

1. Introduction

Transmission and Interconnection Customers seeking to receive Point-to-Point Transmission Service, Network Integration Transmission Service, or Interconnection Service from the Newfoundland Labrador System Operator (NLSO) must meet the creditworthiness requirements set forth in Sections 15.1 through 15.3 of the NL Transmission Policies and Procedures and as described below. The NLSO will employ the creditworthiness procedures outlined in this document to determine the ability of Transmission and Interconnection Customers to meet their obligations related to Transmission or Interconnection Service. All capitalized terms in this document are defined in Section 2.0 of the NL Transmission Policies and Procedures or in Section 2.0 of the Generator Interconnection Procedures.

2. Unsecured Credit Limit Criteria

To be eligible for an Unsecured Credit Limit a Transmission or Interconnection Customer must, at a minimum, meet the following criteria:

- i. The Transmission or Interconnection Customer has received a credit rating for its outstanding long-term senior unsecured and unsubordinated debt from a recognized credit rating agency as set forth in Table 1;
- ii. Where the Transmission or Interconnection Customer has multiple ratings from Standard & Poor's (S&P), Moody's Investor Services (Moody's) or Dominion Bond Rating Service Ltd. (DBRS), the lowest of the ratings shall determine the maximum Unsecured Credit Limit;
- iii. If the Transmission or Interconnection Customer does not have a long-term senior unsecured and unsubordinated credit rating, the long-term issuer credit rating will be considered;
- iv. If the Transmission or Interconnection Customer's Unsecured Credit Limit depends on the creditworthiness of a Guarantor, then the latter must at a minimum meet the

- criteria set out in i, ii, and iii above, and provide a written guarantee stating that it will be unconditionally responsible for all financial obligations of the Transmission or Interconnection Customer for any service rendered by the NLSO; and
- v. No change or effect shall have occurred, be pending or continuing, which could have a significant adverse effect on the financial condition of the Transmission or Interconnection Customer, or its Guarantor, if any.

3. Credit Limits

If the Transmission or Interconnection Customer, or its Guarantor, if any, meets the criteria in Section 2, the Transmission or Interconnection Customer may receive the Unsecured Credit Limit as listed in Table 1 and the NLSO shall advise the Transmission or Interconnection Customer in writing of the amount of the Unsecured Credit Limit. However, the NLSO reserves the right to limit the amount of the Unsecured Credit Limit granted. If the Transmission or Interconnection Customer does not meet the requirements in Section 2 for an Unsecured Credit Limit, or if the Transmission or Interconnection Customer requires credit beyond the Unsecured Credit Limit approved by the NLSO, the NLSO shall provide written notification and explanation of such determination to the Transmission or Interconnection Customer, and request Financial Assurance in an amount determined by the NLSO. The Transmission or Interconnection Customer shall provide Financial Assurance in accordance with Section 3 below. The Transmission or Interconnection Customer's Total Credit Limit is equal to the sum of its Unsecured Credit Limit and any Financial Assurance provided.

Table 1: Unsecured Credit Limit

S&P	MOODYS	DBRS	Unsecured Credit Limit (Millions)
AAA	Aaa	AAA	25.0
AA+	Aa1	AA High	25.0
AA	Aa2	AA	25.0
AA-	Aa3	AA Low	22.5
A+	A1	A High	15.0
A	A2	A	12.5
A-	A3	A Low	10.0
BBB+	Baa1	BBB High	7.5
BBB	Baa2	BBB	5.0
BBB-	Baa3	BBB Low	2.5

4. Requirements for Transmission and Interconnection Customers Requiring Financial Assurance

Transmission or Interconnection Customers that do not meet the Unsecured Credit Limit criteria set forth in Section 2 or who require credit beyond the Unsecured Credit Limit granted shall comply with one of the following:

i. Provide Security

The Transmission Customer shall provide security for the lesser of the total charge of the transmission service requested or 90 days of estimated charges for the transmission service requested, as calculated by the NLSO. The security must be provided no later than five (5) business days prior to the commencement of transmission service, unless the request for transmission service seeks commencement of service in less than five (5)

business days, in which case, security must be provided at the time of the request for transmission service.

The Interconnection Customer shall provide security in an amount sufficient to cover the costs for constructing, designing, procuring, and installing the applicable portion of the NLSO's Interconnection Facilities and upgrades. The security must be provided at least thirty (30) business days prior to the commencement of the construction, design, procurement, or installation of the applicable portion of the NLSO's Interconnection Facilities and upgrades.

