



**EDISON ELECTRIC
INSTITUTE**

Into _____ Product Conversion Convention upon MISO Operation of a Day 2 Energy Market

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**PRINCIPLE CONSIDERATIONS RELATED TO A CONVERSION
CONVENTION FOR AN “INTO [Receiving Transmission Provider], Seller’s Daily
Choice” PRODUCT upon MISO operation of a Day 2 Energy Market.**

The Federal Energy Regulatory Commission (FERC) in Electricity Market Design and Structure; Docket No. RM01-12-000; 97 FERC ¶ 61, 146; issued an “Order Providing Guidance On Continued Processing Of RTO Filings” (Issued November 7, 2001) providing that FERC has “endeavored for several years to create regional transmission organizations (RTOs) to capture the benefits and efficiencies of a competitive power marketplace for the nation's electricity customers.” As part of this transition to an RTO, the Midwest ISO currently is working towards completion of its Midwest Market Implementation effort to implement a “Day 2” wholesale Energy market in the Midwest. It is the desire of the below signatories to bring about some common understanding as to guiding principles that will assist in the interpretation of existing Products. Specifically, with the commencement of the Midwest ISO (“MISO”) to operate structured Energy Markets within the Transmission Provider region of MISO (“MISO Day 2”), many market participants that have Transactions for an “Into [Receiving Transmission Provider], Seller’s Daily Choice” product (“Into Product”) as defined in the EEI/NEMA Power Purchase And Sale Master Agreement, version 2.1 (modified 4/25/00) (“Master Agreement”) and that have transactions under other agreements that reference an Into Product with Receiving Transmission Provider of a MISO control area, have met to discuss the effect of the implementation of MISO Day 2 on rights, duties and commercial risks of these transactions following the effective date of such implementation. As a result of these discussions, certain general principles have been conceptually advanced to ensure a smooth transition to MISO Day 2 and promote continued liquidity of wholesale trading for the MISO control areas based around MISO defined hubs

In addressing the transition to the regional transmission markets, the following “Guiding Principles” are recommended to assist all market participants:

1. The formation of RTO/ISOs does not affect the legality, enforceability or binding nature of the existing Into Product Transaction.
2. The formation of RTO/ISOs affects the transmission-related obligations of the parties.
3. The rights, responsibilities and existing risk allocation as between Buyers and Sellers of the Into Product prior to RTO/ISO formation should be maintained to the extent feasible within the RTO/ISO structure.
4. The interpretation of the existing product under the RTO/ISO should result in the same market function as the existing product in such a manner as to maintain and promote liquidity, fungibility, simplicity and an unambiguous trading location.

**ELEMENTS OF A CONVERSION CONVENTION FOR AN “INTO
Receiving Transmission Provider, Seller’s Daily Choice” PRODUCT upon MISO
operation of a Day 2 Energy Market.**

Definitions

“CPNode” means a Commercial Pricing Node as such term is defined by the MISO Energy Markets Tariff. A CPNode can include but is not limited to a particular Hub, Load Zone or Generation CPNode, as these terms are defined by the MISO Energy Markets Tariff.

“Fixed Delivery Point” means a CPNode.

“Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” means for such Transactions under the Master Agreement that, in accordance with the provisions set forth below, as of the Transition Effective Date, the parties to such Transactions shall perform in accordance with the following terms:

- (1) The “Into [‘Receiving Transmission Provider’]” shall be converted into a MISO Transition Product. Seller and Buyer agree to modify the Delivery Point for “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” Transactions between the Parties from “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” to the Fixed Delivery Point agreed to by Buyer and Seller, such as MISO CIN Hub.
- (2) Seller and Buyer may agree to a conversion price (the “Conversion Price”) in consideration for the agreement of Seller to deliver and Buyer to receive the Quantity at the Fixed Delivery Point.
- (3) Title to the Quantity shall pass from Seller to Buyer at the Fixed Delivery Point.
- (4) Buyer’s obligation to receive and pay for the Quantity is fulfilled by providing to Seller the Contract Price and the Conversion Price payable by Buyer, if any, and taking title at Fixed Delivery Point for the agreed upon Delivery Period. Seller shall bear all costs, congestion, and transmission losses to the Fixed Delivery Point and pay the Conversion Price, if any. Seller’s performance is complete and title is transferred to Buyer when this MISO Transition Product is delivered to the Fixed Delivery Point.
- (5) Buyer assumes all risks associated with the transmission away from the Fixed Delivery Point and Seller makes no representation that the Energy purchased can be moved from the Fixed Delivery Point and Seller has no liability if Buyer is unable to move the Energy from the Fixed Delivery Point for any reason. Buyer shall bear all costs, congestion, and transmission losses from the Fixed Delivery Point to Buyer’s ultimate sink, or any subsequent Delivery Point.
- (6) Seller and Buyer agree to modify, if necessary, the time zone for all affected Off-Peak Energy Delivery Hours to Eastern Standard Time for all “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” Transactions between the Parties

to reflect the new MISO Transition Product. For the purposes of the MISO Transition Product, Off Peak Energy Delivery Hours shall be defined as (i) all hours Saturday, Sunday and NERC holidays and (ii) all non-NERC holiday hours Monday through Friday that are not hours ending 0800-2300 eastern prevailing time (“EPT”) or hours ending 0700-2200 central prevailing time (“CPT”).

- (7) Seller and Buyer agree to schedule and/or settle all MISO Transition Products through the Real-Time Energy Marketing in the MISO market system under MISO Rules.

