

## **26.1 Minimum Participation Criteria**

### **26.1.1 General**

To participate in the ISO-Administered Markets, in addition to satisfying any other eligibility requirements set forth in the ISO Tariffs, each Customer must satisfy, and at all times remain in compliance with, the following requirements:

- (a) **Risk Management.** Customer shall maintain current, written risk management policies and procedures that address those risks that could materially and adversely affect Customer's ability to pay its ISO invoices when due, including, but not limited to, credit risks, liquidity risks, and market risks.
- (b) **Training.** Each employee and agent that Bids or schedules in the ISO-Administered Markets on behalf of Customer shall have appropriate training and/or experience to transact on behalf of Customer in the ISO-Administered Markets. In addition, each employee and agent that Bids on Virtual Transactions or TCCs on behalf of Customer shall successfully complete the designated ISO-administered online training course on Virtual Transactions and/or TCCs one time, as applicable; *provided, however*, this requirement does not apply to a Transmission Owner as a result of its receipt of Net Auction Revenue.
- (c) **Operational Capabilities.** Customer shall have appropriate personnel resources and technical abilities to promptly and effectively respond to all ISO communications and directions related to settlements, billing, credit requirements, and other financial matters.
- (d) **Capitalization.** Customer, or its guarantor with the provision of an unlimited guaranty in compliance with Section 26.5.4 of this Attachment K, shall meet the

minimum capitalization criteria set forth below or post additional security in accordance with the following:

- i. Maintain at least US \$10 million in assets or at least US \$1 million in tangible net worth as evidenced by Customer's or its guarantor's most recent audited annual financial statements; or
- ii. If Customer is unable to meet the minimum capitalization criteria set forth in Section 26.1.1(d)i of this Attachment K, post with the ISO either (1) \$200,000 to participate in any/all of the ISO-Administered Markets other than the TCC market, which security Customer may not use to support any ISO credit requirements, or (2) \$500,000 to participate in any/all of the ISO-Administered Markets including the TCC market, which security the Customer may not use to support any ISO credit requirements.

The ISO will independently verify that adequate capitalization is being maintained on an annual basis. In addition, if at any time a Customer that satisfied the capitalization requirement set forth in Section 26.1.1(d) above by demonstrating compliance with the criteria set forth in Section 26.1.1(d)i experiences a change in financial position such that Customer no longer satisfies these criteria, Customer shall notify the ISO promptly of this change in financial position and post the appropriate amount of security in accordance with Section 26.1.1(d)ii of this Attachment K.

### **26.1.2 Annual Certification**

Each Customer must demonstrate ongoing compliance with the minimum participation requirements set forth in Section 26.1.1 of this Attachment K by submitting to the ISO on or before April 30 of each year a notarized officer's certificate, signed by an authorized officer of

Customer with signatory authority, in a form acceptable to the ISO, certifying that Customer is in compliance with each of the minimum participation requirements. Each NYISO applicant must submit an initial notarized officer's certificate with its Completed Application.

### **26.1.3 Verification of Risk Management Policies and Procedures**

#### **26.1.3.1 Scope**

- (a) Each applicant applying to participate in the TCC market shall submit its risk management policies and procedures for verification prior to commencing any activity in the TCC market.
- (b) Each Customer that participates in the TCC market, except those Customers that solely own Grandfathered Rights, Grandfathered TCCs and/or Fixed Price TCCs, shall submit its risk management policies and procedures to the ISO annually by no later than April 30 of each calendar year.
- (c) Each Customer that participates in the TCC market and meets the criteria below shall be subject to annual verification:
  - i. does not solely own Grandfathered Rights, Grandfathered TCCs and/or Fixed Price TCCs, and
  - ii. has, for any month in the immediately preceding 36 months, had a concentration of negative or low positive TCCs. For purposes of this Section 26.1.3.1(c)(ii), a Customer shall be deemed to have a concentration of negative or low positive TCCs if the net amount owed by the Customer to the ISO for "TCC Congestions Rents" on its consolidated invoices for the month is greater than \$0 or the net amount owed by the ISO to the Customer for "TCC Congestion Rents" on its consolidated invoices for the month is less than or equal to \$50,000.

