



Proposed Conforming Changes to the Billing Policy as it relates to FCM Delivery (Pay-For-Performance) Financial Assurance

NEPOOL Budget & Finance Subcommittee Meeting

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Background

- FCM Delivery Financial Assurance methodology updates to the Financial Assurance Policy (FAP) were filed in 2024 with an anticipated operational date of June 1, 2025 (Docket ER24-3071-000)
- Specifically, the FAP revisions provide that, beginning with the 2025 - 2026 Capacity Commitment Period (June 1, 2025), the ISO will perform a corporate liquidity assessment on each FCM participant holding a Capacity Supply Obligation; to satisfy the corporate liquidity assessment, participants may provide a guaranty from an affiliate entity if such guarantor is guaranteeing the payment of PFP penalties
- FCM Affiliate Guarantees are not currently contemplated by the Billing Policy and do not fall within the current language regarding financial assurance provided by participants
- The ISO has determined that conforming changes to the Billing Policy are needed to accommodate the introduction of the Guaranty in this limited context



Proposed Conforming Changes to the Billing Policy

- Section 3.3 of the Billing Policy specifies the procedures and the waterfall that apply if there is a payment default; therefore, this section needs to be updated to account for the fact that the ISO may apply monies received from an FCM Affiliate Guaranty
- Specifically, Section 3.3(d) *Actions Against a Defaulting Party* is being updated
 - Title of section updated to include FCM Affiliate Guaranty
 - Updates provide that if a defaulting Covered Entity has an FCM Affiliate Guaranty, the ISO will use monies received from the guarantor to cover the portion of the Default Amount related to a Capacity Performance Payment



Next Steps

- Review proposed conforming changes to the Billing Policy at the February Budget & Finance meeting
- Present to NPC for vote at the March 6 meeting
- File with FERC after NCP vote with order requested by June 1 to align with the FAP changes

