



Creditworthiness, Version 3

Effective: 11/27/09

This Business Practice describes the criteria BPA will use in analyzing a potential or existing Transmission Customer¹'s (Counterparty²'s) creditworthiness, and outlines the credit qualification procedures Customers must follow in order to receive Transmission Service. The Creditworthiness of a Transmission Customer is determined in accordance with Bonneville Power Administration's (BPA) [Basic Credit Standards](#).

¹Any customer taking service under Use of Facilities (UFT), Formula Power Transmission (FPT), Integration of Resources (IR), Part II or Part III of the OATT.

²Any potential or existing transmission customer.

A. General Procedures

1. This Creditworthiness Business Practice applies to all **Counterparties**¹ and all transmission services offered by BPA Transmission Services.
2. All Counterparties must satisfy the requirements of BPA's Basic Credit Standards, as posted on **OASIS**², and this Business Practice prior to receiving transmission service.
3. All Counterparties must complete and submit a Credit Application (see link below) with all required information, to a BPA Transmission Services Account Executive.
4. Information submitted under Qualification Method 1 or 2, as required in the Basic Credit Standards and this Business Practice, must be included with the Credit Application. Failure to submit all the required information may result in a delay of the credit review and approval.
5. BPA's Credit Risk Management organization will make best efforts to review the Credit Application and notify the Counterparty of Credit Application completeness, or whether additional information is required, within five (5) Business Days upon receipt of a Credit Application and the required information.
6. A Counterparty may contact its BPA Transmission Services Account Executive at any time regarding the status of its credit limit.
 - a. Based on the outcome of any periodic credit review, as set out in the Basic Credit Standards, an existing Counterparty will be notified by a BPA Transmission Services Account Executive if there are any changes to the Counterparty's credit limit.
7. The Counterparty may contest BPA's determination of the Counterparty's creditworthiness. Please refer to the Basic Credit Standards for further information.

B. Transmission Credit Exposure Calculation

1. BPA's **Settlement Exposure**³ and Incremental Settlement Exposures are the primary factors considered when calculating credit exposure and determining **Credit Support Security**⁴ requirements for a Counterparty. Taken together, these factors constitute

¹Any potential or existing transmission customer.

²Open Access Same-Time Information System

³The amount due to BPA after it has performed its obligations (or a portion of its obligations) under BPA's transmission contracts. This consists of unpaid invoiced amounts and the value of transmission provided but not yet invoiced.

⁴An arrangement or mechanism used to safeguard BPA from credit exposure. See Basic Credit Standards for more information.

BPA's **Total Credit Exposure**¹ to a Counterparty.

2. BPA's Total Credit Exposure to a Counterparty shall be calculated for the purposes of this Business Practice as the dollar value of the maximum monthly transmission service expected over the next 12 months of the transmission contract multiplied by a factor of 4.6. The 4.6 multiplier is a reflection of the terms in the OATT and includes credit exposures that may occur during the total time period covering the billing cycle, past due payment cure period and the time period before termination is allowed.

C. Qualification for Unsecured Credit

1. BPA's Basic Credit Standards set forth two methods for Counterparties to qualify for unsecured credit. Please refer to the Basic Credit Standards for the specific requirements.
2. Qualification Method 1
 - a. Counterparties who qualify for unsecured credit under Method 1 will be assigned a \$1 million unsecured credit limit.
 - b. Counterparties who do not meet the Qualification Method 1 criteria may apply for credit under Qualification Method 2 or provide Credit Support Security to BPA as set forth in the Acceptable Credit Support Security section below.
 - c. Counterparties who qualify for unsecured credit under Qualification Method 1, but whose Total Credit Exposure exceeds or is expected to exceed their unsecured credit limit, will be required to apply for credit under Qualification Method 2 or provide additional Credit support **Security**² as set forth in the Acceptable Credit Support Security section below.

¹The maximum dollar loss BPA could face from a Counterparty if it were to default on its transmission obligations to BPA. This exposure is the combination of BPA's Settlement Exposure and Incremental Settlement Exposure to a Counterparty and collectively represents 4.6 months of accounts receivable exposure.

²Letter of Credit, deposit into an Escrow Account or cash deposit with BPA that the customer will establish in accordance with the Network Open Season business practice.

