

CREDITWORTHINESS

TAB 1 Version Notes

Contains a summary of changes to this version and all preceding versions.

TAB 2 Introduction

The North American Energy Standards Board (NAESB) is a voluntary non-profit organization comprised of members from all aspects of the natural gas and electric industries. Within NAESB, the Retail Electric Quadrant (REQ) focuses on issues impacting the retail sale of energy to end-use Customers. REQ Model Business Practices are intended to provide guidance to Distribution Companies, Suppliers, and other Market Participants involved in providing competitive energy service to end-use Customers. The focus of these Model Business Practices is the process for establishing the credit relationship between Distribution Companies and Suppliers to enable them to work together to serve retail access Customers.

These Model Business Practices are voluntary and do not address policy issues that are the subject of state legislation or regulatory decisions. These Model Business Practices have been adopted in with the realization that as the industry evolves, additional and amended Model Business Practices may be necessary. Any industry participant seeking additional or amended Model Business Practices (including principles, definitions, data elements, process descriptions, and technical implementation instructions) should submit a request to the NAESB office, detailing the change, so that the appropriate process may take place to amend the Model Business Practices.

TAB 3 Executive Summary

Industry Overview

Successful development and operation of competitive energy markets require that all Market Participants have a clear understanding of their roles and obligations related to interactions between Distribution Companies and Suppliers. Role definition incorporates not only the processes and functions to be performed, but also describes interactions and communications necessary between Distribution Companies and Suppliers to enable the market to function efficiently.

Expectations and the obligations associated with the roles will be defined by the Governing Documents. Where the roles and responsibilities of the Distribution Companies and Suppliers create financial risks and/or obligations, the establishment of creditworthiness requirements between the parties may be appropriate.

Specific documents and performance standards will vary depending on the jurisdiction, but following the stated Model Business Practices should ensure that key elements are in place so that all parties are aware of their responsibilities.

The Creditworthiness Evaluation Process

The focus of these Model Business Practices is the process of establishing the credit relationship between Distribution Companies and Suppliers to enable them to work together to serve retail access Customers. The components of the Creditworthiness Model Business Practices are:

- Determination of Risk Exposure
- Determination of Initial Credit Limit
- Reconsideration of Determination of Credit Limit
- Disqualification/Remedies
- Security Instruments
- Calling on Security
- Confidentiality

Diagrams for the components where there is significant interaction between the parties are contained within the Model Business Practices.

TAB 4 Business Process & Practices

(Provides a brief overview of the business process and the NAESB REQ approved principles, definitions, Model Business Practices and interpretations related to the business process covered by this guide—the ratified Model Business Practices go here).

TAB 5 Related Model Business Practices

(Provides a reference to any related Model Business Practices, including Model Business Practices and standards from other organizations, that were used in development of this set of

Model Business Practices or that relate to implementation of these NAESB REQ Model Business Practices. Related Standards that would be referenced would go under this Tab, most likely there are none for Creditworthiness.)