



**Federal Energy Regulatory Commission
January 21, 2010
Open Commission Meeting
Staff Presentation
Item E-2**

Good morning Chairman and Commissioners.

In this "Notice of Proposed Rulemaking," the Commission proposes a series of credit reforms for the organized wholesale electric markets, specifically the jurisdictional Independent System Operator and Regional Transmission Organization markets. These proposed reforms balance the need for market liquidity with appropriate risk management procedures and ensure just and reasonable rates for customers.

The Commission has long taken an active interest in credit practices of organized wholesale electric markets. In November 2004, the Commission issued a policy statement in which it sought to promote better credit practices. More recently, in January 2009, the Commission hosted a technical conference on credit and cost of capital issues to determine how the financial market turmoil that occurred in fall 2008 affected the electric industry. While the organized wholesale electric markets have, over time, improved their credit practices, the Commission is acting today to ensure that the credit policies in place promote confidence in competitive electric wholesale markets and limit the potential for future market disruptions.

The Commission is seeking comment on the following proposals, to require organized wholesale electric markets to revise their tariffs to:

- Shorten the settlement cycle to no more than seven calendar days with no more than an additional seven calendar days for final payment.
- Limit unsecured credit to no more than \$50 million per market participant in energy markets and eliminate unsecured credit in FTR markets.
- Clarify the ability of market administrators to offset amounts owed to market participants against amounts owed by market participants and manage defaults.
- Establish minimum participation criteria for market participants.
- Specify those circumstances in which a market administrator may invoke "material adverse change" to require a market participant to post additional collateral.
- Limit the time period allowed for a market participant to post collateral to "cure" its credit status.

The Commission asks that comments be filed within 60 days after publication in the Federal Register.

Thank you."