

Attachment III

7.5 Customer Default

7.5.1 Events of Default

An event of default (“Default”) shall occur in the event a Customer (the “Defaulting Party”) shall:

- (i) fail to comply with the ISO’s creditworthiness requirements and receive notice of such failure;
- (ii) fail to comply with Section 8.4 of this Tariff;
- (iii) make an assignment or any general arrangement for the benefit of creditors;
- (iv) fail to timely make a payment due to the ISO, regardless of whether such payment is in dispute, and receive notice from the ISO of such failure;
- (v) fail to cure its default in another independent system operator/regional transmission organization market;
- (vi) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a case, petition, proceeding, or cause of action under any bankruptcy or insolvency law or similar law for the protection of debtors or creditors, or have such a petition, case, proceeding or cause of action filed or commenced against it and such case, petition, proceeding or cause of action is not withdrawn or dismissed within thirty (30) days after such filing or commencement;
- (vii) otherwise become bankrupt or insolvent (however evidenced);
- (viii) be unable or unwilling to pay its debts to third parties as they fall due;
- (ix) otherwise become adjudicated a debtor in bankruptcy or insolvent (however evidenced);

- (x) be unable (or admits in writing its inability) generally to pay its debts as they become due;
- (xi) be dissolved (other than pursuant to a consolidation, acquisition, amalgamation or merger);
- (xii) have a resolution passed for its winding-up official management or liquidation (other than pursuant to a consolidation, acquisition, amalgamation or merger);
- (xiii) seek or become subject to the appointment of an administrator, provisional liquidator, conservator, assignee, receiver, trustee, custodian or other similar entity or official for all or substantially all of its assets;
- (xiv) have a secured party take possession of all or substantially all of its assets or has a distress, levy, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;
- (xv) cause or subject to any event with respect to which, under the applicable laws of any jurisdiction, said event has an analogous effect to any of the events specified in clauses (iv) to (xii) (inclusive);
- (xvi) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or
- (xvii) fail to perform any material covenant set forth in the Tariff or a Service Agreement (other than the events that are otherwise specifically covered in this Section as a separate Event of Default), and such failure is not excused by Force

Majeure or cured within five (5) business days after written notice thereof to the Defaulting Party;

7.5.2 Cure

Unless otherwise provided in Attachment K to this Services Tariff:

- (i) A Defaulting Party shall have one (1) business day to cure a Default resulting from its failure to timely make a payment due to the ISO.
- (ii) A Defaulting Party shall have two (2) business days to cure a Default resulting from its failure to comply with the ISO's creditworthiness requirements; *provided, however*, that a Customer shall have one (1) business day to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

7.5.3 ISO Remedies

In addition to any and all other remedies available under the ISO Tariffs or pursuant to law or equity, the ISO shall have the following remedies:

- (i) Default. Upon an event of Default and expiration of any cure period, the ISO shall have the right to suspend and/or terminate the Service Agreement between the ISO and the Defaulting Party immediately upon notice to the Commission.
- (ii) Financial Distress. In the event of a reduction in the amount of a Customer's Unsecured Credit (a) by fifty percent (50%) or more as determined in accordance with Article 26.5 of Attachment K to the ISO Services Tariff, or (b) as a result of a material adverse change as determined in accordance with Article 26.12 of Attachment K to the ISO Services Tariff, then the ISO shall have the right to: (1) immediately issue an invoice to such Customer requiring payment within two (2)

business days from the invoice date for initial settlements representing the sum of that Billing Period's daily billing data available as of the invoice date, and/or (2) require such Customer to prepay estimated charges weekly for up to twelve months in accordance with ISO Procedures.

- (iii) **Default in Another ISO/RTO.** In the event a Customer fails to cure its default in another independent system operator/regional transmission organization market, then the ISO shall have the right to: (1) demand immediate payment by the Customer to the ISO for any amounts owed as of the date of the demand, and/or (2) require the Customer to prepay estimated charges weekly for a minimum of twelve months in accordance with ISO Procedures, and/or (3) reduce or eliminate the amount of the Customer's Unsecured Credit.
- (iv) **Two Late Payments.** In the event a Customer fails to pay its invoice when due on two occasions within a rolling twelve (12) month period, then the ISO shall have the right to: (1) require the Customer to prepay estimated charges weekly, based on charges incurred by the Customer in the previous week, for up to twelve months, and/or (2) reduce or eliminate the amount of the Customer's Unsecured Credit for up to twelve (12) months.

7.5.4 Forward Contracts

By entering into Transactions under this Tariff, the Customer agrees that its Service Agreement and Transactions under this Tariff shall constitute a "forward contract" within the meaning of the United States Bankruptcy Code.

