provides a Corporate Guaranty to increase its available credit, then the Participant's resulting Unsecured Credit Allowance conveyed through such Corporate Guaranty shall be the lesser of:

- (a) the applicable Unsecured Credit Allowance available to the Participant by the Corporate Guaranty pursuant to the creditworthiness provisions of this Attachment Q; or
- (b) the face value of the Corporate Guaranty, reduced commensurate with the amount of the current risk plus any anticipated future risk to any PJM Markets and PJM membership in general, and may coincide with limitations on market participation.

**Attachment C**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**PJM Interconnection, L.L.C.**

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**Docket No. ER26-2651-000**

**AFFIDAVIT OF  
RYAN JONES  
ON BEHALF OF PJM INTERCONNECTION, L.L.C.**

1. My name is Ryan Jones. Since January 2024, I have served as the Senior Manager for Underwriting at PJM Interconnection, L.L.C. (PJM). My business address is 2750 Monroe Boulevard, Audubon, PA 19403. My role at PJM involves ensuring that adequate risk management tools and policies are in place to protect PJM members.
2. I hold a Bachelor of Business Administration from Arizona State University and an Executive MBA from the University of Oklahoma Price College of Business.
3. My background includes more than 20 years of experience in credit and commercial underwriting including 10 years in energy credit at Shell Energy and its affiliates and prior to Shell, approximately 7 years at JP Morgan Chase & Co.
4. My filing supports PJM’s filing to revise its minimum capitalization requirements by: (a) describing what minimum capitalization is and its purpose of minimum capitalization; (b) describing the components of the minimum capitalization threshold; (c) describing each of the changes to the minimum capitalization requirements; (d) explaining how the proposed revisions reduce risk compared to status quo; and (e) explaining PJM’s analysis to determine the impact of revised minimum capitalization requirements on Market Participants.

## **Minimum Capitalization Requirements and Its Purpose**

5. Minimum capitalization thresholds are foundational tools to PJM’s risk management framework.<sup>1</sup> Because minimum capitalization requirements apply to all Market Participants they serve to protect PJM markets from the risk of undercapitalized Market Participants. The mitigation of this risk extends beyond PJM markets to PJM Members because under the PJM’s Operating Agreement, Market Participant defaults could result in the default obligations being assessed against PJM Members.<sup>2</sup>

6. PJM’s minimum capitalization thresholds were established in 2011 as part of PJM’s compliance with FERC Order No. 741 which mandated reforms to credit policies in organized markets.<sup>3</sup> Minimum capitalization thresholds require Market Participants to demonstrate that they possess the specified minimum financial resources to support its planned transactions in the PJM markets. PJM previously stated, “Inherent financial strength of a participant, as demonstrated through capitalization of a corporate entity, provides a measure of such additional financial wherewithal.”<sup>4</sup>

7. If a Market Participant does not demonstrate compliance with the Minimum Capitalization requirements, they may still qualify to participate in PJM’s markets by posting additional Collateral, and/or Restricted Collateral with PJM.

8. The purpose of the minimum capitalization requirements is to ensure that Market Participants have the basic level of solvency to transact in PJM markets. The minimum capitalization requirement serves as a foundational basis for which companies must demonstrate

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<sup>1</sup> PJM Tariff, Attachment Q, Section III.D.1.

<sup>2</sup> Operating Agreement, section 15.2.

<sup>3</sup> *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,183 (2012) (“Order on Compliance”).

<sup>4</sup> *Id.* at P 13.

their financial wherewithal. The requirements reduce risk by requiring companies to be better capitalized and therefore increase the chances that they can withstand financial stress or occurrence.

9. The application of the criteria to all Market Participants serves to reduce the default risk that a Market Participant may pose to PJM markets and Members. The thresholds further provide PJM with an integral benchmark to comprehensively monitor and manage risk in our markets.

### **Minimum Capitalization Components**

10. The primary financial requirements that Market Participants must demonstrate to become eligible to participate in PJM markets are Tangible Net Worth and tangible assets.

11. Tangible Net Worth is defined in the PJM Tariff as serves as a proxy for a Market Participants liquidation or insolvency value and therefore serves as a useful measurement of risk posed by a Market Participant. A higher Tangible Net Worth value correlates to an increased ability to address a potential loss of revenue.

12. Tangible assets shall mean total assets less goodwill and other intangible assets, minus total liabilities.<sup>5</sup> Tangible assets represent real physical assets that a company possesses. Consideration of tangible assets and Tangible Net Worth shall exclude assets which PJM believes to be restricted, highly risky, or potentially unavailable to settle a claim in the event of default. Examples include, but are not limited to, restricted assets, derivative assets, goodwill, and other intangible assets.

