

NORTHERN TERRITORY OF AUSTRALIA

ELECTRICITY RETAIL SUPPLY CODE

Credit Support Guidelines

December 2012

1 Introduction

1.1 Authority

- 1.1.1 This **Guideline** is made by the **Commission** under clause 1.7 of the **Code**.
- 1.1.2 The **Commission** is authorised to publish **guidelines** relating to the performance of its functions under section 7 of the **Act**.

1.2 Scope

- 1.2.1 This **guideline** deals with the following matters:
- (a) **credit support** requirements between **network providers** and **retailers**; and
 - (b) **credit support** requirements between **generators** and **retailers**.
- 1.2.2 In making this **guideline**, the **Commission** has:
- (a) sought to promote and achieve the object of the **Act**;
 - (b) sought to promote and achieve the objects of the **ERA**; and
 - (c) had regard to the matters listed in section 6(2) of the **Act**.

1.3 Date of commencement

- 1.3.1 This **guideline** takes effect on and from the date of publication.

1.4 Interpretation

- 1.4.1 This **guideline** will be interpreted in the same manner as the **Code** save for the following:
- (a) a reference in this **guideline** to a clause, Annexure, Appendix, Schedule or table is a reference to a clause, Annexure, Appendix, Schedule or table in this **guideline**.
- 1.4.2 Where this **guideline** is inconsistent with the **Code** the latter shall prevail and the former shall to the extent of the inconsistency be invalid for the purposes of the **Code**.

2 Credit support requirements

2.1 Credit support requirements between network providers and retailers

2.1.1 For the purposes of clause A.A.4 of Appendix A of the **Code**, the applicable percentage figure for the calculation of the **credit allowance percentage** for a **retailer** is in table 1.1

Standard & Poor's or Fitch credit rating	Moody's credit rating	Dun & Bradstreet Dynamic Risk Score	Credit allowance percentage (%)
AAA	Aaa	N/A	N/A
AA+, AA, AA-	Aa1, Aa2, Aa3	Minimal	N/A
A+, A, A-	A1, A2, A3	Very Low	N/A
BBB+	Baa1	Low	52.9%
BBB	Baa2	Average	37.5%
BBB-	Baa3	N/A	22.0%
BB+	Ba1	N/A	17.0%
BB	Ba2	Moderate	11.0%
BB-	Ba3	High	6.7%
B+	B1	Very High	3.3%
B	B2	N/A	1.4%
B-	B3	Severe	0.9%
CCC, CC, C	Caa, Ca, C	N/A	0.3%
SD, D	LD, D	N/A	N/A

2.2 Credit support requirements between generators and retailer

2.2.1 For the purposes of clause 3.2.2 (b) of the **Code**, the applicable percentage reduction figure for the calculation of the **Required Generation Credit Support Amount** for the **retailer** is in table 1.2.

Standard & Poor's or Fitch credit rating	Moody's credit rating	Dun & Bradstreet Dynamic Risk Score	Credit support reduction (% reduction in credit support)
AAA	Aaa	N/A	100.0%
AA+, AA, AA-	Aa1, Aa2, Aa3	Minimal	100.0%
A+, A, A-	A1, A2, A3	Very Low	100.0%
BBB+	Baa1	Low	100.0%
BBB	Baa2	Average	0.0%
BBB-	Baa3	N/A	0.0%
BB+	Ba1	N/A	0.0%
BB	Ba2	Moderate	0.0%
BB-	Ba3	High	0.0%
B+	B1	Very High	0.0%
B	B2	N/A	0.0%
B-	B3	Severe	0.0%
CCC, CC, C	Caa, Ca, C	N/A	0.0%
SD, D	LD, D	N/A	0.0%

[Note: the percentage reduction figures in the forth column of table 1.2 demonstrate the methodology only. The figures are in no way indicative of the final figures or the Commission's view of the final figures]