

NYISO Credit FAQ Document

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Collateral

What types of collateral does the NYISO accept?

The NYISO accepts cash deposits, letters of credit, and surety bonds.

Cash Deposits

What are the requirements for cash deposits?

Customers formed or incorporated in, who are residents of, and whose operations are located primarily within the United States or Canada, may provide a cash deposit as collateral.

If a Market Participant meets the requirement above and chooses to post cash to cover their collateral and/or capitalization requirements, they should contact the Counterparty & Credit Risk Management Department at credit_department@nyiso.com for assistance. The Counterparty & Credit Risk Management Department will work with the Market Participant and the Accounting Department to coordinate the required documentation and wiring instructions.

Letter of Credit

What are the requirements for a letter of credit?

A letter of credit must be issued or guaranteed by an approved U.S. or Canadian commercial bank, or an approved U.S. or Canadian branch of a foreign bank, with a minimum “A” rating from Standard & Poor’s, Fitch, Moody’s, or Dominion. Any issuer that does not satisfy the minimum ratings requirement may have the letter of credit confirmed by another commercial bank or financial institution that meets the ratings requirement.

Does the NYISO accept letters of credit from a foreign financial institution?

Yes, provided that the letter of credit is issued from a branch of the foreign financial institution within the United States or Canada that satisfies the minimum ratings requirement.

Is there a special format that a letter of credit must follow? If so, where is the template located?

Yes, letters of credit must conform to one of NYISO’s standard templates available on the NYISO Credit website:

- Issuer letter of credit template
- Issuer letter of credit “On Behalf Of” template
- Confirming commercial bank or financial institution letter of credit template

Are changes allowed to be made to the letter of credit template?

The NYISO’s standard letter of credit should not be changed. Only in rare circumstances will the NYISO allow slight changes. Accordingly, any deviation from NYISO’s standard letter of credit language must be reviewed and approved by the NYISO Legal Department and Counterparty & Credit Risk Manager. Any and all proposed changes must be submitted in a redlined copy and submitted to the NYISO for approval prior to issuance.

When will my letter of credit or amendment thereto become effective?

A letter of credit will become effective upon receipt of the original copy. An electronic copy of an amendment may be accepted, with original to immediately follow the next business day, only if its purpose is to satisfy a collateral call.

How do I cancel my letter of credit?

A letter of credit can be cancelled through an amendment from the issuing bank, or through a request to the NYISO from the Market Participant's credit contact. If the Market Participant has credit obligations to the NYISO at the time the NYISO receives a request to cancel the letter of credit, the Market Participant must first provide acceptable replacement collateral in an amount to secure its obligations to the NYISO.

Surety Bonds

What are the requirements for a surety bond?

A surety bond must be issued by a U.S. Treasury-listed surety with a minimum "A" rating from A.M. Best.

Is there a special format that a surety bond must follow? If so, where is the template located?

Yes, surety bonds must conform to the NYISO's standard template available on the NYISO Credit website.

Are changes allowed to be made to the surety bond template?

No, changes to the surety bond language are not allowed under any circumstances.

When will my surety bond or amendment thereto become effective?

A surety bond will become effective upon receipt of the original copy. An electronic copy of a rider may be accepted, with original to immediately follow the next business day, only if its purpose is to satisfy a collateral call.

How do I cancel my surety bond?

A surety bond can be cancelled through a rider from the issuer, or through a request to the NYISO from the Market Participant's credit contact. If the Market Participant has credit obligations to the NYISO at the time the NYISO receives a request to cancel the surety bond, the Market Participant must first provide acceptable replacement collateral in an amount to secure its obligations to the NYISO.

Credit Management System (CMS)

Where can I find my collateral allocations and credit requirements within CMS?

Under the ***Credit Management*** tab, choose ***Credit Summary***. This page displays all market credit requirements as well as collateral allocations. Market Participants can see their individual market credit requirements by either clicking on the green arrow to the left of the market line item on this page or under the ***Markets*** tab.

How do I request a refund of my cash collateral?

See FAQ section on Refunds/Transfer Requests

How do I request to transfer my cash collateral to pay an invoice?

See FAQ section on Refunds/Transfer Requests

Where can I find my Credit Instruments and a history of my Credit Instrument amendments?

Under the **Credit Management** tab, choose **Credit Instruments**. This provides a list of credit instruments, grouped by Secured and Unsecured. Click on the green arrow next to the credit instrument and this will provide all of the instrument details, as well as a history of all amendments made to the instrument. Market Participants will be able to see the balance for the collateral instrument at any given time.

