



# Market Participant Minimum Capital Requirements

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## Why review minimum capitalization requirement:

PJM's minimum capitalization requirements for eligibility were required as a result of FERC Order 741 in 2011. Part of this order directed each ISO/RTO to develop Tariff-based minimum participation standards.

The minimum capitalization requirements are intended to provide a minimum threshold for participants to ensure they have the financial ability and risk management capabilities for their planned market positions to protect against potential defaults.

Minimum capitalization thresholds have remained unchanged since implementation. Economy/Markets are significantly different today than 13 years ago.

### **Adequately capitalized companies:**

- Have resources to operate business effectively
- Can absorb economic shocks or downturns in business operations
- Are less likely to become insolvent
- Reflect business acumen of management

**Occurred Dec. 2022**

## Post Winter Storm Elliott (WSE) Event Observations:

**PJM’s proactive outreach to market participants providing WSE estimated financial impact to total credit exposure resulted in prepayments of \$314MM prior to unbilled obligations being posted.**

- Starting Monday, Dec. 26, PJM made ~164 calls to market participants.
  - Proactive outreach combined with collateral calls going out after 1 p.m. created extra time for market participants to satisfy collateral calls/TCE deficiencies.
- Without extra day allowance, Market participants could have had issues meeting increased obligations.*

### **24 market participants with virtual activity incurred increase in exposure as result of event (\$55MM).**

- Top 5 market participants represented \$48MM, or 87%, of exposure increase.
- 79% of virtual market participants were non-investment grade.
- 7 market participants with virtual exposure exceeded their working credit limit, resulting in (TCE) deficiency of \$68MM.
- 5 market participants prepaid invoices to cover their TCE deficiency with average payments of \$15MM.

### **Generators/LSE market participants with TCE deficiencies incurred increase in exposure as result of event (\$1.1B).**

- 80 market participants exceeded their working credit limit, resulting in TCE deficiency of \$321MM.
- Top 5 market participants represented \$113MM, or 35%, of TCE deficiency.
- 7 market participants prepaid invoices to cover their TCE deficiency with average payments of \$12MM.

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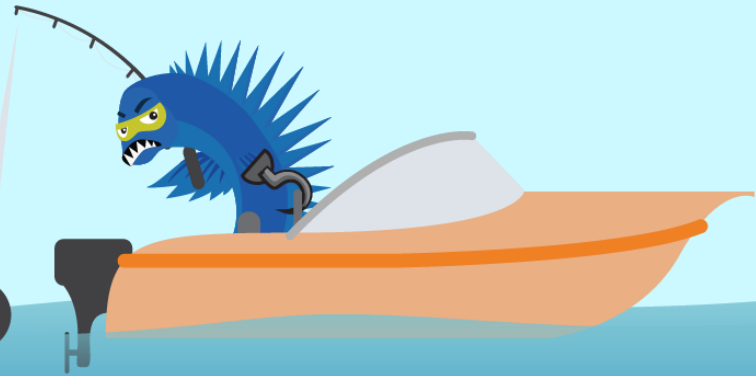
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