

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 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.

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 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. The Applicant then gathers the necessary financial information, completes the Credit Application Form and submits it, along with supporting documents to the Creditor. Upon receipt of the Credit Application Form, the Creditor reviews the application for completeness. The Creditor should notify the Applicant of any missing required information within five Business Days.

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, such clarification should be requested from the Applicant. After the Applicant provides all information required to complete the 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 Business Days 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 Days.

Challenging Initial Credit Limit

If the Applicant is not satisfied with the written results of the initial credit limit determination, the Applicant may submit a Challenge of that determination to the Creditor, provided they do so within thirty days of Applicant's receipt of the written results. The Creditor may reject the Challenge if the Challenge was not submitted within the specified time period. Applicants submitting timely Challenges should be provided the rationale for the determination within five Business Days 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 within ten Business Days of receipt of the corrected information and prepares and sends a written report of the reevaluation within five additional 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 regulated, the Applicant can appeal to the Applicable Regulatory Authority.

Reconsideration of Credit Limit

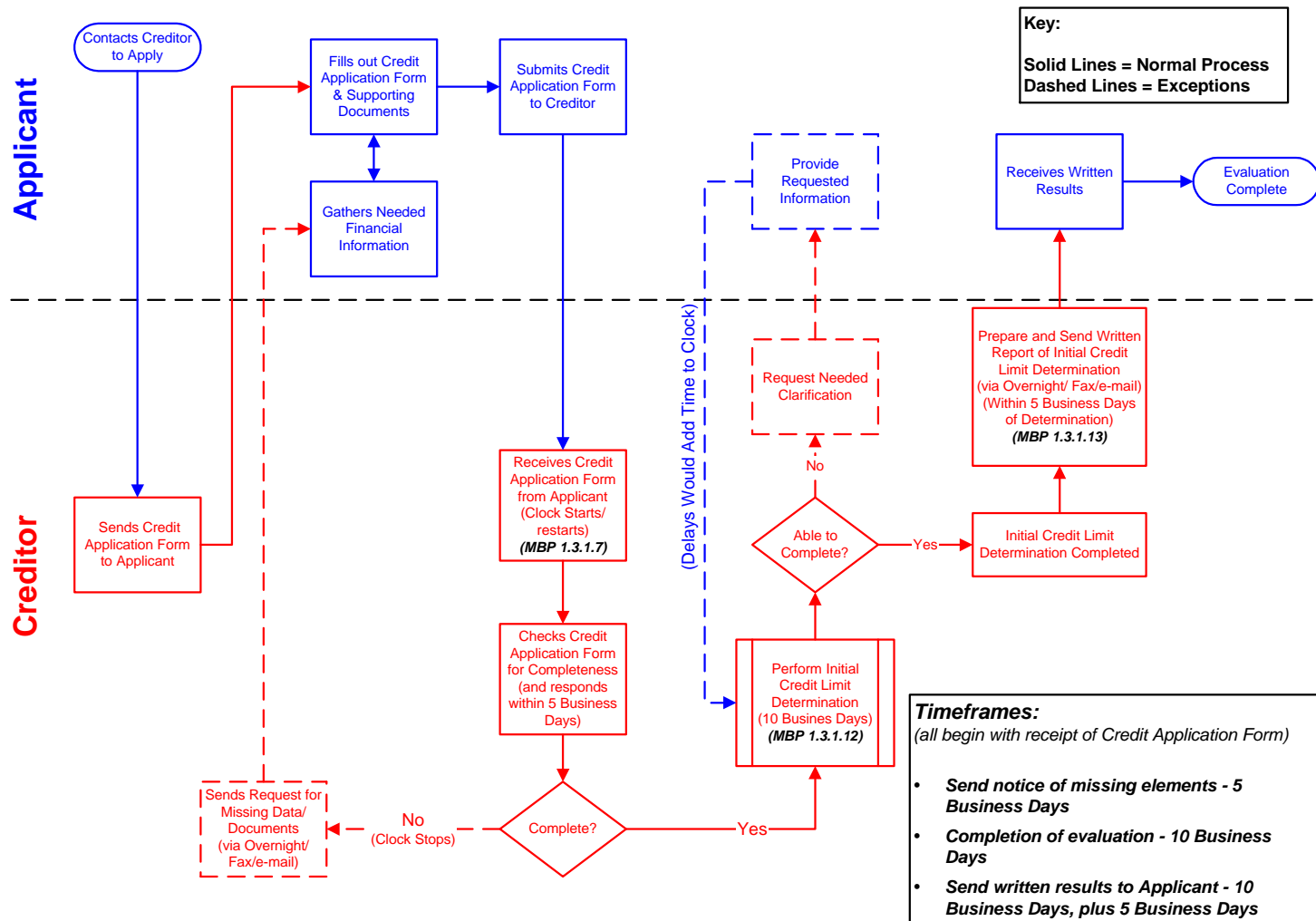
Because a Market Participant's financial and creditworthiness situation can be expected to change over time, the Model Business Practices incorporate a "reconsideration" process to re-evaluate the credit limit determination either after the passage of a period of time or in response to material changes 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 reconsideration process are the same as those established for the initial determination.