3. Qualification Method 2

- a. To qualify for unsecured credit under Qualification Method 2, Counterparties must undergo a **Comprehensive Creditworthiness Evaluation**¹.
 - i. Both quantitative and qualitative criteria will be evaluated in the Comprehensive Creditworthiness Evaluation.
 - ii. Please refer to the Basic Credit Standards for specific information requirements and a list of quantitative and qualitative criteria to be evaluated.
- b. Counterparties with **Investment Grade**² Internal Credit Ratings will qualify for unsecured credit. The unsecured credit limit assigned will be the greater of 5% of the Counterparty's tangible net worth or \$10 million, up to a maximum of \$30 million.
- c. Counterparties who qualify for unsecured credit under Qualification Method 2 will be required to provide additional Credit Support Security as set forth in the Acceptable Credit Support Security section of this Business Practice, if the Total Credit Exposure exceeds or is expected to exceed their unsecured credit limit.
- d. Counterparties with an **Internal Credit Rating**³ below Investment Grade do not qualify for unsecured credit and will be required to provide Credit Support Security as set forth in the Acceptable Credit Support Security section below.

D. Acceptable Credit Support Security

1. Counterparties will be subject to Credit Support Security demands if their Internal Credit Ratings are below Investment Grade. Please refer to the Basic Credit Standards for further information on the acceptable forms of Credit Support Security and other requirements regarding Credit Support Security.
2. Counterparties will be required to provide additional Credit Support Security if:
 - a. The Counterparty qualifies for unsecured credit under Qualification Methods 1 or 2 above, but the Total Credit Exposure exceeds or is expected to exceed the Counterparty's unsecured credit limit.
 - i. In this case, the amount of Credit Support Security is at least equal to the difference between the Total Credit Exposure and their unsecured credit limit.

¹A credit review conducted by BPA to determine a Counterparty's Internal Credit Rating and associated credit limit. This only relates to unsecured credit Qualification Method 2.

²An Internal Credit Rating of BBB or higher.

³BPA's Internal Credit Rating that has the same rating scale as Standard and Poor's (e.g. AAA, AA, A, BBB, BB.).

- b. The Counterparty does not qualify for unsecured credit under Qualification Methods 1 or 2.
 - i. In this case, the amount of Credit Support Security is at least equal to the projected Total Credit Exposure.
 - c. The Basic Credit Standards otherwise require the Counterparty to provide Credit Support Security.
3. If a Counterparty qualifies for credit based on the credit standing of a guarantor, letter of credit provider, or other form of Credit Support Security with an explicit limit, the credit limit assigned to the Counterparty will be limited by the amount of Credit Support Security provided, but not surpassing the dollar limits stated in Qualification for Unsecured Credit section above.
 4. All costs associated with meeting BPA's credit risk requirements, including any costs of obtaining and posting Credit Support Security, are the responsibility of the Counterparty.
 5. The failure of a Counterparty with existing transmission contracts to provide acceptable Credit Support Security when required will be considered a material breach of the transmission contract.
 6. The failure of a Counterparty who is not an existing Customer to provide acceptable Credit Support Security when required will preclude that Counterparty from becoming a Transmission Customer.

E. Additional Information

Policy References

- [OATT](#): Sections 11, 7
- Federal Energy Regulatory Commission (FERC) November 19, 2004 Policy Statement on Electric Creditworthiness
- BPA's [Basic Credit Standards](#)

Forms

- [Transmission Credit Application](#)

Related Business Practices

- New Customer Application Process for Transmission Service

Version History

Version 3	11/27/09 V3 The Creditworthiness, Version 3 Business Practice has been revised to complement BPA's Basic Credit Standards (available at http://www.transmission.bpa.gov/business/ts_tariff/) by providing detailed processes and procedures.
Version 2	06/06/06 V2 Steps 6.1.3 and 6.1.4 in Section 6 of this business practice have been revised to include additional procedures associated with prepayments and amendments to contracts to shorten credit exposure. These revisions reflect language incorporated into TBL's Transmission Service Agreements, Special Provision section, when applicable.
Version 1	9/30/05 V1 This Business Practice describes (1) the criteria that the Bonneville Power Administration (BPA) will use in analyzing a potential or existing Transmission Customer's (Counterparty) creditworthiness, and (2) outlines the credit qualification procedures customers must follow in order to receive Transmission Service.