7.5.5 ISO Setoff Rights

The ISO shall have the right to apply any amounts owed a Customer pursuant to this Tariff against any amounts owed to the ISO by a Customer.

7.5.6 Notice to Customers

The ISO shall notify all Customers in the event that a Customer is in default and shall also notify all Customers in the event that the Customer subsequently cures the default or the ISO terminates the Customer due to the default. In the event of a payment default or creditworthiness default, the ISO will disclose in its notice to Customers the approximate amount of the default as follows:

Default Amount Range	Type of Default	
	Payment	Creditworthiness
\$0 to \$100,000		
\$100,001 to \$500,000		
\$500,001 to \$1,000,000		
\$1,000,001 to \$5,000,000		
\$5,000,001 to \$10,000,000		
> \$10,000,000		

In addition, in the event of a payment default, unless otherwise precluded, the ISO will also disclose the amount and type of collateral, if any, held by the ISO to secure the defaulting Customer's obligations to the ISO.

26.4 Operating Requirement and Bidding Requirement

26.4.1 Purpose and Function

The Operating Requirement is a measure of a Customer's expected financial obligations to the ISO based on the nature and extent of that Customer's participation in ISO-Administered Markets. A Customer shall be required to allocate Unsecured Credit, where allowed, and/or provide collateral in an amount equal to or greater than its Operating Requirement. Upon a Customer's written request, the ISO will provide a written explanation for any changes in the Customer's Operating Requirement.

The Bidding Requirement is a measure of a Customer's potential financial obligation to the ISO based upon the bids that Customer seeks to submit in an ISO-administered TCC or ICAP auction. A Customer shall be required to allocate Unsecured Credit, where allowed, and/or provide collateral in an amount equal to or greater than its Bidding Requirement prior to submitting bids in an ISO-administered TCC or ICAP auction.

26.4.2 Calculation of Operating Requirement

The Operating Requirement shall be equal to the sum of (i) the Energy and Ancillary Services Component; (ii) the UCAP Component; (iii) the TCC Component; (iv) the WTSC Component; (v) the Virtual Transaction Component; (vi) the DADRP Component; and (vii) the DSASP Component where:

26.4.2.1 Energy and Ancillary Services Component

The Energy and Ancillary Services Component shall be equal to:

- (a) For Customers without a prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 16$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 16$$

- (b) For Customers that qualify for a prepayment agreement, subject to the ISO's credit analysis and approval, and execute a prepayment agreement in the form provided in Appendix K-1, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 3$$

or-

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 3$$

- (c) For new Customers, the ISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services for use in the appropriate formula above equal to:

$$\text{EPL} \times 720 \times \text{AEP}$$

where:

EPL = estimated peak Load for the Capability Period; and

AEP = average Energy and Ancillary Services price during the Prior Equivalent Capability Period after applying the Price Adjustment.

26.4.2.2 UCAP Component

The UCAP Component shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the ISO-administered markets.

26.4.2.3 TCC Component

The TCC Component shall be equal to the greater of either 26.4.2.3(a) or 26.4.2.3(b) where:

- (a) The sum of the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC purchases less the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC sales:

for two-year TCCs:

- (1) upon initial award of a two-year TCC until completion of the final round of the current one-year Sub-Auction:

$$2 \quad \times \quad \text{the amount calculated in accordance with the one-year TCC formula listed below}$$

where:

Pijt = auction price of a one-year TCC in the final round of the one-year Sub-Auction in the prior Capability Period Centralized TCC Auction with the same POI and POW combination as the two-year TCC; *provided, however*, in the event there is no price for a one-year TCC with the same POI and POW combination as the two-year TCC, then “Pijt” shall equal a proxy price, assigned by the NYISO, for a one-year TCC with like characteristics. For Centralized TCC Auctions conducted before May 1, 2010, the “auction price of a one-year TCC in the final round of the one-year Sub-Auction” means the auction price of a one-year TCC in the final Stage 1 round of the one-year TCC auction.

- (2) upon completion of the final round of the current one-year Sub-Auction until commencement of year two of a two-year TCC:

$$2 \quad \times \quad \text{the amount calculated in accordance with the one-year TCC formula listed below}$$

where:

Pijt = auction price of a one-year TCC in the final round of the current one-year Sub-Auction with the same POI and POW combination as the two-year TCC

- (3) upon commencement of year two of a two-year TCC until commencement of the final six months of the two-year TCC:

$$1 \quad \times \quad \text{the amount calculated in accordance with the one-year TCC formula listed below}$$

where:

P_{ijt} = auction price of a one-year TCC in the final round of the most recently completed one-year Sub-Auction with the same POI and POW combination as the two-year TCC

