

# Working Draft – For Discussion Purposes Only

## New York Independent System Operator Proposed Comprehensive Financial Assurance Requirements – Key Terms

### I. Preamble

This document contains the key terms of a proposed comprehensive revision of the credit requirements applicable to Customers<sup>1</sup> participating in the NYISO-administered markets. This document will serve as the basis for a filing to amend the NYISO's tariffs in accordance with the provisions set forth below.

### II. Definitions

- A. **Basis Amount** - the greatest amount owed to the NYISO for purchases of Energy and Ancillary Services in any month during the Prior Equivalent Capability Period, as adjusted by the NYISO to reflect material changes in the extent of the Customer's participation in the NYISO-administered Energy and Ancillary Services Markets.
- B. **Basis Month** - the month during the Prior Equivalent Capability Period in which the amount owed by the Customer for Energy and Ancillary Services was greatest.
- C. **Credit Assessment** - an assessment of a Customer's creditworthiness, conducted by the NYISO in accordance with established procedures posted on the NYISO's website, as they may be amended from time to time, accounting for the Customer's cash flow, liquidity, leverage and debt coverage, performance and profitability, contingent liabilities, and other factors including the Customer's level of activity in the NYISO-administered markets.
- D. **Customer** - an entity that has complied with the requirements contained in the ISO Services Tariff, including having signed a Service Agreement, and is qualified to use the Market Services and Control Area Services provided by the ISO under the ISO Services Tariff; provided, however, that a party taking services under the Services Tariff pursuant to an unsigned Service Agreement filed with the Commission by the ISO shall be deemed a Customer.
- E. **Energy and Ancillary Services Component** - a component of the Operating Requirement, calculated in accordance with Article VIII below.
- F. **Equivalency Rating** - a value determined by the NYISO, at a Customer's request, based on the NYISO's financial evaluation of an Unrated Customer that shall serve as the starting point of the NYISO's determination of an amount of Unsecured Credit to be granted to the Customer, if any, as provided in Attachment A.

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<sup>1</sup> Capitalized terms not established herein are used as they are defined in the NYISO tariffs. "Customer," as used in this document, means Customer, Transmission Customer, or an applicant seeking to become a Customer or Transmission Customer, as the context may require.

## Working Draft – For Discussion Purposes Only

- G. **Investment Grade Customer** - a Customer with a rating from any NYISO-approved rating agency or a NYISO Equivalency Rating of BBB- (or Baa3) or higher pursuant to Article IV below.
- H. **Market Concentration Cap** - the amount calculated in accordance with Section VI.C, below.
- I. **Non-Investment Grade Customer** - a Customer with a rating from any NYISO-approved rating agency or a NYISO Equivalency Rating below BBB- (or Baa3).
- J. **Operating Requirement** - the amount calculated in accordance with Article VIII below.
- K. **Prior Equivalent Capability Period** - the previous same-season Capability Period.
- L. **Tangible Net Worth** - the value, determined by the NYISO and affirmed by the Customer, of all of a Customer's assets less both (i) the amount of the Customer's liabilities and (ii) all of the Customer's intangible assets, including, but not limited to, patents, trademarks, franchises, intellectual property, goodwill, and other comprehensive income as defined in FAS 133.
- M. **TCC Component** - a component of the Initial Operating Requirement, calculated in accordance with Article VIII below.
- N. **Transmission Customer** - any Eligible Customer (or its designated agent) that (i) executes a Service Agreement, or (ii) requests in writing that the NYISO file with the Commission a proposed unexecuted Service Agreement to receive Transmission Service under part II, III and/or IV of the Open Access Transmission Tariff.
- O. **UCAP Component** - a component of the Operating Requirement, calculated in accordance with Article VIII below.
- P. **Unrated Customer** - a Customer that has not been rated by a NYISO-approved commercial rating agency or received a NYISO Equivalency Rating.
- Q. **Unsecured Credit** - the amount of a Customer's Operating Requirement that the Customer may satisfy based on its creditworthiness, without providing credit support, as determined in accordance with Article VI, below.

# Working Draft – For Discussion Purposes Only

## III. Applicability

All Customers shall be subject to the NYISO’s financial assurance requirements.

