

# Market Participant Interactions

## Model Business Practices

(Title Page)

### Version Notes

(To be completed by SUIIS)

### 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. ~~The intent of the REQ Model Business Practices is to are furnish guidance to intended to provide guidance to~~ Distribution Companies, Suppliers, and other Market Participants involved in providing competitive energy services to end-use Customers.

The ~~purpose of the Market Participant Interactions focus of these~~ Model Business Practices (Practices) is to describe the process for establishing the operational and business relationships between the Distribution Companies and Suppliers ~~thus enabling them to work together in a more consistent and effective manner in a retail access environment.~~ These Practices were developed by industry participants based on their experience in the marketplace as well as currently accepted business processes. ~~These Model Business Practices have been adopted with the realization that as the industry evolves, additional and amended Model Business Practices may be necessary.~~

~~Model Business Practices are voluntary and do not address policy issues that are the subject of state legislation or regulatory decisions. 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 make additions to or amend the Model Business Practices.~~

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## 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.

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Expectations, obligations, and performance standards associated with the roles will be defined by the Governing Documents. Although the specifics of the documents will vary depending on the jurisdiction, following the guidelines proposed in these Model Business Practices should ensure that key elements are in place so that all parties are aware of their responsibilities.

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### Market Participant Interactions DO WE REALLY NEED THIS WHOLE SECTION?

The focus of these Model Business Practices is the process for establishing the operational business relationship between Distribution Companies and Suppliers. Use of these Practices may insure retail access Customers are served in a consistent and efficient manner.

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Other components of the Market Participant Interaction Model Business Practices include:

- Governing Documents
  - Regulatory Documents
  - Contractual Agreements
  - Distribution Operational Manuals
- Performance Standards
- Supplier Certification

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

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## Business Process and Practices

### A. Overview

#### Scope

The procedures and processes described in these Model Business Practices are intended to provide a consistent framework for identifying and documenting the roles of the various Market Participants involved in serving Customers' energy needs in competitive markets.

In practice, the Governing Documents described within these Model Business Practices will guide the interactions between Market Participants including:

- **Suppliers** in their interactions with Distribution Companies
- **Distribution Companies** in their interactions with Suppliers
- **Other Market Participants** in their interactions with Suppliers, Distribution Companies, or both, including, but not limited to, entities such as:
  - Parties performing the Registration Agent function (when not performed by the Distribution Company)
  - Parties performing meter reading
  - Parties performing billing
  - Parties aggregating (but not serving) Customer loads
  - Parties performing/supporting settlement

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## Principles

The Governing Documents developed for a given geographical market area should be comprehensive and consistent with one another so that all Market Participants have a clear understanding of their roles and obligations.

~~This Role definition should include not only the processes and functions to be performed, but also a description of interactions and communications necessary among Market Participants to enable the market to function efficiently.~~

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~~All The Applicable Regulatory Authority and the Market Participants should strive to maximize flexibility while minimizing the number and complexity of Governing Documents.~~

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Performance standards should be established for key processes and transactions to ensure that all parties fulfill their roles.

A testing/certification process, as defined in the Governing Documents, is desirable to ensure that new entrants to a market are qualified to perform their roles.

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**Definitions – ALL OF THESE NEED TO BE VERIFIED TO MAKE SURE THAT THEY ARE CONSISTENT WITH THE LATEST GLOSSARY SUBCOMMITTEE DEFINITION.**

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**Applicable Regulatory Authority:** The state regulatory agency or other local governing body that provides oversight, policy guidance, and direction to any parties involved in the process of providing energy to retail access Customers through regulations and orders.

**Billing Party:** The party performing billing services for one or more parties.

**Billing Services Agreement:** A legally binding document between the Distribution Company and the Supplier used when one of the parties is performing Consolidated Billing for the other party. Such document sets forth the expectations and responsibilities of each party.

**Consolidated Billing:** The billing option in which the Distribution Company or Supplier renders a Customer bill consolidating the energy, transmission / transportation and distribution charges of the Distribution Company and the Supplier, for which a single payment from the Customer is expected.

**Customer:** Any entity that takes gas and/or electric service for its own consumption.

**Distribution Company:** A regulated entity which provides distribution services and may provide energy and/or transmission/transportation services in a given area.

**Distribution Company Operational Manuals:** Documents prepared and published by Distribution Companies that describe, in detail the operating processes/procedures used to perform retail access functions.

