



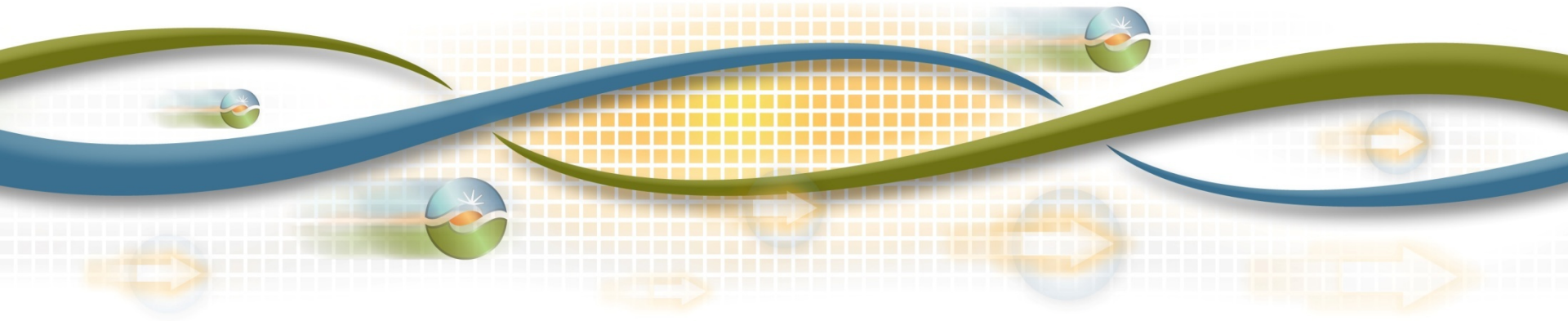
Briefing on FERC Order 741 – Minimum Capitalization Requirements

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The ISO has implemented minimum capitalization requirements for participation in the markets.

- Capitalization requirements:
 - **\$1 million** tangible net worth
or
\$10 million total assets
or
post secured collateral
 - Posting requirement is **\$500,000** or **\$100,000** based on time in market and liability level.

The FERC addressed smaller market participant's concerns in their response.

- “The minimum participation criteria submitted by CAISO are consistent with the Commission's directives and are just and reasonable and not unduly discriminatory or preferential...”
- “We will not require CAISO to exempt certain market participants from meeting the proposed minimum capitalization requirements...”
- “...adequately capitalized [market participants] appropriately considers market risk without unreasonably preventing market entry.”

FERC declined to adopt uniform criteria across the ISO/RTO industry citing different regional needs.

- Exemptions from posting requirement approaches:
 - All used \$1 million net worth and \$10 million total assets limits
 - Other exemptions included:
 - Investment grade credit rating
 - Non-congestion participants with less than \$100k of obligations
 - \$500k/\$5M levels for non-congestion participants
- Posting requirement:

**Sample Posting Requirement
(small non-congestion participant)**

