

The SPP Credit Practices Working Group's High Level Design Requirements for Future Markets

Overall Market Design Elements

- Settlement and Credit Systems
 - Settle all markets at the end of each trading day.
 - Review credit exposures each day and make available to customers via the portal.
 - Integrate the settlement and credit systems to facilitate seamless data sharing.
 - Allow for multiple accounts for a single customer but ensure rollup prior to credit assessment, exposure determination and billing at the enterprise level.
- Billing Cycles and Invoicing
 - Invoicing cycle should be weekly.
 - Consider month-to-date invoices.
- Other Considerations
 - Carefully review the use of an independent clearinghouse for all transactions.
 - Design the market systems with capacity adequate to ultimately house three years' worth of trading activity for volatility forecasting.
 - Implement a system similar to PJM's E-credit so customers can allocate credit between products, request refunds of collateral, etc.

Virtual Markets

- Determine limits for virtual bidding based on estimates provided by participants.
- Activity will be analyzed daily and all uncleared bid exposures that exceed a participant's available credit will be reviewed for acceptance or rejection.
- Calculate exposures daily for virtual bids at each location based on price volatility at that location for the same ninety day period in the prior year.

Transmission Congestion Rights (TCR) Markets

- Daily margining of contracts for all participants.
- Credit requirements separate from all other markets.
- Participation on fully secured basis only (no unsecured credit will be granted)
- Postpone implementation of the annual TCR auctions and secondary market transactions until one year after the successful implementation of the monthly auction market.
- Assign additional credit requirements for counterflow exposures to protect against unexpected price volatility.
- SPP shall credit qualify holders of TCRs acquired on the secondary market in advance of the completion of the transaction.
- Credit requirements would account for value of a participant's ARR.