**NORTHERN TERRITORY OF AUSTRALIA**

**ELECTRICITY RETAIL SUPPLY CODE**

**Credit Support Guidelines**

**December 2012**

# Introduction

## Authority

### This ***Guideline*** is made by the ***Commission*** under clause 1.7 of the ***Code***.

### The ***Commission*** is authorised to publish ***guidelines*** relating to the performance of its functions under section 7 of the ***Act***.

## Scope

### This ***guideline*** deals with the following matters:

1. ***credit support*** requirements between ***network providers*** and ***retailers***; and
2. ***credit support*** requirements between ***generators*** and ***retailers***.

### In making this ***guideline***, the ***Commission*** has:

1. sought to promote and achieve the object of the ***Act***;
2. sought to promote and achieve the objects of the ***ERA***;and
3. had regard to the matters listed in section 6(2) of the ***Act***.

## Date of commencement

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

## Interpretation

### This ***guideline*** will be interpreted in the same manner as the ***Code*** save for the following:

### 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***.

### 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 purposesof the ***Code***.

# Credit support requirements

## Credit support requirements between network providers and retailers

### 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

|  |  |  |  |
| --- | --- | --- | --- |
| Table 1.1 – Applicable percentage for calculation of the credit allowance percentage | | | |
| **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 |

## Credit support requirements between generators and retailer

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

|  |  |  |  |
| --- | --- | --- | --- |
| Table 1.2 – Percentage reduction of Required Generation Credit Support Amount | | | |
| **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]*