

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 ~~in-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 applicable laws, regulations, agreements executed between Market Participants, and operational or procedures manuals—collectively referred to herein as “Governing Documents”. Where the roles and responsibilities of the Market Participants create financial risks and/or obligations between Distribution Companies and Suppliers, the establishment of creditworthiness requirements between the parties may be appropriate.

Performance Standards should be established for key processes and transactions to ensure that all parties fulfill their roles. Performance targets established by these standards should reflect the market’s maturity and recognize the need for tolerance to accommodate extraordinary events. Performance standards agreed to by the Market Participants should be recorded in the Governing Documents including any remedies for failing to meet the standards.

~~The participants~~ to what participants is this referring? ~~recognize that~~ Specific documents and performance standards will vary depending on the jurisdiction, but suggest that following the stated Model Business Practices should ensure that key elements need to be aware in place for all parties to be aware of their responsibilities.

The Creditworthiness Evaluation Process

The business purpose for the proposed Model Business Practices 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 consistent process for establishing credit between the parties in the context of serving retail access Customers. The diagrams on the following pages outline three key aspects of the creditworthiness evaluation process included in the Model Business Practices: Determining Initial Credit Limit, Challenging the Credit Limit, and Reconsideration of Credit Limit.

Determining Initial Credit Limit

Before the Creditor and Applicant do business, the Creditor determines the Applicant’s initial credit limit. The process begins when the Applicant contacts the Creditor to apply. The Creditor provides the Credit Application Form to the Applicant with the Credit Application Form. The Applicant then gathers the necessary financial information, fills out completes the Credit Application Form and submits it, along with supporting documents to the Creditor. On Upon receipt of the Credit Application formForm, tThe Creditor reviews the application for completeness. the-The creditorCreditor mustshould send notice of missing information required to begin the review process notify the Applicant of any missing required information within five Business Ddays. The initial credit determination must be complete within thirty days of the creditor’s receipt of the completed application. The creditor provides the applicant with the credit application form. The applicant then gathers the necessary financial

~~information, fills out the credit application form and submits it, along with supporting documents, to the creditor~~Creditor.

~~The creditor~~Creditor ~~reviews the application~~. Once all basic data and documents are in hand, the Creditor performs an initial credit limit determination. If the Creditor needs clarification on any item, ~~s/he requests it such clarification should be requested~~ from the Applicant. After the Applicant provides all information required to complete the ~~determination application~~, the Creditor prepares and sends a written report of initial credit limit determination to the Applicant. The Applicant's receipt of the written results of the initial credit limit determination completes the process.

~~The initial credit determination should be completed within ten Bbusiness Delays of the Creditor's receipt of the completed application with all required information; -and- the written report of the outcome should be in the Applicant's hands within another five Business Delays.~~

Challenging Initial Credit Limit

~~On receipt of the written results of the initial credit limit determination, the applicant~~Applicant ~~may find the determination to be unacceptable. In this case, If the Applicant is unnot satisfied with the written results of the initial credit limit determination,~~ the Applicant ~~may has~~ thirty days to prepare and submit to the Creditor a Challenge to the of that determination to the Creditor, provide they do so within thirty days of Applicant's receipt of the written results. ~~The creditor~~Creditor ~~receives the challenge from the applicant, rejecting it~~ may reject the Challenge if the Challenge was not submitted within the specified time period.~~limit has passed.~~ Applicants submitting timely Challenges will receive~~should be provided~~ the rationale and supporting calculations for the determination for review within five Bbusiness Delays of the Creditor's receipt of the Challenge.

The Applicant and Creditor review the initial determination and the supporting data. If there are no material errors, and the determination is acceptable to the Applicant, the process is complete. If material errors exist, the Creditor performs a re-evaluation, then prepares and sends a written report of a credit limit reevaluation within ten Bbusiness Delays of receipt of the corrected information and prepares and sends a written report of the reevaluation within an additional five Business Days.

If the Applicant finds the new determination to be acceptable, the evaluation is complete. If the new determination is not acceptable to the Applicant, and if the Creditor is unregulated, ~~the process is over pending the applicant~~Applicant's request for reconsideration. ~~If the creditor~~Creditor ~~is is~~ regulated, the Applicant can appeal to the Applicable Regulatory Authority.

