Illinois Shines

Collateral and Performance Assurance

Contract Type	Contract Section – Collateral	Contract Section – Performance Assurance
219 REC Delivery Contract	1.15.2	1.44.1, 4.3 (a)
2021,2022 & 2024 15 Year REC Delivery Contract	1.19	7.1
2021,2022 & 2024 20 Year REC Delivery Contract	1.19	7.1

What is the collateral requirement?

All systems in a contract require the Approved Vendor to maintain collateral constituting 5% of the total REC Contract value for that system. Following the Illinois Commerce Commission's (ICC's) approval of a contract, the Approved Vendor must post collateral for all systems in a batch within 30 business days of that approval date. For each Designated System in a contract, the initial collateral amount is equal to five percent (5%) of the multiplicative product of the (a) Proposed Price and (b) Designated System Expected Maximum REC Quantity in the Part I application. The Approved Vendor may post collateral in the form of cash or a Letter of Credit.

When is collateral due?

Within 30 business days of the ICC approving the contract (or Product Order), collateral must be posted with the utility counterparty in the form of cash or a Letter of Credit from an underwriter with credit acceptable to the utility.

What happens if an Approved Vendor fails to post collateral in time?

If the system collateral is not posted within 30 business days of the ICC approving the contract (or Product Order), a contract default will occur. The utility will issue a default notice, and the Approved Vendor (AV) will have 20 business days to remedy the situation by posting the required collateral. The REC Contract defines failure to post collateral as an Event of Default that could lead to termination of the Master REC Contract.

Can an Approved Vendor remove a system from the contract if they haven't posted collateral yet?

The system cannot be removed until collateral has been paid.

What is performance assurance?

Performance assurance is the collateral of a Designated System in the form of cash or a Letter of Credit. The performance assurance amount is the actual monetary amount posted by the Approved Vendor, which is the sum of the Collateral Requirement across all Designated Systems included in a REC contract.

What is the purpose of the collateral and performance assurance?

The collateral and performance assurance serve as insurance for the utility, as REC invoice payments are pre-paid based on future expected production established during the application process.

What causes the forfeiture of collateral?

If a project is withdrawn or removed from the schedule on its contract, due to an event of default or purposeful removal (except for reasons of Force Majeure) by the Approved Vendor, the collateral will be forfeited. Any default under the REC Delivery Contract will result in the full forfeiture of collateral under that contract.

How is collateral drawn down upon?

Beginning after three full delivery years, the Program Administrator working on behalf of IPA, will perform an annual REC Performance Evaluation and Community Solar Parameters Evaluation and calculate Drawdowns on the Performance Assurance (if any). Underperformance by any system in REC Performance Evaluation or Community Solar Parameters can trigger a collateral Drawdown for a delivery year.

For an overview of the annual evaluations see:

1. REC Performance Evaluation 1-pager
2. CS Parameters Evaluation 1-pager
3. 2023 Annual Report and Delivery Year REC Evaluation Informational Webinar, May 9, 2023

When is collateral added to maintain the Performance Assurance Requirement?

Within 90 days after any collateral draw, the Approved Vendor must post additional collateral to "top up" its total collateral, to equal 5% of total remaining contract value (where each system's contractual value declines by 1/15 each contract year).

The Approved Vendor can request the withholding of the following payment(s) due under the contract (if any) in lieu of "topping up" the collateral. When the last system within a batch reaches the end of its delivery term, an Approved Vendor may request a refund of the collateral associated with that batch.

Performance Assurance (Collateral) Drawdown Process:

Evaluation Complete

The Program Administrator, on behalf of IPA, completes the Evaluations by November 15, and notifies the Utility ("Buyer") and AV ("Seller") of the result.

Payment/Drawdown

Utility informs AV of the Aggregate Drawdown Payment by written notice. If Seller's Performance Assurance is less than the Aggregate Drawdown Payment, then Seller shall pay the Buyer the difference within ten (10) Business Days of notice by the Buyer (See Contract section for payment/drawdown options).

Drawdown Threshold

If this is not the last Delivery Year under this REC Contract and the amount of the Aggregate Drawdown Payment is less than $5,000, then Buyer shall not draw on Seller's Performance Assurance, but will track such amount and add such amount to the Aggregate Drawdown Payment for the subsequent Delivery Year or Delivery Years until the earlier of: the last Delivery Year or such time when the Aggregate Drawdown Payment is at least $5,000.

Top Off Collateral

"In the event Buyer draws on Seller's Performance Assurance ... Seller shall be required, within ninety (90) days of such drawing, to post... additional collateral to maintain or restore the Performance Assurance Amount."