“MISO” means the Midwest ISO, its successors or assigns,

“MISO Cinergy Hub or “CIN Hub” means the aggregated CPNodes defined by MISO as the MISO Cinergy Hub which consist of specific load, interface, and generation nodes currently set forth in the Hub Definitions Oct04.xls at: http://www.midwestmarket.org/Documents/Education%20Material/General%20Guides/Trading%20Hubs/Hub_Definitions_Oct04.xls

“MISO Illinois Hub” or “ILL Hub” means the aggregated CPNode defined by MISO as the MISO Illinois Hub which consist of specific load, interface, and generation nodes currently set forth in the Hub Definitions Oct04.xls at: http://www.midwestmarket.org/Documents/Education%20Material/General%20Guides/Trading%20Hubs/Hub_Definitions_Oct04.xls

“MISO Michigan Hub” or “MICH Hub” means the aggregated CPNode defined by MISO as the MISO Michigan Hub which consist of specific load, interface, and generation nodes currently set forth in the Hub Definitions Oct04.xls at: http://www.midwestmarket.org/Documents/Education%20Material/General%20Guides/Trading%20Hubs/Hub_Definitions_Oct04.xls

“MISO Rules” means the Open Access Transmission Tariff of MISO as maintained on file with the Federal Energy Regulatory Commission as the same may be amended or supplemented from time to time, the MISO Energy Markets Tariff as maintained on file with the Federal Energy Regulatory Commission as it may be amended from time to time (or any document replacing it as to the relevant provisions), and the other MISO rules and regulations in effect from time to time.

“MISO Transition Product” means the former “Into Product” which Seller has agreed to sell and Buyer has agreed to purchase, and which Product shall be converted to Firm (LD) as such Product is defined by the Master Agreement and set forth herein during the Transition Period.

“Transition Effective Date” means the commencement date of MISO Day 2 Energy Markets.

“Transition Period” shall mean, with respect to all “Into Product” Transactions, the period beginning on the Transition Effective Date and concluding at the end of the respective Delivery Periods of such “Into Product” Transactions.

**AMENDMENT AGREEMENT ADOPTING THE
CONVERSION CONVENTION FOR AN INTO _____ (“____”) PRODUCT**

This Amendment Agreement (this “Amendment”) is made this ___ day of ___ 200_, by and between [Party A] a _____ [entity type] (“_____”), and [Party B], a _____ [entity type] (“_____”).

BACKGROUND

WHEREAS, [Party A] and [Party B] are parties to that certain EEI/NEMA Master Power Purchase and Sale Agreement dated as of _____, 200_, (the ”Master Agreement”); and

WHEREAS, the Midwest ISO (“MISO”) commencement and operation of structured Energy Markets (“MISO Day 2”), is likely to alter the rights, duties and commercial risks of pre-existing transactions for an “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” product as defined in the Master Agreement; and

WHEREAS, the Edison Electric Institute (“EEI”) has published a “Conversion Convention For An Into _____ Product upon MISO Operation of a Day 2 Energy Market” on its website (www.eei.org) dated 1/21/04 (the “Conversion Convention”) which enables parties to amend the Master Agreement to confirm their intentions with respect to certain matters arising in connection with the impact of MISO Day 2 on the “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” product; and

WHEREAS, the parties desire to amend the Master Agreement to adopt the Conversion Convention.

NOW, THEREFORE, for the above reasons, in consideration of the mutual covenants herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Adoption. The Parties agree that on the date that MISO commences operation of the MISO Day 2 Energy Market (the “Effective Date”) the definitions and provisions contained in the Conversion Convention, are incorporated into and applied to the Master Agreement. References in those definitions and provisions to the Master Agreement will be deemed to be references to this Amendment.
2. Delivery Point. The Parties agree that the Fixed Delivery Point(s) for the Into _____ Transactions between them shall be as set forth in Schedule A, which is attached hereto and incorporated herein for all purposes.
3. Conversion Price. The Parties agree that the Conversion Price, if any, shall be as set forth in Schedule A hereto.
4. Voidability. Neither MISO operation of a MISO Day 2 Energy Market nor the execution and delivery of this Amendment by the parties shall operate to void, terminate or cancel any Transaction entered into between parties, nor shall the execution and delivery of this Amendment be deemed to impair the performance by either party under the Master Agreement.

5. **Governing Law.** THIS AMENDMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE DESIGNATED IN THE MASTER AGREEMENT, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AMENDMENT

6. **Waiver.** Any parties' failure to enforce strictly any provisions of this Amendment shall not be construed as a waiver thereof, or as excusing either party from future performance. Any waiver, to be effective, must be in writing and signed by the party against whom it is sought to be enforced.

7. **Successors and Assigns.** This Amendment shall inure to the benefit of, and be binding upon, the successors and assigns of the respective parties hereto.

8. **Counterparts.** This Amendment may be executed in any number of counterparts and by each party on a separate counterpart or counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

[Party A]

By: _____

Name: _____

Title: _____

[Party B]

By: _____

Name: _____

Title: _____

<u>SCHEDULE A</u>								
Agreement Date	Quantity (MWH)	Price (\$)	Seller Trans. Id. #	Buyer Trans. Id. #	Delivery Period (Dates)	Fixed Delivery Point "O"=Other (must be defined) "C" – CIN Hub "I" – ILL Hub "M" – MICH Hub "X" – MAPP Hub	Conversion Price Paid By	
							Buyer (\$)	Seller (\$)
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