How do I reallocate my collateral amongst the NYISO markets?

In order to change collateral allocations, an individual must have Full Access permission for CMS. Under the **Credit Management** tab, choose **Credit Summary**. Above the market line items, and to the right of the page, click the button titled **Edit Allocation**. This will open a grid where the Market Participant can change the amount of collateral that is allocated to each market. Once the changes are complete, click the **Save** button. If collateral has been reallocated to cover a shortfall, please notify us at credit_department@nyiso.com so that the collateral request can be closed.

Note: CMS will not allow Market Participants to allocate an amount lower than the credit requirement in the market, nor will CMS allow Market Participants to allocate an amount to the TCC Market and True-Up Exposure line item that is higher than the total secured credit posted.

Alternatively, Market Participants can send an email to credit_department@nyiso.com requesting reallocation of collateral and providing the details for the reallocation, and the credit team will reallocate as requested.

How do I see/update my Business Entity details, such as address or credit contacts?

Under the **Business Entities** tab, choose **Business Entity Detail**. The different tabs provide the following information:

- General: Basic entity information such as ORG ID, Status and Industry Segment
- Address: Address for the entity
- Contacts: Credit contacts and all of their listed information
- Market Attributes: A list of markets and “Active” and “Inactive” indications for each market

Updates to credit contact information can be performed through Salesforce or by submitting a form Section F (found on the NYISO website under NYISO Credit) to credit_department@nyiso.com.

Where can I see my Capitalization Funds?

Under the **Minimum Participation** tab, choose **Capitalization**. This will show how the capitalization requirement is met and how secured funds have been allocated for capitalization.

How can I see what collateral requests are open and when they are due?

Under the **Credit Management** tab, choose **Credit Requests**. This will provide all open collateral requests, the amount requested and the due date for each request.

How do I get access to CMS?

Access privileges are maintained by the Market Participant’s MIS administrator. All questions regarding MIS and/or granting privileges may be directed to Stakeholder Services at 518-356-6060 or stakeholder_services@nyiso.com.

Unsecured Credit

Can a Market Participant use unsecured credit to meet its credit obligations to the NYISO?

An entity must meet certain qualifications in order to qualify for using unsecured credit to satisfy credit requirements, and unsecured credit may be used only to satisfy certain elements of a Market Participant's credit requirement.

How does a Market Participant qualify for Unsecured Credit with the NYISO?

The Market Participant must meet both the creditworthiness and payment history requirements set forth in the Market Administration and Control Area Services Tariff ("Tariff").

What are the creditworthiness requirements for unsecured credit?

1. If the entity is rated by either Moody's, Fitch or S&P, the NYISO will use those ratings to determine whether the entity is an "Investment Grade Customer" under Section 26.3 of the Tariff. If the entity has not been rated by any of these rating agencies, it may use a rating from Dominion. If the entity is not rated by a NYISO-approved rating agency, upon request, the NYISO will use certain financial statement data to determine an equivalency rating using Moody's RiskCalc.
2. In addition, a Market Participant must provide annual audited financial statements for the most recent three years. It must also provide its quarterly financial statements for the most recent two years. If the entity is granted unsecured credit, it must provide its annual statements within 90 days of the fiscal year end and its quarterly statements within 60 days of the end of each quarter.
3. If an entity does not itself qualify for unsecured credit, it may have another entity issue an affiliate guaranty on its behalf. The qualifying entity is required to meet the creditworthiness requirements for unsecured credit listed above. The NYISO has standard affiliate guaranty language that can be found on the credit page of the NYISO website (<https://www.nyiso.com/credit>). The entity must also provide a Form of Board Resolution, which can be found in the same location.

What are the payment history requirements for unsecured credit?

A Market Participant must have on-time payment history for at least six months immediately preceding the NYISO's evaluation of the entity's eligibility with the NYISO or another ISO/RTO. If its payment history is provided by another ISO/RTO, a letter stating the Market Participant's payment history on company letterhead is required from that ISO/RTO. If the entity is new to the NYISO or another ISO/RTO, the Market Participant can request and apply for unsecured credit once the required six-month on-time payment history has been met.

How does the NYISO calculate the amount of unsecured credit for which a Market Participant is eligible?

Section 26.5.3 sets forth the process by which the NYISO calculates unsecured credit eligibility. Essentially, the NYISO begins with a set starting point as outlined in the tariff and makes adjustments to the starting point based on the credit assessment set forth in the tariff. The maximum amount allowed is \$50 million per Market Participant and per a group of Market Participants that are affiliates.

