

Proposed Changes to the Credit Requirements for Virtual Transactions

NYISO
Management Committee
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Agenda Item 6

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Proposed Changes to the Credit Requirements for Virtual Transactions

Overview

- In August 2005, NYISO held a joint Credit Policy Task Force and Schedule & Pricing Working Group meeting to discuss credit requirements for the Virtual Transactions Market, as directed by FERC in its July 2005 order
- At that meeting, several Market Participants asked the NYISO to consider allowing all forms of credit support accepted for other NYISO markets, to be used in the Virtual Transactions market

Proposed Changes to the Credit Requirements for Virtual Transactions

Credit Support for Virtual Transactions Market

- Currently, credit support for the Virtual Transactions market is limited to cash, letters of credit and net receivables
- In addition to forms listed above, surety bonds, guarantees, and unsecured credit are allowed for the Energy, ICAP and TCC markets
- Credit support was limited upon start-up of Virtual Transactions market in November 2001 due to uncertain volatility of a new financial market
- Now that the Virtual Transactions market is more mature, it is feasible to open it up to all forms of credit support
- This change would require tariff amendment. Motion to allow all forms of collateral for the Virtual Transactions market was approved at the December 2005 BIC.

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Recommendations

Credit Support for Virtual Transactions Market		January 2006: Request MC approval February 2006: Request Board approval and filing as a 205 Tariff change with FERC
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