Reconsideration of Credit Limit

~~Because a Market Participant's financial and creditworthiness situations can be expected to change over time, and the Model Business Practices incorporate a "reconsideration" process to re-evaluate the credit limit determination either after the passage of a period of time or in response to material changes in one of the party's financial situations. This is different than the Challenge process described above in that it isn't a request to review and possibly change a recent determination;- rather, it is a completely new credit evaluation. The time frames for such a reconsideration process are the same as those established for the initial determination.~~

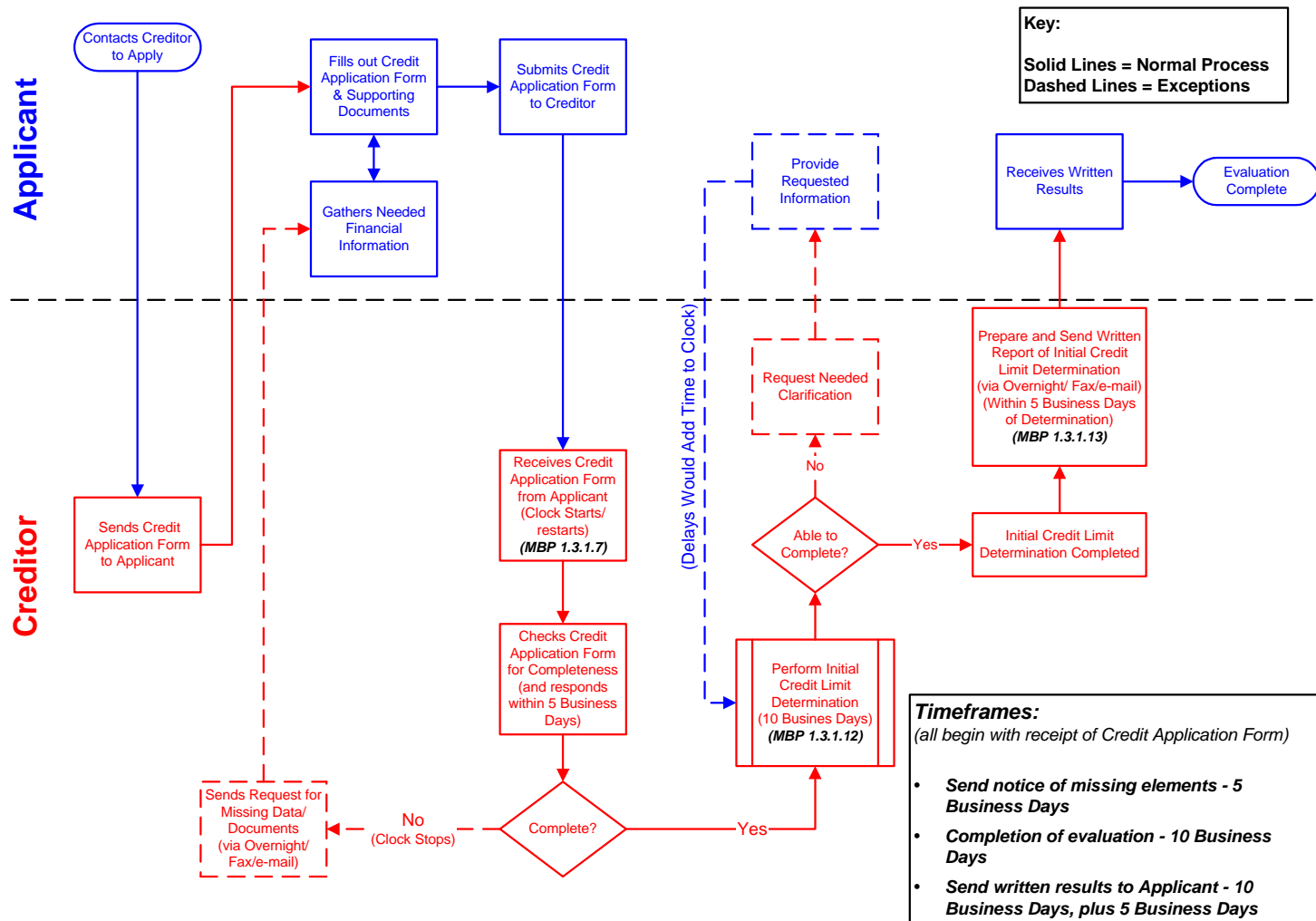
Either the Applicant or the Creditor can initiate ~~the this~~ reconsideration process. If the ~~applicant~~Applicant requests reconsideration within ~~twelve months of the last evaluation~~thirty days of receipt of the creditor's determination of credit limit, the challenge process commences and completes within ten days of the creditor's receipt of request for reconsideration. If the request is not timely, and there have been no material changes in the information used in making the ~~last~~ determination, ~~and at least twelve months have not passed since the last evaluation and the applicant~~Applicant has requested the redetermination, the ~~creditor~~Creditor may reject the request by notifying the Applicant in writing, ~~sends~~ The Creditor does this by sending a rejection letter, completing the cycle, which completes the process. If the creditor initiated the process, there are no material changes and it has not been at least twelve months since the last evaluation, the process completes without notification.