- (4) upon commencement of the final six months of a two-year TCC until commencement of the final month of the two-year TCC:

the amount calculated in accordance with the six-month TCC formula listed below

where:

P_{ijt} = auction price of a six-month TCC in the final round of the most recently completed six-month Sub-Auction with the same POI and POW combination as the two-year TCC

- (5) upon commencement of the final month of a two-year TCC:

the amount calculated in accordance with the one-month TCC formula listed below

where:

P_{ijt} = auction price of a one-month TCC in the most recently completed monthly reconfiguration auction with the same POI and POW combination as the two-year TCC

for one-year TCCs:

- (1) upon initial award of a one-year TCC until completion of the final round of the current one-year Sub-Auction:

the amount calculated in accordance with the one-year TCC formula listed below

- (2) upon completion of the final round of the current one-year Sub-Auction until commencement of the final six months of the one-year TCC:

the amount calculated in accordance with the one-year TCC formula listed below

where:

P_{ijt} = auction price of a one-year TCC in the final round of the current one-year Sub-Auction with the same POI and POW combination as the one-year TCC

- (3) upon commencement of the final six months of a one-year TCC until commencement of the final month of the one-year TCC:

the amount calculated in accordance with the six-month TCC formula listed below

where:

P_{ijt} = auction price of a six-month TCC in the final round of the most recently completed six-month Sub-Auction with the same POI and POW combination as the one-year TCC

- (4) upon commencement of the final month of a one-year TCC:

the amount calculated in accordance with the one-month TCC formula listed below

where:

P_{ijt} = auction price of a one-month TCC in the most recently completed monthly reconfiguration auction with the same POI and POW combination as the one-year TCC

for six-month TCCs:

- (1) upon initial award of a six-month TCC until completion of the final round of the current six-month Sub-Auction:

the amount calculated in accordance with the six-month TCC formula listed below

- (2) upon completion of the final round of the current six-month Sub-Auction until commencement of the final month of a six-month TCC:

the amount calculated in accordance with the six-month TCC formula listed below

where:

P_{ijt} = auction price of a six-month TCC in the final round of the current six-month Sub-Auction with the same POI and POW combination as the one-year TCC

- (3) upon commencement of the final month of a six-month TCC:

the amount calculated in accordance with the one-month TCC formula listed below

where:

P_{ijt} = auction price of a one-month TCC in the most recently completed monthly reconfiguration auction with the same POI and POW combination as the six-month TCC

for one-month TCCs:

the amount calculated in accordance with the one-month TCC formula listed below

TCC formulas:

for one-year TCCs, representing a 5% probability curve:

$$+1.909 \sqrt{e^{10.9729 + .6514 (\ln (|P_{ijt}| + e)) + .6633 * Zone \ J}} - 1 P_{ijt}$$

for six-month TCCs, representing a 3% probability curve:

$$+2.565 \sqrt{e^{11.6866 + .4749 (\ln(|p_{ijt}| + e)) + .4856 * Zone J - .0373 Summer}} - 1 P_{ijt}$$

for one-month TCCs, representing a 3% probability curve:

$$+2.221 \sqrt{e^{11.2682 + 0.3221 (\ln(|p_{ijt}| + e)) + 1.3734 * Zone J + 2.00 * Zone K + Month}} - 1 P_{ijt}$$

where:

P_{ijt} = auction price of i to j TCC in round t of the auction in which the TCC was purchased;

Zone J = 1 if TCC sources or sinks but not both in Zone J, zero otherwise;

Zone K = 1 if TCC sources or sinks but not both in Zone K and does not source or sink in Zone J, 0 otherwise;

Summer = 1 for six-month TCCs sold in the spring auction, 0 otherwise; and

Month = the following values:

January	=	0
February	=	-0.0201
March	=	0
April	=	0
May	=	0.8181
June	=	0.2835
July	=	0.5201
August	=	0.7221
September	=	0
October	=	0.32
November	=	-0.7681
December	=	0

Provided, however, for purposes of determining the credit holding requirement for a Fixed Price TCC, the auction price shall be replaced by the fixed price associated with that Fixed Price TCC, as determined in Section 19.2.1 of Attachment M of the OATT.

- or -

- (b) The projected amount of the Primary Holder’s payment obligation to the NYISO, if any, considering the net mark-to-market value of all TCCs in the Primary Holder’s portfolio, as defined for these purposes, according to the formula below:

$$\sum_{n \in N} \left\{ \frac{NAP_n}{90} \times RD_n \right\} + \sum ACR_n$$

where:

- NAP = the net amount of Congestion Rents between the POI and POW composing each TCC_n during the previous ninety days
- RD = the remaining number of days in the life of TCC_n; *provided, however*, that in the case of Grandfathered TCCs, RD shall equal the remaining number of days in the life of the longest duration TCC sold in an ISO-administered auction then outstanding;
- N = the set of TCCs held by the Primary Holder; and
- ACR = the net amount owed to the ISO for Congestion Rents between the POI and POW composing each TCC_n.