## IV. Ratings and Rating Agencies

A. **Approved Rating Agencies and Methodology.** The NYISO-approved rating agencies shall be: Moody’s, Standard & Poor’s, Fitch, and, if a Customer has not been rated by any of the former agencies, Dominion. The NYISO shall use the senior long-term unsecured debt ratings, as defined and determined by these agencies, as part of the process of establishing the amount of a Customer’s Unsecured Credit, if any, as provided in Article VI, below. In the event that a Customer does not have any senior long-term unsecured debt rating, the NYISO shall use the Customer’s issuer rating, as defined and determined by the NYISO-approved rating agencies, applying a downward adjustment of one increment (*e.g.*, from A- to BBB+).

In the event that one rating agency differs in its rating of a Customer, the NYISO shall use the rating given by the other two. If all three rating agencies differ in their ratings of a Customer, the NYISO shall use the middle rating. If a Customer is rated by only two of the approved rating agencies, the NYISO shall use the lower of the two ratings. If a Customer is rated by only one of the approved rating agencies, that rating shall apply.

B. **Application of Rating.** A Customer with a rating of BBB- (or Baa3) or higher pursuant to Section IV.A above shall be deemed to be an Investment Grade Customer. Notwithstanding Section IV.A, above, a Customer with a rating from any NYISO-approved rating agency below BBB- (or Baa3) shall be deemed to be a Non-Investment Grade Customer.

C. **Equivalency Rating.** At the request of an Unrated Customer, the NYISO shall assign an Equivalency Rating based on its financial evaluation of the Unrated Customer for purposes of establishing a starting point for determining the amount of Unsecured Credit that the Customer may be eligible to receive, pursuant to Article VI.

(i) The NYISO shall review a Customer’s Equivalency Rating at least once each quarter.

(ii) If a Customer becomes rated by a NYISO-approved rating agency, the NYISO shall apply that rating without regard for the Customer’s Equivalency Rating.

## V. Reporting Requirements

A. **Financial Statements.** A Customer requesting Unsecured Credit from the NYISO, including a request for an Equivalency Rating, shall be required to provide audited

## Working Draft – For Discussion Purposes Only

annual financial statements from the most recent three years and the most recent quarterly financial statement. Thereafter, the Customer shall provide audited annual financial statements to the NYISO within ninety (90) days of the end of each fiscal year and shall provide quarterly financial statements to the NYISO within sixty (60) days of the end of each quarter.

- (i) **Publicly-Traded Customers.** Publicly-traded Customers shall provide financial statements on Form 10-K and 10-Q, respectively. Publicly-traded Customers shall also provide Form 8-K reports within five business days of their issuance.
  - (ii) **Privately-Held Customers.** Customers that are not publicly-traded shall provide financial statements that shall include a balance sheet including a statement of stockholders' equity, an income statement, a statement of cash flow, notes to the financial statement, and an unqualified auditor's opinion.
  - (iii) **Government Entities.** Notwithstanding Section V.A, above, government entities that do not normally prepare quarterly financial statements shall not be required to provide them to qualify for Unsecured Credit.
  - (iv) **Extensions.** The NYISO may grant an extension for the provision of quarterly and annual financial statements upon a showing of good cause for such delay by the Customer.
- B. **References.** The Customer shall be required by the NYISO to provide references from one bank and up to three utilities. If the Customer does not have three utility references, trade payable vendor references may be substituted.
- C. **Affiliate Relationships.** The Customers shall inform the NYISO of any Affiliates that are currently NYISO Customers or that are applying to become NYISO Customers.
- D. **Prior Bankruptcy or Default.** The Customer shall inform the NYISO of any prior bankruptcy declarations or material defaults by the Customer or its predecessors, subsidiaries, or Affiliates occurring within the previous five years.
- E. **Investigations.** The Customer shall inform the NYISO of the existence of any ongoing investigations of which the Customer is aware by the Securities and Exchange Commission, the Department of Justice, the Federal Energy Regulatory Commission, or any other governing, regulatory, or standards-setting body.
- F. **Material Change in Financial Status.** The Customer shall inform the NYISO of any material change in financial status within five (5) business days, including but not limited to the following:
- (i) A downgrade of a long- or short-term debt rating by any NYISO-approved rating agency;

## Working Draft – For Discussion Purposes Only

- (ii) Placement on a negative credit watch by any NYISO-approved rating agency;
  - (iii) Bankruptcy filing, insolvency, or a quarterly loss or reduction in earnings of ten (10%) percent or more as compared to the previous quarter;
  - (iv) Resignation or termination of an officer;
  - (v) Initiation of a lawsuit that could materially and adversely impact current or future financial performance; or
  - (vi) Restatement of prior financial statements.
- G. **Change in Peak Load.** A Load Serving Entity shall inform the NYISO as soon as practicable if it expects its peak Load to increase by fifteen (15%) percent or more above its peak Load during the Prior Equivalent Capability Period.

