

# DRAFT - For Review Only

## KEY TERMS OF PROPOSED TARIFF REVISIONS REGARDING WHOLESALE TSC NONPAYMENT AND UNSECURED CREDIT ALLOCATION

Presented to the Scheduling and Pricing Working Group  
February 10, 2004

**I. Applicable Charges.** The proposed tariff revisions will apply to Wholesale Transmission Service Charges (“WTSC”), which are calculated pursuant to Attachment H of the OATT, incurred or declared overdue by a Transmission Owner pursuant to Section VI, below, after the effective date of these revisions; provided, however, that these provisions will not apply to pre-petition bankruptcy debts for a company that is currently in bankruptcy. The proposed tariff revisions will not apply to Retail Transmission Service Charges or Third-Party Wheeling Agreements listed in Attachment L of the OATT.

**II. Billing and Collection.** Transmission Owners will continue to conduct the regular billing and collection of all Transmission Service Charges.

**III. Operating Requirement.** The Operating Requirement will be revised to account for the WTSC by adding a WTSC Component as follows:

The WTSC Component shall be equal to the greater of either:

$$\frac{\text{Greatest Amount Owed for WTSC During a Single Month in Prior Equivalent Capability Period}}{\text{Days in Basis Month}} \quad \times \quad 50$$

- or -

$$\frac{\text{Total Charges Incurred for WTSC for Previous Ten (10) Days}}{10} \quad \times \quad 50$$

**IV. Working Capital.** NYISO working capital will not be used to address WTSC nonpayments, and customer contributions to working capital will be calculated without regard to TSC payments or receipts.

**V. Application of Security.** Security held by the NYISO in excess of that collected on account of a customer’s wheel and export WTSC charges will be available to secure WTSC charges only to the extent that the NYISO has determined that the collateral will not be necessary to secure any payment obligations to the NYISO, including true-up payment obligations. The NYISO would have access to WTSC security to apply to other debts only to the extent that the NYISO determined that it was not necessary to secure WTSC payment obligations to Transmission Owners.

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**VI. Prerequisites to NYISO Action.** The following conditions must be satisfied before the NYISO will take action to address a WTSC nonpayment:

- (i) The WTSC payment must be at least ten (10) days overdue;
- (ii) The Transmission Owner must have issued a late notice and demand letter to the customer for the overdue WTSC payment;
- (iii) The Transmission Owner must have made an additional, informal attempt (e.g., a telephone call to appropriate personnel) to collect the WTSC;
- (iv) The Transmission Owner must provide to the NYISO a copy of the initial invoice, a copy of the late notice and demand letter with proof of receipt by the customer, and a sworn statement by an officer of the Transmission Owner stating that the WTSC payment is due and owing, reciting the Transmission Owner's collection efforts (including the informal attempt to collect the debt), and requesting that the NYISO draw upon available collateral.

**VII. NYISO Action.** On the first business day after the NYISO receives notice from the Transmission Owner, as described above, the NYISO: (i) will send a final letter to the customer demanding payment of the WTSC within two (2) business days, (ii) will initiate a draw upon available collateral for the benefit of the affected Transmission Owner(s) if the amount is not paid within two (2) business days of the letter, and (iii) may begin termination proceedings in accordance with the tariffs.

**VIII. Indemnity.** The Transmission Owner will indemnify and hold the NYISO harmless against liability arising out of the use of security to satisfy a WTSC nonpayment, any proceeding to terminate service, or termination of service to a customer except to the extent the dispute arises out of the NYISO's reporting of the details of the underlying wheel through or export transaction(s) to the Transmission Owner.

**IX. Remaining Unpaid WTSC.** Unpaid WTSC in excess of available collateral will be collected through Rate Schedule 1 in accordance with the formula in Attachment U of the OATT, as modified to account for TSC payments and receipts along with NYISO-administered payments and receipts, to determine each customer's allocation of bad debt losses. Notwithstanding any recovery of unpaid WTSC through Rate Schedule 1, a Transmission Owner will be required to pursue all reasonable debt collection efforts and to refund through Rate Schedule 1 any such WTSC ultimately collected.

X. Municipal Electric Systems. Municipal Electric Systems that operate through a Joint Action Agency or a similar municipal affiliation agreement recognized under the laws of New York State may aggregate their unsecured credit allocations for purposes of determining the unsecured credit to be granted to the Joint Action Agency or other similar aggregate entity for participation in the

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NYISO-administered markets, subject to the NYISO's general credit review and review of the particular municipal agreement.

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