26.4.2.4 WTSC Component

The WTSC Component shall be equal to the greater of either:

$$\frac{\text{Greatest Amount Owed for WTSC During Any Single Month in the Prior Equivalent Capability Period}}{\text{Days in Month}} \times 50$$

- or -

$$\frac{\text{Total Charges Incurred for WTSC Based Upon the Most Recent Monthly Data Provided by the Transmission Owner}}{\text{Days in Month}} \times 50$$

26.4.2.5 Virtual Transaction Component

The Virtual Transaction Component shall be equal to the sum of the Customer’s

- (i) Virtual Supply credit requirement (“VSCR”) for all outstanding Virtual Supply Bids, plus (ii)

Virtual Load credit requirement (“VLCR”) for all outstanding Virtual Load Bids, plus (iii) net amount owed to the ISO for settled Virtual Transactions.

Where:

$$VSCR = \sum (VSG_{MWh} \times VSG_{CS})$$

$$VLCR = \sum (VLG_{MWh} \times VLG_{CS})$$

Where:

VSG_{MWh} = the total quantity of MWhs of Virtual Supply that a Customer Bids for all Virtual Supply positions in the Virtual Supply group

VSG_{CS} = the amount of credit support required in \$/MWh for the Virtual Supply group

VLG_{MWh} = the total quantity of MWhs of Virtual Load that a Customer Bids for all Virtual Load positions in the Virtual Load group

VLG_{CS} = the amount of credit support required in \$/MWh for the Virtual Load group

The ISO will categorize each Virtual Supply Bid into one of the 72 Virtual Supply groups set forth in the Virtual Supply chart below, as appropriate, based upon the season, Load Zone, and time-of-day of the Virtual Supply Bid. The amount of credit support required in \$/MWh for a Virtual Transaction in a particular Virtual Supply group shall equal the price differential between the Energy price in the Day-Ahead Market and the Energy price in the Real-Time Market, at the 97th percentile, based upon all possible Virtual Supply positions in the Virtual Supply group for the period of time from April 1, 2005, through the end of the preceding calendar month.

The ISO will categorize each Virtual Load Bid into one of the 30 Virtual Load groups set forth in the Virtual Load chart below, as appropriate, based upon the season, Load Zone, and time-of-day of the Virtual Load Bid. The amount of credit support required in \$/MWh for a Virtual Transaction in a particular Virtual Load group shall equal the price differential between

the Energy price in the Day-Ahead Market and the Energy price in the Real-Time Market, at the 97th percentile, based upon all possible Virtual Load positions in the Virtual Load group for the period of time from April 1, 2005, through the end of the preceding calendar month.

If a Customer submits Bids for both Virtual Load and Virtual Supply for the same day, hour, and Load Zone, then for those Bids, until such time as those Bids have been evaluated by SCUC, only the greater of the Customer's (i) VLCR for the total MWhs Bid for Virtual Load, or (ii) VSCR for the total MWhs Bid for Virtual Supply will be included when calculating the Customer's Virtual Transaction Component. After evaluation of those Bids by SCUC, then only the credit requirement for the net position of the accepted Bids (in MWhs of Virtual Load or Virtual Supply) will be included when calculating the Customer's Virtual Transaction Component.

Virtual Supply Groups

Summer	Load Zones A–F	Load Zones G–I	Load Zone J	Load Zone K
HB07–10	VSG-1	VSG-7	VSG-13	VSG-19
HB11–14	VSG-2	VSG-8	VSG-14	VSG-20
HB15–18	VSG-3	VSG-9	VSG-15	VSG-21
HB19–22	VSG-4	VSG-10	VSG-16	VSG-22
Weekend/ Holiday (HB07–22)	VSG-5	VSG-11	VSG-17	VSG-23
Night (HB23–06)	VSG-6	VSG-12	VSG-18	VSG-24
Winter				
HB07–10	VSG-25	VSG-31	VSG-37	VSG-43
HB11–14	VSG-26	VSG-32	VSG-38	VSG-44
HB15–18	VSG-27	VSG-33	VSG-39	VSG-45
HB19–22	VSG-28	VSG-34	VSG-40	VSG-46
Weekend/ Holiday (HB07–22)	VSG-29	VSG-35	VSG-41	VSG-47
Night (HB23–06)	VSG-30	VSG-36	VSG-42	VSG-48
Rest-of-Year				
HB07–10	VSG-49	VSG-55	VSG-61	VSG-67
HB11–14	VSG-50	VSG-56	VSG-62	VSG-68
HB15–18	VSG-51	VSG-57	VSG-63	VSG-69

