

December 4, 2024

Submitted Electronically

Honorable Debbie-Anne A. Reese, Esq., Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*, Docket No. ER25-____-000;
Proposed Change to Credit Requirement Calculation for Withdrawing
Customers**

Dear Secretary Reese:

In accordance with Section 205 of the Federal Power Act (“FPA”)¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) submits proposed revisions to its Market Administration and Services Tariff (“Services Tariff”).² The proposed revisions will strengthen the credit requirements for Market Participants no longer participating in the ISO-Administered Markets and reduce the potential for a payment default, the cost of which would be borne by other Market Participants.

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing to become effective on the day following the end of the statutory 60-day notice period (*i.e.*, February 3, 2025).

I. Documents Submitted

The NYISO submits the following documents with this filing letter:

1. A clean version of the proposed revisions to the Services Tariff (“Attachment I”); and
2. A blacklined version of the proposed revisions to the Services Tariff (“Attachment II”).

¹ 16 U.S.C. § 824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

II. Background

A. The NYISO's Invoice True-Up and Close Out Settlement Process

An understanding of the NYISO's invoice settlement process and the timing of that process is necessary to evaluate the potential credit exposure presented by Market Participants that have withdrawn from the ISO-Administered Markets. The NYISO invoices for activity conducted in most ISO-Administered Markets on a weekly basis.³ The NYISO also issues monthly invoices that contain adjustments to weekly invoices that were issued in the previous month and true-up amounts to reflect invoice adjustments for charges that were initially based on estimates.⁴ The true-up amounts are calculated for two timeframes: for monthly invoices issued four months before that monthly invoice (*i.e.*, the four-month true up) and for monthly invoices issued eight months before that monthly invoice (*i.e.*, the final bill close-out settlement).⁵ For example, the NYISO issued a monthly invoice for April 2024 activity on May 7, 2024.⁶ The May monthly invoice included four-month true-up amounts for the January 2024 invoice (December 2023 activity) and final bill close-out settlements for the September 2024 invoice (August 2023 activity).⁷

A Market Participant's final settlements owed to the NYISO are therefore not known until approximately eight months after the monthly invoice for the Market Participant's final month of activity. As a result, in the case of a hypothetical Market Participant that withdrew from the markets in December 2023, the Market Participant could potentially owe the NYISO significant true-up amounts, which would not be known until May or September of 2024.

B. Credit Requirement for Withdrawn Market Participants

Section 26.13 of the Services Tariff prescribes the calculation of the amount of secured credit⁸ a Market Participant is required to provide upon its withdrawal from the ISO-Administered Markets. Currently, upon withdrawal, the Market Participant must maintain secured credit to cover financial exposure based on the sum of the amounts included in the Customer's invoices for the four most recent four-month true-ups and the eight most recent final

³ New York Independent System Operator, Inc., Manual 14, Accounting and Billing Manual, Section 1.2 (Apr. 2024); *available at*: <https://www.nyiso.com/documents/20142/2923231/acctbillmnl.pdf/b5c1ecb6-82cb-d1e0-9c84-4b2128f1f6bc?t=1713279225309> ("Accounting and Billing Manual").

⁴ Accounting and Billing Manual, Section 1.3.2.

⁵ See Services Tariff Section 7.2.2.2.

⁶ NYISO Invoicing Schedule *available at* <https://www.nyiso.com/documents/20142/3023501/2024-2025-Monthly-Invoice-Schedule-updated-090324.pdf/42d2d000-0264-366e-79ad-1d0d2d217b38>.

⁷ *Id.*

⁸ Services Tariff Section 26.6.1 describes the forms of secured credit that are acceptable to the NYISO.

bill close-out settlements.⁹ If the withdrawing Market Participant's Section 26.13 credit requirement is lower than the amount of secured credit the NYISO holds for the Market Participant, the Market Participant can request that the NYISO refund the difference.

After withdrawal, as the settlement process continues, the NYISO recalculates the former Market Participant's credit requirement using the Section 26.13 calculation each month. The calculation uses the former Market Participant's new four-month true-ups and final bill close-out settlements to generate a new credit requirement. The former Market Participant may be refunded secured credit if the new requirement is lower, but if the new credit requirement is higher, the former Market Participant must provide additional secured credit to meet the new requirement. Because the Market Participant has withdrawn, one of the important incentives a Market Participant usually has for paying amounts owed to the NYISO and avoiding default—the NYISO's ability to terminate or suspend service and notify the market of a default¹⁰—is irrelevant. This fact highlights the need for the NYISO to maintain adequate amounts of secured credit for withdrawn Market Participants throughout the settlement process.

