

April 29, 2015

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*'s Proposed Tariff Revisions to
Enhance Market Participant Credit Policies; Docket No. ER15 - ____-000**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits revisions to Attachment K of its Market Administration and Control Area Services Tariff ("Services Tariff") to make two enhancements to the NYISO's credit policies. First, the NYISO is proposing to modify its financial reporting rules to require all Market Participants to submit updated financial information annually. Updated information will allow the NYISO to more accurately assess the ongoing financial condition of each Market Participant and mitigate potential financial risk to the NYISO-administered markets. Second, the NYISO is proposing to add additional examples of events that may invoke a material adverse change to its material adverse change tariff provision to improve transparency to Market Participants.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed revisions to the Services Tariff (Attachment I); and
3. A blacklined version of the proposed revisions to the Services Tariff (Attachment II).

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel

¹ 16 U.S.C. § 824d.

Raymond Stalter, Director of Regulatory Affairs
*Nathan D. Markey, Attorney

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III. Service

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

IV. Background

The NYISO has limited financial information on many of its Market Participants, in particular, those entities that do not have publicly available financial information. Currently, Market Participants are only required to regularly submit financial statements to the NYISO if they are utilizing unsecured credit or using financial statements to meet the capitalization requirement under the Services Tariff. As a result, the NYISO has limited visibility to the collective financial health of its Market Participants, which hinders its ability to conduct comprehensive risk of default assessments and to proactively manage such risk.

V. Description of Proposed Revisions

The NYISO is proposing to add a new Section 26.2.1.6 to the Services Tariff to require Market Participants to keep on file with the NYISO their most recent annual financial statements or financial statement information.² The statements or statement information shall be submitted to the NYISO on an annual basis, within ninety (90) days of the end of the fiscal year for that Market Participant and, for a Market Participant submitting financial statements, not later than ten (10) days of such statements becoming available. If the financial statements are not audited, the Market Participant shall also submit documentation from an officer of that organization, which certifies to the accuracy of the submitted financial statements. Under the proposed

² The proposed revisions are similar to ISO New England's reporting requirements under its Financial Assurance Policy. See ISO-NE Transmission, Markets, and Services Tariff, Exhibit IA: ISO New England Financial Assurance Policy, Section II B, Proof of Financial Viability for Applicants, available at: http://www.iso-ne.com/static-assets/documents/regulatory/tariff/sect_1/sect_i.pdf.

revisions the NYISO may grant an extension for the provision of financial statements or financial information upon showing of good cause.

For those Market Participants that do not regularly prepare financial statements, the NYISO is proposing that those Market Participants provide the financial statement information in a form acceptable to the ISO, with an officer certification.³ This will allow Market Participants to submit specific income statement and balance sheet dollar amounts, and certify to the accuracy of those amounts, in lieu of a full set of financial statements.

The NYISO is also proposing to revise Services Tariff Section 26.14 (i.e., the material adverse change provision). This provision allows the NYISO to reduce the amount of unsecured credit granted to a Market Participant or request additional collateral from a Market Participant in the event there is a “material adverse change” affecting the risk of nonpayment by the Market Participant. The proposed changes provide notice of additional events that may constitute a material adverse change, including: (i) failure to cure a default under another ISO/RTO tariff; and (ii) the issuance of a notice of alleged violation or imposition of a sanction by a regulatory body or an independent system operator.⁴ The proposed changes also clarify that all Market Participants, not only those with unsecured credit, could be subject to this provision in the event of a significant variation in the NYISO’s credit evaluation of the Market Participant. Consistent with the Commission’s directives in Order 741, the proposed revisions expand on the NYISO’s illustrative, but not exhaustive, list of circumstances that would entitle the NYISO to invoke this provision.⁵

VI. Effective Date

The NYISO respectfully requests Commission action within sixty days from the date of this filing (*i.e.* June 29, 2015), and an effective date of July 15, 2015, to provide Market Participants with timely notice that the changes proposed herein have been accepted. Such timely action by the Commission will allow Market Participants to prepare for providing the NYISO with the information required under the proposed revisions on or before the effective date.