### VI. Unsecured Credit Limits

- A. **Customer Request.** A Customer may request that the NYISO grant it an amount of Unsecured Credit.
- B. **NYISO Determination.** The NYISO shall determine the amount of Unsecured Credit to be granted to a Customer, if any, in accordance with the NYISO's financial assurance requirements.
- C. **Market Concentration Cap.** Under no circumstance may a Customer's Unsecured Credit exceed the Market Concentration Cap, which shall be calculated as twenty (20%) percent of the total NYISO market volume in the month during the previous calendar year in which the sum of the following elements is highest: (i) one and one half times the Energy and Ancillary Services purchases in the NYISO markets, (ii) amounts then-owed (billed and unbilled) for UCAP purchased in the NYISO-administered auctions, and (iii) total TCC auction sales.
- D. **Investment Grade Customers.** The starting point for determining an Investment-Grade Customer's Unsecured Credit, except as provided otherwise in Sections VI.D(i) and VI.D(ii) below, shall be a percentage of its Tangible Net Worth, determined by the Customer's senior long-term unsecured debt rating, adjusted issuer rating, or Equivalency Rating as indicated on the matrix included as Attachment A.
- (i) NYPA and LIPA may substitute working capital or accumulated net revenues for Tangible Net Worth.
  - (ii) A municipal electric cooperative shall be granted \$1 million as the starting point for determining its Unsecured Credit, without regard for its credit rating. Municipal electric cooperatives shall be eligible for Unsecured Credit in

## Working Draft – For Discussion Purposes Only

excess of the \$1 million, as that starting point may be adjusted by the NYISO's Credit Assessment, only in accordance provisions of this financial assurance policy.

- (iii) The starting point for a Customer's Unsecured Credit may be adjusted upward by up to ten (10%) percent or downward by up to one hundred (100%) percent as a result of the NYISO's Credit Assessment to determine the Customer's Unsecured Credit. The Credit Assessment shall be conducted according to an established methodology that shall be publicly available on the NYISO's website, as it may be amended from time to time.
  - (iv) In the event of a change in the Customer's senior long-term unsecured debt rating or issuer rating, the NYISO shall recalculate the amount of Unsecured Credit granted to the Customer.
- E. **Unrated Customers.** The NYISO shall grant Unsecured Credit, if any, to an Unrated Customer on the basis of the NYISO's Equivalency Rating and its Credit Assessment.
  - F. **Non-Investment Grade Customers.** Non-Investment Grade Customers shall not be eligible for Unsecured Credit.
  - G. **Affiliate Guarantors.** An Affiliate guarantor shall be assigned a level of Unsecured Credit, if any, and shall be subject to the NYISO's financial assurance requirements as if the Affiliate guarantor were a Customer. The Tangible Net Worth of an Affiliate guarantor shall be determined exclusive of intercompany assets and liabilities between the Affiliate guarantor and the beneficiary Customer.
  - H. **Effect of Late Payments.** The NYISO may reduce or cancel a Customer's Unsecured Credit for up to twelve (12) months if the Customer is late in making any payment to the NYISO twice in any twelve (12) month period.
  - I. **Requests for Changes.** Requests for changes to the amount of a Customer's Unsecured Credit shall be made in writing.
  - J. **Appeals.** Appeals of any decision regarding a Customer's Unsecured Credit shall be made in writing to the Chief Financial Officer and shall include all necessary supporting documentation. Decisions by the Chief Financial Officer regarding Unsecured Credit appeals shall be made within ten (10) business days and shall not be subject to further appeal.

