



## North American Energy Standards Board

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Home Page: [www.naesb.org](http://www.naesb.org)

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**via email and posting**

**TO:** NAESB REQ and RGQ Members and Interested Industry Participants  
**FROM:** Todd Oncken, Deputy Director  
**RE:** Retail Gas and Retail Electric Quadrants Request For Comments  
**DATE:** March 24, 2004

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An industry comment period begins today and ends on April 23, 2004 for the four recommendations attached. The four recommendations contain two sets of identical model business practices. The RGQ Executive Committee and the REQ Executive Committee will follow separate processes to consider and adopt these model business practices. As such, when you prepare your comments, please indicate whether those comments apply to "Retail Gas", "Retail Electric" or "Both". The REQ and RGQ Executive Committees will meet in Florida on May 5 to review the model business practices and the comments that are directed toward their quadrants. The recommendations can also be accessed from the NAESB web site (<http://www.naesb.org/request.asp>). All comments received by the NAESB office by end of business on April 23 will be posted on the NAESB web site and forwarded to the RGQ and REQ EC members for their consideration. If you have difficulty retrieving this document, please call the NAESB office at (713) 356-0060.

Best Regards,

*Todd Oncken*

cc: Rae McQuade, Executive Director

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**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Electric**

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

**1. RECOMMENDED ACTION:**

- Accept as requested
- Accept as modified below
- Decline

**EFFECT OF EC VOTE TO ACCEPT  
RECOMMENDED ACTION:**

- Change to Existing Practice
- Status Quo

**2. TYPE OF DEVELOPMENT/MAINTENANCE**

**Per Request:**

- Initiation
- Modification
- Interpretation
- Withdrawal
  
- Principle
- Definition
- Business Practice Standard
- Document
- Data Element
- Code Value
- X12 Implementation Guide
- Business Process Documentation

**Per Recommendation:**

- Initiation
- Modification
- Interpretation
- Withdrawal
  
- Principle
- Definition
- Business Practice Standard
- Document
- Data Element
- Code Value
- X12 Implementation Guide
- 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



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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 in 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 of 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**



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Electric**

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

*(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  
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**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Electric**

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

**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
<b>REQ - Distributors</b>				
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		
<b>REQ - Dist Total</b>		<b>10</b>	<b>0</b>	<b>0</b>
<b>REQ - End-User</b>				
<b>REQ - End-User Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>REQ - Services</b>				
<b>REQ Services Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>REQ - Suppliers</b>				
1	Bill Barkas - Dominion Retail	1		
2	Pam Adams - GA Power	1		
<b>REQ - Suppliers Toal</b>		<b>2</b>	<b>0</b>	<b>0</b>



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Electric**

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

Retail Gas Quadrant		Motion # 2		
		Yes	No	Ab s
<b>RQQ - Distributors</b>				
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				
<b>RGQ - Dist Total</b>		<b>4</b>	<b>0</b>	<b>0</b>
<b>RGQ - End-User</b>				
<b>RGQ - End-User Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>RGQ - Services</b>				
<b>RGQ Services Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>RGQ - Suppliers</b>				
1	Marci McCain - Duke Energy G T	1		
<b>RGQ - Suppliers Toal</b>		<b>1</b>	<b>0</b>	<b>0</b>



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Gas**

**Requesters: Supplier-Utility Interface Subcommittee  
Request No.: 2003 Annual Plan Item 3  
Request Title: Creditworthiness Introduction and Exec. Summary**

**1. RECOMMENDED ACTION:**

- Accept as requested
- Accept as modified below
- Decline

**EFFECT OF EC VOTE TO ACCEPT  
RECOMMENDED ACTION:**

- Change to Existing Practice
- Status Quo

**2. TYPE OF DEVELOPMENT/MAINTENANCE**

**Per Request:**

- Initiation
- Modification
- Interpretation
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10	Kathleen Yetman - National Grid	1		
<b>REQ - Dist Total</b>		<b>10</b>	<b>0</b>	<b>0</b>
<b>REQ - End-User</b>				
<b>REQ - End-User Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>REQ - Services</b>				
<b>REQ Services Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>REQ - Suppliers</b>				
1	Bill Barkas - Dominion Retail	1		
2	Pam Adams - GA Power	1		
<b>REQ - Suppliers Toal</b>		<b>2</b>	<b>0</b>	<b>0</b>



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE  
For Quadrant: Retail Gas**

Requesters: Supplier-Utility Interface Subcommittee  
Request No.: 2003 Annual Plan Item 3  
Request Title: Creditworthiness Introduction and Exec. Summary

Retail Gas Quadrant		Motion # 2		
		Yes	No	Ab s
<b>RGQ - Distributors</b>				
1	Phil Precht - BG&E			
2	Mike Coyle - PSE&G	1		
3	Les Nishida - WPS	1		
4	Dan Rothfuss - Cinergy	1		
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<b>RGQ - End-User Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>RGQ - Services</b>				
<b>RGQ Services Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>RGQ - Suppliers</b>				
1	Marci McCain - Duke Energy G T	1		
<b>RGQ - Suppliers Toal</b>		<b>1</b>	<b>0</b>	<b>0</b>



## RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE

For Quadrant: REQ

Requesters: REQ Glossary Subcommittee  
Request No.: 2003 REQ Annual Plan Item 1  
Request Title:

### 1. RECOMMENDED ACTION:

- Accept as requested
- Accept as modified below
- Decline

### EFFECT OF EC VOTE TO ACCEPT RECOMMENDED ACTION:

- Change to Existing Practice
- Status Quo

### 2. TYPE OF DEVELOPMENT/MAINTENANCE

#### Per Request:

- Initiation
- Modification
- Interpretation
- Withdrawal
  
- Principle
- Definition
- Business Practice Standard
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#### Per Recommendation:

- Initiation
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- Principle
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### 3. RECOMMENDATION

#### SUMMARY:

Adopt two additional definitions (Market Participant and Registration Agent) to be inserted into the Definitions section of the REQ Billing and Payment model business practices.

#### RECOMMENDED STANDARDS:

**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.

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



## RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE

For Quadrant: REQ

Requesters: REQ Glossary Subcommittee  
Request No.: 2003 REQ Annual Plan Item 1  
Request Title:

### 4. SUPPORTING DOCUMENTATION

**Description of Request:** REQ Annual Plan Item #1 and RGQ Annual Plan Item #6. Customer Processes Subcommittee to develop model business practices for Billing and Payment.



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE**

**For Quadrant: RGQ**

**Requesters: RGQ Glossary Subcommittee**

**Request No.: 2003 RGQ Annual Plan Item 6**

**Request Title:**

**1. RECOMMENDED ACTION:**

- Accept as requested
- Accept as modified below
- Decline

**EFFECT OF EC VOTE TO ACCEPT RECOMMENDED ACTION:**

- Change to Existing Practice
- Status Quo

**2. TYPE OF DEVELOPMENT/MAINTENANCE**

**Per Request:**

- Initiation
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- Principle
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**3. RECOMMENDATION**

**SUMMARY:**

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**RECOMMENDED STANDARDS:**

**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.

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



**RECOMMENDATION TO NAESB EXECUTIVE COMMITTEE**

**For Quadrant: RGQ**

**Requesters: RGQ Glossary Subcommittee**

**Request No.: 2003 RGQ Annual Plan Item 6**

**Request Title:**

**4. SUPPORTING DOCUMENTATION**

**Description of Request:** REQ Annual Plan Item #1 and RGQ Annual Plan Item #6. Customer Processes Subcommittee to develop model business practices for Billing and Payment.