

Attachment IV

a Certified Public Accountant, licensed in the state of New York. I received a Bachelor of Science in Accounting from the State University of New York at Geneseo.

5. My primary responsibilities as the Vice President and Chief Financial Officer at the NYISO is ensuring the current and long-term effectiveness of NYISO's financial operations, consisting of, financial reporting, budgeting, taxation, regulatory reporting, financial controls, credit risk management, treasury management, financial analysis, procurement, billing, and customer settlements.
6. Based on this experience, I am familiar with the NYISO's current process for invoicing for interconnection study costs, the forms of financial security accepted by the NYISO and that are used commercially, managing the risk of nonpayment default, and the steps the NYISO must follow to draw on such financial security in the event of a nonpayment.

C. The NYISO's Invoicing Proposal

7. The NYISO currently invoices developers monthly for Class Year Study costs (which constitutes the vast majority of the NYISO's interconnection study invoicing) and at the end of the study for certain other interconnection studies. The NYISO's compliance filing applies this monthly invoicing process to the Cluster Study Process and for all other studies performed under the Standard Interconnection Procedures.
8. Invoicing at the end of a study presents challenges that I expect to grow given the increased volume of studies and developers that will be entering the interconnection queue. End-of-study invoicing is administratively cumbersome because, unlike monthly invoicing, the NYISO Accounting Department must accumulate costs over a longer period of time in order to complete invoicing at the end of a study. The NYISO is less able to efficiently manage the invoicing process and associated workload because the timing of the invoicing is not known until the end of a study and because all costs must be reflected in one invoice. In addition, the NYISO is exposed to a higher risk of non-payment because it is not receiving reimbursement for study costs over time, so once the NYISO is aware of a developer's inability to pay study costs, significant costs have accrued. It is in

the interest of the NYISO and all developers to avoid the risk of unpaid study costs, and monthly invoicing would reduce this risk.

9. Waiting until the end of a study to invoice also lacks transparency for developers because they do not know what study costs are until the end of a study, and at that point costs are likely significant. In contrast, with monthly invoicing, they are better able to track their study costs and anticipate when invoice payments are due.
10. The NYISO evaluated Order No. 2023's invoice payment structure, which would use the Study Deposit as a means for developers to pay their ongoing study costs. We determined that it is not feasible to use deposits to offset payments in the normal course of invoicing and payments. The purpose of the deposit is to protect the NYISO from being exposed to financial loss resulting from unpaid study costs and/or penalties. If the Study Deposit is depleted during the study process, the deposit may not be sufficient to satisfy any unpaid study costs and/or penalties. The NYISO would therefore require replenishment of the deposits to bring them up to the level required in Attachment HH. However, requiring regular replenishment of deposits presents problems for both the NYISO and developers. Both parties would be substantially burdened by the administration required for the NYISO to track and request and developers to provide additional cash deposits to the NYISO. For letters of credit or surety bonds, banks and sureties issue these financial instruments not as a form of payment, but instead as a form of financial security and a means to collect in the event of an invoice and/or penalty default. Even if the NYISO could draw on a letter of credit or surety bond for standard payments, doing so would create significant administrative burdens and timing issues for both the NYISO and developers to manage draws on and amendments of letters of credit or surety bonds as they are drawn down.
11. Based on these considerations, the NYISO proposes to retain its existing monthly invoicing mechanism with the Study Deposit serving as financial security to the NYISO in the event of nonpayment of study costs and/or penalties. Using the deposit in this way is consistent with how the NYISO currently treats cash, letters of credit, and surety bonds provided by Market Participants as collateral for their participation in the market. In that

context, the NYISO does not draw upon that collateral unless and until the Market Participant does not pay an invoice and fails to cure the nonpayment within the time period set forth in the NYISO's tariffs. The NYISO proposes to do the same with interconnection deposits.

12. As part of its invoicing process, the NYISO plans to issue the developer an invoice for any Withdrawal Penalty. If the developer does not make payment on the invoice, the resulting default will allow the NYISO to draw on the developer's deposit. The NYISO will need evidence of the required payment and default in order to draw on a letter of credit or surety bond. The NYISO would use the invoice as evidence of default in the event developer fails to pay the Withdrawal Penalty.

C. Acceptable Forms of Deposit

13. Order No. 2023 required that a developer be allowed to use for deposits either cash, a letter of credit, a surety bond, or any other form of security reasonably acceptable to the transmission provider. The NYISO has determined that cash, letters of credit, and surety bonds are the only reasonably acceptable forms of security. The only forms of secured credit that the NYISO permits for its Market Participants under its tariffs are these three forms and the Market Participant's net receivables. Net receivables are not possible to implement for developer deposits because developers do not receive payments from the NYISO and as such there are no receivables from the NYISO that a developer could use as security. Based on my experience, I believe that at least one of the forms of appropriate security—cash, a letter of credit, or surety bond—would be available to a developer and that there is no other form that would serve as appropriate security for the types of payments due to the NYISO under Attachment HH.

14. This concludes my affidavit.

ATTESTATION

I am the witness identified in the foregoing affidavit. I have read the affidavit and am familiar with its contents. I verify under penalty of perjury that the foregoing is true and correct.



Cheryl L. Hussey
April 30, 2024