# Working Draft – For Discussion Purposes Only

## VII. Pay-down and Prepayment Agreements

- A. **Pay-down Agreements.** In lieu of providing any collateral otherwise required by the NYISO's financial assurance requirements, an **Investment Grade Customer** may execute a pay-down agreement with the NYISO pursuant to which the Customer shall, upon written demand by the NYISO, pay down the amount by which its Operating Requirement, as calculated pursuant to Article VIII, exceeds the amount of its Unsecured Credit and collateral.
- (i) If a Customer fails to make a payment pursuant to a pay-down agreement within two (2) business days of a demand by the NYISO, the pay-down agreement may be terminated, the Customer may be assessed a late fee of up to the greater of \$10,000 or one (1%) percent of the required payment, and the NYISO may revoke the Customer's Unsecured Credit for a period of up to twelve (12) months and demand collateral as otherwise indicated by the NYISO's financial assurance requirements.
  - (ii) If a Customer elects to enter into a pay-down agreement, the Customer may change its election to do so only once during any Capability Period.
- B. **Prepayment Agreements.** Subject to the NYISO's credit analysis and approval, a **Non-Investment Grade Customer** or an **Unrated Customer** may execute a prepayment agreement with the NYISO pursuant to which the Customer may lower its financial assurance requirement for Energy and Ancillary Services, as provided in Section VIII.B(i), by agreeing to make weekly prepayments in amounts to be determined by the NYISO for all purchases of Energy and Ancillary Services.
- (i) Any Customer that fails to provide such financial information as the NYISO shall reasonably request shall not be permitted to execute a prepayment agreement.
  - (ii) Prepayments shall be made no later than 3:00 p.m. on the last business day prior to the week in which purchases shall be made.
  - (iii) The NYISO shall review the amount of a Customer's prepayments periodically, but not less than once each month. If the amount of a Customer's prepayment(s) is determined to be more or less than actual amounts owed by the Customer for Energy and Ancillary Services, the NYISO may adjust the amount of the Customer's future prepayments accordingly and may adjust the amount of the Customer's next prepayment to account for any shortfall or overpayment in previous prepayments. The NYISO shall provide notice of any adjustment to the amount of a Customer's prepayment at least two (2) business days prior to the date of the prepayment to which the adjustment shall be applied.
  - (iv) If a Customer fails to make a scheduled prepayment or to make any shortfall payments when due, the prepayment agreement may be terminated, the

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Customer may be assessed a late fee of up to the greater of \$10,000 or one (1%) percent of the required payment, and the NYISO may deny the Customer's eligibility for Unsecured Credit for a period of up to twelve (12) months and demand collateral as otherwise required by the NYISO's financial assurance requirements.

- (v) If a Customer elects to enter into a prepayment agreement, the Customer may change its election to do so only once during any Capability Period.
- C. A Customer may prepay for services or pay down its balance at any time, but may only reduce its financial assurance requirements pursuant to a pay-down agreement or prepayment agreement as provided in this Article VII.

## VIII. Operating Requirement

- A. **Purpose and Function.** A Customer's Operating Requirement shall be based on the nature and extent of its participation in the NYISO-administered markets and shall determine the amount of Unsecured Credit and/or collateral that the Customer must maintain. The Operating Requirement shall be determined separately from the Unsecured Credit and collateral requirements for Virtual Transactions and for bidding into NYISO-administered auctions.
- B. **Calculation.** The Operating Requirement shall be equal to the sum of (i) the Energy and Ancillary Services Component, (ii) the UCAP Component and (iii) the TCC Component, where:

- (i) The **Energy and Ancillary Services Component** is equal to:

- (A) For **Investment Grade Customers**, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 45$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 45$$

10



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- (B) For **Non-Investment Grade Customers** and **Unrated Customers** *without* prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 90$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 90$$

- (C) For **Non-Investment Grade Customers** and **Unrated Customers** *with* prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 45$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 45$$

- (D) **New Customers.** For new Customers, the NYISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services that shall be equal to:  $EPL \times 720 \times (AEP \times 1.1)$

where: EPL = estimated peak Load for the Capability Period

AEP = average Energy price during the Prior Equivalent Capability Period

- (ii) The **UCAP Component** shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the NYISO-administered markets.

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- (iii) The **TCC Component** shall be equal to the greater of *either*:
- (A) The Primary Holder’s total portfolio collateral requirement based on the clearing prices of each TCC in the portfolio according to the following formula:

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

where: IAC = initial amount of collateral required based on the clearing price of TCC<sub>n</sub>, that shall be one hundred (100%) percent of the clearing price of a one month TCC with a positive clearing price, fifty (50%) percent of the clearing price of a six month TCC with a positive clearing price, twenty five (25%) percent of the clearing price of a twelve month or longer TCC with a positive clearing price, and one hundred (100%) percent of the absolute value of the clearing price of a TCC with a negative clearing price.

N = set of unexpired TCCs held by the Primary Holder

- or -

- (B) The projected amount of the Primary Holder’s payment obligation to the NYISO, if any, considering the net mark-to-market value of all TCCs in the Primary Holder’s portfolio, as defined for these purposes, according to the following formula:

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

where: NAP = the net amount of congestion rents (positive or negative) between PTID pairs composing each TCC<sub>n</sub> during the previous three months.

