

ARTICLE 8

ELIGIBILITY FOR ISO SERVICES

In order to participate in any ISO-administered market or to be a Primary Holder of a TCC, a Customer must satisfy the requirements of this Article and Attachment K, ~~purchase or supply Energy or Capacity or, to supply Ancillary Services, to Bid in a TCC Auction, or to be a Primary Holder of a TCC~~. Customers must satisfy the requirements of this Article.

8.1 Requirements Common to all Customers

A. Creditworthiness

All Customers and applicants seeking to become a Customer shall be subject to the creditworthiness requirements contained in Attachment K, except that Customers who bid Demand Reductions into the Day-Ahead Market as Demand Reduction Providers shall also be required to comply with the provisions of this Section 8.1.A. Demand Reduction Providers bidding into the Day-Ahead Market must allocate Unsecured Credit and/or provide collateral in an amount determined according to this Section 8.1.A. The amount of collateral required to support Demand Reduction bids in the Day-Ahead Market is the product of: (1) the Demand Reduction Provider's monthly average of MWh of accepted Demand Reduction bids during the summer Capability Period in the prior calendar year, or where the Demand Reduction Provider does not have a history of accepted bids, a projected monthly average of accepted Demand Reduction bids; (2) the average of Day-Ahead LBMPs at the NYISO Reference Bus during the summer Capability Period in the prior calendar year; (3) twenty percent (20%); and, (4) a factor of four (4). The amount of collateral that a Demand Reduction Provider is required to

provide will be adjusted whenever the result of the collateral requirement formula in this Section 8.1.A increases or decreases by ten percent (10%).

The NYISO will monitor the bidding and scheduling activities of a Demand Reduction Provider and shall have the discretion to request additional collateral if any change in such activities warrants a change in the collateral requirement. ~~shall satisfy the following requirements prior to entering into a Transaction with the ISO. For the purpose of determining the ability of the Customer to meet its obligations related to services hereunder, the ISO shall require compliance with reasonable credit review procedures in accordance with standard commercial practices. In addition, the ISO may require the Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under the ISO Services Tariff, or an alternative form of security proposed by the Customer and acceptable to the ISO and consistent with commercial practices established by the Uniform Commercial Code that protects the ISO against the risk of non-payment.~~

~~Any service may be suspended or terminated by the ISO prior to, or any time after, the commencement of the service if the Customer fails to, or can no longer, demonstrate its~~

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~~_____creditworthiness.~~

~~_____Each Customer shall be responsible for providing the information specified in this Section. Each Customer will be considered creditworthy if: (i) the Customer's long term unsecured debt securities are, and remain, rated a minimum of BBB or Baa2 by Standard & Poor's or Moody's, respectively; (ii) the Customer either prepays for service or provides an irrevocable standby letter of credit issued by a domestic or Canadian bank with a minimum A (Standard & Poor's or Dominion), or A2 (Moody's) long term unsecured debt rating, for an amount equal to the estimated sum of the charges pursuant to Article 7 for the three (3) individual months when such charges would be greatest over rolling twelve month periods and, in addition, the amount required pursuant to Section 8.5, below; (iii) the Customer has, as determined by the ISO in its reasonable discretion, a qualified long term payment history with the ISO or an individual Transmission Owner; or (iv) the Customer's parent company, in a form satisfactory to the ISO, guarantees the Customer's responsibility for all financial obligations associated with services and responsibilities hereunder and such parent company conforms to the minimum ratings specified above.~~

~~B. Completed Application and Minimum Technical Requirements~~

~~A Customer shall submit a Completed Application in accordance with Article 9 and shall receive ISO approval prior to obtaining any services under the ISO Services Tariff.~~

~~A Customer also shall demonstrate to the ISO's reasonable satisfaction that it is~~

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~~capable of performing all functions required by the ISO Services Tariff including operational communications, financial and Settlement requirements.~~

~~8.2 Additional Requirements Applicable to Suppliers~~

~~In addition to the requirements set forth in Section 8.1 above, Suppliers shall satisfy the communication requirements of Article 4 and the metering requirements of Article 13 prior to entering into a Transaction with the ISO.~~

~~8.3 Additional Requirements Applicable to LSEs~~

~~In addition to the requirements set forth in Section 8.1 above, each LSE shall satisfy the following requirements prior to taking services under the Tariff:~~

~~A. All requirements and conditions contained within an approved retail access plan in the service territory of the Transmission Owner in which the LSE's Load is located, which retail access plan has been approved by the PSC or other appropriate authority or, in the case of the LIPA, has been approved by the Trustees of the Long Island Power Authority.~~

~~B. All New York State application and license requirements, and any other authorization required by New York State to serve retail Load; and~~

~~C. The LSE must be: (a) aggregating or serving Load that is of an amount greater than or equal to one (1) MW in each hour as measured between a single Point of Injection~~

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~~and a single Point of Withdrawal; or (b) making purchases from the ISO Administered Markets at a single bus of an amount greater than or equal to one (1) MW in each hour.~~

~~8.4~~—~~Additional Requirements Applicable to Virtual Transactions~~

~~Notwithstanding any other creditworthiness standards contained in the ISO Services Tariff, to be considered creditworthy for purposes of engaging in Virtual Transactions, Customers engaging in Virtual Transactions (“Virtual Transaction Customers”) shall be required to comply with the provisions of this Section 8.4.~~

~~8.4.1~~—~~Collateral Requirements~~

~~All Virtual Transaction Customers must provide collateral in the form of a cash deposit or irrevocable letter of credit (“LOC”) in an amount determined according to this Section 8.4.1. The amount of collateral required to support Virtual Transactions is the product of the MWh that the Virtual Transaction Customer has applied to be authorized to bid per day and the amount of collateral required per MWh, as provided by this Section 8.4.1. The amount of collateral required per MWh is equal to seven times the highest differential between the Day Ahead and Real Time Energy market prices in the NYCA at the 97th percentile over the previous three months. The~~

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