



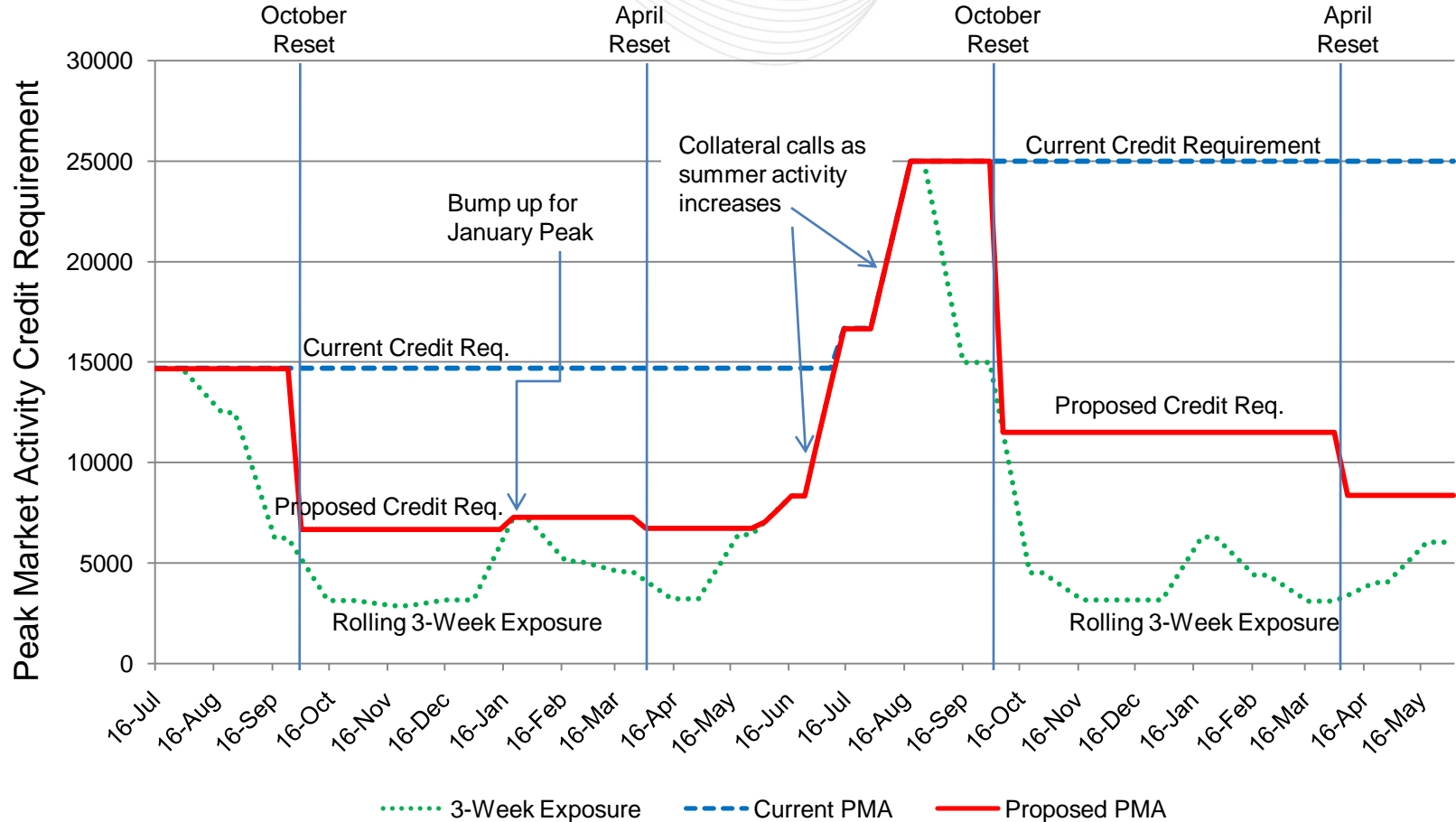
# Peak Market Activity Proposal

Markets and Reliability Committee  
March 17, 2010

- **New/Changed Provisions**
  - PMA is reset in April and October
    - Set equal to average of three-week exposures in past year
      - Average does include credits for early payments
        - » But cannot go below the average of the non-early-paid weeks
      - Average includes only weeks with non-zero invoices
  - Working Credit Limit reduced to 75% of available credit
    - Better matches current actual exposure
    - More important without buffer of old PMA which was higher

