## 26.12 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 26.12, 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% |