C. The NYISO's Regular Evaluation of Credit Requirements

In the NYISO-administered markets, credit is collectively extended by all Market Participants to each individual Market Participant, so that if one Market Participant defaults on its obligations to the NYISO, the remaining participants must make up the shortfall.¹¹ As a FERC-approved independent system operator, the Commission views the NYISO as the “gatekeeper for the integrity of the markets they administer.”¹² In this role, the NYISO is expected to “implement [its] credit policies in a manner created to limit, as much as possible, the risk of credit defaults.”¹³

The NYISO regularly evaluates its credit requirements to identify areas of potential concern and opportunities for improvement. As a part of this regular evaluation, the NYISO determined that the credit requirement for withdrawn Market Participants would better align with the risk of default for these entities if the NYISO retained secured credit through completion of the settlement cycle and fulfillment of all payment obligations to the NYISO, rather than allowing withdrawing Market Participants to receive a refund of collateral before final bills are calculated.

III. Description of Proposed Tariff Revisions

The ability for withdrawn Market Participants to be refunded collateral before the true-up cycle is complete under the current calculation in Services Tariff Section 26.13 results in the

⁹ Services Tariff Section 26.13.

¹⁰ See Services Tariff Sections 7.5.3 and 7.5.5.

¹¹ Policy Statement on Electric Creditworthiness, 109 FERC ¶ 61,186 P. 5 (2004).

¹² *Id.* P. 17.

¹³ *Id.*

requirement not accurately reflecting the risk of default associated with future true-up settlements. As discussed above, at the time of withdrawal, the Market Participant's market activity could generate significant true-up settlements that would not be reflected in the current Section 26.13 credit requirement and will not become apparent until later in the true-up cycle. If the NYISO has refunded secured credit to a withdrawn Market Participant, the NYISO may not have enough secured credit on hand to protect against the risk of default associated with these future true-up settlements.

To reduce the risk of default by a withdrawn Market Participant, the NYISO proposes to change its credit requirements so that the NYISO retains all secured credit provided by the Customer until the final bill close-out settlement cycle is complete and the Customer has made all payments to the NYISO. This requirement more accurately reflects the risk that the settlement process may result in unexpectedly high amounts owed to the NYISO after a Market Participant has withdrawn.¹⁴

IV. Effective Date

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing to become effective on February 3, 2025 (the day following the end of the statutory 60-day notice period).

V. Stakeholder Process

The NYISO Management Committee unanimously approved the proposed enhancements to the credit requirement calculation for withdrawing customers on October 31, 2024. The NYISO Board of Directors approved the proposed revisions on November 19, 2024.

¹⁴ Although direct comparisons between the approaches of independent system operators/regional transmission operators ("ISO/RTO") to withdrawing customer credit requirements is difficult because settlement timing and processes differ across the regions, the NYISO notes that its current approach of calculating a withdrawing Market Participant's credit requirement based on recent true-up settlement activity is not used in any other region. *See, e.g.* ISO New England Financial Assurance Policy, Section III; CAISO Business Practice Manual Section 8.4.1.

VI. Communications and Correspondence

Please direct all communications and service in this proceeding to:

Robert E. Fernandez, Executive Vice President, General Counsel &
Chief Compliance Officer

Karen G. Gach, Deputy General Counsel

Raymond Stalter, Director, Regulatory Affairs

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VII. Service

A complete copy of this filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will send an electronic link to this filing to the official representative of each of its customers and each participant on its stakeholder committees. In addition, the NYISO will send an electronic copy of this filing to the New York State Public Service Commission and the New Jersey Board of Public Utilities.

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing to become effective on February 3, 2025.

Respectfully submitted,

/s/ Amie Jamieson

Amie Jamieson, Senior Attorney/Registered In-
House Counsel

New York Independent System Operator, Inc.

cc:	Janel Burdick	Jette Gebhart	David Morenoff
	Emily Chen	Leanne Khammal	Jason Rhee
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