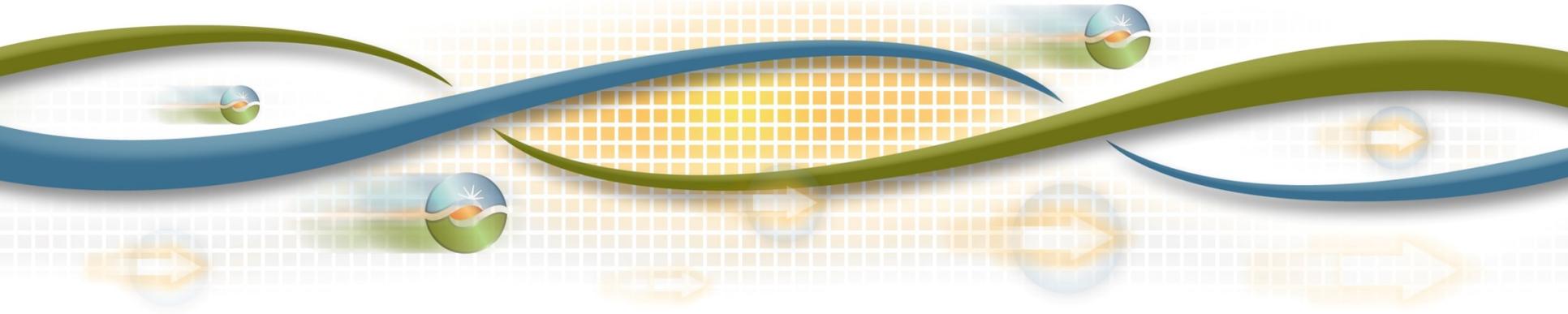


Decision on Credit and Financial Tariff Enhancements

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Management proposes four credit and financial tariff enhancements.

- ISO continually monitors best practices and receives suggestions from market participants
- Credit tariff enhancements were initially raised and vetted in the credit working group
- All four enhancements are broadly supported based on the results of their respective stakeholder processes

Proposal 1: Realign late payment penalty provisions due to weekly clearing.

- Weekly clearing versus semi-monthly
- Increase the number of “no fault” late payments in a rolling 12-month period from two to four
- Also increases the number of late payments allowed before imposing financial penalties (from three to five) and other enforcement actions (from five to seven)

Proposal 2: Eliminate surety bonds, escrow accounts, certificates of deposit, and payment bond certificates as acceptable forms of financial security.

- Ensures more timely access to funds in the event of a default
- Largely underutilized forms of financial security
- Consistent with financial security offerings of other ISOs and RTOs

Proposal 3: Modify the unsecured credit calculation to react quickly to market signals.

- Prevents unsecured credit from being granted to a market participant with a speculative Moody's KMV Equivalent Rating or credit agency issuer rating
- Reduces the risk of an under-secured, socialized default
- Unsecured credit may be restored following the ISOs next quarterly review of the market participant's financials or thirty calendar days, whichever is later

Proposal 4: Provide an optional automated clearing house (ACH) payment service.

- Optional means for market participants to pay their market invoices and/or receive payments from the ISO
- Less expensive than Fedwire payment services
- Does not provide for same-day funds transfer

Management proposes the Board approve the four credit and financial tariff enhancements.

- Provides market participants some relief on late payment provisions
- Improves the quality of secured forms of collateral
- Reduces the amount of unsecured collateral granted during a developing credit situation
- Provides a less expensive alternative to Fedwire for transferring funds to and from the ISO