

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).

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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.

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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

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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 March 2019
- FERC 205 Filing April 2019
- Deployment in June 2019 contingent on FERC approval.

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- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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