

26.4 Unsecured Credit

A Customer may use Unsecured Credit to satisfy any part of its Operating Requirement or Bidding Requirement other than any credit requirement for bidding on or holding TCCs incurred on or after November 12, 2009. Notwithstanding the preceding sentence, a Customer may use Unsecured Credit to satisfy its credit requirement for holding Fixed Price TCCs obtained pursuant to Section 19.2.1 of Attachment M to the OATT.

Upon written request of a Customer, the ISO shall determine the amount of Unsecured Credit to be granted to the Customer, if any, in accordance with the ISO's creditworthiness requirements. Upon a Customer's written request, the ISO will provide a written explanation for any changes in the amount of the Customer's Unsecured Credit.

26.4.1 Eligibility

A Customer may be eligible to receive Unsecured Credit if the Customer (i) (a) is an Investment Grade Customer, or (b) is an Unrated Customer that is deemed an Investment Grade Customer pursuant to an Equivalency Rating, and (ii) (a) has actively participated in the ISO-Administered markets and paid when due all of its invoices during the immediately preceding six months, or (b) has actively participated in the markets of another independent system operator or regional transmission organization and has paid when due all of its invoices during the immediately preceding six months. Any Customer relying on its payment history in another market to fulfill the requirement of Section 26.4.3.2 just provide evidence satisfactory to the ISO of such payment history.

26.4.2 Market Concentration Cap

A Customer's Unsecured Credit shall not exceed one hundred and fifty million dollars (\$150M) unless the Customer: (i) is an Investment Grade Customer, (ii) provides evidence to the ISO, in a form

satisfactory to the ISO in its sole discretion, that the Customer has a legal right to recover its costs for supplying Energy, Ancillary Services, and Capacity to end-users, and (iii) uses its Unsecured Credit to meet its Native Load Credit Requirements only. For NYPA, Native Load Customers include all wholesale and retail power customers for which NYPA is under contract to provide electric service. A Customer that satisfies all of the conditions in clauses (i), (ii) and (iii) of this Section 26.4.2 may receive Unsecured Credit in excess of one hundred and fifty million dollars (\$150M) but the Customer's Unsecured Credit shall not exceed two hundred and fifty million dollars (\$250M). Once Market Participants approve the indexing methodology for adjusting these dollar limits, then the indexing methodology will be set forth in ISO Procedures and these dollar limits will be adjusted annually in accordance with that methodology.

26.4.3 Determination of Unsecured Credit

26.4.3.1 Starting Point

The starting point for determining the amount of Unsecured Credit to be granted to an Investment Grade Customer, except as provided otherwise in Section 26.4.3.6 of this Attachment K, shall be a percentage of its Tangible Net Worth, as indicated on the matrix contained in Table K-1, subject to the Market Concentration Cap.

26.4.3.2 Adjustment to Starting Point

The ISO shall conduct a Credit Assessment of the Customer and shall determine the amount of Unsecured Credit that it shall grant to the Customer by adjusting the Customer's starting point in accordance with the following table:

Starting Point Adjustment

Score Bucket	Public Score Range	Private Score Range	Starting Point
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			Adjustment
1	0.00 – 0.33	0.00 – 0.31	0%
2	0.34 – 0.40	0.32 – 0.39	-20%
3	0.41 – 0.45	0.40 – 0.43	-50%
4	0.46 – 0.50	0.44 – 0.48	-80%
5	0.51+	0.49+	-100%

26.4.3.3 Adjustment to Unsecured Credit

- (a) In the event of a change in a Customer’s (1) Tangible Net Worth, and/or (2) agency rating, the ISO shall recalculate the Customer’s starting point and Unsecured Credit amount in accordance with Sections 26.4.3.1 and 26.4.3.2 of this Attachment K.

- (b) The ISO may conduct a Credit Assessment of a Customer at any time and adjust the amount of Unsecured Credit granted to the Customer in accordance with the following table:

Unsecured Credit Adjustment

Current Credit Assessment Score Bucket

Score Bucket	1	2	3	4	5
1	0%	-20%	-50%	-80%	-100%
2	25%	0%	-38%	-75%	-100%
3	100%	60%	0%	-60%	-100%
4	400%	300%	150%	0%	-100%

Prior Credit Assessment Score Bucket

5	N/A	N/A	N/A	N/A	N/A
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26.4.3.4 Restoration of Unsecured Credit

A Customer that is subject to a 100% reduction of Unsecured Credit shall not be eligible for Unsecured Credit again until the Customer demonstrates two consecutive quarters of financial performance that would otherwise have qualified the Customer for Unsecured Credit in accordance with Sections 26.4.3.1 and 26.4.3.2 of this Attachment K.