- **Unchanged Provisions**
  - Calculation still looks at rolling 3-week peak exposure
    - But now within two 6-month timeframes each year
  - Current exposure (unpaid invoices and accruals) must still stay below Working Credit Limit
    - Though Working Credit Limit itself is slightly lower
  - Early payments still allowed to reduce peak
  - FTR activity (6 line items) still removed

## Comparison of Current and Proposed Peak Market Activity Credit Requirement



Note: For companies eligible to make early payments to reduce their PMA, such payments applied to peak months would reduce both the current credit requirements and the proposed credit requirements.

Day

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61  
 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

Billing Month	Payment Cycle	Cure Period	Weekend & Holiday	Day-Ahead Obligations	
---------------	---------------	-------------	-------------------	-----------------------	--

Actual Bill Cycle Exposure 51 Days	Additional Unbilled Potential Exposure of 8 Days
------------------------------------	--

Actual Exposure 58 days (rounded up to 60)

Potential Runout Exposure 8 days

$8/61 = 13.1\%$  actual exposure

$1 - 13.1\% = 86.9\%$  WCL factor



# Proposed 75% Working Credit Limit

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22  
 Thu Fri Sat Sun Mon Tue Wed Thu Fri Sat Sun Mon Tue Wed Thu Fri Sat Sun Mon Tue Wed Thu

Billing Week	Bill Calculation and Issuance	Payment Cycle	Weekend	Cure Period	DA Mkt & Holiday
--------------	-------------------------------	---------------	---------	-------------	------------------

Actual Bill-cycle Exposure of 16 Days	Additional Unbilled Potential Exposure of 6 Days
---------------------------------------	--

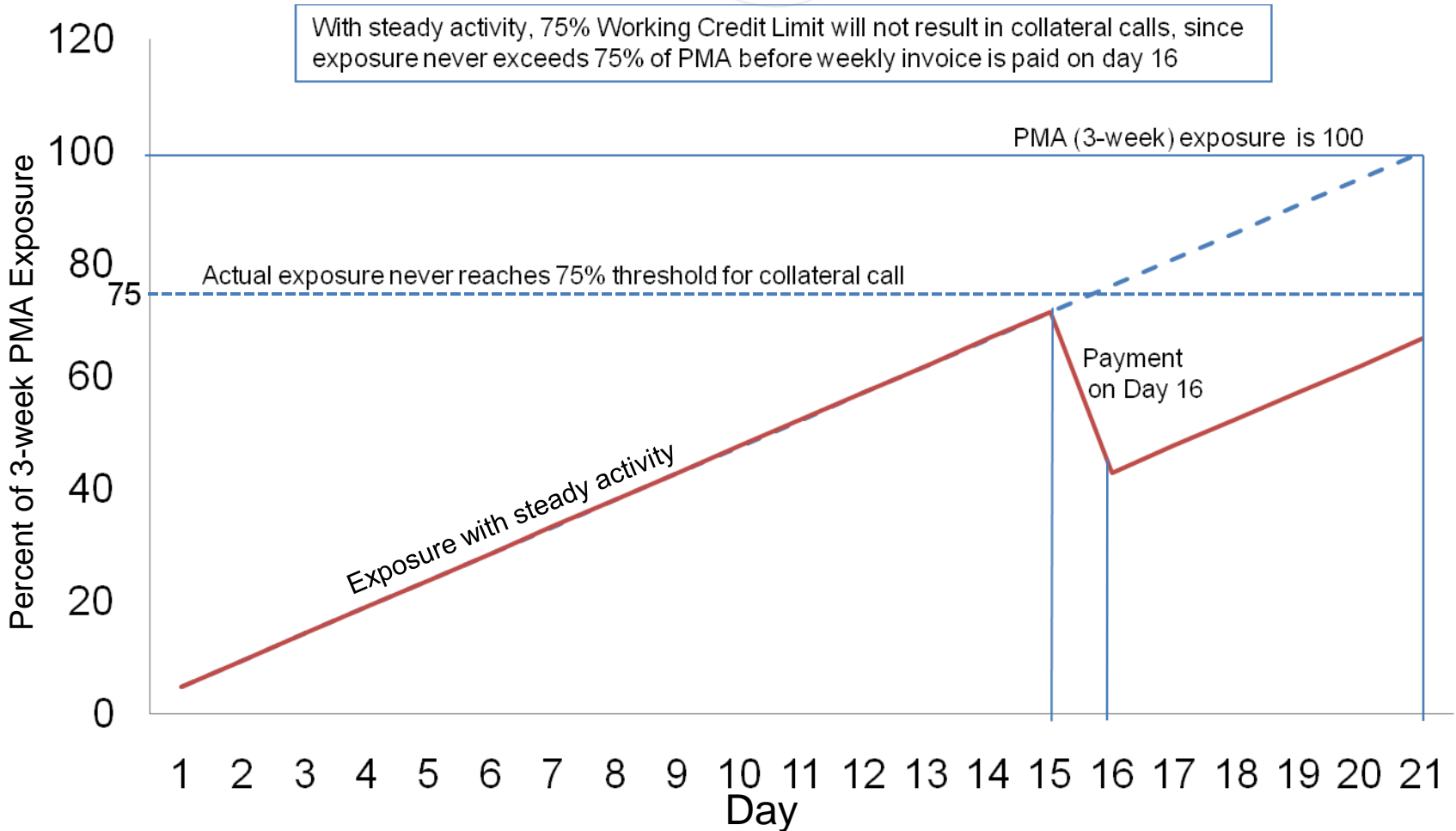
Total Exposure 22 Days with holiday (23 if Thanksgiving Holiday), but 21 days required for PMA

