

EXHIBIT IA

ISONEW ENGLAND FINANCIAL ASSURANCE POLICY

Table of Contents

Overview

- I. GROUPS REGARDED AS SINGLE MARKET PARTICIPANTS
- II. MARKET PARTICIPANTS REVIEW AND CREDIT LIMITS
 - A. Minimum Criteria for Market Participation
 - 1. Information Disclosure
 - 2. Risk Management
 - 3. Communications
 - 4. Capitalization
 - 5. Additional Eligibility Requirements
 - B. Proof of Financial Viability for Applicants
 - C. Ongoing Review and Credit Ratings
 - 1. Rated and Credit Qualifying Market Participants
 - 2. Unrated Market Participants
 - 3. Information Reporting Requirements for Market Participants
 - D. Market Credit Limits
 - 1. Market Credit Limit for Non-Municipal Market Participants
 - a. Market Credit Limit for Rated Non-Municipal Market Participants
 - b. Market Credit Limit for Unrated Non-Municipal Market Participants
 - 2. Market Credit Limit for Municipal Market Participants
 - E. Transmission Credit Limits
 - 1. Transmission Credit Limit for Rated Non-Municipal Market Participants
 - 2. Transmission Credit Limit for Unrated Non-Municipal Market Participants
 - 3. Transmission Credit Limit for Municipal Market Participants
 - F. Credit Limits for FTR Only Customers
 - G. Total Credit Limit
- III. MARKET PARTICIPANTS' REQUIREMENTS
 - A. Determination of Financial Assurance Obligations

- B. Credit Test Calculations and Allocation of Financial Assurance, Notice and Suspension from the New England Markets
 - 1. Credit Test Calculations and Allocation of Financial Assurance
 - 2. Notices

BoPP FAP Redlines 10/3/16 Version

then the ISO shall be required to make an informational filing with the Commission as soon as reasonably practicable after taking such action. If the ISO chooses to prohibit (in the case of an applicant) or terminate (in the case of a customer) participation in the New England Markets, then the ISO must file for Commission approval of such action, and the

BoPP FAP Redlines 9/3/16 Version

provisions in Section VI shall submit to the ISO or its designee a certificate in the form of Attachment 5 to the ISO New England Financial Assurance Policy stating that, since the customer's delivery of its risk management policies, procedures, and controls or its last certificate pursuant to this Section II.A.2(b), the customer either: (i) ~~has~~^{admits} any changes to the previously submitted written risk management policies, procedures, and controls; or (ii) that changes have been made to the previously submitted written risk management policies, procedures, and controls and that all such changes ~~are~~^{clearly} identified and attached to such certificate. If any such applicant fails to submit the relevant written policies, procedures, and controls, then the applicant will be prohibited from participating in the FTR market. If any such customer ~~fails to~~^{provides} a certificate in the form of Attachment 5 by end of business on April 30, then the ISO shall issue a notice of such failure to the customer, and if the customer does not provide the certificate to the ISO within two Business Days after issuance ~~of~~^{such} notice, then the customer will be suspended (as described in Section III.B.3.c of the ISO New England Financial Assurance Policy) from entering into any future transactions in the FTR system.

The ISO, at its sole discretion, may also require any applicant or customer to submit to the ISO or its designee the written risk management policies, procedures, and controls

satisfaction of the total financial assurance requirements as calculated pursuant to the ISO New England Financial Assurance Policy).

