

Proposed Change to Fixed Price TCC Credit Requirement

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Background

- **Fixed Price TCCs encompass three TCC market products (general rules and requirements for each product type are set forth in Section 19.2 of Attachment M of the OATT)**
 - Historic Fixed Price TCCs (HFPTCCs)
 - Non-Historic Fixed Price TCCs (NHFPTCCs)
 - HFPTCC extensions

- **HFPTCCs were first offered in 2008**
 - Available to Load Serving Entities (LSEs) that received transmission service under certain long-term agreements that predated the NYISO's commencement of operations.
 - These grandfathered transmission agreements are set forth in Table 1A of Attachment L of the OATT.
 - May be purchased by qualifying LSEs upon expiration or termination of such grandfathered transmission service agreements.
 - May be renewed on an annual basis for a total initial duration of up to 10 years (except for certain limited cases where a duration of up to 12 years is provided).

Background

■ NHFPTCCs were first offered in 2013

- Available to LSEs to hedge congestion costs associated with their load-serving obligations.
 - Eligibility is not contingent on the LSE having received transmission service pursuant to a grandfathered transmission service agreement.
- Qualifying LSEs can purchase NHFPTCCs for an initial term of two years; renewable thereafter for one-year at a time.

■ HFPTCC extensions were first offered in 2018

- Generally available to LSEs that purchased and retained HFPTCCs for their entire initial duration.
 - Provide qualifying LSEs an opportunity to extend the term of their HFPTCCs following the expiration of their initial full duration.
- Qualifying LSEs can purchase HFPTCC extensions for one-year at a time.

TCC Credit Calculation

- The TCC credit requirement is equal to the greater of (a) the Auction TCC Holding Requirement or the Fixed Price TCC Holding requirement, as appropriate, or (b) the Mark-to-Market Calculation.
- However, upon initial award of a TCC until the NYISO receives payment for that TCC, the NYISO will hold the greater of the payment obligation or the credit requirement listed above.

Fixed Price TCC - Current Credit Calculation

- Currently the credit requirement for Fixed Price TCCs is calculated as follows:
 - Upon award of a Fixed Price TCC, and for the duration of the Fixed Price TCC, the credit holding requirement will equal the amount calculated in accordance with the one-year TCC formula, provided, however, the market clearing price shall be replaced by the fixed price associated with that Fixed Price TCC, as determined in accordance with, as appropriate, OATT Section 19.2.1.2, OATT Section 19.2.1.4 or OATT Section 19.2.2.
 - The price used to calculate the credit requirement is the price paid for the TCC, not the market clearing price and remains the same throughout the duration of the TCC.
 - The credit requirement does not change as the duration decreases.

Emphasis added

Analysis

- NYISO's overall TCC credit policy values TCCs for collateral purposes based on the most recent auction price.
- The price that Market Participants pay for a Fixed Price TCC does not determine the potential credit risk of that Fixed Price TCC.

Analysis

- NYISO's credit policy reprices TCCs based on TCC durations and current auction prices.
- The credit calculation for Fixed Price TCCs does not change as the duration decreases and/or as the market clearing price changes for the path of that TCC.

Proposal

- Utilize the market clearing price to value and calculate the credit requirement for Fixed Price TCCs.
- Reprice Fixed Price TCCs in accordance with the Market Services Tariff Section 26.4.2.4.1.
- For the payment obligation portion of the requirement, if the price calculated for the Fixed Price TCC is less than \$0, the NYISO will use \$0 as the payment obligation.
 - The NYISO will continue to use the greater of the payment obligation or the credit holding requirement until such time the NYISO receives payment for the TCC.

Next Steps

- BACWG October 2018
- BIC January 2019
- MC January 2019
- Board of Directors February 2019
- FERC 205 Filing April 2019
- Deployment in June 2019 contingent on FERC approval.

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- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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