³ The NYISO presented Market Participants with an approved financial information template in the stakeholder process. See e.g. March 31, 2015 NYISO Management Committee, Meeting Materials, available at, http://www.nyiso.com/public/markets_operations/committees/meeting_materials/index.jsp?com=mc.

⁴ The NYISO surveyed the material adverse change provisions in other ISO/RTO tariffs and is proposing revisions similar to those in effect under the Midcontinent Independent System Operator (MISO) Tariff. Midcontinent ISO, FERC Electric Tariff, Attachment L, Material Change, available at: <https://www.misoenergy.org/Library/Tariff/Pages/Tariff.aspx>.

⁵ *Credit Reforms in Organized Wholesale Electric Markets*, Order No. 741, FERC Stats. & Regs. ¶ 31,317 (2010) at P 149, *order on reh’g*, Order No. 741-A, FERC Stats. & Regs. ¶ 31,320 (2011), *reh’g denied*, Order No. 741-B, 135 FERC ¶ 61,242 (2011).

VII. Requisite Stakeholder Approval

At the November 2014, and the January and February 2015 meetings of the Credit Policy Working Group, the NYISO proposed to Market Participants the revised reporting requirements and made several revisions based on Market Participant feedback. The NYISO's revised reporting requirements were approved unanimously, with abstentions, at the March 11, 2015 Business Issues Committee meeting and unanimously, with abstentions, at the March 31, 2015 Management Committee meeting.

On April 21, 2015 the NYISO's Board of Directors approved a motion directing the NYISO to file the proposed tariff revisions approved by the Management Committee.

VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,

/s/ Nathan D. Markey

Nathan D. Markey

Attorney

New York Independent System Operator, Inc.

cc: Michael A. Bardee
Gregory Berson
Anna Cochrane
Morris Margolis
David Morenoff
Daniel Nowak
Kathleen Schnorf
Jamie Simler
Kevin Siqveland

Attachment I

26.2 Reporting Requirements

26.2.1 All Customers shall be required to comply with the reporting requirements in this Section 26.2.1

26.2.1.1 References

The ISO may require a Customer to provide references from one (1) bank and up to three (3) utilities. A Customer that does not have utility references, may substitute trade payable vendor references.

26.2.1.2 Prior Bankruptcy or Default

A Customer shall inform the ISO of any prior bankruptcy declarations or material defaults by the Customer or its predecessors, subsidiaries, or Affiliates occurring within the previous five (5) years.

26.2.1.3 Investigations

A Customer shall inform the ISO of the existence of any ongoing investigations of which the Customer is aware by the Securities and Exchange Commission, the Department of Justice, the Federal Energy Regulatory Commission, or the New York Public Service Commission which could have a material impact on the Customer's financial condition.

26.2.1.4 Material Change in Financial Status

A Customer shall inform the ISO of any material change in its financial status within five (5) business days, including but not limited to: (a) a downgrade of a long- or short-term debt rating by any ISO-approved rating agency; (b) placement on a negative credit watch by any ISO-approved rating agency; (c) a bankruptcy filing, insolvency, or a default under any financing agreement; (d) resignation or termination of a key officer; (e) initiation of a lawsuit that could materially and adversely impact current or future financial performance; or (f) restatement of

prior financial statements.

26.2.1.5 Change in Peak Load

A Load Serving Entity shall inform the ISO as soon as practicable if it expects its peak Load to increase by fifteen percent (15%) or more above its peak Load during the Prior Equivalent Capability Period.

26.2.1.6 Financial Statements

Customer shall keep on file with the ISO its most recent annual financial statements (including, but not limited to, balance sheet and income statement), which shall be submitted to the ISO annually within ten (10) days of such statements becoming available and within ninety (90) days of the end of the fiscal year of such Customer. If such financial statements are not audited, Customer shall submit with the financial statements a certification from an officer of the Customer, in a form acceptable to the ISO, certifying the accuracy of the financial statements.

If a Customer does not routinely prepare financial statements, Customer shall submit equivalent financial information annually, as required in the paragraph above, with a certification from an officer of the Customer certifying the accuracy of the financial information submitted, in forms acceptable to the ISO.

