



# INC/DEC Credit Policy Suggestions

Credit Subcommittee

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- Three proposals made, with request to analyze each to determine if any one stands out above the others
- Current virtual transactions credit policy:
  - Additive across all transactions for 1 day bid and 3 days cleared ("1+3")
    - Could be lower if two days bid is less than the 1+3 calculation
    - Timeframe may be reduced subject to separate discussion
  - Credit requirement per transaction equal to MWH times 97<sup>th</sup> percentile of absolute value of hourly DA-RT price differential in two-month period last year

- Proposal 1
  - Same as current virtual calculation (based on DA-RT LMP differential) except:
    - Separate peak and off-peak requirements
    - Separate INC and DEC requirements
      - INC exposure is DEC profit and vice-versa
      - Uses actual prices instead of absolute value difference
    - Replace 97<sup>th</sup> percentile with new confidence interval based on new analysis of 50, 70, 80, 90, 95, 97 percentiles
- Proposal 2
  - Same as Proposal 1 except incorporate bid/cleared prices into calculation

- Proposal 3
  - Same as Proposal 1 except historical DA-RT price calculation is split into two components that are additive for each node
  - Energy price component
    - Uses only RTO-wide energy price component of LMP, but adjusts for fuel price (nat. gas) changes from last year
  - Congestion and losses price component
    - Same as Proposal 1, but using only congestion and losses components of LMP
  - The two components may incorporate different percentiles for historical prices
    - To be determined by analysis of different confidence intervals