RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE
For Quadrant: Retail Electric
As revised by the REQ EC on 5/5/04

Requesters: Supplier-Utility Interface Subcommittee
Request No.: Annual Plan Item 2
Request Title: Creditworthiness Introduction and Exec. Summary

1. RECOMMENDED ACTION:

_X_ Accept as requested
___Accept as modified below
___Decline

EFFECT OF EC VOTE TO ACCEPT RECOMMENDED ACTION:

_X_ Change to Existing Practice
___Status Quo

2. TYPE OF DEVELOPMENT/MAINTENANCE

Per Request:

_X_ Initiation
___Modification
___Interpretation
___Withdrawal

___Principle
___Definition
___Business Practice Standard
_X_ Document
___Data Element
___Code Value
___X12 Implementation Guide
_X_ Business Process Documentation

Per Recommendation:

_X_ Initiation
___Modification
___Interpretation
___Withdrawal

___Principle
___Definition
___Business Practice Standard
_X_ Document
___Data Element
___Code Value
___X12 Implementation Guide
_X_ Business Process Documentation

3. RECOMMENDATION

SUMMARY: Add the recommended language to complete the Introduction and Executive Summary Tabs in the Retail Electric Quadrant Creditworthiness Model Business Practices.

RECOMMENDED STANDARDS:

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 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 for 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.)

4. SUPPORTING DOCUMENTATION

a. Description of Request:

2003 Annual Plan Item 2 – Develop practices for extending commercial credit by Distributors to Suppliers to cover financial risk.

b. Description of Recommendation:

The proposed Model Business Practices Introduction and Executive Summary are the result of a series of meetings and conference calls held by the Retail Electric Quadrant Supplier-Utility Interface Subcommittee begun in the Fall of 2002 and culminating with a vote to recommend the proposed Introduction and Executive Summary to the Executive Committee on at a meeting on January 13, 2004.

See the Supplier-Utility Interface Subcommittee (SUIS) meeting minutes, attachments, and transcripts for the supporting documentation, discussion, and voting records for the following dates:

August 5, 2002
August 9, 2002
September 18-19, 2002
October 21, 2002
November 8, 2002
January 8, 2003
February 14, 2003
February 25, 2003
April 3, 2003
April 30, 2003
May 15, 2003
June 19, 2003
July 15-16, 2003
July 31, 2003
August 11, 2003
September 11, 2003

October 23, 2003
December 3, 2003
January 13, 2004

c. Business Purpose:

The business purpose for the proposed Model Business Practices Introduction and Executive Summary is to facilitate the establishment of working relationships between Distribution Companies and Suppliers to enable them to serve retail access Customers. The practices do so by presenting a concise summary of the Model Business Practices for establishing credit between the parties in the context of serving retail access Customers.

d. Commentary/Rationale of Subcommittee(s)/Task Force(s):

The proposed Model Business Practices Introduction and Executive Summary were developed in a consensus-oriented process with active participation from all four REQ Segments: Distributors, Suppliers, Services, and End-Users. That a degree of consensus was reached is evidenced by the passage of a motion during the January 13, 2004 meeting to recommend the proposed Introduction and Executive Summary under consideration to the Executive Committee. The Distributor and Supplier Segments of REQ were represented at the January 13, 2004 meeting.

The voting records of January 13, 2004 follows:

Retail Electric Quadrant		**Motion # 1**		
		Yes	**No**	**Ab s**
REQ - Distributors				
1	Yvette Camp - Southern Co	1		
2	Mary Edwards - Dom Va Power	1		
3	Patrick Eynon - Ameren	1		
4	Dan Jones - Cinergy	1		
5	Michael Garrett - Ga Power	1		
6	Bill Newbold - Detroit Edison	1		
7	Judy Ray - Alabama Power	1		
8	Ken Thiry - WPS	1		
9	Bill Wolf - BG&E	1		
10	Kathleen Yetman - National Grid	1		
REQ - Dist Total		**10**	**0**	**0**
REQ - End-User				
REQ - End-User Total		**0**	**0**	**0**
REQ - Services				
REQ Services Total		**0**	**0**	**0**
REQ - Suppliers				
1	Bill Barkas - Dominion Retail	1		
2	Pam Adams - GA Power	1		

REQ - Suppliers Toal	2	0	0

Retail Gas Quadrant		Motion # 2		
		Yes	No	Abs
RQQ - Distributors				
1	Phil Precht - BG&E			
2	Mike Coyle - PSE&G	1		
3	Les Nishida - WPS	1		
4	Dan Rothfuss - Cinergy	1		
5	Alex Sarafin - Nisource	1		
6				
RGQ - Dist Total		**4**	**0**	**0**
RGQ - End-User				
RGQ - End-User Total		**0**	**0**	**0**
RGQ - Services				
RGQ Services Total		**0**	**0**	**0**
RGQ - Suppliers				
1	Marci McCain - Duke Energy G T	1		
RGQ - Suppliers Toal		**1**	**0**	**0**