

Proposed Changes to the Credit Requirements for Virtual Transactions

NYISO

Business Issues Committee

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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:
 1. Allowing all forms of credit support accepted for other NYISO markets, to be used in the Virtual Transactions market and;
 2. Replacing Virtual Transactions Certification form with email “request”

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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**

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Replacement of Virtual Transactions Certification Form

- **Market Participants must submit Virtual Transactions Certification form to modify daily trading limit**
- **Form is used when:**
 1. Price per MWH increases or decreases by 10% or more
 2. Market Participant desires to change daily trading limit
- **The form must be notarized and faxed or sent in pdf format**
- **It is more efficient to submit changes via an email**
- **This is a procedural change only; BIC action is not required**

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Recommendations

Credit Support for Virtual Transactions Market	December 2005: Request BIC approval January 2006: Request MC approval February 2006: Request Board approval and filing as a 205 Tariff change with FERC
Replacement of Virtual Transactions Certification Form	December 2005: Review with BIC January 2006: Implement