

# Virtual Transactions Collateral Reduction Update

**NYISO**  
**Scheduling & Pricing Working Group**  
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# Virtual Transactions Collateral Reduction Update

## Overview of FERC Docket for Virtual Transactions

- Original Virtual Transactions Credit Calculation:
  - Daily trading limit (MWHs) x \$ price delta at 97<sup>th</sup> percentile x 7 days
- In response to NYISO's request to reduce the multiplier from 7 to 4 days, FERC required the following:
  1. Reduce the multiple of collateral from 7 days to 2 days;
  2. Consider a reduction of the price delta used in the calculation from the 97<sup>th</sup> percentile to the 50<sup>th</sup> percentile; and
  - ➔ 3. Examine and report on effects of further reducing the multiplier to 1 day.

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## Overview of FERC Docket for Virtual Transactions - continued

	NYISO Proposal	FERC Response	Due Dates
<i>Net Receivable</i>	Acceptable form of collateral	Accepted	Immediately
<i>Price Differential Percentile</i>	Silent [Implies Status Quo of Maintaining 97 <sup>th</sup> ]	Ordered NYISO to evaluate and report on why 97 <sup>th</sup> percentile is proper	- Compliance filing made 8/15/2005 - FERC accepted NYISO filing in order issued on 12/27/2005
<i>Multiple</i>	4 days	2 days	Compliance filing made 7/22/05
		Work with MPs to evaluate effects of reducing to 1 day	Report due originally December 29, 2005; NYISO requested extension and report is now due January 31, 2006

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## Actions:

1. NYISO retained LECG, through a competitive solicitation, to perform comprehensive study of current Virtual Transactions credit requirements. LECG examined appropriateness of:
  - 2-day multiple vs. 1-day multiple
  - Use of 97<sup>th</sup> percentile of price differentials
  - Use of a historic rolling 90-day period to determine price differentials
  - Other factors impacting Virtual Transactions risk
  
2. Objectives of meeting today:
  - *LECG will present analysis of 2-day multiple*
  - *NYISO will commence discussions regarding an alternative to the historic rolling 90-day period to determine price differentials*
  
3. NYISO and LECG are still in the process of finalizing the report; therefore, the NYISO will schedule a special Scheduling and Pricing Working Group/Credit Policy Task force meeting in February to discuss the entire LECG report.