



FEDERAL ENERGY REGULATORY COMMISSION

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Agenda Items E-1, E-2

FERC Tackles Credit Risk Measures with NOPR, Show Cause Order

FERC today took action to improve credit risk management in the organized wholesale electric power markets. The Commission's Notice of Proposed Rulemaking (NOPR) would allow electric power market operators to share credit-related information among themselves so they can more accurately assess market participants' credit risks.

Today's proposal explains that requiring the market operators to adopt tariff provisions that permit the sharing of credit-related information among market operators could improve the accuracy of credit exposure and risk assessments across multiple electric power markets. It also could enable market operators to respond to credit events more quickly and effectively, thereby minimizing the overall risks of unexpected defaults by market participants. The market operators' tariffs currently contain confidentiality provisions that may act as barriers to such information sharing.

Separately, FERC today issued an Order to Show Cause finding that the existing open access transmission tariffs of the California Independent System Operator Corporation, ISO New England Inc., New York Independent System Operator, Inc., and Southwest Power Pool Inc. appear to be unjust and unreasonable because they lack certain credit risk management practices. Specifically, these tariffs do not contain practices intended to ensure that market participants in financial transmission rights markets administered by these market operators maintain sufficient collateral to reduce the risk of defaults and the potential mutualization of costs from any defaults that are not supported by adequate collateral.

Both the NOPR and the Show Cause Order grew out of the February 25-26, 2021, FERC staff technical conference on principles and best practices for credit risk management in organized wholesale electric markets. Comments on the NOPR are due 60 days after publication in the *Federal Register*. Market operators' responses to the Show Cause Order are due 90 days from today.

R22-36

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Document Content(s)

Financial Risk 072822 FINAL.pdf.....1