If ~~the challenge is not timely, but~~ there has been a Material Change in condition, or it has been more than twelve months since the last evaluation, the Creditor ~~sends~~may initiate a new evaluation by sending a Credit Application Form to the Applicant. The Applicant ~~fills out~~completes the Credit Application Form, gathers necessary financial information and submits the Credit Application Form to the Creditor. The Creditor ~~then~~ performs a new credit-credit limit determination ~~in using by following~~ the same process ~~and timeline(s) as~~ ~~was done in~~ followed for the initial determination of credit limit, ~~completing the determination within thirty days plus five business days from the receipt of the credit application form. The creditor prepares written results of the determination process, and provides them to the applicant.~~ The ~~applicant~~Applicant receives the ~~rewritten updated~~ results ~~in writing~~, completing the process.

[Note to all: As I reviewed this document, I realized that the Model Business Practices that we developed did not include anything that specified how much time the Applicant has to submit the new Credit Application Form and supporting information discussed in the last paragraph above. Arguably, if the Applicant knows that a new creditworthiness evaluation would result in a lower evaluation by the Creditor and thus decrease the amount of unsecured credit for which he is eligible or increase the amount of secured credit that he has to make available, he could indefinitely defer the submission of the new application and supporting information. Also, we didn't address what actions the Creditor could take if the Applicant does not respond to the Creditor's initiation of a new credit evaluation. Since these items are not addressed in the MBPs, we can't introduce the topic in this Executive Summary, but they probably should be bookmarked for a later cleanup.]

Determining Initial Credit Limit - Process Flow

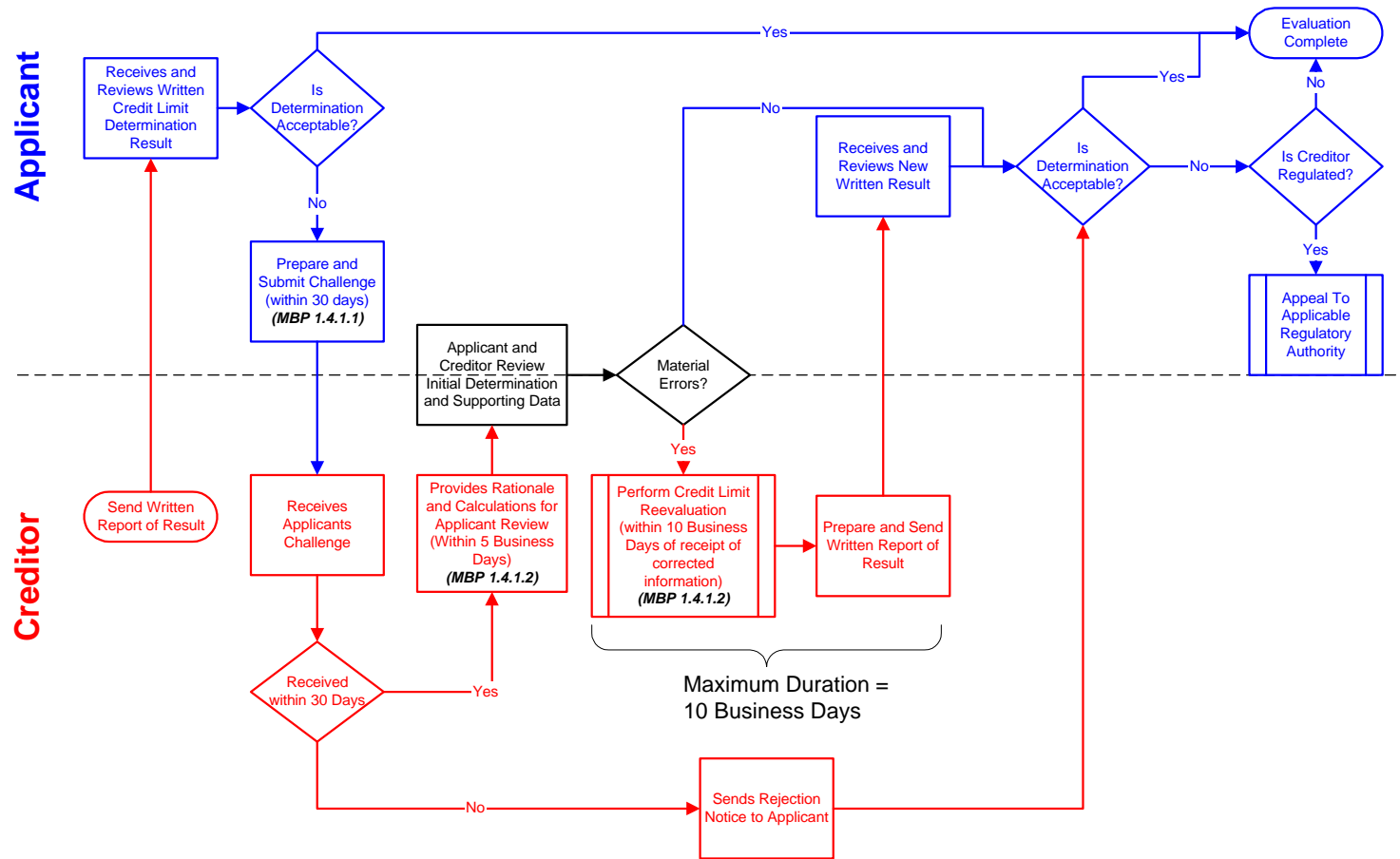
Creditworthiness Evaluation Process (Section 1.3)