### **PJM's Current Minimum Capitalization Requirement**

13. The current thresholds are found in Table 1 below. PJM currently has a two-tiered threshold for FTR Participants and for all Other Participants. Currently FTR Participants must

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<sup>5</sup> PJM Tariff, Definitions T-U-V, Tangible Net Worth.

demonstrate that they possess greater than or equal to \$1 million in Tangible assets or greater than \$10 million in tangible assets.

14. Other Market Participants must demonstrate that they have \$500,000 on Tangible Net Worth or greater than \$5 million in tangible assets. Demonstration of compliance is accomplished with the submission of audited financial statements.

**Table 1**

	TNW	TA
FTR	>\$1M	>\$10 M
ALL Others	>\$0.5M	>\$5M

15. All Market Participants can post Collateral, Restricted Collateral to meet the minimum capitalization requirements. I have observed that companies choose to use Collateral as a method of managing their balance sheets and not always an indication that they cannot meet the minimum capitalization thresholds.

16. Market Participants also can post a corporate guaranty to comply with minimum capitalization thresholds.

**REASONS FOR CHANGING THE MINIMUM CAPITALIZATION THRESHOLDS**

17. Since PJM’s thresholds were established in 2011, the true value has eroded because of inflationary pressure. PJM performed an analysis to determine the impact of inflation on the minimum capitalization thresholds set in 2011 using various inflation index measures. PJM analyzed five indices to evaluate the impact on inflation of the current minimum capitalization thresholds.<sup>6</sup> PJM examined the 5-, 10- and 20-year averages for the Consumer Price Index – Urban, Handy Whitman, Producer Price Index – Electric, Producer Price Index – Industry and the Personal

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<sup>6</sup> PJM, Risk Management Committee, Minimum Capitalization Presentation, at 3 (Sept. 26, 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/rmc/2025/20250926/20250926-item-02---minimum-capitalization.pdf>.

Consumption Expenditures indices. The 20-year average (the longest period analyzed) of the five indices ranged from 2.2% - 4.2%.

18. PJM considered other reasons in determining that the minimum capitalization threshold should be raised. Companies at times intentionally maintain their balance sheets at the minimum capitalization threshold to deploy capital elsewhere or other reasons or to manage affiliate relationships. Raising the minimum capitalization requirements has the effect of causing certain companies to strengthen their balance sheets. PJM has observed companies that are not growing their balance sheets despite evidence in audited financial statements of increasing revenues.

19. Companies that are adequately capitalized should financial resources to support their operations, invest in their growth, and weather unexpected challenges. Adequately capitalized companies are also less likely to become insolvent or bankruptcy, as capital reserves can be used to meet obligations during periods of financial stress. Adequate capital also equips businesses to meet their obligations because it will have financial flexibility to absorb unexpected costs or downturns in revenue. The revisions proposed by PJM support comprehensive risk management.

#### **CHANGES TO THE MINIMUM CAPITALIZATION REQUIRMENTS**

20. There are seven proposed changes to the minimum capitalization requirements that are proposed by the Tariff revisions. The proposed revisions:

1. increase the Tangible Net Worth threshold for FTR Market Participants from \$1,000,000 to \$2,000,000;
2. increase the Tangible Net Worth threshold for all other Market Participants from \$500,000 to \$2,000,000;
3. increase the tangible asset threshold for all Market Participants to meet as an alternative to meeting the Tangible Net Worth threshold;
4. add a 3% annual increase to the Tangible Net Worth threshold commencing five years after implementation for all Market Participants;

5. create more uniform requirements for minimum capitalization for all Market Participants;
6. require that a Market Participant and Guarantor of a Market Participant possess a Tangible Net Worth greater than zero; and
7. require that a Corporate Guaranty, if necessary, be established at an amount at least equal to the current applicable Tangible Net Worth threshold.

21. The increase in the Tangible Net Worth for FTR Participants from \$1 million to \$2 million is reasonable when viewed from the impacts on inflation on the thresholds when the thresholds were first established. The current \$1 million threshold has been eroded by inflation. The figure is only \$641,862 when viewed in 2026 dollars. PJM stakeholders reviewed alternatives to the revised limits, including limits associated with PJM products, and ultimately decided to increase the Tangible Net Worth requirements for both FTR and Other Participants to the same level as the appropriate threshold for Participants to transact in PJM markets. Like the analysis that PJM conducted for FTR Participants, PJM's inflationary analysis showed similar results for Other Participants. That is, the \$500,000 threshold established in 2011 is reduced by inflation to \$320,931. In my experience as a collateral manager, this level of capitalization is not sufficient for the complexity and breadth of PJM markets.

