



October 21, 2010

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Docket No. RM10-13

FERC Finalizes Credit Reform Rules for Organized Electric Markets

The Federal Energy Regulatory Commission (FERC) today issued its final rule on credit reforms that will balance the need for market liquidity with appropriate risk management while ensuring just and reasonable rates for the nation's electric customers.

The final rule adopts most of the proposals outlined in FERC's January 2010 notice of proposed rulemaking. Each organized wholesale power market must make a filing to comply with the amended regulations or demonstrate that its existing tariff satisfies the new regulations.

Today's final rule requires organized wholesale power markets to:

- Shorten both the billing period and the period for payment to no more than seven days each.
- Reduce the allocation of unsecured credit to no more than \$50 million per market participant, and no more than \$100 million per corporate family.
- Eliminate unsecured credit in all financial transmission rights (FTRs) markets.
- Establish minimum criteria for market participation.
- Clarify circumstances in which a market administrator may, under its tariff, invoke a "material adverse change" and demand additional collateral from a market participant.
- Establish a two-day grace period for "curing" collateral calls.

In addition, in response to concerns regarding whether organized wholesale power markets can offset or net transactions where a market participant files for bankruptcy, FERC provided alternatives to its initial proposal. In the final rule, FERC provides options for how an organized wholesale power market may net transactions, including making the market a counterparty to all transactions or allowing market participants to grant a security interest in their transactions to the market. As noted in the final rule, netting transactions has the beneficial effect of minimizing the effect of a default and reducing collateral requirements.

The final rule, *Credit Reforms in Organized Wholesale Electric Markets*, takes effect 30 days after publication in the *Federal Register*.

R-11-03

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