

# Credit Requirement for DADRP Demand Response Providers

## Introduction

Demand Response Providers (DRP's) will need to adhere to the following credit requirements if they intend to participate in the NYISO enhanced DADRP program. Collateral will need to be obtained by the DRP and presented to the NYISO before the DRP can participate in the DADRP program. Once participation is granted the NYISO credit department will monitor the activity of the DRP and will reserve the right to request additional collateral if conditions warrant. The collateral will stay in place for the duration of the DRP's participation in the DADRP program.

## COLLATERAL REQUIREMENT:

For those Market Participants who are required to post collateral, the collateral requirement will be calculated by the following formula:

**Collateral Requirement: = (Average accepted MWh per month) \* (Average Day-Ahead LBMP Price during the prior years summer capability period) \* (20% Percentage Factor) \* (4)**

Where,

### Average accepted MWh per month =

- *For DRP's that are currently active in the DADRP program = The average will be determined by the historical number of accepted MWh made per month by the DRP, for the months associated with previous years summer capability period.*
- *For DRP's that are currently registered in the DADRP program, but have never been active or for new DRP's who are not currently registered in the DADRP program = Estimate of the average number of projected accepted MWh per month, for the months associated with the summer capability period.*

The estimated value will be determined during the registration process with input from both the DRP and NYISO staff. For estimates that are significantly higher than actual accepted MWh the NYISO will review the collateral requirement after four months of activity and may reduce the collateral requirement. If the estimated value is significantly lower than actual accepted MWh the NYISO, as stated above, does reserve the right to request additional collateral at any time during the program.

**Average Day-Ahead LBMP Price during the prior years summer capability period =** The average Day-Ahead LBMP at the NYISO reference bus for the previous summers capability period for hours in which the Day-Ahead price is greater than \$50.

**20 % Percentage Factor =** The 20% percent factor is based on a 3.7% penalty rate compared to total program payment plus a 5.5% historical difference between scheduled and actual curtailment.

### **Hypothetical example**

The hypothetical example below is based on the historical summer 2002 scheduled curtailment data for XYZ Company.

*Inputs:*

- Average accepted MWh per month = 200
- Average Day-Ahead LBMP price during the summer 2002 capability period = 64.91
- 20% percentage Factor

Collateral Requirement for 2003 =  $(200) * (64.91) * (.2) * (4) = \$10,385.60$

Based on the average accepted MWh per month and the average Day-Ahead LBMP the DRP's sales should be approximately \$ 12, 982 per month or \$51, 928 for a four-month time frame with a run rate of \$432.73 per day.