

NYISO Board of Directors Decision

On

**ConEd's Appeal of the Management Committee Vote
On a Framework Credit Policy Proposal**

Consolidated Edison Company of New York, Inc. (ConEd) appeals from a Management Committee vote endorsing certain framework proposals for a revised NYISO Financial Assurance Policy (Credit Policy Proposal). The Management Committee, in approving the Credit Policy Proposal, approved the further “development of a revised comprehensive Financial Assurance Policy” based on a framework, and certain concepts, presented to the Management Committee at its April 17, 2002, meeting, as modified in the motion (Motion 5 of the Management Committee’s June 13, 2002 meeting). The Credit Policy Working Group of the Business Issues Committee is engaged in the further development of the Financial Assurance Policy. When the Credit Policy Working Group completes the revised comprehensive Financial Assurance Policy, both the Business Issues Committee and the Management Committee must approve it before being presented to the Board of Directors.

Presently, ConEd challenges the modification included in the Credit Policy Proposal that would require that the Financial Assurance Policy limit the maximum unsecured monthly credit limit of any single Market Participant to 20% of the “highest total monthly market volume” in the previous 12 months, calculated at the end of each summer capability period. PSEG Power New York, Inc. (PSEG), has filed a Motion in Opposition supporting the 20% cap as a “reasonable response to concerns about excessive market risk.” Both ConEd and PSEG are members of the Credit Policy Working Group.

After careful review of the documents submitted by both sides, we decline at this time to interfere with the deliberative process of the Market Participant committees and working group considering the development of a revised comprehensive Financial Assurance Policy. We do not believe the Credit Policy Proposal provision that ConEd challenges is “cast in stone” such that it would not be subject to further clarification or revision in the deliberative process. Nor do we believe that considering an appeal of the interim framework or any individual concept will substantially promote the deliberative process of the Committees and Credit Policy Working Group. There are insufficient details in the Management Committee motion even to determine how the 20% cap would be applied to an individual Market Participant. The Committees and Credit Policy Working Group may develop a formula for the revised comprehensive Financial Assurance Policy that ConEd, the Committees, and this Board can support.

We direct NYISO Staff to continue to work with the Committees and Credit Policy Working Group to develop a comprehensive Financial Assurance Policy. When the Management Committee approves a motion seeking Board support for a final comprehensive Financial Assurance Policy, any member of the Management Committee may exercise its right to appeal that final decision to the Board.

The appeal is dismissed.