**Distribution Company-Supplier Service Agreement:** A bi-lateral contractual agreement between the Distribution Company and the Supplier that determines the parties' roles, responsibilities, and interactions in serving retail access Customers. Usually this will be the "master" agreement that will cover most aspects of providing retail access service. There may be one or more subsidiary agreements, covering specific functional areas. **NOTE: IS THIS DEFINITION CONSISTENT WITH THE GLOSSARY SUBCOMMITTEE DEFINITION? IT DOES NOT INCORPORATE SOCO'S SUGGESTIONS OF 2/17/04.**

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**Governing Documents:** Documents that determine the interactions among parties, including, but not limited to, regulatory documents (e.g., tariffs, rules, regulations), contractual agreements, and Distribution Company Operational Manuals.

**Market Participant:** A party engaged in the process of providing competitive retail energy to end-use customers including, but not limited to, the Distribution Company, the Supplier, the Registration Agent, the settlement agent, and the meter reading entity.

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**Market Participant Service Agreement:** All contractual agreements between or among Market Participants that determine the parties' roles, responsibilities, and interactions in serving retail access Customers. These include the Distribution Company-Supplier Service Agreement and any other agreements executed by Market Participants to facilitate retail access (e.g. a contract between a meter reading entity, the Distribution Company, and the Supplier detailing how usage data will be provided).

**Non-Billing Party:** The party whose charges are being combined into a statement (or invoice) prepared and rendered by another party.

**Registration Agent:** An entity facilitating switches and performing record-keeping for a specified geographical area.

**ADD "Trading Partner Agreement" -**

**A legally binding agreement between the Utility and the Supplier defining each party's responsibilities for doing business with each other using electronic data interchange protocols for transmitting Uniform Electronic Transactions. The agreement details expectations and responsibilities of each party. (suggested definition per UBP)**

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## B. Model Business Practices

### 3.1 Governing Documents

#### 3.1.1 Model Business Practices

3.1.1.1 Although, the following operational items are typically addressed in the Governing Documents, some may also be incorporated into Model Business Practices as noted below:

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- o General
  - Any fees or charges
  - Creditworthiness \*
  - Standard operating rules
  - Performance standards
  - Dispute resolution process
  - Uniform Electronic Transactions \*\*

**\* Reference is made to the REQ Creditworthiness Model Business Practices.**

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**\*\* Uniform Electronic Transactions are included in individual Model Business Practices.**

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- Customer Enrollment/Switching
  - Release of Customer information
  - Switching processes and procedures
  - Customer authorization
- Customer Billing and Payment Processing \*\*\*
  - Meter reading and data management
  - Customer billing
  - Customer payment processing
  - Customer credit and collection processes and procedures
- Customer Service
  - Customer service processes and procedures
- Settlement
  - Energy losses
  - Load profiles
  - Scheduling processes and procedures
  - Retail settlement

\*\*\* Reference is made to the REQ Customer Billing and Payment Processing Model Business Practices.

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### 3.1.2 Datasets

None

### 3.1.3 Models.

None

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## 3.2 Regulatory Documents

### 3.2.1 Model Business Practices

- 3.2.1.1 Market Participants will utilize regulatory documents established by the Applicable Regulatory Authority to provide the policy framework for retail access, including the following:
- o All fees and/or credits required for regulated services,
  - o Definitions of roles and responsibilities, including what has to be done, by when and by whom,
  - o Definitions of regulatory policy in such areas as, available metering and billing options, creditworthiness standards, and load profiling eligibility.

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### 3.2.2 Datasets

None

### 3.2.3 Models.

None

## 3.3 Contractual Agreements

### 3.3.1 Model Business Practices

- 3.3.1.1 Market Participants should execute contractual agreements with one another to establish the legal relationship and obligations between the parties in providing retail access service to Customers.
- 3.3.1.2 At a minimum, the Distribution Company and the Supplier should execute a Distribution Company-Supplier Service Agreement encompassing, either directly or through subsidiary agreements, all aspects of providing retail access service where these parties depend upon one another.
- 3.3.1.3 To the extent that some functions required for retail access service are performed by third parties, other than a Distribution Company or Supplier, this third party should execute Market Participant Service Agreements with the Distribution Company or Supplier, as applicable, for the service(s) provided.

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3.3.1.4 If applicable, Market Participants also execute:

- o Trading ~~partner agreements~~ **Partner Agreements**
- o Billing Services Agreements (~~if e.g. Consolidated Billing, third-party billing, etc. is used~~)

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3.3.1.5 In addition to specifying the roles and responsibilities, the Market Participant Service Agreement should also:

- o Define the communication process between the parties,
- o Set forth performance expectations,
- o Define data required for interactions,
- o Specify the optional services, such as billing method or metering options that one party will supply to the other along with the relevant terms and conditions, and **REMOVE LINE HERE**
- o Define the dispute resolution process.

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3.3.1.6 The content of contractual agreements between Market Participants should adhere to the policies set forth in regulatory documents.