- (d) For Customers that are not already subject to verification as detailed in Section 26.1.3.1(c), the ISO may select 10-20% of those Customers per year for review on a random basis. Customers randomly selected for risk management verification and satisfactorily verified shall be excluded from such verification based on a random selection for the subsequent two years.
- (e) A Customer notified by the ISO that it will be subject to verification shall, within two (2) business days of the Customer's receipt of the ISO's notice, submit to the ISO a copy of its current governing risk management policies and procedures.
- (f) Where a Customer has not made any material changes to its risk management policies and procedures since its last submission to the ISO, the Customer may submit a certificate to the ISO in lieu of resubmission of its risk management policies and procedures. The certificate must be in a form acceptable to the ISO, be signed by an authorized officer of the Customer, and state that the Customer's risk management policies and procedures have not materially changed since its last submission.

#### **26.1.3.2 Verification Standards and Process**

The ISO will assess the Customer's (or applicant's) risk management policies and procedures to confirm those policies and procedures conform to the risk management standards and practices set forth in this Section 26.1.3.2. Through such assessment, the ISO will verify that:

1. Customer's risk management framework is documented in a risk policy addressing market, credit and liquidity risks that have been approved by the Customer's risk management function, which includes appropriate corporate

persons or bodies that are independent of the Customer's trading functions, such as a risk management committee, a designated risk officer, a Customer's board of directors or board committee, or, if applicable, a board of directors or board committee of a Customer's parent company.

2. Customer maintains an organizational structure with clearly defined roles and responsibilities that appropriately, and to the extent practical, segregate trading functions from risk management functions (*e.g.*, segregation of front, middle, and back office functions).
3. Customer has established delegations of authority specifying the transactions into which its traders are allowed to enter.
4. Customer ensures that its traders have adequate training and/or experience relative to their delegations of authority in the systems and markets in which they transact.
5. As appropriate, risk limits are in place to control risk exposures.
6. Reporting is in place to ensure that risks are adequately communicated throughout the organization.
7. Processes are in place for qualified independent review of trading activities.
8. As appropriate, there is periodic valuation or mark-to-market of risk positions.

A Customer subject to risk management verification and satisfactorily verified by the ISO shall inform the ISO of any material change in its risk management policies and procedures within five (5) business days of such change.

For each Customer subject to risk management verification, continued eligibility to participate in the ISO-Administered Markets is conditioned upon the ISO notifying the Customer of successful completion of the ISO's verification; *provided, however*, that if the ISO notifies the

Customer in writing that the Customer's risk management policies and procedures did not satisfy the standards set forth in this Section 26.1.3.2, the Customer shall have 30 calendar days to submit revised risk management policies and procedures, which have been revised to address any deficiencies identified by the ISO, prior to the ISO declaring the Customer in default for failure to comply with the creditworthiness requirements of the ISO Tariffs. If, prior to the expiration of such 30 calendar days, the Customer demonstrates to the ISO that it has filed with the Commission an appeal of the ISO's risk management verification determination, then the Customer shall retain its transaction rights and not be declared in default for failure to comply with the creditworthiness requirements of the ISO Tariffs, pending the Commission's determination on the Customer's appeal.

The ISO may retain a third party to perform the review and verification function described in this Section 26.1.3.2. The ISO and any third party it may retain will treat as Confidential Information the documentation provided by a Customer under this Section 26.1.3.2, consistent with the applicable provisions of Attachment F to the ISO OATT.

The ISO shall have the right to charge a Customer subject to verification under this Section 26.1.3 for any costs incurred by the ISO related to the ISO's verification of the Customer's risk management policies and procedures.

#### **26.1.4 Additional Information**

Each Customer shall submit to the ISO, upon request, any information or documentation reasonably required for the ISO to monitor and evaluate Customer's creditworthiness and compliance with requirements set forth in the ISO Tariffs, ISO Procedures, and/or ISO Agreements related to settlements, billing, credit requirements, and other financial matters.