Can I use Unsecured Credit as collateral in all of the Markets?

No. Unsecured credit cannot be used to cover credit requirements in the TCC Market or RMR Market. Additionally, it cannot be used to cover the True-Up Exposure credit requirement or credit requirements for a withdrawing Market Participant.

How often is the amount of Unsecured Credit that I qualify for analyzed?

At a minimum, the NYISO analyzes the financial statements of entities using unsecured credit four times during the year - once at the end of their fiscal year and once after the end of each quarter. In addition, because the credit ratings for entities using unsecured credit are a part of the calculation, if/when those ratings are updated by the rating agencies or via Moody's RiskCalc, the amount of unsecured credit for which the entity qualifies may be affected. Finally, the NYISO may re-evaluate the entity's use of unsecured credit at any point if deemed necessary.

Refunds/Transfer Requests

What are the different types of funds requests?

There are two main types of funds requests: Transfer and Refund. Transfer requests are used to transfer cash collateral to pay an invoice, such as the weekly and monthly invoices. Refund requests are used to return available cash collateral to the Market Participant.

Is there anything that I need to double check before submitting a funds request?

Yes. Before submitting a funds request, make sure that there is enough Unallocated Credit (shown on the Credit Summary page in CMS) to cover the request. Unallocated Credit is the amount of collateral that is not set aside for a specific market. Please see the CMS FAQ for more information about changing allocations.

What happens once I submit the funds request?

Once the funds request is submitted, the Counterparty & Credit Risk Management Department and the Market Participant's listed credit contacts will receive a copy of the request. The Counterparty & Credit Risk team will begin processing the request and confirm that the request has been submitted for further processing by NYISO's Accounting team.

Can I submit a funds request by email?

No. For audit and security purposes, funds requests must be submitted through CMS. Once in CMS, select the Credit Management dropdown and select Funds Request.

How do I submit a funds request?

Start by going to the Funds Request screen in CMS, located under the Credit Management dropdown. Once there, enter in your first and last name under Name of Requestor, select the Request Type, select the Funds Source (usually Collateral), enter in the amount of the request, and click submit.

When will I receive the funds from a refund request?

Refund requests typically take a minimum of two business days. The timeframe depends on how quickly we receive the funds back from the investment bank, with full liquidations and foreign entity refunds taking the longest.

What account will the funds go to?

The funds will be wired back to the account on file with our Accounting team. A credit contact can reach out to the Accounting team directly to confirm or change banking instructions at NYISOAccountsReceivable@nyiso.com.

Who can submit a funds request?

Anyone with full access privileges to CMS can submit a funds request. As part of processing the request, the NYISO will confirm if the request was submitted by a credit contact. If the requestor is not a credit contact, the credit team will reach out to the listed credit contacts to validate the request. Any questions pertaining to CMS access privileges can be directed to Stakeholder Services at 518-356-6060 or Stakeholder_Services@nyiso.com.

I have a question that isn't covered here, who can I contact?

Market Participants can send an email to credit_department@nyiso.com. The mailbox is monitored regularly throughout the day, and periodically throughout the weekend and holidays. If you would rather give us a call, the team's phone numbers are listed on the credit page of the NYISO website.

Annual/Periodic Submissions

What documentation is required on a periodic and annual basis?

Summary Matrix

- A. Market Participant authorized to participate in the TCC market
- B. Market Participant NOT authorized to participate in the TCC market
- C. Guarantor who has provided a guaranty to be used as collateral
- D. Guarantor who has provided an unlimited guaranty solely for capitalization purposes
- E. Market Participant who qualifies for and is using Unsecured Credit

Form	Due Date	A	B	C	D	E
NYISO Officer Certification Form and Credit Questionnaire	Annually by 4/30	x	x			x
Annual Financial Statements*	Within 90 days of fiscal year end	x	x	x	x	x
Quarterly Financial Statements	Within 60 days of quarter end			x		x
Risk Policies**	Annually by 4/30	x				
Road Map if requested	Date requested by the NYISO	x				
Affiliate Forms***	Annually by requested due date	x	x			x

**If the Market Participant is using financial statements to meet their capitalization requirement or is using Unsecured Credit, the annual financial statements must be audited.*

***If the Market Participant's Risk Policies have not materially changed since the last annual submission, only the Road Map needs to be submitted indicating that there have been no material changes.*

****If the Market Participant is using Unsecured Credit and they do not submit the Affiliate Form by the date requested, the Unsecured Credit will be removed and secured credit will be required until the form is received.*

In CMS, each entity may view all of their required annual submissions in one location. Under the **Business Entities** tab, choose **Annual Required Documents**. On this page, CMS will display any

required Annual Documents, including Financial Statements. The page will display information including whether or not the requirement has been met and the expiration date for each required item.

