

April 26, 2002
NYS Nurses Association, Albany, NY

MOTIONS OF THE MEETING

Motion #1:

WHEREAS, the Budget, Standards, and Performance Subcommittee of the Management Committee ("BSP Subcommittee") and NYISO Staff have worked diligently over the past year to develop the principles of a revised comprehensive credit policy applicable to all NYISO customers; and

WHEREAS, the NYISO Staff, in consultation with the BSP Subcommittee, has developed a framework and key details for a revised comprehensive credit policy which are described in the Credit Policy Proposal ("Credit Proposal") presented at the April 17, 2002, meeting of the Management Committee; and

WHEREAS, after careful review, the Management Committee has determined that a revised comprehensive credit policy based on the framework and key details of the Credit Proposal should be applied to all customers in the NYISO-administered markets;

NOW, THEREFORE, BE IT HEREBY RESOLVED that the BIC adopt the following for further development of the details below by the Credit Policy Committee for consideration by BIC at the May 2002 meeting and the MC at the June 2002 meeting.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Business Issues Committee approves the development of a revised comprehensive credit policy based on the framework and concepts described in the Credit Proposal with modifications described below and including:

- i) the loss sharing formula on slide 25;
- ii) the minimum credit lines for municipalities on slide 33; and
- iii) the credit limits established according to the matrix on slide 34 modified to remove the two maximum credit limit columns; and be it further

The policy will be modified for the following features.

- (i) . For entities with a rating from one of the major rating agencies, the NYISO Credit Manager will perform a credit analysis. The credit analysis will have significant weighting on cash flow and liquidity. The result will be used to adjust, upward or downward, the maximum credit authority indicated by the Tangible Net Worth % Matrix. For entities without a rating from one of the major rating agencies, the NYISO Credit Manager will perform a credit analysis if requested by the unrated entity. If the result is favorable, the NYISO Credit Manager will have the authority to grant the entity an unsecured credit limit.
- (iii) Unused credit facilities will be recognized as collateral, if the facility or a portion thereof, can effectively be converted to an Irrevocable Letter of Credit (ILOC), i.e., the NYISO must have the direct authority to draw down on the facility unconditionally upon demand and the bank may not cancel the facility without advance notice to the NYISO. Alternatively, the unused committed credit facility will be a factor in the credit analysis.
- (v) The credit rating used for the credit matrix will be the long-term senior unsecured debt rating. In the absence of a long-term senior unsecured debt rating, an issuer/corporate/counterparty rating can be used but will be adjusted one notch downward for the purpose of determining the tangible net worth limit on the credit matrix.
- (vi) The absolute maximum unsecured monthly credit issued to any one entity shall not exceed 20% of the highest monthly market volume (including gross energy, ICAP and TCC auction revenue receivables) in the previous 12 months. This 20% limit will be calculated annually, immediately following the summer capability period.
- (vii) Development of a specific proposal to address credit limit determinations for rated governmental agencies (e.g., NYPA and LIPA); for whom a net worth determination is not directly applicable.

RESOLVED that the Business Issues Committee requests that NYISO staff, in conjunction with the Credit Policy Working Group, develop a comprehensive Financial Assurance Policy, building upon the presentation to the BIC by NYISO staff, on May 22, 2002.

The comprehensive Financial Assurance Policy will be presented to the Business Issues Committee, Management Committee and Board of Directors for final review and approval prior to an anticipated Section 205 filing in late July.

(Motion passed with 85.63 % affirmative votes)