Either the Applicant or the Creditor can initiate this reconsideration process. If the Applicant requests reconsideration within twelve months of the last evaluation, and there have been no material changes in the information used in making the last determination, the Creditor may reject the request by notifying the Applicant in writing, which completes the process.

If there has been a Material Change in condition, or it has been more than twelve months since the last evaluation, the Creditor may initiate a new evaluation by sending a Credit Application Form to the Applicant. The Applicant 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 limit determination by following the same process and timeline(s) as was followed for the initial determination of credit limit. The Applicant receives the updated results in writing, completing the process.

Determining Initial Credit Limit - Process Flow

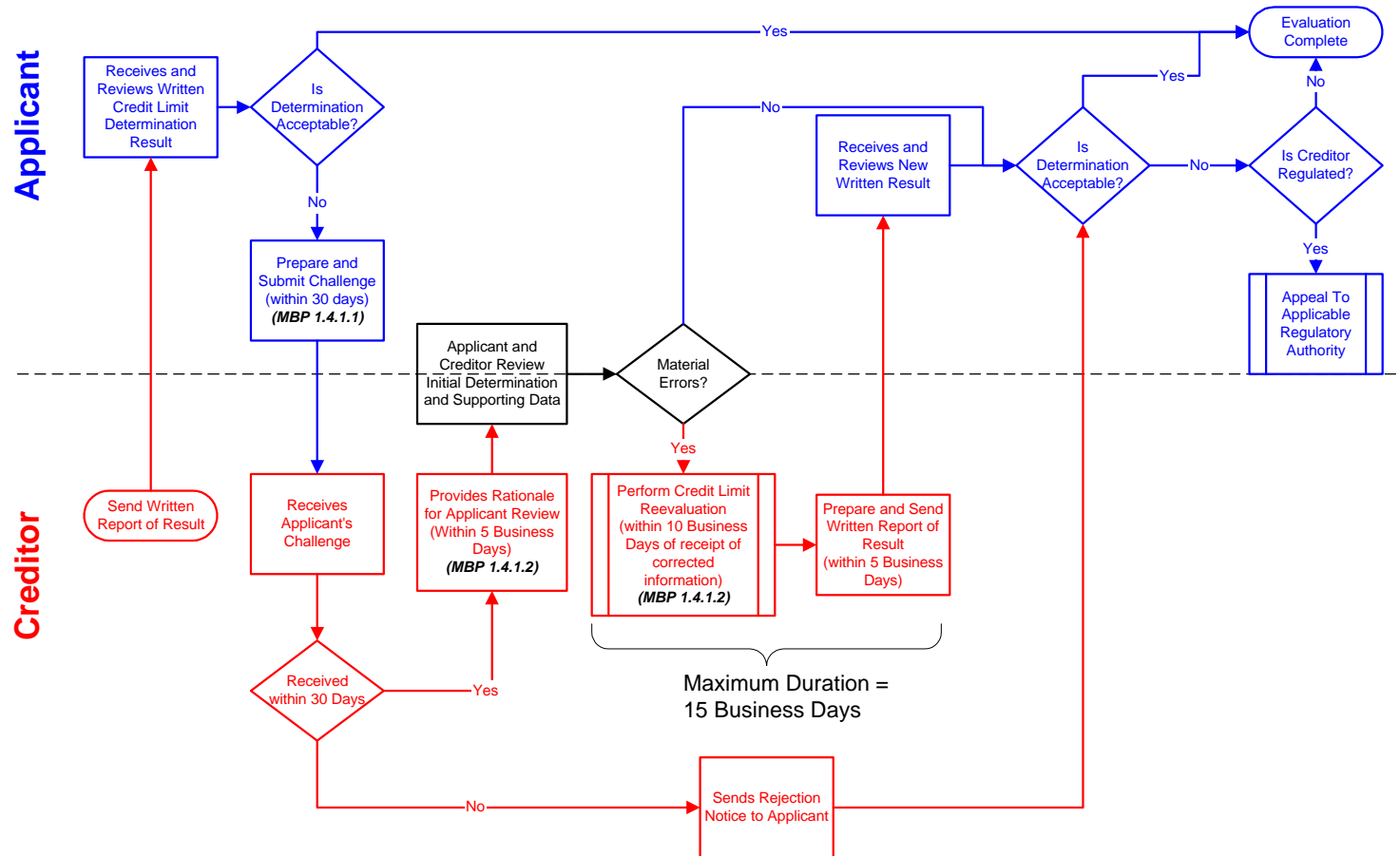
Creditworthiness Evaluation Process (Section 1.3)