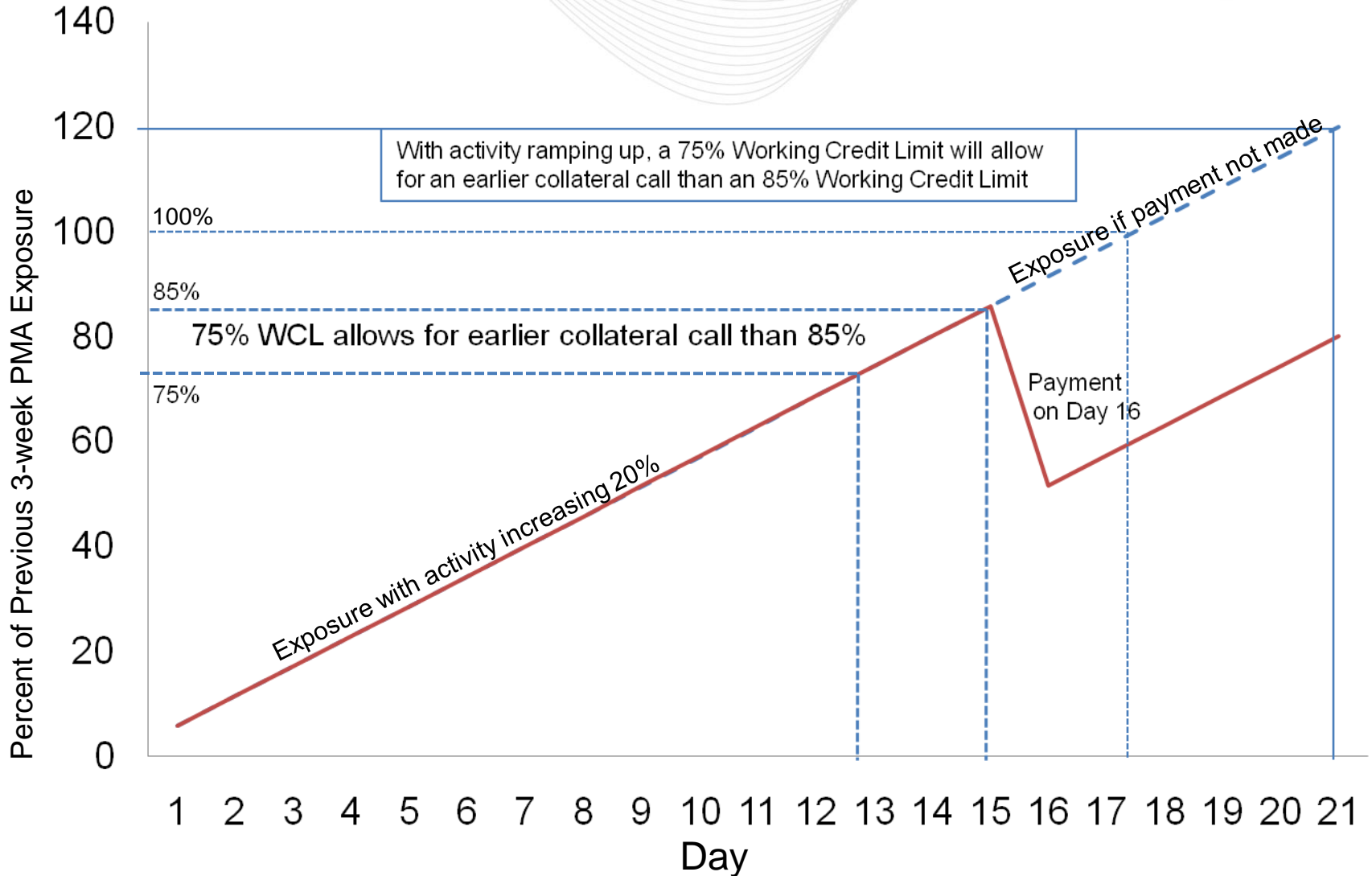
Potential Runout Exposure 6-7 days

6/21 = 26.6% actual exposure

1 - 26.6% = 73.4% WCL factor

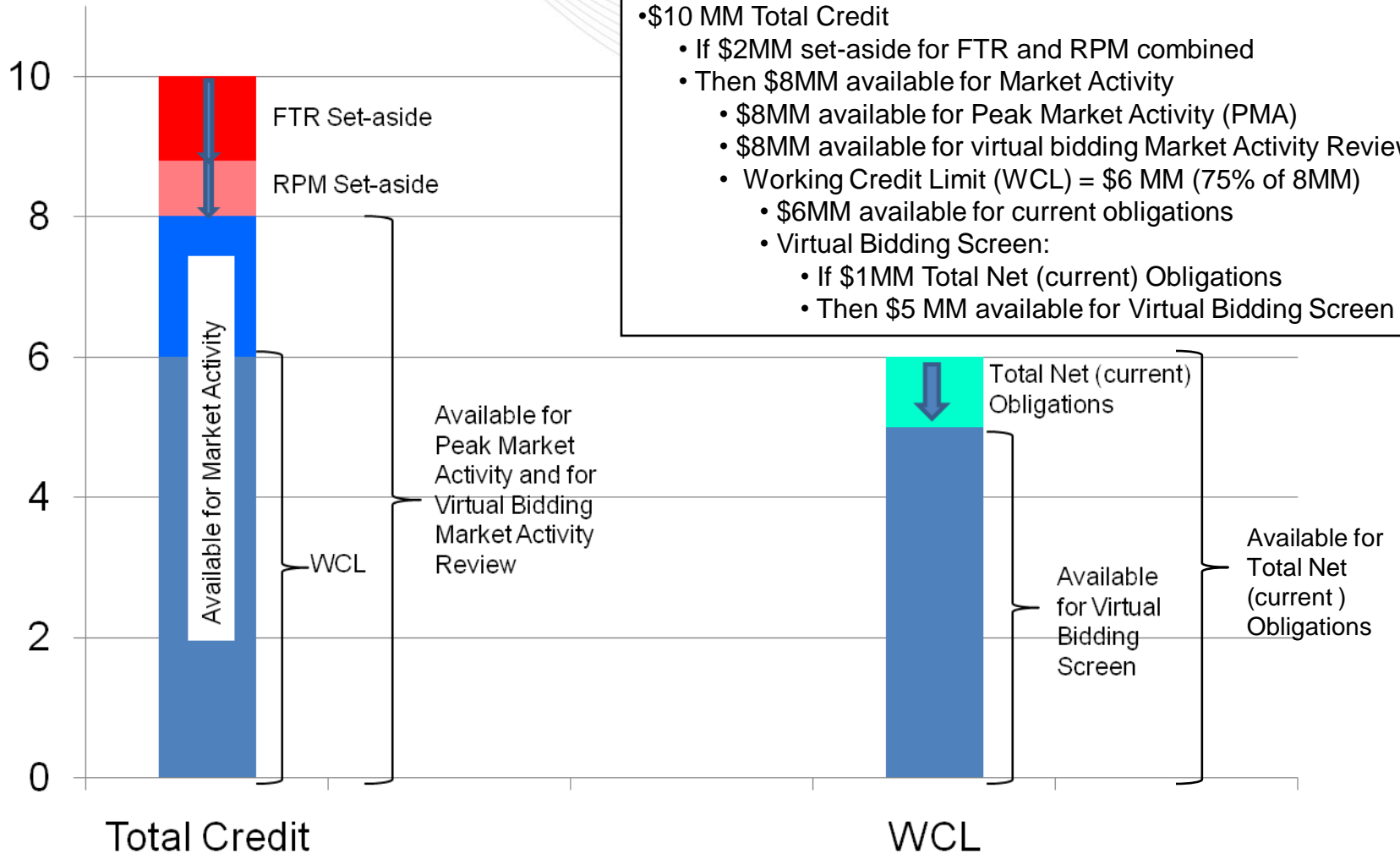
- Reduced (75%) Working Credit limit will not create credit requirement above 3-week (21-day) PMA for steady-state activity
  - When invoice is paid on day 16, at most 15 days of activity will be calculated
  - 15/21 = 71.4% of 3-week obligations
  - Still below 75% threshold