The security, at the Transmission or Interconnection Customer's option, will be either:

- A letter of credit from an acceptable Canadian Schedule 1 bank, that has a credit rating on long-term debt of at least A- from Standard & Poor's, A3 from Moody's or A Low from DBRS, and total assets of at least \$100 billion; or
- A letter of guarantee from a Guarantor that meets the Unsecured Credit Limit requirements in Section 2 stating that it will be unconditionally responsible for all the Transmission or Interconnection Customer's financial obligations for any service rendered by the NLSO to a maximum amount in accordance with the unsecured credit limit in Table 1.

ii. **Pre-Pay Service**

- **For Transmission Service of one month or less**, the Transmission Customer shall pay the total charge, as calculated by the NLSO, for the transmission service requested at least five (5) business days prior to the commencement of service or, if the service is to commence in less than five (5) business days, at the time when it makes the request for transmission service; or
- **For Transmission Service of greater than one month**, the Point-to-Point Transmission Customer shall pay for each month's service not less than five (5) business days prior to the beginning of the month. For Network Integration Transmission Service customers, the advance payment shall be paid not less than five (5) business days prior to the beginning of each month and shall be based on a reasonable estimate by the NLSO of the charge for that month.
- **For Interconnection Service**, the Interconnection Customer shall pay a deposit in the amount of the total costs for constructing, designing, procuring, and installing the applicable portion of the NLSO's Interconnection Facilities and upgrades, as estimated by the NLSO, at least thirty (30) business days prior to the

commencement of the construction, design, procurement, or installation of the applicable portion of the NLSO's Interconnection Facilities and upgrades.

5. Changes in Creditworthiness Ratings and/or Financial Assurance

The NLSO shall periodically review the creditworthiness of all Transmission and Interconnection Customers, no less often than annually. In addition, each Transmission and Interconnection Customer must inform the NLSO, in writing, of any material change in their financial status within ten (10) business days of its occurrence. For the purposes of creditworthiness evaluation, a "material change" is any change in the Transmission or Interconnection Customer's (or Guarantor's) financial or other condition that might reasonably affect the amount of unsecured credit extended to that customer (or Guarantor), or may impact the Transmission or Interconnection Customer's ability to perform on its financial obligations for Transmission or Interconnection Service. At its sole election, the NLSO may also review any Transmission and Interconnection Customer's creditworthiness upon any adverse change in the financial condition of the Transmission or Interconnection Customer, or its Guarantor, if any, whether resulting in a credit rating downgrade by one of the credit rating agencies listed in Table 1 or not. In the event that a Transmission or Interconnection Customer is downgraded to a lower credit rating listed in Table 1, the Transmission or Interconnection Customer's Unsecured Credit Limit will be reduced to the new limit as described in Table 1. In the event that a Transmission or Interconnection Customer is downgraded such that it holds a credit rating below those listed in Table 1, the Transmission or Interconnection Customer's Unsecured Credit Limit shall be immediately reduced to zero. In such instances the amount of the Transmission or Interconnection Customer's Total Credit Limit will equal the Financial Assurance posted by that Transmission or Interconnection Customer, if applicable. Should the Transmission or Interconnection Customer require credit beyond its Total Credit Limit, the Transmission or Interconnection Customer shall provide additional Financial Assurance in the amount sufficient to remedy the deficiency, as calculated by the NLSO.

6. Notice of Change in Creditworthiness and/or Financial Assurance Requirements

To the extent that a credit review results in any modifications to the Transmission or Interconnection Customer's Unsecured Credit Limit or required Financial Assurance, the NLSO shall immediately provide notice of that change, including the effective date of such change. The NLSO will provide the Transmission or Interconnection Customer a written explanation for any change in creditworthiness status, including an opportunity to cure any credit deficiencies within five (5) business days following receipt of written notification from the NLSO. In order to further assess creditworthiness, the NLSO may also request additional financial information including, but not limited to, audited and consolidated financial statements from a global registered independent auditor for the two (2) most recent financial years, or unaudited financial statements for the most recent financial quarter completed with comparative results of the prior year's financial quarter. The procedures for requesting reconsideration of any change in the creditworthiness and/or financial assurance requirements are set forth in Section 8 below.

7. Suspension of Transmission or Interconnection Service

If a Transmission or Interconnection Customer fails to maintain its creditworthiness or acceptable Financial Assurance under these provisions, the NLSO may suspend transmission or interconnection service to such Transmission or Interconnection Customer thirty (30) calendar days after written notice to the Transmission or Interconnection Customer that the service will be suspended. After receipt of such notice, a Transmission or Interconnection Customer shall have a cure period of thirty (30) calendar days in which to come into compliance with the NLSO's creditworthiness requirements, including providing the entirety of any required Financial Assurance prior to the expiration of the cure period. If a customer fails to provide the required Financial Assurance by the deadline specified in the notice, the NLSO may take corrective actions, as permitted under the customer's Service Agreement, including suspension of service. The suspension of transmission or interconnection service shall continue only for as long as the circumstances that entitle the NLSO to suspend transmission or interconnection service persist.

8. Requests for Reconsideration of Determination of Creditworthiness Status and / or Financial Assurance Requirements

If a Transmission or Interconnection Customer disagrees with the NLSO's determination of the Transmission or Interconnection Customer's Unsecured Credit Limit or Financial Assurance requirements, the Transmission or Interconnection Customer may provide a written request for reconsideration and provide to the NLSO information relevant to further consideration of the appropriate Unsecured Credit Limit or Financial Assurance requirements for the Transmission or Interconnection Customer. The NLSO will consider the comments and information submittal, review the application of its credit provisions to the Transmission or Interconnection Customer, and notify the Transmission or Interconnection Customer of the results of its review within ten (10) business days.