HB19–22	VSG-52	VSG-58	VSG-64	VSG-70
Weekend/ Holiday (HB07–22)	VSG-53	VSG-59	VSG-65	VSG-71
Night (HB23–06)	VSG-54	VSG-60	VSG-66	VSG-72

Where:

Summer	=	May, June, July, and August
Winter	=	December, January, and February
Rest-of-Year	=	March, April, September, October, and November
HB07–10	=	weekday hours beginning 07:00–10:00
HB11–14	=	weekday hours beginning 11:00–14:00
HB15–18	=	weekday hours beginning 15:00–18:00
HB19–22	=	weekday hours beginning 19:00– 22:00
Weekend/Holiday	=	weekend and holiday hours beginning 07:00–22:00
Night	=	all hours beginning 23:00– 06:00

Virtual Load Groups

Summer	Load Zones A–F	Load Zones G–I	Load Zone J	Load Zone K
HB07–10	VLG-1	VLG-4	VLG-8	VLG-12
HB11–14	VLG-2	VLG-5	VLG-9	VLG-13
HB15–18	VLG-2	VLG-6	VLG-10	VLG-14
HB19–22	VLG-1	VLG-4	VLG-8	VLG-15
Weekend/ Holiday (HB07–22)	VLG-3	VLG-4	VLG-8	VLG-16
Night (HB23–06)	VLG-1	VLG-7	VLG-11	VLG-12
Winter				
HB07–10	VLG-17	VLG-19	VLG-21	VLG-23
HB11–14	VLG-17	VLG-20	VLG-21	VLG-23
HB15–18	VLG-18	VLG-19	VLG-22	VLG-24
HB19–22	VLG-17	VLG-20	VLG-21	VLG-24
Weekend/ Holiday (HB07–22)	VLG-17	VLG-20	VLG-21	VLG-23
Night (HB23–06)	VLG-17	VLG-20	VLG-21	VLG-23
Rest-of-Year				

HB07–10	VLG-25	VLG-26	VLG-27	VLG-29
HB11–14	VLG-25	VLG-26	VLG-28	VLG-29
HB15–18	VLG-25	VLG-26	VLG-28	VLG-30
HB19–22	VLG-25	VLG-26	VLG-27	VLG-30
Weekend/ Holiday (HB07–22)	VLG-25	VLG-26	VLG-27	VLG-30
Night (HB23–06)	VLG-25	VLG-26	VLG-27	VLG-29

Where:

Summer	=	May, June, July, and August
Winter	=	December, January, and February
Rest-of-Year	=	March, April, September, October, and November
HB07–10	=	weekday hours beginning 07:00–10:00
HB11–14	=	weekday hours beginning 11:00–14:00
HB15–18	=	weekday hours beginning 15:00–18:00
HB19–22	=	weekday hours beginning 19:00– 22:00
Weekend/Holiday	=	weekend and holiday hours beginning 07:00–22:00
Night	=	all hours beginning 23:00– 06:00

26.4.2.6 DADRP Component

The DADRP Component shall be equal to the product of: (i) the Demand Reduction Provider’s monthly average of MWh of accepted Demand Reduction Bids during the prior summer Capability Period or, where the Demand Reduction Provider does not have a history of accepted Demand Reduction bids, a projected monthly average of the Demand Reduction Provider’s accepted Demand Reduction bids; (ii) the average Day-Ahead LBMP at the NYISO Reference Bus during the prior summer Capability Period; (iii) twenty percent (20%); and (iv) a factor of four (4). The ISO shall adjust the amount of Unsecured Credit and/or collateral that a Demand Reduction Provider is required to provide whenever the DADRP Component increases or decreases by ten percent (10%) or more.

26.4.2.7 DSASP Component

The DSASP Component is calculated every two months based on the Demand Side Resource's Operating Capacity available for the scheduling of such services, the delta between the Day-Ahead and hourly market clearing prices for such products in the like two-month period of the previous year, and the location of the Demand Side Resource. Resources located East of Central-East shall pay the Eastern reserves credit support requirement and Resources located West of Central-East shall pay the Western reserves credit support requirement. The DSASP Component shall be equal to:

- (a) For Demand Side Resources eligible to offer only Operating Reserves, the product of (i) the maximum hourly Operating Capacity (MW) for which the Demand Side Resource may be scheduled to provide Operating Reserves, (ii) the amount of Eastern or Western reserves credit support, as appropriate, in \$/MW per day, and (iii) three (3) days.

