**NORTHERN TERRITORY OF AUSTRALIA**

**ELECTRICITY RETAIL SUPPLY CODE**

**Credit Support Guidelines**

**1 June 2013**

# 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 and 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 and 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% |

### The percentage reduction figures set out in table 1.2 are an interim measure only. The ***Commission*** will update the table in due course.