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# Proposal on Accepting Bilateral Contracts for Energy Settlement

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## Collateral Cost Comparison

Strategic Energy Posted Collateral @ 12/31/02					
	NYISO	ERCOT	PJM	CAISO	NEPOOL
MWh Served (YTD)	1,007,698	2,830,099	2,557,189	3,246,037	531,814
Collateral Posted with ISO	\$30,310,000	\$1,000,000	\$150,000	\$1,500,000	\$535,000
Collateral per Mwh Served	\$30.08	\$0.35	\$0.06	\$0.46	\$0.99

- ❖ Cost per MWh served in NY is **30.4x** greater than next nearest market.
- ❖ Posted collateral in NY is **20.2x** greater than any other market served.
- ❖ All markets outside of NY recognize firm energy contracts for
- ❖ settlement.

## Why address this issue?

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- ❖ Accepting Firm Bilateral Contracts for settlement significantly lowers credit costs.
- ❖ Reduces spot market transactions thereby reducing the impact of price volatility.
- ❖ More liquid energy market.
- ❖ Lower cash flow through NYISO results in lower risks to all market participants.

## Other Benefits

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- ❖ Eliminates need for special case settlements.
- ❖ Allows customers to hedge future true-ups by assigning costs.
- ❖ Terms of all contracts are the responsibilities of the parties involved.

## Procedural History

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- ❖ In 2002, Strategic Energy presented this issue to the market participants at the BIC and BAWG.
- ❖ From April – September 2003, NYISO staff studied energy settlement systems; this included meeting with PJM to review their eSchedules system.

## Where now?

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- ❖ NYISO staff supports creation of eSchedules-like energy settlement system as a natural extension of RTS.
- ❖ Stakeholder approval.