Revision Date 11/14/03

Challenging Initial Credit Limit - Process Flow

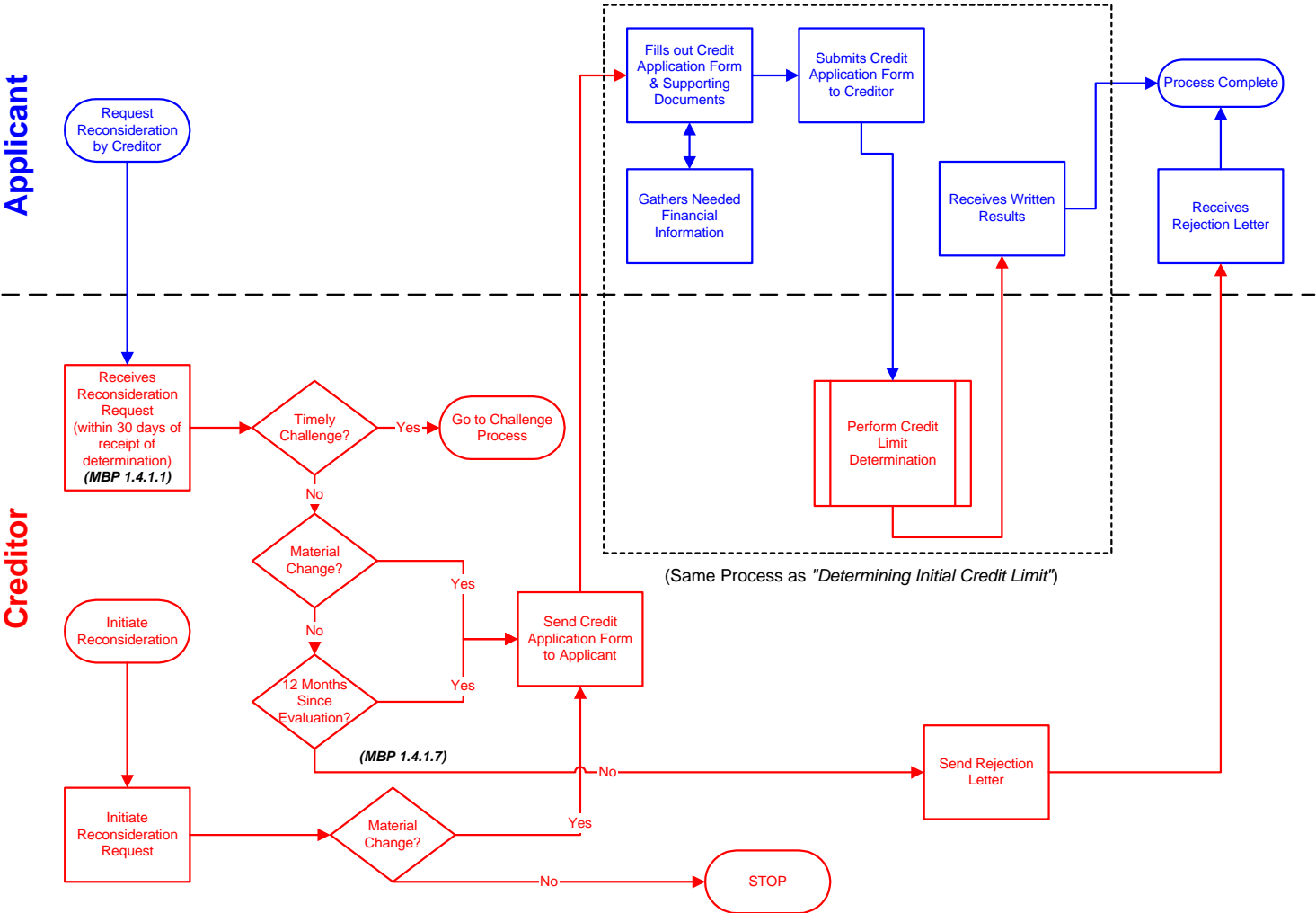
Creditworthiness Evaluation Process (Section 1.4)



Revision Date 11/14/03

Reconsideration of Credit Limit - Process Flow

Creditworthiness Evaluation Process (Section 1.4)



Revision Date 11/14/03