22. The three percent (3%) increase to the Tangible Net Worth commencing in Year 6 helps to ensure that the threshold will continuously reflect current dollars and not be eroded by inflation. PJM stress evaluated the numbers to assess their reasonableness in the near future. Historical interest rates most applicable to the electric industry for credit matters support the 3% interest rate. PJM and its stakeholders also selected a 3% escalator for the ease of calculation and ability to easily replicate. Market Participants can easily project and plan their balance sheets as part of their financial planning and analysis processes.

23. PJM extrapolated the 3% fixed escalator to determine the reasonableness of the numbers into the future. The numbers, as supported by historical averages, continued to be reasonable and within the current range of approved RTO/ISO for the 10 years.

24. The changes create uniform requirements for all PJM Markets Participants. This uniform requirement provides ease of administration which aids effective and efficient risk management and surveillance.

25. The changes require that a Corporate Guaranty, if necessary, be established at an amount at least equal to the current applicable Tangible Net Worth threshold. This change is a conforming change. For those Market Participants who choose to demonstrate compliance with a corporate guaranty, the amount of the corporate guaranty will be commensurate with the Tangible Net Worth required. For instance, if a Market Participant is required to have a Tangible Net Worth of \$2 million and elects to demonstrate the requirement through the use of a corporate guaranty, the corporate guaranty would need to be in the amount of \$2 million.

#### **IMPACT OF REVISED CHANGES TO MARKET PARTICIPANTS**

26. PJM has approximately 798 Market Participants that self-select to be a member of the Generator/Transmission Owner, Load Serving entity, Curtailment Service Provider, Financial Trader, Power Marketer or Other sector. The Generation Owner/Transmission Owner make up the majority of Market Participants. As part of PJM's stakeholder process, PJM reviewed the impact of the revised threshold by sector and received overwhelming approval for its proposed revisions.

27. Eighty percent (80%) of Market Participants demonstrated an ability to meet the minimum capitalization requirements. Further, during the 5 years of the phased stage in for the increase in

minimum capitalization, the percentage of 113 Market Participants that do not meet the proposed threshold ranges from 17% in Year 1 to 20% in Year 6.<sup>7</sup>

28. Based on PJM's analysis, reasons that Market Participants do not meet the proposed threshold are for two primary factors. First, generators with negative equity positions and large intangible assets on balance sheets, Load serving entities with negative equity positions and large restricted accounts held outside PJM and financial traders with small balance sheets and power marketers with negative equity positions and restricted assets. Second, it is my experience that market Participants choose to maintain their balance sheets at the minimum threshold, even though they are experiencing increased revenues. It is my experience that Market Participants manage their balance sheet based on their corporate structure, liquidity needs and other factors that are not indicative of an inability to meet PJM's proposed increased minimum capitalization thresholds.

### **NO BARRIERS TO ENTRY**

29. The minimum capitalization thresholds do not create barriers of entry. The requirements instead serve as a risk management tool to ensure that Market participants can manage their positions they take and reduce the potential for default. Market Participants can and make choices in their allocation of capital on the balance sheet. The existing and proposed minimum capitalization requirements both contain a provision that permits Market Participants who cannot meet the threshold to post collateral in lieu of meeting the threshold.

### **IMPLEMENTATION**

30. PJM's proposal for increasing in the minimum collateral requirements will be phased in over 5 years. As explained in more detail below, the proposed minimum capitalization thresholds

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<sup>7</sup> PJM, Risk Management Committee, Minimum Capitalization Presentation (Sept. 26, 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/rmc/2025/20250926/20250926-item-02---minimum-capitalization.pdf>.

will be phased. For impacted Market Participants, the threshold will rise a modest \$200,000 per year in Year 1 until they reach \$1,000,000 Tangible Net Worth. The phased in approach of the proposed increase in the minimum capitalization threshold lessens any potential shock to the market, even though the proposed increase is modest.

31. This proposed increase will have the effect of causing all Market Participants to have the same minimum capitalization requirements.

32. This concludes my affidavit.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**PJM Interconnection, L.L.C.**

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**Docket No. ER26-2651-000**

**VERIFICATION**

I, Ryan Jones, state, under penalty of perjury, that I am the Ryan Jones referred to in the foregoing document entitled “Affidavit of Ryan Jones, Senior Manager Underwriting at PJM Interconnection, L.L.C.,” that I have read the same and am familiar with the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

*/s/ Ryan Jones*

\_\_\_\_\_  
Ryan Jones  
Sr. Manager, Underwriting  
Credit Risk & Collateral Management  
Risk Management  
PJM Interconnection, L.L.C.