Annual Financial Statement Reporting Requirement

Market Participants may submit their financial statements in the following format:

1. Audited financial statements.
2. Unaudited financial statements accompanied by the “NYISO Unaudited Financial Statement Certification” form located on the Credit page of the NYISO website.
3. “NYISO Financial Statement Template” – located on the Credit page of the NYISO website.

Note: Electronic copies of all documents listed on this page are acceptable; the Counterparty & Credit Risk Management Department does not require hard copies of ANY documents listed above.

Under what circumstances may additional documentation be provided to the NYISO?

In addition to the regular filings described above, Market Participants must also provide the following documentation and information:

- Risk policies and roadmap within two business days of the Market Participant’s receipt of the NYISO’s notice, if selected by the NYISO during its annual random review of risk policies. If the entity’s policies have not materially changed since the last time the NYISO reviewed them, the entity may provide the roadmap to the NYISO indicating as such.
- Notice of a material change in financial status within five business days of the change. Section 26.2.1.4 of the Tariff provides examples of material changes in financial status.
- Notice of changes to the list of affiliates provided to the NYISO within 30 days of the effective date of any change to the original list.
- Any information or documentation reasonably required for the NYISO to evaluate Customer’s creditworthiness and NYISO requirements related to other financial matters.

New Applicants – Items needed for Credit Approval

The following items are required prior to granting credit approval to participate in the NYISO markets.

1. **Certification and Credit Questionnaire** – The Officer Certification Form and Credit Questionnaire is located on the Credit page of the NYISO website.
2. **Capitalization** – All applicants are required to meet a capitalization requirement. This requirement can be fulfilled by submitting ONE of the following:
 - Audited Financial Statements in the name of the Market Participant that demonstrates at least \$1 million in tangible net worth or at least \$10 million in total assets.
 - Audited Financial Statements in the name of the Market Participant’s affiliate that has provided an unlimited guarantee consistent with the Tariff requirements, provided the statements demonstrate at least \$1 million in tangible net worth or at least \$10 million in total assets and no other Market Participant relies on the affiliate guarantor’s financial statements to satisfy the capitalization requirement.
 - Secured Funds – If the Market Participant is unable to meet the minimum capitalization criteria, it can post with the NYISO secured funds. If applying for the TCC market, Market Participants are required to submit secured funds in the amount of \$500,000. If NOT applying for the TCC

market, then Market Participants are required to submit secured funds in the amount of \$200,000. These funds cannot be used to support any NYISO credit requirements.

3. **Collateral** –The credit requirement in each market is as follows:
 - Energy/Ancillary Services: Determined once the entity provides its estimated peak load MW number.
 - ICAP Market: Determined once the entity provides its estimated peak load MW number (Estimated Peak Load MWs x \$15,000).
 - TCC Market: Determined by the Market Participant according to anticipated level of participation reported by the Market Participant, minimum requirement is \$600.
 - Virtual Market: Determined by the Market Participant according to anticipated level of participation reported by the Market Participant, minimum requirement is \$1,000.
 - Energy Transactions Market: Determined by the Market Participant according to anticipated level of participation reported by the Market Participant, minimum requirement is \$1,000.
4. **TCC Exam** – If applying for the TCC market, at least one individual from the Market Participant’s organization must pass the exam and provide evidence via email.
5. **Virtual Transactions Exam** - If applying for Virtual Transactions, at least one individual from the Market Participant’s organization must pass the exam and provide evidence via email.
6. **Risk Verification Policies** – If applying for the TCC market, Market Participants must submit the organization’s Risk Policies accompanied by a completed Roadmap for NYISO approval.
7. **Financial Statement** – all applicants are required to submit fiscal year-end financial statements. Those statements can be in the following format:
 - Audited Financial Statements.
 - Unaudited Financial Statements accompanied by the Certification Form located on the Credit page of the NYISO website.
 - Financial Statement Template – form located on the Credit page of the NYISO website.
 - If the organization is a newly formed entity and does not yet have Financial Statements, please provide a letter stating this and provide the entity’s fiscal year end.