

## REVIEW OF MINIMUM CAPITALIZATIONS FOR PARTICIPATION IN PJM MARKETS

### ***Issue Source***

PJM is bringing this issue charge as part of its efforts to enhance its risk management practices. PJM's minimum capitalization requirements for eligibility were established in 2011 and has remained unchanged since implementation.

### ***Issue Content***

This effort includes a review of the minimum capitalization requirements for participation in PJM Markets. PJM desires to maintain an open and liquid market while minimizing costly defaults. The issue may include limits on participation.

This effort is limited to minimum capitalization.

### ***Out of Scope Content***

This effort is not a review of Member risk policy requirements or market eligibility.

### ***Key Work Activities and Scope***

- Issue education including the following:
  - History of minimum capitalization review in PJM. .
  - Compare minimum capitalization requirements among RTO/ISOs.
  - Review of PJM's current minimum capitalization requirements for eligibility. Explain components of tangible net worth, tangible assets, and use of audited financial statements to ascertain those amounts.
  - Review impacts of potential changes to the minimum capitalization requirements for FTR Participants, other Market Participants and PJM
- Develop solution options and packages

### ***Expected Deliverables***

Proposed solution package(s) addressing minimum capitalization requirements for participation in PJM Markets.

*Corresponding revisions to the PJM Tariff or other governing document provisions consistent with the solution proposed will be brought to the MRC and MC for review and endorsement. Proposed revisions to PJM Manuals conforming to the FERC approved solution will be brought to the appropriate Standing Committees for review and endorsement.*

### ***Decision-Making Method***

Tier 1, consensus (unanimity) on a single proposal (preferred default option)

### ***Stakeholder Group Assignment***

This effort will commence in the Risk Management Committee and if needed will also utilized special RMC sessions.

### ***Expected Duration of Work Timeline***

Work is expected to be completed to support a FERC filing by October 2024.

<b>Start Date</b>	<b>Priority Level</b>	<b>Timing</b>	<b>Meeting Frequency</b>
Add Date	<input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly (may require bi-weekly meetings) <input type="checkbox"/> Quarterly

### **Charter**

*(check one box)*

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

*More detail available in M34; Section 6*