- (b) Any customer or applicant that fails to meet these capitalization requirements will be suspended (as described in Section III.B.3.c of the ISO New England Financial Assurance Policy) from entering into any future transactions of a duration greater than one month in the FTR system ~~on any future transactions for a duration of one month or less~~ except when FTRs for a month are being auctioned for the final time ~~Such a~~ customer or applicant may enter into future transaction of a duration of one month or less in the FTR system in the case of FTRs for a month being auctioned for the final time. Any customer or applicant that fails to meet these capitalization requirements shall provide additional financial assurance in one of the forms described in Section X of the ISO New England Financial Assurance Policy equal to 25 percent of the customer's or applicant's FTR Financial Assurance Requirements. Any additional financial assurance provided pursuant to this Section II.A.4(b) shall not be counted toward satisfaction of the total financial assurance requirements as calculated pursuant to the ISO New England Financial Assurance Policy.
- (c) For markets other than the FTR market:
- (i) Where a customer or applicant fails to meet the capitalization requirements, the customer or applicant will be required to provide an additional amount of financial assurance in one of the forms described in Section X of the ISO New England Financial Assurance Policy in an amount equal to 25 percent of the customer's or applicant's total financial assurance requirements ~~(excluding FTR Financial Assurance Requirements)~~.
 - (ii) An applicant that fails to provide the full amount of additional financial assurance required as described in subsection (i) above will be prohibited from participating in the New England Markets until the deficiency is rectified. For a customer, failure to provide the full amount of additional financial assurance required as described in subsection (i) above will have the same effect and will trigger the same consequences as exceeding the "100 Percent Test" as described in Section III.B.2.c of the ISO New England Financial Assurance Policy.
 - (iii) Any additional financial assurance provided pursuant to this Section II.A.4(c) shall not be counted toward satisfaction of the total financial assurance

- (i) two and one-half (2.5) times the average monthly Non-Hourly Charges for such Non Market Participant Transmission Customer over the two most recently invoiced calendar months (which amount shall not in any event be less than \$0); plus
- (ii) amount of any unresolved Disputed Amounts received by such ~~Market~~ Participant Transmission Customer.

2. Financial Assurance for Transmission Charges

Each ~~Non~~Market Participant Transmission Customer must provide the ISO with additional financial assurance hereunder such that the sum of (x) its Transmission Credit Limit and (y) the excess of (A) the available amount of the additional financial assurance provided by that Non-Market Participant Transmission Customer over (B) the amount of that additional financial assurance needed to satisfy the requirements of Section V.D.1 above is equal to two and one-half (2.5) times the average monthly Transmission Charge for such ~~Non~~Market Participant Transmission Customer over the two most recently invoiced calendar months (which amount shall not in any event be less than \$0)

3. Notice of Failure to Satisfy NMPTC Financial Assurance Requirement

A Non-Market Participant Transmission Customer that ~~knows~~ ~~a~~ reasonably ~~is~~ expected to know that it is not satisfying its NMPTC Financial Assurance Requirement shall notify the ISO immediately of that fact. Without limiting the availability of any other remedy or right hereunder, failure by any ~~Non~~Market Participant Transmission

BoPP FAP Redlines 9/3/16 Version

~~calculations, the ISO will consider FTRs having the same or opposite path, same contract month, and same type (peak or offpeak) together. A Designated FTR Participant's Unsettled FTR Financial Assurance may be a charge or a credit, and in the case of a credit, may offset the Designated FTR Participant's other FTR Financial Assurance Requirements (but not to less than zero). A Designated FTR Participant's Unsettled FTR Financial Assurance will be adjusted as the awarded FTRs are ~~to the amount of a Designated FTR Participant's FTR Award Financial Assurance shall be the total dollar amount of any FTRs awarded to that Designated FTR Participant in FTR Auctions.~~ Once an FTR is awarded, the FTR Bid Financial Assurance that relates to the bid for that FTR will be converted to the FTR Award Financial Assurance related to such awarded FTR. The required amount of the FTR Award Financial Assurance will be based on the amount of the awarded FTR, not the FTR Bid Financial Assurance, and will decrease proportionately as the amount due with respect to such awarded FTR decreases in a manner approved by the NEPOOL Budget and Finance Subcommittee from time to time. Unpaid credits due to a Designated FTR Participant for short FTR awards, and unpaid credits due to a Designated FTR Participant for long term FTR awards for the current month only, may offset other FTR obligations for purposes of calculating that Designated FTR Participant's FTR Award Financial Assurance.~~