

Measures to Limit Financial Exposure in the ICAP Spot Market Auction

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Management Committee
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The Problem - Current Rules

- ◆ A supplier registers bilateral contracts with the NYISO to provide capacity.
- ◆ Following registration with the NYISO, a supplier may either certify that it has capacity to support the contract or it may procure capacity to support the bilateral contract through the NYISO-administered markets.
- ◆ A supplier that has registered a bilateral contract but has not certified sufficient capacity to support it prior to the deadline for the next monthly spot market auction is automatically entered into that auction.
- ◆ A supplier's purchase of capacity in a spot market auction results in a payment obligation to the NYISO, and the supplier must either make the payment or provide collateral to secure this obligation.

The Problem - Current Rules, Cont.

- ◆ Under the current ICAP rules and timelines, a supplier can register a subsequent bilateral contract for the coming month with the NYISO, regardless of whether it still has an unmet payment or collateral obligation to the NYISO from the previous month's spot market auction.
- ◆ Once a supplier registers a bilateral contract with the NYISO for the coming month, it is required, as described above, to supply the capacity itself or procure it in the NYISO-administered markets. The supplier may then incur a second payment obligation to the NYISO.
- ◆ This creates the potential for two months of financial exposure for the NYISO, even when the NYISO has recognized the risk during the first month.

Proposed Solution

- ◆ Following a supplier's purchase of ICAP in the spot market auction, the supplier will not be permitted to register a subsequent bilateral contract until its payment obligation to the NYISO is satisfied or secured.
- ◆ Before the first day of the coming month, which starts the bilateral contract registration period, the NYISO will suspend the supplier's ICAP transaction privileges until the supplier either pays its outstanding ICAP spot market purchase obligation in full or secures it with an approved form of collateral.
- ◆ The proposed solution will limit the NYISO's exposure to one month of spot market auction purchases by a deficient supplier.

Summary

- ◆ The proposed solution provides a reasonable means of limiting the identified financial exposure in the ICAP spot market auction.
- ◆ The proposed solution does not require any adjustment to the ICAP auction timeline.
- ◆ The proposed solution is administrable by the NYISO Credit Department.
- ◆ Suspension actions would be temporary. Privileges would be reinstated as soon as the supplier has satisfied its payment/credit obligation.

Proposed Schedule

ICAP Working Group	January 18
Market Issues Working Group	January 22
Business Issues Committee	February 7
Management Committee	February 21
Board	March 13

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