



April 6, 2018

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.*, Docket No. ER18-____-000;
Proposed Tariff Revisions to Modify the Projected True-Up Exposure Credit
Requirement**

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) respectfully submits proposed amendments to its Market Administration and Control Area Services Tariff (“Services Tariff”).² Through these amendments, the NYISO seeks to better align the Projected True-Up Exposure component of a Market Participant’s credit requirement to the market risk associated with that Market Participant’s potential exposure resulting from the settlement process.

The NYISO Management Committee unanimously approved the proposed tariff revisions on January 31, 2018. The NYISO respectfully requests: (i) an order accepting the proposed tariff revisions on or before June 5, 2018 (*i.e.*, sixty days from the date of this filing letter); and (ii) an effective date for the proposed tariff revisions of June 12, 2018 to coincide with the expected deployment date for the software required to implement the tariff revisions. Should the NYISO determine that the June 12, 2018 deployment date will be delayed, the NYISO will promptly notify its Market Participants and the Commission.

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

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

¹ 16 U.S.C. § 824d.

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

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

II. Background

A. 2015 Implementation of a True-Up Exposure Component

The initial invoice for a Market Participant’s purchase of Energy and Ancillary Services is generally based on the Market Participant’s estimate of its load for the invoice period because actual meter data related to its load is not yet available to the NYISO. Once actual meter data is available, the NYISO then uses it to calculate the four-month true-up and final bill closeout invoices. Any differences between the Market Participant’s estimated load and the actual meter data will ultimately be accounted for through the NYISO’s settlement process. In 2015, the Commission approved tariff revisions implementing a Projected True-Up Exposure Component of a Market Participant’s credit requirement. This component accounts for the potential increased credit exposure resulting from differences in estimated versus actual meter data on the four-month true-up and final bill close-out settlements.³

B. Current True-Up Exposure Component Methodology

The current Projected True-Up Exposure Component applies only to Market Participants whose four-month true-up amounts, over the most recent four months with both initial and four-month settlement data, are greater than 10% of the initial settlement amounts.⁴ The Projected True-Up Exposure Component is determined by first calculating the six-month rolling average percentage credit exposure of: (i) the four-month true-up to initial settlement; and (ii) the final bill closeout settlement to the four-month true-up. Both percentages are capped by a market-wide percentage cap, as reasonably determined by the NYISO, to prevent unrealistic averages from creating unreasonable credit requirements. The average percentage value for the four-month true-up to initial settlement is then multiplied by the initial settlements that have not yet had a four-month true-up settlement, and the average percentage for the final bill closeout to four-month true-up is multiplied by the initial settlements that have not had a final bill closeout. The sum of these two values equals the Projected True-Up Exposure Component.

C. Basis for Revising the Projected True-Up Exposure Calculation

The NYISO has monitored the number of Market Participants subject to the Projected True-Up Exposure Component and the additional collateral they are required to post with the NYISO based on this credit requirement. The NYISO has determined that in most months, the Projected True-Up Exposure Component has fairly represented a Market Participant’s settlement exposure. The NYISO has, however, observed that in some cases, the use of a rolling-average

³ Docket No. ER15-470-001, *New York Independent System Operator, Inc.*, Letter Order (January 14, 2015).

⁴ Services Tariff Section 26.4.2.9.

percentage, as applied to future settlement amounts, can result in anomalous outcomes when calculating credit exposure.

For example, a new Market Participant who has significantly under-forecast its load, resulting in small initial bills, may have small true-up payments, but result in a high average percentage to determine credit exposure. Applying that high average percentage to future, larger initial bills could result in a True-Up Exposure Component that considerably exceeds actual trueup payments.

Using an average percentage applied to future settlement amounts can also underestimate the amount of credit support required to cover future exposure in other circumstances. The initial settlement of a Market Participant that is under-forecasting its load will be lower than it would be if the Market Participant was forecasting accurately. Therefore, applying the average percentage to the lower initial settlement that has yet to be trued-up may not project enough credit support to cover the actual future exposure.

Accordingly, the NYISO developed enhancements to its current methodology to reduce the potential for such anomalous outcomes. The revised methodology uses actual historical trueup amounts to calculate the projected true-up exposure component, rather than average percentage exposure values.

III. Description of Proposed Tariff Revisions

The NYISO proposes to revise Sections 26.4.2.9 and 26.13 of Attachment K to the Services Tariff to reflect its enhanced methodology for calculating the Projected True-Up Exposure Component.

This component will continue to only apply if a Market Participant's average percentage to determine credit exposure is greater than ten percent of the initial invoice settlements for the four-month true-ups over the most recent period (not to exceed a total of four months) for which the Market Participant has been invoiced by the NYISO. The revised Projected True-Up Exposure Component will be calculated by adding: (i) the sum of the four most recent actual four-month true-ups; and (ii) the sum of the eight most recent actual final bill closeout true-ups.

The Projected True-Up Exposure Component will also continue to apply to Market Participants who are withdrawing from the Energy market to ensure protection from exposure associated with true-up payments as withdrawing Market Participants' remaining bills are reconciled. The NYISO will determine the Projected True-Up Exposure Component under these circumstances using the same revised calculation methodology described above.

IV. Effective Date

The NYISO respectfully requests Commission acceptance of the proposed tariff revisions within sixty days from the date of this filing (*i.e.*, June 5, 2018) and an effective date of June 12, 2018. Such timely action by the Commission will: (i) allow the NYISO to confidently proceed with the developing and deploying the software changes necessary to implement the proposed

enhancements to the credit requirements; and (ii) enable the NYISO to implement the proposed tariff revisions on the expected software deployment date of June 12, 2018.

V. Requisite Stakeholder Approval

The proposed amendments were unanimously approved by the NYISO Management Committee on January 31, 2018. The NYISO's Board of Directors approved the proposed revisions on March 20, 2018.

VI. Communications and Correspondence

All communications and service in this proceeding should be directed to:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director, Regulatory Affairs
*Amie Jamieson, Attorney/Registered In-House Counsel
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-7678
Email: ajamieson@nyiso.com

*Person designated for receipt of service.

VII. Service

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

VIII. Conclusion

For the foregoing reasons, the NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing to be effective on June 12, 2018.

Respectfully submitted,

/s/ Amie Jamieson

Amie Jamieson, Attorney/Registered In-House
Counsel
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
(518) 356-7306
ajamieson@nyiso.com

cc: Anna Cochrane
James Danly
Jette Gebhart
Kurt Longo
David Morenoff
Daniel Nowak
Larry Parkinson
J. Arnold Quinn
Douglas Roe
Kathleen Schnorf
Gary Will