- Credit for FTR & RPM activity is set aside
  - Not usable for other purposes
- Remaining credit is available for market activity
  - Peak Market Activity (3-week peak requirement) \*
    - Must stay under the total remaining credit available for market activity
  - Total Net Obligation (total current obligations)
    - Must stay under Working Credit Limit \*
  - Virtual Bidding – Market Activity Review
    - Review performed to see how much potential exposure exists
    - If potential exposure is too high, the participant is subject to screening
  - Virtual Bid Screening
    - No credit requirement per se, but bids are restricted by credit available
    - Credit Available = Working Credit Limit – Total Net Obligation

\* PMA and WCL are the two items affected by the current proposal



- **Status**
  - Endorsed at CS on January 21, 2010
    - 2 opposed (1 attendee), 8 abstentions (4 attendees)
    - Over 45 attendees (many representing multiple members)
  - Presented to MC on January 28, 2010
  - Endorsed at MIC on February 17, 2010
    - 1 opposed, 6 abstentions
  - Presented to MRC on February 24, 2010
  - TAC review on March 15, 2010
- **Next steps**
  - Endorsement vote at MC on March 25, 2010
  - FERC approval possible by June, 2010



# Appendix

## Other ISO/RTO Policies

- Midwest ISO
  - Requirement = Invoiced + Measured + Expected
    - Measured = amounts calculated but not invoiced
    - Expected = 6 days of the higher of the average initial daily amount in the past 7 days or 365 days
  - Calculation is done daily
- NYISO
  - Standard requirement is higher of:
    - Highest month in same period last year, prorated to 50 days
      - Year is split year into two periods – May-Oct, Nov-Apr
    - Current 10-day average run rate times 50
  - Pay Down program requires half of standard amount
    - Must pay down if extrapolation of current run rate through bill payment date reaches collateral amount
    - Calculated daily
  - Prepay program
    - 3 days of collateral
    - Must pay a week in advance
    - Run rates calculated daily; collateral calls if ramping up

- ISONE
  - Bills weekly with membership approval for “twice a week” billing starting sometime in 2010 (with FERC approval)
  - Payments due in two days (billed Monday, due Wednesday, paid out Friday)
  - Current peak requirement for “energy” is 18 days with an additional credit requirement equal to 2.5 months of “non-hourly” charges
  - Members who pay more timely can reduce their peak requirement to 12-15 days. Twice a week billing will reduce peak for all members to 12 days
- ERCOT
  - EAL - Estimated Aggregate Liability - the sum of:
    - Highest initial invoice 2-week run rate in last 9 weeks extrapolated to 40 days
    - Average of last three weeks’ “Final” invoices times 9
    - Average of last three weeks’ true-up invoices times 24
  - NLRI – Net Load and Resource Imbalance
    - Additional check for current activity ramping up