### 3.3.2 Datasets

None

### 3.3.3 Models.

3.3.3.1 Outline of a Distribution Company-Supplier Service Agreement

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3.3.3.2 Billing Services Agreement

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- o See REQ/RGQ CPS -- Model Billing Service Agreement Outline

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**3.3.3.3** Trading Partner Agreement (TBD by SUI5) **Will this be completed before this MBP is sent to EC?**

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**3.3.3.4** **Outline of a** Non-Disclosure Agreement (TBD by SUI5)

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### 3.4 Distribution Company Operational Manuals

#### 3.4.1 Model Business Practices

3.4.1.1 Detailed Distribution Company processes and procedures regarding retail access not covered in regulatory documents or contractual agreements should be stated in Distribution Company Operational Manuals.

3.4.1.2 Operational manuals should be:

- o nondiscriminatory;
- o publicly available;
- o collaboratively developed and modified; and

**NOTE: Why does this need to be collaboratively developed? Collaboration with whom? Why is this required for a Distribution Company Manual?**

- o acknowledged by the Applicable Regulatory Authority.

3.4.1.3 The content of Distribution Company Operational Manuals should adhere to the policies set in regulatory documents and applicable contractual agreements.

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#### 3.4.3 Models.

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## 3.5 Performance Standards

### 3.5.1 Model Business Practices

- 3.5.1.1 Performance standards should be developed for key retail access processes and should be published in the Governing Documents.
- 3.5.1.2 Market performance should be monitored, compared to these standards, and appropriate actions taken to achieve performance that meets the standards.
- 3.5.1.3 Performance standards should be:
  - o nondiscriminatory;
  - o publicly available;
  - o collaboratively developed and modified; and
  - o acknowledged by the Applicable Regulatory Authority.

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3.5.1.4 Performance standards may be considered for the following operational items, as well as others:

- Customer Information Exchange
  - Customer information request responses issued within the appropriate time frame (indication of problems accessing and/or transmitting Customer information).
- Customer Switching
  - Rejected Switch Requests (indication of problems obtaining necessary validation data from Customer and/or passing data from Supplier to Distribution Company);
  - Customer notification letters issued within the appropriate time frame (indication that Customers are notified of Switching activity in time to take action if appropriate);
  - Customer rescissions (indication of Customer confusion, misinformation, and/or unauthorized Switching); and
  - Switch responses to valid Switch Requests (or Drop responses to valid Drop Requests) within specified time frame (indication of degree of automation and/or accuracy of Switching systems and ability to implement Customer choices).
- Meter Usage and Meter Attributes Data Transfer
  - Time frame for providing meter data (indication of degree of automation and/or accuracy of meter data management systems); and
  - Acceptable levels of estimated/missing data (indication of degree of automation and/or accuracy of meter reading and meter data management systems).
- Billing
  - Required turnaround of Bill Ready charges (indication of problems receiving, calculating and/or transmitting bill-ready billing information within the billing window);
  - Consolidated bills issued with all appropriate charges (indication that Customers are receiving timely and accurate consolidated bills); and
  - Amount of time to render bills after receipt of the Non-Billing Party charges (indication that consolidated bills are issued promptly).
- Payments
  - Customer payments provided by Billing Party to Non-Billing party within appropriate time frame (indication of problems exchanging cash transactions between the parties); and
  - Assumption of receivables **SPACE** payments **Note: Is this an acceptable term?** made by the Billing Party to the Non-Billing Party within the appropriate time frame (indication of problems exchanging cash transactions between the parties).

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### 3.5.2 Datasets

### 3.5.3 Models.

## 3.6 Supplier Certification

### 3.6.1 Model Business Practices

3.6.1.1 Distribution Companies should have a process to certify a Supplier's, or other Market Participant's, ability to perform the roles required of them in that Distribution Company's service area.

**3.6.1.2** Distribution Companies should apply the certification process in a non-discriminatory manner to all parties who have met all statutory/regulatory requirements for the relevant jurisdiction ~~(e.g. the Supplier has obtained a license, if Supplier licensing is required), (e.g. if Supplier licensing is required, a license has been obtained).~~

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3.6.1.3 Certification requirements should be met prior to enrolling customers (if a Supplier) or prior to providing a service (other Market Participants providing services such as meter reading or billing).

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3.6.1.4 Key elements of certification include:

- o Demonstrating the ability to exchange data and conduct business via the Uniform Electronic Transactions that have been developed for use in the jurisdiction.
- o Demonstrating ~~of~~ the ability to handle reasonably expected volumes of transactions accurately while meeting performance standards applicable to the market area.

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3.6.1.5 Certification requirements should be published **in advance** so that all potential Market Participants know what is expected

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3.6.1.6 Demonstrations of required abilities should be in the form of standardized tests, such as the successful transfer of test data, and a test to ensure funds transfers occur as planned.

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### 3.6.3 Models.

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