26.4.3.5 Credit Assessment

- (a) In performing a Credit Assessment, the ISO shall evaluate specified indicators of credit risk pertaining to a Customer, which indicators will vary depending on whether the Customer is categorized by the ISO as a private entity or a public entity. The ISO shall categorize a Customer as private or public, for Credit Assessment purposes, in accordance with the following criteria:

Primary Criteria	Secondary Criteria	Credit Assessment Category
Standalone public trading company	None	Public
Subsidiary of a public company with its parent company as guarantor	None	Public
Subsidiary of a public company	With assets greater than US\$10B	Public
Subsidiary of a public company	Contributes 50% or more of its parent company's revenues or accounts for 50% or more of its assets	Public
Subsidiary of a public company	Contributes less than 50% of its parent company's revenues or represents less	Private

	than 50% of its assets	
Does not satisfy the criteria listed above	None	Private

(b) The ISO shall determine the Credit Assessment score for a Customer based upon the market and financial indicators and weightings, as appropriate, set forth below.

Public Entity Indicators	Weight
▪ Market Indicators	
• Absolute CDS Spread	21.3%
• Relative Stock Decline from 3 month high	4.3%
• Stock Return Volatility (3 month std. deviation)	12.7%
▪ Performance	
• Revenue/Market Cap	12.7%
• Retained Earnings/Assets	8.5%
▪ Debt Coverage	
• Total Debt/EBITDA	12.7%
▪ Leverage	
• Debt/(Total Debt + Equity)	8.5%
▪ Liquidity	
• Cash/Assets	4.3%
▪ Qualitative Assessment	15.0%

Private Entity Indicators	Weight
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- Performance
 - Return on Assets 17.5%
 - Profit Margin 10.5%
- Debt Coverage
 - Total Debt/EBITDA 17.5%
- Leverage
 - Total Debt/Total Assets 17.5%
- Liquidity
 - Cash/Assets 7.0%
- Qualitative Assessment 30.0%

(c) If one or more of the indicators listed above does not exist for a Customer, then the ISO shall, in its sole discretion, reallocate the weight attributed to that indicator either (1) to the remaining indicators proportionately, or (2) entirely to the qualitative assessment indicator.

(d) The qualitative areas evaluated shall include, but shall not be limited to, the following (as applicable): (1) Affiliate financial and market indicators, (2) ratemaking ability and legal right to fully recover end-user costs, (3) industry characteristics, (4) risk policies and procedures, (5) management quality, (6) ability to access funding in difficult market conditions, and (7) historical relationship and payment history with the ISO. A Transmission Owner that can recover end-user costs pursuant to authority granted by the PSC will receive a qualitative assessment score of no worse than five.

26.4.3.6 Public Power Entities

The following additional provisions shall apply to the determination of a Customer's Unsecured Credit:

- (a) A Public Power Entity shall qualify for one million dollars (\$1M) in Unsecured Credit, without regard for its Tangible Net Worth or Credit Assessment. Once Market Participants approve the indexing methodology for adjusting this dollar limit, then the indexing methodology will be set forth in ISO Procedures and this dollar limit will be adjusted annually in accordance with that methodology. Municipal electric systems that operate through a joint action agency or a similar municipal affiliation agreement may aggregate their Unsecured Credit amounts of one million dollars (\$1M) per member such that the joint action agency will have an Unsecured Credit amount equal to the total of the Unsecured Credit amounts of each individual member. Each such agency will qualify for such aggregated Unsecured Credit treatment subject to the ISO's review of the particular affiliation agreement and the ISO's review of documentation submitted by the agency to demonstrate that it has been formed under the pertinent sections of the New York State Municipal Law.
- (b) In lieu of a one million dollar (\$1M) grant of Unsecured Credit, a Public Power Entity may request Unsecured Credit based on its Tangible Net Worth and Credit Assessment. In such case, the ISO will consider the Public Power Entity a private entity for Credit Assessment purposes.
- (c) At its request, a Public Power Entity that (1) is an Investment Grade Customer, (2) fulfills the additional reporting requirements set forth below, and (3) uses its Unsecured Credit to meet its Native Load Credit Requirement only, may qualify for Unsecured Credit, without regard to its Tangible Net Worth or Credit Assessment, equal to the lesser of (x)

sixty million dollars (\$60M), or (y) its Native Load Credit Requirement. Once Market Participants approve the indexing methodology for adjusting this dollar limit, then the indexing methodology will be set forth in ISO Procedures and this dollar limit will be adjusted annually in accordance with that methodology.

To fulfill the additional reporting requirements, a Public Power Entity must submit either (1) quarterly financial statements within 60 days of quarter-end that have been certified for accuracy by a senior officer, or (2) if quarterly financial statements are not typically prepared, then (a) a copy of the current year adopted budget prior to the start of the of the Customer's fiscal year that has been certified for accuracy by a senior officer, and (b) within sixty (60) days of quarter-end, a statement from a senior officer certifying that actual costs have not exceeded budgeted costs by greater than 10%.

26.4.4 Affiliate Guarantors

An Affiliate guarantor shall be subject to the ISO's financial assurance requirements as if the Affiliate guarantor were a Customer and shall be assigned a level of Unsecured Credit, if any.

26.4.5 Requests for Changes, Appeals

Requests for changes to the amount of a Customer's Unsecured Credit shall be made in writing to the ISO Credit Manager. Appeals of any decision regarding a Customer's Unsecured Credit shall be made in writing to the ISO's Chief Financial Officer and shall include all necessary supporting documentation. The Chief Financial Officer shall determine all appeals within ten (10) business days.