RM = remaining number of months in the life of TCC<sub>n</sub>

N = set of unexpired TCCs held by the Primary Holder

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## IX. Financial Assurance for Virtual Transactions

- A. **Acceptable Collateral.** All Virtual Transaction Customers must provide collateral in the form of a cash deposit or irrevocable letter of credit in an amount determined according to this Article IX and in addition to any other collateral necessary to satisfy the NYISO's financial assurance requirements. The amount of collateral required to support Virtual Transactions is the product of the MWh that the Virtual Transaction Customer has applied to be authorized to bid per day and the amount of collateral required per MWh, as provided by this Article IX. The amount of collateral required per MWh is equal to seven times the highest differential between the Day-Ahead and Real-Time Energy market prices in the NYCA at the 97<sup>th</sup> percentile over the previous ninety days. The amount of collateral that a Virtual Transaction Customer is required to provide per MWh will be adjusted whenever there is an increase or decrease of ten (10%) percent or more since the amount was last determined.
- B. **NYISO Monitoring.** The NYISO will monitor the bids submitted by a Virtual Transaction Customer. If the number of MWhs bid submitted by a Virtual Transactions Customer in any given day exceeds the number of MWhs that the Virtual Transactions Customer is authorized to bid, all of the Virtual Transaction Customer's bids for that day will be rejected by the NYISO.
- C. **Suspension.** If, at any time during the regular monthly billing cycle, the amount owed to the NYISO by a Virtual Transactions Customer as a result of Virtual Transactions reaches fifty (50%) percent of the collateral provided by the Virtual Transaction Customer to support its Virtual Transactions, the NYISO will attempt to contact the Virtual Transactions Customer to request either payment or additional collateral in the amount then owned by the Virtual Transactions Customer as a result of Virtual Transactions. If the Virtual Transactions Customer fails to make payment or provide additional collateral as described above by 4:00 p.m. on the next business day, the NYISO may immediately suspend the Virtual Transaction Customer's authorization to engage in Virtual Transactions until payment or additional collateral is provided as required by this Section.

## X. Financial Assurance Requirements for NYISO Auctions

- A. Prior to participation in any NYISO-administered TCC auction, a Customer must allocate a portion of its Unsecured Credit and/or existing collateral or provide new collateral in an amount equal to or greater than the sum of: (i) an amount equal to all positive bids to be submitted in the auction to purchase TCCs and (ii) an amount equal to the absolute value of all negative offer prices for sales of TCCs.
- B. Prior to participation in any NYISO-administered UCAP auction, a Customer must allocate a portion of its Unsecured Credit and/or existing collateral or provide new collateral in an amount equal to or greater than all bids to purchase UCAP. Five (5) business days prior to any UCAP Deficiency Procurement Auction, a Customer must

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allocate a portion of its Unsecured Credit and/or existing collateral or provide new collateral in an amount equal to the maximum amount that the Customer may be required to pay for UCAP in the upcoming Deficiency Procurement Auction pursuant to Section 5.14 of the Services Tariff.

### XI. Additional Security

- A. If a Customer's Operating Requirement exceeds the total of its Unsecured Credit and collateral by more than \$10,000, the Customer shall be required to provide additional security, as provided in this Article XI.
- B. Investment-Grade Customers. When an Investment-Grade Customer's Operating Requirement exceeds its Unsecured Credit and collateral, the Customer shall either:
  - (i) Provide additional collateral equal to the amount by which its Operating Requirement exceeds its Unsecured Credit and collateral.
  - or -
  - (ii) Pay-down the amount by which the Customer's Operating Requirement exceeds its Unsecured Credit and collateral pursuant to a pay-down agreement executed in accordance with Section VII.A above.
- C. Non-Investment Grade Customers and Unrated Customers. Where a Non-Investment Grade Customer or an Unrated Customer's Operating Requirement exceeds its collateral, the Customer shall provide additional collateral equal to the amount by which its Operating Requirement exceeds its Unsecured Credit and collateral.

