

Market Participant Reporting Requirements

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Background

- ◆ As part of the NYISO's continuing efforts to evaluate potential opportunities to enhance the effectiveness of its credit policies, it has re-examined its current reporting requirements and identified further opportunities to enhance the information the NYISO obtains on all Market Participants in order to mitigate potential financial risk to the NYISO-administered wholesale electricity markets.

Current Credit Policy

- ◆ Currently, only certain Market Participants are required to submit financial statements to the NYISO on an annual basis.
 - *Market Participants utilizing unsecured credit.*
 - *Market Participants using financial statements to meet the capitalization requirement.*

Proposed Credit Policy

- ◆ The NYISO is proposing that all Market Participants keep on file their most recent financial statements or financial statement information.
 - *The statements or statement information shall be submitted to the NYISO on an annual basis, within ninety (90) days of the end of the fiscal year for that Market Participant and, for a Market Participant submitting financial statements, within ten (10) days of such statements becoming available.*
- ◆ If the financial statements are not audited, the Market Participant shall submit with the financial statements documentation from an officer of the Market Participant, in a form acceptable to the ISO, that certifies to the accuracy of those financial statements.
 - *Market Participants may submit their parent company's unaudited consolidated financial statements, which include their individual financial statements, with the certification.*
- ◆ The NYISO may grant an extension for the provision of financial statements or statement information upon showing of good cause.

Alternative Option to Providing Financial Statements

- ◆ For those Market Participants who do not regularly prepare financial statements, the NYISO is proposing that the Market Participant can provide the financial information on the NYISO approved financial template with an officer certification.
 - *In lieu of a full set of financial statements, it allows Market Participants to submit specific Income Statement and Balance Sheet dollar amounts and certify to the accuracy of those numbers.*
 - *Market Participants whose financial information is included in the consolidated financial statements of their parent company may submit the financial statement template.*
 - Only Market Participant level financial statement information will be included in the template.
 - The Market Participant shall provide its parent company's financial statements with the template and certify that the Market Participant financial information provided within the template is true and correct in all material respects when taken as a whole with the submitted consolidated financial statements.

Use of Financial Statements

- ◆ The NYISO is requiring financial statements and/or financial statement information from all Market Participants to provide a better understanding of the overall Market Participant population from a risk of default perspective.
 - *Provides insight to assess the financial health and aggregate default risk of the Market Participant population as a whole.*
 - *Will serve to better protect the NYISO-administered markets from potential bad debt losses.*

- ◆ The NYISO will use the financial statement data to proactively evaluate certain financial risk factors of each Market Participant.
 - *Default risk indicators including but not limited to Expected Default Frequency via Moody's CreditEdge and/or RiskCalc, cash and liquidity ratios and exposure analysis.*

Tariff Changes

- ♦ Add reporting requirement for all Market Participants to submit financial statements or financial statement data in accordance with the NYISO approved template to the NYISO.
 - *The statements or statement information shall be submitted to the NYISO on an annual basis, within ninety (90) days of the end of the fiscal year for that Market Participant and, for a Market Participant submitting financial statements, within ten (10) days of such statements becoming available.*
- ♦ Additional clarifications to the material adverse change clause will also be made.
 - *Clarify that the MAC clause may be used if there is a material adverse change affecting the risk of non-payment by a Customer based upon a significant variation in any credit evaluation of the Customer, and not limited to the unsecured credit analysis, Customer's failure to timely cure its default in an ISO/RTO, or the issuance of a notice of alleged violation or show cause order or imposition of a sanction that could have a material adverse effect on Customer's financial condition.*

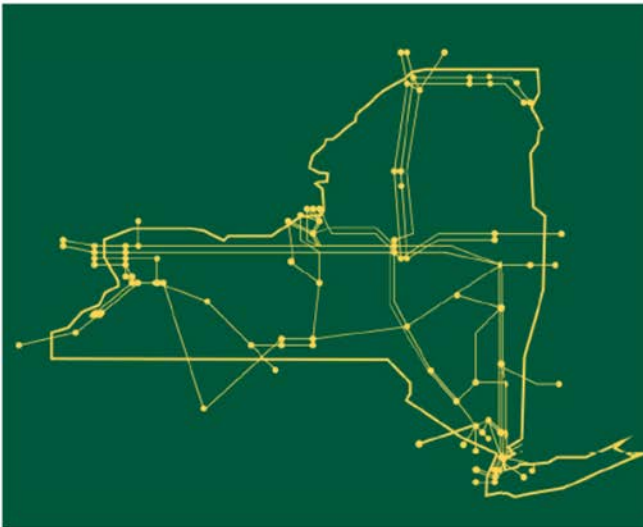
Planning

- ◆ The NYISO plans to file with FERC an effective date of July 15, 2015.
 - *NYISO will provide Market Participant Credit Contacts with at least two weeks of advance notice of the effective date.*
- ◆ At that time, Market Participants will be required to provide the NYISO with their most recent annual statements or, if utilizing the alternative option, the completed NYISO approved template.
- ◆ Market Participants should then plan to provide their financial statement data annually according to the proposed tariff changes reflected on slide 7.

Next Steps

- ◆ Additional CPWG, if needed January 2015
- ◆ BIC March 2015
- ◆ MC March 2015
- ◆ BOD April 2015
- ◆ FERC 205 Filing effective July 15, 2015 April 2015

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.



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