Where:

The amount of Eastern reserves credit support (\$/MW/day) for each two-month period	=	Eastern Price Differential for the same two-month period in the previous year * the higher of two (2) or the maximum number of daily Reserve Activations for the same two-month period in the previous year
The amount of Western reserves credit support (\$/MW/day) for each two-month period	=	Western Price Differential for the same two-month period in the previous year * the higher of two (2) or the maximum number of daily Reserve Activations for the same two-month period in the previous year
Two-month periods:	=	January and February March and April May and June July and August September and October November and December

MCP_{SRh}	=	Hourly, time-weighted Market Clearing Price for Spinning Reserves
Eastern Price Differential	=	The hourly differential at the 97 th percentile of all hourly differentials between the Day-Ahead and Real-Time MCPSRh for Eastern Spinning Reserves for hours in the two-month period of the previous year when the Real-Time MCPSRh for Eastern Spinning Reserves exceeded the Day-Ahead MCPSRh for Eastern Spinning Reserves
Western Price Differential	=	The hourly differential at the 97 th percentile of all hourly differentials between the Day-Ahead and Real-Time MCPsSRh for Western Spinning Reserves for hours in the two-month period of the previous year when the Real-Time MCPSRh for Western Spinning Reserves exceeded the Day-Ahead MCPSRh for Western Spinning Reserves
Reserve Activations	=	The number of reserve activations at the 97 th percentile of daily reserve activations for days in each two month period of the previous year that had reserve activations.

- (b) For Demand Side Resources eligible to offer only Regulation Service, or Operating Reserves and Regulation Service, the product of (i) the maximum hourly Operating Capacity (MW) for which the Demand Side Resource may be scheduled to provide Regulation Service and Operating Reserves, (ii) the amount of regulation credit support, as appropriate, in \$/MW per day, and (iii) three (3) days.

Where:

The amount of regulation credit support (\$/MW/day) for each two-month period	=	Price Differential for the same two-month period in the previous year * 24 hours
Two-month periods:	=	January and February March and April May and June

July and August
September and October
November and December

MCP_{RegH}	=	Hourly, time-weighted Market Clearing Price for Regulation Services
Price Differential	=	The hourly differential at the 97 th percentile of all hourly differentials between the Day-Ahead and Hour-Ahead MCP_{RegH} for hours in the two-month period of the previous year when the Real-Time MCP exceeded the Day-Ahead MCP

26.4.3 Calculation of Bidding Requirement

The Bidding Requirement shall be an amount equal to the sum of:

- (i) the amount of bidding authorization that the Customer has requested for use in an upcoming ISO-administered TCC auction, which shall account for all positive bids to purchase TCCs and the absolute value of all negative offers to sell TCCs; *provided, however*, that the amount of credit required for each TCC that the Customer bids to purchase, whether positive, negative, or zero shall not be less than (a) (2 x \$/MW for one-year TCCs) per MW for two-year TCCs, (b) \$1,500 per MW for one-year TCCs, (c) \$2,000 per MW for six-month TCCs, and (d) \$600 per MW for one-month TCCs;
- (ii) the approximate amount that the Customer may owe following an upcoming TCC auction as a result of converting expired ETAs into TCCs pursuant to Section 19.2.1 of Attachment M to the OATT, which shall be calculated in accordance with the provisions of Section 19.2.1 regarding the purchase of TCCs with a duration of ten years;

- (iii) the amount of bidding authorization that the Customer has requested for use in an upcoming ISO-administered ICAP auction; and
- (iv) five (5) days prior to any ICAP Spot Market Auction, the maximum amount that the Customer may be required to pay for UCAP in the auction.

26.7 Additional Financial Assurance Policies for TCCs

26.7.1 Suspension

If, at any time, the net amount owed by a Customer to the ISO for Congestion Rents reaches fifty percent (50%) of the collateral posted by the Customer to satisfy the TCC Component of its Operating Requirement then the ISO shall attempt to contact the Customer to request either payment or additional collateral in the net amount of the Congestion Rents then owed by the Customer.

If the Customer fails to make payment or provide additional collateral as described above by 4:00 p.m. Eastern Time on the same day as the ISO's request, then the ISO may cancel any pending Bids on TCCs and may immediately suspend the Customer's authorization to Bid on TCCs until the Customer makes payment or provides the required amount of collateral.

26.8 Additional Financial Assurance Policies for Virtual Transactions

26.8.1 ISO Monitoring

The ISO shall monitor the Virtual Transaction Bids submitted by a Customer. If the credit support required for any batch of Virtual Transaction Bids submitted by a Customer exceeds the amount of the Customer's available credit support for Virtual Transactions, then all of the Customer's Virtual Transaction Bids in that batch of Bids shall be rejected by the ISO.

