

---

---

# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

---

---

## NEWS RELEASE

### NEWS MEDIA CONTACT:

Barbara A. Connors  
(202) 502-8680

### FOR IMMEDIATE RELEASE

November 18, 2004  
Docket No. PL05-3-000

## CREDIT POLICY FOR TRANSMISSION PROVIDERS, ISOs/RTOs CLARIFIED

The Federal Energy Regulatory Commission today clarified its credit policy for transmission providers with electric open access transmission tariffs (OATTs), independent system operators (ISOs) and regional transmission organizations (RTOs).

The clarifications address a number of credit-related issues that have arisen as the electric utility industry has evolved. Setting a clear and transparent policy will help to bring stability, certainty and reduced risk to both the transmission providers and customers, the Commission said.

Competition-driven changes in the electric utility industry have placed more emphasis on credit-related issues. Recent credit downgrades of some market participants have highlighted credit-related risks to transmission providers and ISOs and RTOs. At the same time, certain market participants have alleged that some transmission providers, ISOs and RTOs have sought excessive credit support, foreclosing full market participation by competitive entities and thus hindering development of fully competitive markets, the Commission said.

Today's policy statement order encourages OATT transmission providers, ISOs and RTOs to: (1) make their credit-related procedures and standards more transparent; (2) post on their websites the procedures they use to perform their credit analyses; and (3) provide customers with a written analysis of how the credit procedures and standards are applied to them. In addition, OATT transmission providers, ISOs and RTOs must consider both qualitative and quantitative measures in assessing credit risk. Qualitative factors might include: an applicant's history; nature of the organization and operating environment; management and contractual obligations; and financial and accounting policies. Among the quantitative factors to be considered are financial statements, profitability, capital structure, and cash flow.

(2)

The policy statement also clarifies other actions that ISOs and RTOs may take to reduce the impact of a default by a market participant, including shortening settlement periods from quarterly or monthly to weekly and netting obligations between counterparties.

Today's policy statement is an outgrowth of a July technical conference the Commission held to discuss concerns and propose solutions to credit-related issues, particularly in light of recent price volatility within the energy industry and the downgrade of certain market participants by credit agencies.

R-04-54

(30)