

**To:** NEPOOL Participants

**From:** Cheryl Arnold, Director, Finance and Market Risk

**Date:** October 28, 2022

**Subject:** Supplemental Information Re: Financial Assurance Calculation for Mystic COS

This memo is intended to provide the NEPOOL Participants with information regarding Market Participants' financial assurance requirements associated with charges arising from the Mystic Cost of Service (COS) agreement. We have recently received several questions from Market Participants regarding how the financial assurance is calculated and updated based on the Mystic COS settlement.

### **Billing Background and Summary of Financial Assurance Calculation**

The Mystic COS settlement charges and payments (Mystic COS settlement) are billed as a Non-Hourly Charge<sup>1</sup> and included in the Monthly Statement issued on the first business day after the ninth calendar day of each month. The Mystic COS settlement is billed two months in arrears.<sup>2</sup>

Because the Mystic COS settlement is a Non-Hourly Charge, the financial assurance requirements for the Mystic COS settlement are calculated by taking the average of the two most recently invoiced months of settlements and then multiplying that result by 2.5.<sup>3</sup> The amount of required financial assurance related to the Mystic COS settlement will change monthly, upon the issuance of the Monthly Statement. Importantly, depending on the variability of the Mystic COS settlement each month, the amount of financial assurance required will fluctuate. The historical amounts of the aggregate Mystic COS settlement billed from June 2022 through August 2022, have fluctuated significantly,<sup>4</sup> which caused a significant change in the financial assurance requirement for this item.

Market Participants have access to the financial assurance application and can monitor the requirements for this item along with their entire financial assurance requirement for all markets. It is recommended that Market Participants review their financial assurance requirement regularly to stay abreast of any changes that may require additional collateral to be posted.

### **ISO-NE Tools and Reports**

ISO-NE has provided a tool, the Mystic Cost of Service-Estimation Worksheet <https://www.iso-ne.com/search?query=mystic>, and a user guide that explains the worksheet, to assist Market Participants in estimating the Mystic COS settlement amounts.

In addition, the Market Information Server (MIS) reports with Market Participant specific Mystic COS settlement values are generally available at least two business days before the issuance of the Monthly Statements, which may be useful to Market Participants who wish to preemptively determine the expected change in the Mystic COS settlements financial assurance obligations (*i.e.*, ahead of the Monthly Statements issuance).

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<sup>1</sup> See ISO New England Billing Policy, Section 1.3.

<sup>2</sup> See Presentation to NEPOOL Markets Committee, Mystic Cost of Service Agreement, Slide 9 (Oct. 13, 2022) (the "MC Presentation") available at <https://www.iso-ne.com/committees/markets/markets-committee/>.

<sup>3</sup> See ISO New England Financial Assurance Policy, Sections III.A.(iii) and III.A.(vi).d, available at [https://www.iso-ne.com/static-assets/documents/2017/09/sect\\_i\\_ex\\_ia.pdf](https://www.iso-ne.com/static-assets/documents/2017/09/sect_i_ex_ia.pdf).

<sup>4</sup> See MC Presentation, Slide 17.