26.8.2 Suspension

If, at any time, the net amount owed to the ISO by a Customer as a result of Virtual Transactions reaches fifty percent (50%) of the credit support provided by the Customer to support its Virtual Transactions, then the ISO shall attempt to contact the Customer to request either payment or additional credit support in the amount then owed by the Customer as a result of its Virtual Transactions.

If the day after the ISO's request stated above falls on a business day and the Customer fails to make payment or provide additional credit support as described above by 4:00 p.m. on that next business day, then the ISO may immediately suspend the Customer's authorization to engage in Virtual Transactions until payment or provision of its required amount of credit support using Unsecured Credit and/or collateral.

If the day after the ISO's request does not fall on a business day, then the ISO may issue a demand for credit support and immediately suspend the Customer's authorization to engage in Virtual Transactions until the Customer makes payment or provides its required amount of credit support using Unsecured Credit and/or collateral.

If, at any time, the amount owed to the ISO by a Customer as a result of its Virtual Transactions reaches one hundred percent (100%) of the credit support provided by the Customer to support its Virtual Transactions, then the ISO may cancel any pending Day-Ahead Bids before they are accepted and may immediately suspend the Customer's authorization to engage in Virtual Transactions until the Customer makes payment or provides its required amount of credit support using Unsecured Credit and/or collateral.

26.9 Additional Financial Assurance Policies for Demand Side Resources Offering Ancillary Services

26.9.1 Suspension

- (i) If, at any time, the amount owed to the ISO by a Demand Side Resource offering Ancillary Services as a result of its market activity reaches fifty percent (50%) of the credit support provided by the Demand Side Resource offering Ancillary Services to support its market transactions, the ISO shall attempt to contact the Demand Side Resource to request either payment or additional credit support in the amount then owed by the Demand Side Resource to support its market transactions.
- (ii) If the day after the ISO's request described above falls on a business day and the Demand Side Resource fails to make payment or provide additional credit support as described above by 4:00 p.m. on the day after the ISO's request described above, the ISO may immediately suspend the Demand Side Resource's authorization to engage in market transactions until payment or provision of its required amount of credit support using Unsecured Credit and/or collateral.
- (iii) If the day after the ISO's request does not fall on a business day, the ISO may issue a demand for credit support and immediately suspend the Demand Side Resource's authorization to engage in market transactions until the Demand Side Resource makes payment or provides its required amount of credit support using Unsecured Credit and/or collateral.
- (iv) If, at any time, the amount owed to the ISO by a Demand Side Resource as a result of its market transactions reaches one hundred percent (100%) of the credit

support provided by the Demand Side Resource to support its market transactions, the ISO may cancel any pending Day-Ahead bids and may immediately suspend the Demand Side Resource's authorization to engage in market transactions until the Demand Side Resource makes payment or provides its required amount of credit support using Unsecured Credit and/or collateral.

26.10 Additional Financial Assurance Policies for Wholesale Transmission Service Charges

26.10.1 Application of Security

In the event a Transmission Owner declares a certain WTSC overdue and satisfies the requirements specified in Section 26.10.2 below, the NYISO will reimburse the Transmission Owner for part, or all, of the unpaid amount.

To the extent a Market Participant's Unsecured Credit does not satisfy the Market Participant's Operating Requirement, the NYISO will collect and hold collateral calculated pursuant to the WTSC Component of the Operating Requirement to secure payments owed by Customers to Transmission Owners. Any security held by the ISO for a Customer in excess of the amount collected pursuant to the WTSC Component of the Operating Requirement shall be available to secure WTSC only to the extent the ISO determines that such collateral will not be necessary to secure any payment obligations to the ISO, including true-up payments and other anticipated invoice adjustments. The ISO shall have access to any collateral collected pursuant to the WTSC Component of the Operating Requirement only to the extent that the ISO determines such collateral is not necessary to secure WTSC payment obligations to Transmission Owners.

