

Management Committee
February 20, 2003
Agenda #7

Amendment Submitted by Jim Parmelee, LIPA

Motion to approve as part of the Financial Assurance Requirements the following methodologies to allocate any remaining loss or fund any working capital collection.

WHEREAS, the Financial Assurance Requirements address the credit exposure and set credit requirements for customers based on that customer's individual credit risk.

WHEREAS. There is a need to develop a methodology to allocate any remaining losses to all other customers and fund any working capital collection in a manner that does not favor bilateral transactions over LBMP transactions.

WHEREAS, members of the Scheduling and Pricing Working Group and NYISO Staff have acknowledged that a dollar volume approach to allocating remaining losses and working capital collection provides an incentive that may cause market participants to alter their behavior in the LBMP market to solely avoid credit risk while lessening market efficiency;

NOW, THEREFORE, IT IS MOVED that the Management Committee approve the modified energy weighted approach as approved at the Business Issues Committee on February 11, 2003 and as presented at the February 20, 2003 Management Committee meeting described below be approved and the Business Issues Committee recommend the proposal to the Management Committee for its approval with the further recommendation that the Management Committee also request the Board to concur and direct the NYISO staff to file any necessary tariff amendments with FERC— Prior to filing, tariff language to be reviewed and approved by the Chairs and Vice Chairs of the Management Committee and Business Issues Committee on the recommendation of the Scheduling and Pricing Working Group.

Further, the Management Committee approves the comprehensive revision of the credit requirements applicable to Customers participating in the NYISO-administered markets described in meeting materials distributed with the February 20, 2003 agenda and requests that the Board notify FERC that the NYISO Section 206 filing on credit assurance should be converted to a Section 205 filing that includes the revisions to Proposed Comprehensive Financial Assurance Requirements – Key Terms approved by the BIC on December 13.-