### XII. Acceptable Form of Security

- A. **Acceptable Collateral**. Acceptable forms of collateral shall be:
  - (i) Cash deposit. Held in escrow by the NYISO, with actual interest earned on the deposit accrued to the Customer's balance.
  - (ii) Letter of credit. Must be in a form acceptable to the NYISO and issued by an approved U.S. or Canadian commercial bank with a minimum "A" rating by a NYISO-approved rating agency. Letters of credit from other banks shall be accepted only if guaranteed by a bank meeting the minimum standards of the NYISO. A Customer's failure to provide a source of collateral forty five (45) days prior to the termination of a letter of credit, which source of collateral shall be guaranteed to remain in effect for a period of not less than one (1) year, shall be a condition of default enabling the NYISO to immediately draw upon the full value of the letter of credit.

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- (iii) Affiliate Guarantee. Must be in a form acceptable to the NYISO and issued by an Investment Grade U.S. or Canadian Affiliate. A Customer's failure to provide a source of collateral forty five (45) days prior to the termination of an Affiliate guarantee, which source of collateral shall be guaranteed to remain in effect for a period of not less than one (1) year, shall be a condition of default enabling the NYISO to immediately demand payment in the full amount of the Affiliate guarantee.
- B. **Surety Bonds**. Surety bonds shall not be an acceptable form of collateral. Any surety bond in effect at the time this policy becomes effective shall be replaced with an acceptable alternative form of collateral within twelve (12) months.
- C. **Time for Delivery**. Except as otherwise provided in Sections IX.C and X.B, a Customer shall supply any collateral required by the NYISO's financial assurance requirements within three (3) business days of a demand by the NYISO.
- D. **Alternative Security Arrangements**. Alternative security arrangements substantially similar to the credit requirements set forth herein may be made in exigent circumstances to protect the financial position of the NYISO if proposed by the Customer and approved by the NYISO.

### XIII. Payment History Waiver

The waiver of collateral requirements on the basis of payment history shall be eliminated immediately upon the effectiveness of the provisions contained in this document.

### XIV. Customer Default, Termination, and Withdrawal

- A. Failure to make a payment to the NYISO on or before the due date shall constitute a default. If a Customer fails to cure such a default within two (2) business days after the NYISO gives written notice to the Customer of the default, the NYISO may terminate service to the Customer under the OATT, the Services Tariff, or both immediately upon notice to the Federal Energy Regulatory Commission.
- B. Failure to comply with the NYISO's financial assurance requirements contained herein shall constitute a default. If a Customer fails to cure such a default within three (3) business days after the NYISO gives written notice to the Customer of the default, the NYISO may terminate service to the Customer under the OATT, the Services Tariff, or both immediately upon notice to the Federal Energy Regulatory Commission.
- C. As soon as practicable, the NYISO shall notify the relevant TO in the event that the NYISO reasonably believes that it will have to transfer load to the TO as the result of a default or withdrawal by a Load Serving Entity within the TO's service territory.

## **Working Draft – For Discussion Purposes Only**

- D. The NYISO shall notify all Customers in the event that it terminates service to a Customer due to default.
- E. The NYISO may retain some or all of the collateral provided by a Customer for so long as necessary to secure all amounts that the Customer may owe to the NYISO as a result of final settlement and billing.

### **XV. Material Adverse Change**

The amount of Unsecured Credit granted to a Customer, if any, and the amount of the Customer's Operating Requirement shall be subject to change, at the discretion of the NYISO, in the event that there is a material adverse change affecting the risk of nonpayment by the Customer.

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## Attachment A

<b>Tangible Net Worth Credit Matrix</b>	
<u>Debt Rating</u>	<u>Tangible Net Worth</u>
AA-	7.5%
A+	7.5%
A	6.5%
A-	5.0%
BBB+	4.0%
BBB	2.5%
BBB-	1.5%
Below BBB-	- 0 -

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## Attachment B

### Ratings Equivalencies

Rating Agency	Senior Long-Term Unsecured Debt Rating									
Standard & Poor's <sup>1</sup> Fitch Dominion Equivalency Rating	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Moody's <sup>2</sup>	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	C	n/a

<sup>1</sup> Standard & Poor's, Fitch, Dominion, and the NYISO may sometimes, but not always, modify the rating categories of 'AA' through 'CCC' by the addition of a plus or minus sign to show relative standing within each rating category. The plus sign indicates a ranking in the higher end of that rating category. The minus sign indicates a ranking in the lower end of that rating category.

<sup>2</sup> Moody's modifies the ratings of 'Aa' through 'Caa' by the addition of a numerical modifier 1, 2, or 3 to show relative standing within each rating category. The modifier 1 indicates a ranking in the higher end of that rating category. The modifier 2 indicates a ranking in the mid-range of that rating category. The modifier 3 indicates a ranking in the lower end of that rating category.