

Officer Certification Form Discussion

Sheri Prevratil

Manager, Corporate Credit

New York Independent System Operator

Credit Policy Working Group

January 22, 2016

Background

- ◆ In October 2011 the NYISO implemented minimum participation criteria in response to FERC Order 741.
 - *FERC required each ISO and RTO to develop minimum participation criteria to ensure that market participants have adequate risk management capabilities and adequate capital to engage in trading with minimal risk, and related costs, to the market as a whole.*
 - *In its order, FERC explicitly left it to each ISO and RTO and its stakeholders to develop minimum participation criteria that are applicable to its specific markets. FERC declined to require ISOs and RTOs to adopt uniform minimum participation criteria.*

Background

- ◆ Today the NYISO requires each Market Participant to submit the NYISO approved officer certification form by April 30 each year.
- ◆ NYISO's current form requires Market Participants to certify that it has risk management policies, has appropriate training and operational capabilities and that it is appropriately capitalized.
- ◆ Market Participants have requested that the NYISO work with the other ISOs and RTOs to develop one officer certification form for submission to each ISO and RTO.

Analysis

- ◆ In Q4 of 2015 the NYISO worked with its counterparts to understand specifically what each ISO and RTO required of its stakeholders in its certification form.
- ◆ Each ISO and RTO is its own entity and has created its requirements based on the needs of all stakeholders participating in its specific region.
 - *As directed by FERC, each ISO and RTO collaborated with their stakeholders to determine the appropriate requirements necessary in its particular certificate.*
- ◆ In certain instances, due to the nature of each individual ISO and RTO and their stakeholders, there are differing requirements among the ISOs and RTOs.
- ◆ The following slide is a matrix of what each ISO and RTO requires for certification.

ISO/RTO Matrix

Annual Officer Certification Form

	CAISO	*ERCOT	PJM	MISO	ISO-NE	NYISO	SPP
Attest to Risk Management Policies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Attest to Training	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Attest to Operational Capabilities	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Attest to Capitalization	Yes	Yes	Yes	Yes	No	Yes	Yes
Notarize Form	No	Yes	No	No	Yes	Yes	Yes
FTR/CRR/TCC Detailed Attestations, if	Yes	No	Yes	No	No	No	No
Appropriate Person Attestation	Yes	Yes	Yes***	Yes	No	No	Yes
Risk Management Verification	No	Yes	No	No	No	No	No
Attestation and Acknowledgement understanding Credit Provisions of Tariff/Manual	Yes	No	Yes	No	No	No	No
Due on or before April 30 each year	Yes	Yes	Yes	Yes**	Yes	Yes	Yes
Form in Tariff	No	Yes	Yes	Yes	Yes	No	Yes

* While ERCOT is not subject to FERC jurisdiction it has implemented similar certification criteria.

** The earlier of April 30th or 5 business days before the opening of the FTR Annual Auction (for those Market Participants that intend to participate in the FTR Annual Auction)

*** Appropriate Person Attestation allows for CFTC exemption order-allowed alternative of being involved in the reliable operation of the system

Summary

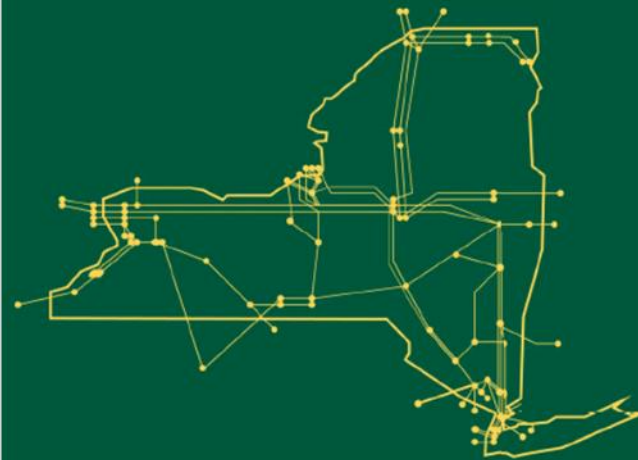
- ◆ All of the ISOs/RTOs require certification of risk policies, training, and operational capabilities.
- ◆ However, consistent with FERC's directive in Order 741, the ISO/RTO certification forms differ in several material respects because each form reflects the minimum participation criteria applicable to the ISO's/RTO's specific market. The substantive differences in the forms reflect the substantive differences in the credit requirements in each of the different ISOs/RTOs.
 - *PJM and CAISO require detailed attestations of the FTR and CRR markets.*
 - *All ISOs/RTOs except the NYISO require stakeholders to attest that they are an appropriate person each year.*
 - The NYISO only requires attestation of appropriate person criteria prior to market entry.
 - *While six of the seven ISOs/RTOs require certification that the stakeholder meets the capitalization criteria, the form of certification differs based on the ISOs/RTOs customized capitalization criteria and in some cases refers to that ISO's/RTO's tariff.*
 - *Four of seven ISOs/RTOs require the certification form to be notarized.*
 - *While all ISOs/RTOs require certification on or before April 30, MISO requires it before the annual FTR auction if they plan to participate.*

Conclusion

- ◆ Based on the substantive differences in the annual certification forms for each ISO/RTO, the NYISO has determined that it is unlikely that each ISO/RTO would voluntarily agree to accept one standardized form.
 - *Five of the seven ISOs/RTOs have the certification form in its tariff. These ISOs/RTOs would need stakeholder support and FERC approval of a tariff filing to change their forms.*
- ◆ Even if a universal form with specialized rules called out was created, it would unduly burden the ISOs/RTOs because no ISO/RTO could change the form, when necessary, to reflect changes to its specialized rules without affecting all the other ISOs/RTOs.
- ◆ The majority of stakeholders in each ISO/RTO do not participate in multiple ISO/RTO markets. As such, one form containing specialized ISO/RTO regional rules could be overwhelming and burdensome to most stakeholders.
- ◆ Based on the analysis performed, requiring the completion of one uniform certification would result in more drawbacks than benefits.

Questions?

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



www.nyiso.com