

Date: Tue, 10 Dec 2002 18:27:28 -0500
From: "Ed Comer" <EComer@eei.org>
To: <Rae#032#McQuade#032#naesb1@aol.com>
Cc: "David Dworzak" <DDworzak@eei.org>
Subject: EEI Participation in NAESB Standard Electric Contract
Mime-Version: 1.0
Content-Type: multipart/alternative; boundary="=_A4F86325.1C7D1BF8"

Rae -

At an EEI Training session last Friday on our new Master Netting Agreement, Keith Sappenfield advised me that NAESB WEQ has just approved a general work plan to develop standard contracts, as set forth below. Many of these efforts duplicate or directly affect activities that EEI's Standard Contract Working Group has undertaken. We have always been a very public open activity and have always sought out widespread stakeholder participation in these efforts. While I certainly need to discuss this with the Standard Contract Working Group, I believe it would make sense for our group explore how we can conduct/coordinate our activities under the NAESB umbrella/process. I hope you can advise the NAESB WEQ members of our interest. Specifically, with reference to the NAESB Work plan below:

No. 1 would attempt to review and standardize the EEI's Master Electricity Contract with that of WSPP and others. This is extremely desirable. If NAESB intends to go forward with this, our Group will want to participate directly, and if possible would be pleased to lead the effort for NAESB

No. 2 would review the EEI Master Netting Agreement, which was just published last month. EEI has maintained a very open, public process to develop that Agreement and conducted extensive outreach to involve all interested market participants. ALL drafts were placed in public portions of the EEI website and all members of the public have been invited to participate. We had widespread participation, including representatives of public power, banks and participants in the ISDA process. We are now coordinating with ISDA on development of the ISDA Power Annex to assure consistency between that form and the EEI agreements. We just had our first training day on the MNA last Friday and are soliciting from participants their suggestions as to the next areas where we should achieve standardization. One suggestion has been development of a MNA without a Collateral Annex. But we have several other suggestions, we are still tabulating.

As you may or may not know, the effectiveness of the MNA depends to a large extent upon enactment of some critical clarifying amendments of the bankruptcy code which were held up in the last Congress due to wrangling over an irrelevant issue.

No 3. relates to review of liquidated damages provisions. I am not sure what the WEQ intends by this topic. but if it is the development of products to reflect regional operations, EEI's standard contract group has been active in this area defining common products, often by region. We sponsored development of the Into Cinergy Conversion Convention when that hub became part of MISO and are continually talking about developing standard descriptions of new products as they become available. We have also discussed, but not implemented, developing a Canadian contract that would be compatible with the US agreements.

As for No. 4, we have already begun coordinating with ISDA. An ISDA representative spoke at our training session last Friday and our MNA working group is reviewing the draft ISDA Power Annex.

In all these issues, EEI maintains a very open, public process for stakeholder input. again, WHILE I need to discuss this issue without our full Group, in general I would like to explore whether and if so how we can work with NAESB, or under a NAESB umbrella, to assure the widest possible notification and involvement in these processes.

Please communicate our interest to proceed on these issue to the NAESB WEQ representatives.

In other respects, EEI is working aggressively to develop other business practices that improve creditworthiness needs (contact Roger Kranenberg who has been looking into clearing issues)

Develop standardized contracts

- a) A review of both the Western Systems Power Pool and the Edison Electric Institute (EEI) Master Service agreements and other related agreements would be in order with the objective of developing standard short term and long term master-service agreements.
- b) A review of the EEI Master netting agreement with the objective of developing standard terms and conditions for netting settlements (perhaps this is a subset discussion of the master service agreements above)
- c) A review of the terms and conditions of the standard liquidated damages contracts ("into Entergy, Into Cinergy, etc.) with the objective of developing standard LD contract terms
- d) A review of the International Swaps and Derivatives Association (ISDA) cross commodity netting agreement
- e) Identify and develop business practices that would facilitate transactions between 2 parties when creditworthiness is an issue.
- f) Develop the Funds Transfer Agency Agreement.

Edward H. Comer
Vice President and General Counsel
Edison Electric Institute
701 Pennsylvania Ave. N.W.
Washington, D.C. 20004
(202) 508-5615 (phone) or 5673 (fax)
ecomer@eei.org