The ISO may grant an extension for the provision of the required financial information under this Section 26.2.1.6 upon a showing of good cause.

26.2.2 Customers Requesting Unsecured Credit

In addition to the reporting requirements in Section 26.2.1., above, a Customer requesting Unsecured Credit, including a request for an Equivalency Rating, shall be required to comply with the reporting requirements of this Section 26.2.2.

26.2.2.1 Financial Statements

A Customer requesting Unsecured Credit shall provide to the ISO audited annual financial statements from the most recent three (3) years and its recent quarterly financial statement. Thereafter, the Customer shall provide audited annual financial statements to the ISO within ten (10) days of such statements becoming available and within ninety (90) days of the end of each fiscal year and shall provide quarterly financial statements to the ISO within sixty (60) days of the end of each quarter. The ISO may grant an extension for the provision of quarterly and annual financial statements upon a showing of good cause.

26.2.2.2 Publicly-Traded Customer

A publicly-traded Customer shall provide financial statements on Form 10-K and 10-Q, respectively. A publicly-traded Customer shall also provide Form 8-K reports within five (5) business days of their issuance. Information available on EDGAR shall be deemed provided by a Customer that directs the ISO to obtain it there.

26.2.2.3 Privately-Held Customer

A Customer that is not publicly-traded shall provide financial statements that include a balance sheet including a statement of stockholders' equity, an income statement, a statement of cash flow, notes to the financial statement, and an unqualified auditor's opinion.

26.2.2.4 Government Entities

Notwithstanding Section 26.2.2.1 of this Attachment K, government entities that do not normally prepare quarterly financial statements shall not be required to provide them to qualify for Unsecured Credit.

26.14 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) Customer's failure to timely cure its default under the ISO Tariffs or the tariffs of another independent system operator or regional transmission organization, (c) the issuance of a notice of alleged violation or show cause order, imposition of a sanction or other administrative order by the Federal Energy Regulatory Commission, the Commodity Futures Trading Commission, Environmental Protection Agency, New York State Public Service Commission, New York State Department of Environmental Conservation or any other regulatory body, independent system operator, or regional transmission organization, including the ISO, which could have a material adverse effect on the Customer's financial condition, (d) a downgrade of an Equivalency Rating, (e) a significant change in the Customer's "Expected Default Frequency (EDF)" as determined by Moody's KMV CreditEdge, (f) a significant variation in the Customer's credit evaluation, (g) a significant increase in a Customer's credit default swap (CDS) spreads, or (h) a significant decline in a Customer's market capitalization. In the event the ISO invokes its rights pursuant to this Section 26.14, 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
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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%

Attachment II

26.2 Reporting Requirements

26.2.1 All Customers. All Customers shall be required to comply with the reporting requirements in this Section 26.2.1

26.2.1.1 References

The ISO may require a Customer to provide references from one (1) bank and up to three (3) utilities. A Customer that does not have utility references, may substitute trade payable vendor references.

26.2.1.2 Prior Bankruptcy or Default

A Customer shall inform the ISO of any prior bankruptcy declarations or material defaults by the Customer or its predecessors, subsidiaries, or Affiliates occurring within the previous five (5) years.

26.2.1.3 Investigations

A Customer shall inform the ISO of the existence of any ongoing investigations of which the Customer is aware by the Securities and Exchange Commission, the Department of Justice, the Federal Energy Regulatory Commission, or the New York Public Service Commission which could have a material impact on the Customer's financial condition.

26.2.1.4 Material Change in Financial Status

A Customer shall inform the ISO of any material change in its financial status within five (5) business days, including but not limited to: (a) a downgrade of a long- or short-term debt rating by any ISO-approved rating agency; (b) placement on a negative credit watch by any ISO-approved rating agency; (c) a bankruptcy filing, insolvency, or a default under any financing agreement; (d) resignation or termination of a key officer; (e) initiation of a lawsuit that could

materially and adversely impact current or future financial performance; or (f) restatement of prior financial statements.

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The ISO may grant an extension for the provision of the required financial information under this Section 26.2.1.6 upon a showing of good cause.

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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%