

## Attachment I

## **26.6 Collateral Requirements**

As security for the prompt payment of a Customer's obligations to the ISO arising under the Services Tariff or the OATT, including without limitation an obligation to (i) satisfy any credit requirement for bidding on or holding TCCs, and (ii) to the extent that its Operating Requirement and/or Bidding Requirement exceed(s) the total of its Unsecured Credit plus any posted collateral, Customer shall provide to the ISO collateral in an acceptable form in accordance with Section 26.6.1 hereof.

### **26.6.1 Acceptable Collateral**

#### **26.6.1.1 Cash deposit**

A cash deposit shall be held in escrow by the ISO, with actual interest earned on the deposit accrued to the Customer's account.

#### **26.6.1.2 Letter of credit**

A letter of credit shall be in a form acceptable to the ISO and issued or guaranteed by an approved U.S. or Canadian commercial bank, or an approved U.S. or Canadian branch of a foreign bank, with a minimum "A" rating from Standard & Poor's, Fitch, Moody's, or Dominion. A Customer's failure to provide acceptable collateral in an amount sufficient to secure its obligations to the ISO fifty (50) days prior to the termination of a letter of credit, which collateral shall be guaranteed to remain in effect for a period of not less than one (1) year, shall be a condition of default enabling the ISO to immediately draw upon the full value of the letter of credit.

#### **26.6.1.3 Surety Bonds**

A surety bond shall be in a form acceptable to the ISO, payable immediately upon

demand without prior demonstration of the validity of the demand, and issued by a U.S. Treasury-listed surety with a minimum “A” rating from A.M. Best. A Customer’s failure to provide acceptable collateral in an amount sufficient to secure its obligations to the ISO fifty (50) days prior to the termination of a surety bond, which collateral shall be guaranteed to remain in effect for a period of not less than one (1) year, shall be a condition of default enabling the ISO to immediately demand payment of the full value of the surety bond.

#### **26.6.1.4 Netting of Amounts Receivable**

A Customer may elect to treat as cash collateral the amount that the ISO determines will be owed to the Customer as of the day after the next regular weekly payment to the Customer and that will be payable to the Customer in the following regular weekly payment; *provided, however*, that (i) any such payment to the Customer may be adjusted by the ISO as necessary to correct for any error in this determination, and (ii) the Customer first enter into a security agreement with the ISO in a form acceptable to the ISO. At a minimum, the security agreement must grant to the ISO a continuing, first priority security interest in the Customer’s ISO receivables and authorize the ISO to file financing statements, as necessary, at Customer’s expense, to protect the ISO’s interest.

#### **26.6.3 Alternative Security Arrangements**

Alternative security arrangements substantially similar to the credit requirements set forth in this Attachment K may be made in exigent circumstances to protect the financial position of the ISO if proposed by the Customer and approved by the ISO.