

New Capacity Zones Credit Policy

Jim Scheckton

*Credit Specialist, Corporate Credit
New York Independent System Operator*

Credit Policy Working Group

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Background

- ◆ FERC's August 30, 2012 Order on New Capacity Zones (NCZ) (*Docket No. ER12-360*) accepted the NYISO's November 7, 2011 compliance filing with no modifications, effective January 9, 2012.

- ◆ The filing included a requirement to conduct a NCZ Study in order to determine if a NCZ is needed based on constraints.

- ◆ Results of the NCZ Study were reported to stakeholders on January 14, 2013.
 - *Tariff changes for the addition of a NCZ will be filed with FERC by March 31, 2013.*

Credit Policy: New Capacity Zones

- ◆ The NYISO's existing credit policy for capacity currently applies to three established locations:
 - *Rest of State (ROS)*
 - *Long Island (LI)*
 - *New York City (NYC)*

- ◆ While no changes are proposed to be made to the credit policy pertaining to the established capacity locations, the NYISO's credit policy will need to account for New Capacity Zones.

Credit Policy: New Capacity Zones

- ◆ Proposed credit policy for NCZ:
 - *ICAP Strip and Monthly Bidding Requirement*
 - Calculate the same way as the existing capacity locations:
 - Bid \$ * Bid MWs
 - *ICAP Spot Market Bidding Requirement*
 - Calculate the same way as the existing capacity locations.
 - The margin used for the NCZ will equal the highest margin of an existing zone that falls within the NCZ:
 - Current ICAP Spot Market Bidding Requirement Margins:
 - ROS 100% of Monthly Price
 - NYC 25% of Monthly Price
 - LI 100% of Monthly Price
 - Based on the proposed credit policy the initial margin for the NCZ will be 100%, as any combination of capacity zones, (e.g., even if Zone J is included) will include a zone with a margin requirement of 100 %.

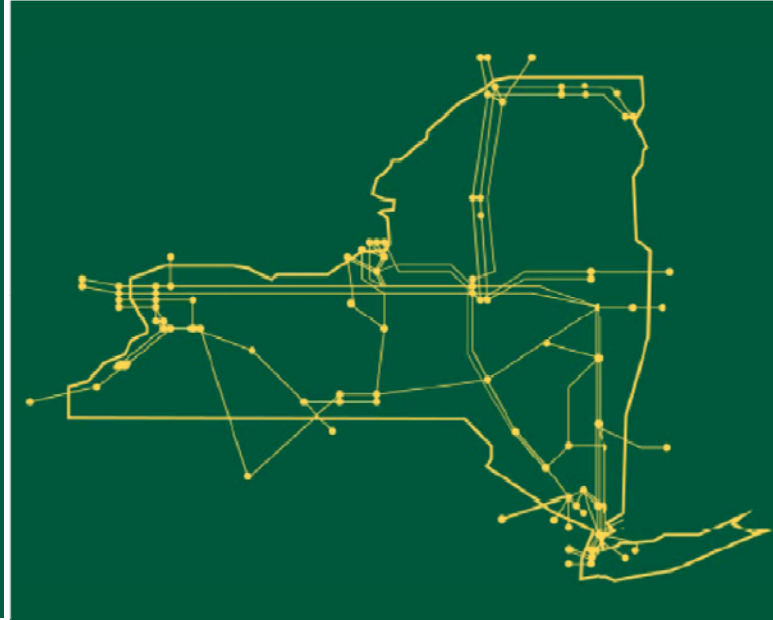
Next Steps

- ◆ CPWG, if needed.

- ◆ New Capacity Zones (NCZ) Compliance Filing due by March 31, 2013.
 - *Credit policy tariff changes will be incorporated into the NCZ compliance filing.*

- ◆ The NYISO plans to review draft tariff compliance revisions with the ICAP Working Group, and the CPWG will be informed of that review.

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