Revision Date 11/14/03

Challenging Initial Credit Limit - Process Flow

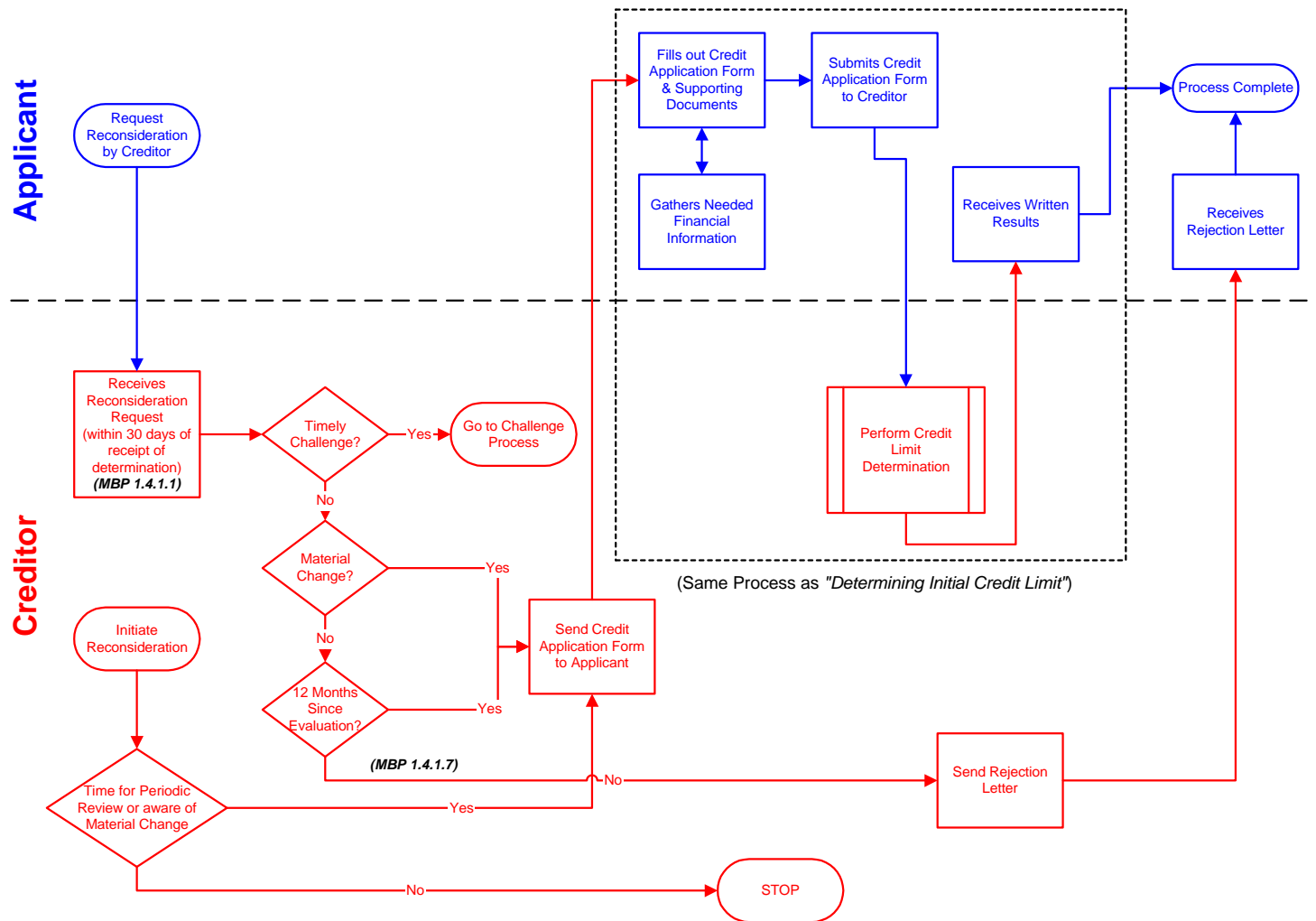
Creditworthiness Evaluation Process (Section 1.4)



Revision Date 11/24/03

Reconsideration of Credit Limit - Process Flow

Creditworthiness Evaluation Process (Section 1.4)



Revision Date 11/24/03