

NYISO Business Issues Committee Meeting

May 22, 2002
NYS Nurses Association, Albany, NY

MOTIONS OF THE MEETING

Motion #1:

Motion to approve the minutes from the March 20, 2002 Business Issues Committee Meeting.
(Motion passed unanimously by a show of hands)

Motion #2:

Motion by the Billing and Accounting Working Group requesting that the Business Issues Committee recommend to the Management Committee that NYISO staff be authorized to prepare and file with the Federal Energy Regulatory Commission a proposal to add to the Open Access Transmission Tariff ("OATT") and the Market Administration and Control Area Services Tariff ("Services Tariff") a policy and procedure for administering challenges by Market Participants to the accuracy of the settlement information in their final billing invoices from the NYISO.
(Motion passed with 60.00 % affirmative votes)

Motion #3:

Motion to amend Motion #2 as follows:

Motion by the Billing and Accounting Working Group requesting that the Business Issues Committee recommend to the Management Committee that NYISO staff be authorized to prepare and file with the Federal Energy Regulatory Commission a proposal to add to the Open Access Transmission Tariff ("OATT") and the Market Administration and Control Area Services Tariff ("Services Tariff") a policy and procedure for administering challenges by Market Participants to the accuracy of the settlement information in their final billing invoices from the NYISO including tariff changes as appropriate so that Challenge Period adjustments shall be made directly with affected parties and not through Rate Schedule 1.

(Motion failed with 49.07 % affirmative votes)

Motion #4:

Motion to Table Motion #2

(Motion failed with 40.00 % affirmative votes)

Motion #5:

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 Business Issues Committee determined on April 26, 2002 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; and

WHEREAS, upon consideration of the Credit Policy WGs clarification and proposed modifications to the April 26, 2002 BIC resolution approving a revised comprehensive credit policy, the BIC now approves the

substitute comprehensive credit policy as presented to the BIC on May 22, 2002 and recommends that the policy be adopted by the MC in place of the policy previously approved by the BIC on April 26th.

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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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, consistent with this motion.

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 88.00 % affirmative votes)

Motion #6:

Motion to amend Motion #5 to replace Section iv with the following text:

"iv. The absolute maximum unsecured monthly credit issued to any one entity shall vary based on rating, up to 30% for A+ rated companies, with specific matrix amounts to be developed by the CPWG. That maximum shall be the appropriate percentage of the highest monthly gross receivables (including gross energy, capacity and TCC auction revenue receivables) in the previous 12 months."

(Motion failed with 34.06 % affirmative votes)

Motion #7:

Motion Regarding FERC's Recent Decision on Day-Ahead Pricing

The Business Issues Committee recommends that the ISO Board make an exigent circumstance filing with the FERC as soon as possible requesting FERC to:

1. Revise the May 1, 2001 effective date FERC included in its April 29 Order in Docket ER00-3591-009, ER00-1969-010, and ER00-3038-005 ("the April 29 Order") in favor of an alternate effective date that would i) avoid retroactive price corrections and ii) allow the existing methodology to remain in place while FERC considers proposed amendments to the ISO Tariff. The Business Issues Committee urges the ISO to point out to FERC the adverse consequences to the market, including increased divergence between DAM and RT Prices, that are likely to result from implementation of the Commission's pricing rule as explained in the April 29 Order.
2. Approve an amendment to the ISO Tariff(s) to i) to more completely describe the current Day-Ahead methodology by clarifying that the price of Energy at each location in the NYS Transmission System is equivalent to the cost to supply the next increment of Load at that location without regard to whether an economic unit is backed down to make room for the dispatch of block loaded units.
3. Approve, in the alternative, an amendment to the tariff to change the current Day-Ahead scheduling methodology such that schedules would be set consistent with price and economic units would not be backed down to make room for the final dispatch of fixed block resources. Pursuant to such an alternative amendment, Day-Ahead prices would continue to be set as they have been, but schedules would be established in a manner that avoids reducing the schedule of more economic units to make room for the dispatch of block loaded units and increases the consistency between prices and schedules. The costs of generation dispatched in excess of bid load would be recovered from real-time load on a load ratio share.

NOTE: The Commission's pricing rule for purposes of this Motion is to identify the marginal cost of supplying the next increment of load (the "LBMP) as equal to the bid price of the least expensive unit that has been backed down in situations where a fixed block resource is the marginal unit but, when dispatched, causes other more economic resources to be backed down to make room for the fixed block resource.

(Motion passed unanimously by a show of hands with 1 abstention)

Motion #8:

The ICAP Working Group requests that the BIC approve the conceptual proposal to award external and local UCAP deliverability rights as described below and instruct the ICAP Working Group to prepare ICAP manual changes and tariff changes, as necessary, to implement the proposal presented below for the June 26, 2002 BIC meeting for its consideration and approval.

(No vote taken – see Motion 9)

Motion #9:

Motion to amend Motion #8 as follows:

The ICAP Working Group requests that the BIC approve the conceptual proposal to award external and local UCAP deliverability rights as described below and instruct the ICAP Working Group [and MSWG](#) to prepare a [more detailed proposal](#). ~~ICAP manual changes and tariff changes, as necessary, to implement the proposal presented below for the June 26, 2002 BIC meeting for its consideration and approval.~~

(Motion passed with 60.30 % affirmative votes)