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Wholesale Gas Quadrant Executive Committee Considers Creditworthiness Standards in Marathon Meeting

WASHINGTON, D.C.—In a marathon session June 5, the wholesale gas quadrant (WGQ) Executive Committee of the North American Energy Standards Board (NAESB) considered—individually and as a package—standards related to the creditworthiness of parties involved in interstate pipeline capacity release.

The WGQ Executive Committee identified areas of industry agreement as well as policy differences on creditworthiness, and agreed to forward to the Federal Energy Regulatory Commission (FERC) by June 15 a complete record of their deliberations.

Approved June 5 were standards covering:

- Acknowledgment of a request for creditworthiness evaluation information from a transportation service provider (TSP) to a service requester (SR).

- Notification by a TSP that it has received all creditworthiness information requested from an SR.
- Designation by a TSP and an SR of representatives authorized to send and receive creditworthiness notices.
- The obligation of a TSP to provide the reasons for a request to an SR for additional information to be used for creditworthiness evaluation after the initiation of service.

Notational votes were scheduled on standards covering:

- The obligation of an SR to respond to a TSP's request for creditworthiness information on or before the due date specified in the request, and to supply all the requested information or provide the reasons why this cannot be done.
- The right of an SR to initiate a creditworthiness status reevaluation from a TSP if the SR has been determined to be noncreditworthy.
- The time line for a TSP to respond to an SR's request for a creditworthiness evaluation.
- The right of TSPs and SRs to agree to forms of communication in lieu of Internet e-mail.
- Termination of capacity release by a TSP if the original SR's underlying service agreement is terminated because of default or failure to maintain creditworthiness.
- The need for an SR to meet a TSP's creditworthiness requirements applicable to all services that it receives from the TSP, including the service represented by the capacity release, before the TSP awards capacity release offers.
- Notices that a TSP must provide by e-mail to the releasing shipper, including contract termination and suspension of service.

"I'm pleased with the WGQ Executive Committee's dedication to this effort," commented NAESB Board Chairman Leonard J. Haynes, executive

vice president and chief marketing officer of Southern Company. “While they were not able to agree on a comprehensive creditworthiness package, I’m not disappointed. This is a very complex issue that affects all the segments of the WGQ in different ways.

“The report we will send to FERC will provide a more complete body of work on the creditworthiness issue, including consensus standards and the identification of policy issues and other matters that members feel FERC needs to resolve,” Haynes said. He noted that creditworthiness is also part of the annual plans of the other three NAESB quadrants, adding, “I expect this topic will be just as complex for these other quadrants.”

Michael Desselle, vice chairman of the NAESB Board of Directors and director of public policy for American Electric Power, said he was encouraged by the approval of the standards and the fact that the WGQ Executive Committee will send to FERC a full report on its deliberations. “This will provide a record that will help both the commission and the industry further address the issue,” Desselle said.

WGQ Executive Committee Chairman Jim Buccigross, vice president of 8760 Inc., said, “Creditworthiness is a very contentious issue that presented a real challenge to our organization. Everyone who participated in the standards development process—especially the WGQ Business Practices Subcommittee, which labored long and hard to develop an acceptable body of standards—deserves a vote of thanks.”

NAESB, formed in January 2002, is an independent and voluntary North American organization that develops and promotes the use of business practices and electronic communications standards for the wholesale and retail natural gas and electricity industries.

NAESB is the successor to and is modeled after the Gas Industry Standards Board, which was established in 1994 and now constitutes the wholesale gas quadrant of NAESB. NAESB’s members include over 400

companies and organizations that participate actively in the retail and wholesale natural gas and electricity markets.

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