

Motion to approve as part of the Financial Assurance Requirements the energy weighted approach to allocate any remaining loss or fund any working capital collection.

WHEREAS, the Financial Assurance Requirements address the credit exposure and set credit requirements for customers based on that customer's individual credit risk.

WHEREAS. There is a need to develop a methodology to allocate any remaining losses to all other customers and fund any working capital collection in a manner that does not favor bilateral transactions over LBMP transactions.

WHEREAS, members of the Scheduling and Pricing Working Group and NYISO Staff have acknowledged that a dollar volume approach to allocating remaining losses and working capital collection provides an incentive that may cause market participants to alter their behavior in the LBMP market to solely avoid credit risk while lessening market efficiency;

NOW, THEREFORE, IT IS MOVED that the energy weighted approach as described below and as revised following the Scheduling and Pricing Working Group Meeting on February 6, 2003 be approved and the Business Issues Committee recommend the proposal to the Management Committee for its approval with the further recommendation that the Management Committee also request the Board to concur and direct the NYISO staff to file any necessary tariff amendments with FERC.

Energy Weighted Approach - The goal of the Energy Weighted Approach is to allocate 1) any remaining loss and 2) fund any working capital collection to/from all customers based on the sum of customer MWH purchases and sales over total MWH purchase and sales for the market adjusted for actual system energy losses during the month of financial loss or collection. Working Capital would be allocated over a period of a year. The allocation will be based on the Customer's applicable injection billing units and/or withdrawal billing units during the month of loss or collection or year of working capital calculation.

The allocation would be based on the following formula:

$$\% \text{ amount paid by customer} = (\text{CAW} + \text{CI}) / (\text{NYAW} + \text{NYI})$$

CAW = The sum of the Customers Actual Energy Withdrawals for all Transactions to supply Load in the NYCA and hourly Energy schedules for all Wheels Through and Exports in MWHs during the month of loss or collection or year of working capital calculation.

CI = The sum of the Customers Actual Energy Injections to supply Energy to the NYISO energy market in the New York Control Area in MWHs during the month of loss or collection or year of working capital calculation, including imports sold into the day ahead and hourly spot markets.

$$\text{CI} = (\sum I_a + \sum I_i) \times (1 - L_a)$$

Where for any given market participant,

- $I_a$  is the customer's actual injection from each generator.
- $I_i$  is the customer's MWH imports into the LBMP market, either day ahead or real time.
- $L_a$  is the actual losses of the NYCA system expressed as a decimal fraction and calculated by SCD integrated over each hour and summed over the period divided by the integrated energy injections and energy imports.

NYAW = The total of the NYISOs Actual Energy Withdrawals and hourly Energy schedules for all Wheel Throughs and Exports in MWHs during the month of loss or collection or year of working capital calculation.

$$\text{NYAW} = \sum \text{CAW}$$

NYI – The total of the NYISOs Actual Energy Injections adjusted for losses to supply Energy into NYISO energy market in the New York Control Area in MWHs during the month of loss or collection or year of working capital calculation.

$$\text{NYI} = \sum \text{CI}$$