

Loss of Creditworthiness Timeline

At the last BPS meeting, a discussion was initiated related to the z24 standard proposed by Calpine. This proposed standard read as follows:

Within five (5) Business Days from the date the Service Requester (SR) receives Transportation Service Provider's (TSP) written request for credit alternatives pursuant to NAESB WGQ Standard [z11], the SR should pay the TSP for one month of service in advance. The SR should have thirty (30) days [from the date of notice] to provide the form of a credit alternative pursuant to NAESB WGQ Standard [z11], to continue service.

The ensuing discussion included a recap of the timeline that could represent the potential exposure a TSP (and any releasing party) may face when a Service Requester becomes non-creditworthy. The following timeline assumes that a Service Requester is deemed to be non-creditworthy on the first day of a month and is notified that a credit alternative is required. Some of the discussion also included speculation about the impact of the credit call occurring at a later date (after the first of the month). It appears, though, that a later date does not change the exposure level, it just increases the amount of past performance that has not been invoiced/paid for and decreases the amount of time until the next billing event occurs.

SEQUENCE OF EVENTS:

1. Day 1, Month 1: SR loses creditworthiness.
 - a. TSP issues notice to SR of status change and requires payment for one month's service.
 - b. SR has now received service for prior month but has not yet paid for it.
2. Day 6, Month 1: SR pays for one month's service.
3. Day 9th Business Day, Month 1 (assume Day 13): TSP issues invoice for the previous month's service.
4. Day 23, Month 1: SR fails to pay for previous month's service.
5. Day 24, Month 1: TSP issues 30-day termination notice to SR.
6. Day 30, Month 1: SR does not provide payment for 3-month's service.
 - a. SR has now received service for 2 months without timely payment.
 - b. TSP has received payment for one-month's service.
7. Day 1, Month 2: TSP suspends SR's service. A payment for only one-month's service has been provided to the TSP.
8. Day 24, Month 2: SR contract is terminated. At this time, the TSP has received a payment for one-month's service, but the SR has received service for nearly three months (no other shipper can acquire the capacity until the non-creditworthy shipper's contract is terminated).

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