26.10.2 Prerequisites to NYISO Action

The following conditions must be fully satisfied before the NYISO takes action to address a WTSC nonpayment:

- 26.10.2.1 The WTSC payment must be at least ten (10) days overdue, as measured from the due date on the invoice sent to the Customer by the Transmission Owner;

26.10.2.2 The Transmission Owner must have issued a late notice and demand letter to the Customer specifying both the amount and period by which the WTSC payment is overdue;

26.10.2.3 The Transmission Owner must have made an additional, informal attempt to collect the overdue WTSC payment from the Customer which may be, without limitation, a telephone call or meeting with appropriate personnel (the method of such additional informal attempt shall be at the Transmission Owner's discretion); and

26.10.2.4 The Transmission Owner must provide to the ISO, by certified mail or other verifiable delivery method, a copy of the initial invoice sent to the Customer, a copy of the late notice and demand letter with proof of receipt by the Customer, an indemnification of the ISO regarding the liabilities discussed in Section 26.10.3 below, a request that the NYISO draw upon available collateral to satisfy the default, and a sworn statement by an officer of the Transmission Owner stating: (a) that the WTSC payment is due and owing, (b) the period by which the WTSC payment is overdue, (c) a recitation of the Transmission Owner's collection efforts (including the additional, informal attempt to collect the debt).

26.10.3 NYISO Action

On the first business day after the ISO has received the notice that satisfies the requirements listed in Section 26.10.2.4 above, the ISO: (i) shall send a final demand for payment of the WTSC to the Customer within two (2) business days; (ii) shall initiate a draw upon available collateral for the benefit of the affected Transmission Owner if the WTSC due is

not paid within two (2) business days of the letter; and (iii) may begin termination proceedings in accordance with the NYISO tariffs.

26.10.4 Transmission Owner Indemnification to the NYISO

As a prerequisite for ISO action listed in Section 26.10.3 above, the Transmission Owner will indemnify and hold the ISO harmless against liability arising out of the use of security to satisfy a WTSC nonpayment, any proceeding to terminate service, or termination of service to a customer except to the extent the dispute arises out of the ISO's reporting to the Transmission Owner of whether the underlying wheel through, internal wheel or export transaction(s) actually occurred and the details of the transaction.

26.11 Request for Additional Credit Support

If, at any time, the ISO requests additional credit support from a Customer to meet a shortfall, the Customer shall, within two (2) business days from the date of the request, or any shorter time period specified by the ISO or otherwise required by the ISO Tariffs, allocate Unsecured Credit and/or post collateral in an amount sufficient to cover the shortfall.

26.12 Retention of a Withdrawing Customer's Collateral

To the extent that a Customer's credit requirements are met with a cash deposit or a letter of credit, the ISO shall retain a portion of that collateral upon the Customer's withdrawal from the ISO-Administered Markets to secure any remaining financial obligations, including true-up payments or other invoice adjustments. The amount retained by the ISO shall be determined according to the following formula:

$$\text{RCC} = (\text{AFA} \times \text{F}) + (\text{ASA} \times \text{S})$$

where:

RCC = Retained Customer Collateral. The amount of a Customer's cash deposit or letter of credit to be retained following the Customer's withdrawal from the ISO-Administered Markets.

AFA = Average adjustment to the Customer's initial invoices in its four-month true-ups calculated over the prior six months.

F = Number of four-month true-ups remaining until all of the Customer's monthly invoices are finalized by the ISO.

ASA = Average adjustment to the Customer's initial invoices in its six-month true-ups calculated over the prior six months.

S = Number of six-month true-ups remaining until all of the Customer's monthly invoices are finalized by the ISO.

26.13 Material Adverse Change

The amount of Unsecured Credit granted to a Customer, if any, and the amount of the Customer's Operating Requirement shall be subject to change, at the discretion of the ISO, in the event that there is a material adverse change affecting the risk of nonpayment by the Customer, which includes, but is not limited to: (a) a material change in financial status pursuant to Section 26.2.1.4 of this Attachment K, (b) a downgrade of an Equivalency Rating, (c) a significant change in the Customer's "Expected Default Frequency (EDF)" as determined by Moody's KMV CreditEdge, (d) a significant variation in the Customer's Credit Assessment, (e) a significant increase in a Customer's credit default swap (CDS) spreads, or (f) a significant decline in a Customer's market capitalization. In the event the ISO invokes its rights pursuant to this Section 26.13, the ISO will provide the affected Customer with a written explanation of the reasons the ISO declared a material adverse change.

Table K-1 Tangible Net Worth Credit Matrix

Customer Rating				Starting Point for Determining Unsecured Credit
Senior Long-term Unsecured Debt Rating		Issuer Rating or Equivalency Rating		(% of Tangible Net Worth)
S&P, Fitch, and Dominion	Moody's	S&P, Fitch, Dominion, and NYISO	Moody's	
A+ or higher	A1 or higher	AA- or higher	Aa3 or higher	7.5%
A	A2	A+	A1	6.5%
A-	A3	A	A2	5.0%
BBB+	Baa1	A-	A3	4.0%
BBB	Baa2	BBB+	Baa1	2.5%
BBB-	Baa3	BBB	Baa2	1.5%

BB+ or lower	Ba1 or lower	BBB- or lower	Baa3 or lower	0%
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