PROPOSED TCC CREDIT POLICY AMENDMENT

Presented to the Business Issues Committee on August 15, 2002

Previous TCC Credit Policy Proposal:
- Approved by Management Committee on May 2, 2002, and approved by NYISO Board of Directors; not yet filed with FERC

- "Creditworthy" Customers (as defined in NYISO tariffs) not required to provide collateral; other Customers required to provide collateral as specified below

- Other Customers required to provide collateral in an amount equal to the full amount of all positive bids to purchase TCCs; no collateral required for negative bids to purchase TCCs

- During the duration of the terms of TCCs with a positive clearing price, the Primary Holder must provide collateral in an amount equal to 100% of the clearing price of each one month TCC, 50% of the clearing price of each six month TCC, and 25% of the clearing price of each TCC of twelve (12) months or longer

- During duration of the term of each TCC with a negative clearing price, the Primary Holder must provide collateral in an amount equal to 100% of the absolute value of the clearing price

Rationale for Amendment:
- Proposed amendment to address exposure attributable to congestion rent obligations of Primary Holders in excess of collateral required at time of TCC auctions

Details of Proposed Amendment:
- Builds upon previous TCC credit policy proposal outlined above

- Establishes credit requirements for Primary Holders of TCCs on portfolio basis

- Affects collateral requirements for holding TCCs; does not affect collateral requirements for bidding in TCC auctions

- NYISO will review each Primary Holder's TCC portfolio each month

- Required collateral shall be increased or decreased each month if indicated by, and in accordance with, the formula specified below

- TCC collateral requirement for each Primary Holder is the **greater of** *either*:

$$\sum_{n \in N} IAC_n$$

      where: IAC = initial amount of collateral required based on the absolute value of clearing price of TCC_n

                      N = Set of TCCs held by the Primary Holder

- or -

$$\sum_{n \in N} \frac{NAP_n \times RM_n}{3}$$

      where: NAP = the net amount of congestion rents paid to or by the Primary Holder of the TCC_n during the previous three months

                      RM = remaining number of months in life of TCC_n

                      N = Set of TCCs held by the Primary Holder