



**EDISON ELECTRIC
INSTITUTE**

Into _____ Product Conversion Convention

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**PRINCIPLE CONSIDERATIONS RELATED TO A CONVERSION
CONVENTION FOR AN “INTO [Receiving Transmission Provider], Seller’s Daily
Choice” PRODUCT**

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, PJM Interconnection, LLC (“PJM”) an existing RTO and American Electric Power, Dayton Power & Light, Dominion Virginia Power, and Duquesne Light Company have agreed to expand PJM to encompass their respective control areas, such that each will transfer operational control of their control area to PJM. The below signatories desire to bring about some common understanding as to guiding principles that will assist in the interpretation of existing Products. Specifically, with the expansion of PJM, 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 Providers of AEP, DPL, Dominion Virginia Power, or Duquesne Light, have met to discuss the effect of the PJM’s expansion on rights, duties and commercial risks of these transactions following the effective date of such expansion. As a result of these discussions, certain general principles have been conceptually advanced to ensure a smooth transition into PJM and promote continued liquidity of wholesale trading for these control areas based around PJM’s hubs, in lieu of the Into Product.

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

1. The formation of RTOs does not affect the legality, enforceability or binding nature of the existing Into Product transaction.
2. The formation of RTOs 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 formation should be maintained to the extent feasible within the RTO structure.
4. The interpretation of the existing product under the RTO 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**

Definitions

The Northern Illinois Hub (“NIHUB”) means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM Interconnection, LLC, its successors or assigns, (“PJM”) as the Northern Illinois Hub which consist of specific load, interface, and generation nodes as presently set forth at <http://www.pjm.com/documents/downloads/growth/comed-hub-def.csv> and to be permanently set forth, upon Commonwealth Edison Company’s (ComEd’s) integration at <http://www.pjm.com/markets/energy-market/downloads/lmp-aggregate-definitions.xls>.

The AEP/Dayton hub (“ADhub”) means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM Interconnection, LLC, its successors or assigns, (“PJM”) as the AEP/Dayton hub which consist of specific load, interface, and generation nodes as presently set forth at: <http://www.pjm.com/documents/downloads/growth/aep-dpl-dvp-hub-defs.csv> and to be permanently set forth, upon integration at <http://www.pjm.com/markets/energy-market/downloads/lmp-aggregate-definitions.xls>

The AEP Generation Hub (“AEPGenHub”) means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM Interconnection, LLC, its successors or assigns, (“PJM”) as the AEPGenHub which consist of specific load, interface, and generation nodes as presently set forth at: <http://www.pjm.com/documents/downloads/growth/aep-dpl-dvp-hub-defs.csv> and to be permanently set forth, upon integration at <http://www.pjm.com/markets/energy-market/downloads/lmp-aggregate-definitions.xls>

The PJM Western Hub (“WestHub”) means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM Interconnection, LLC, its successors or assigns, (“PJM”) as the PJM Western Hub which consist of specific load, interface, and generation nodes permanently set forth at: <http://www.pjm.com/markets/energy-market/downloads/lmp-aggregate-definitions.xls>

The PJM South Hub (“SouthHub”) means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM Interconnection, LLC, its successors or assigns, (“PJM”) as the PJM South Hub which consist of specific load, interface, and generation nodes as presently set forth at: <http://www.pjm.com/documents/downloads/growth/aep-dpl-dvp-hub-defs.csv> and to be permanently set forth, upon integration at <http://www.pjm.com/markets/energy-market/downloads/lmp-aggregate-definitions.xls>

“Transition Period” shall mean, with respect to all “Into Product” Transactions, the period beginning on the date that operational control of the respective control area is transferred to the PJM and PJM begins to operate an LMP market (“Transition Effective Date”) and concluding at the end of the respective Delivery Periods of such Transactions.

“PJM Transition Product” means the former “Into Product” which Seller has agreed to sell and Buyer has agreed to purchase, and which Product shall be reformed as set forth herein during the Transition Period.

“PJM Rules” means the Open Access Transmission Tariff of PJM as maintained on file with the Federal Energy Regulatory Commission as the same may be amended or supplemented from time to time, the Operating Agreement of PJM Interconnection, L.L.C. Third Revised Rate Schedule No. 24, effective August 25, 2003, as it may be amended from time to time (or any document replacing it as to the relevant provisions), and the other PJM rules and regulations in effect from time to time.

“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) 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 a fixed Delivery Point within the Receiving Transmission Provider’s control area (the “Fixed Delivery Point”) agreed to by Buyer and Seller, such as AEPGenHub, ADhub, NIhub, SouthHub or PJM West 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 agreed upon Quantity shall pass from Seller to Buyer at the Fixed Delivery Point.
- (4) Buyer’s obligation to receive and pay for the Contract 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 PJM 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 the time zone from CPT to EPT for all “Into [‘Receiving Transmission Provider’], Seller’s Daily Choice” Transactions between the Parties to reflect the new PJM traded product.

**COMPARISON OF FORMER INTO PRODUCT
AND PJM TRANSITION PRODUCT**

The following table contains a comparison of the obligations, rights, and Transaction curtailment risks associated with an existing “Into” Product before the Transition Effective Date with the corresponding obligations, rights, and Transaction curtailment risks under the consensus Conversion Convention for the PJM Transition Product as of the Transition Effective Date:

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer
Delivery Obligation	To Designated Interface (DI) or from Control Area Generation	Receive at DI or Control Area Generation Bus bar	Deliver to Fixed Delivery Point	Receive at Fixed Delivery Point
Capacity	None – unless Transaction provides otherwise.	None – unless Transaction provides otherwise.	None – unless existing Transaction provides otherwise.	None – unless existing Transaction provides otherwise.
Scheduling	Day ahead by 11 AM CPT or EPT	None	PJM requirements	PJM requirements
Generation Source	Seller’s choice from anywhere to or within Control area	No choice as to source of supply	No change, but delivery point is the Fixed Delivery Point	No change, but receipt point is the Fixed Delivery Point

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer
Purchase of Transmission	Seller buys transmission from Source to DI; No transmission if use inside control area generation source	Buyer buys transmission from DI to ultimate sink or from inside control area generation source to ultimate sink	Seller buys transmission and pays related congestion costs from Generation Source (GS) to the Fixed Delivery Point. . No transmission if Fixed Delivery Point buy.	Buyer buys transmission and pays related congestion costs from the Fixed Delivery Point (a) to ultimate sink if ultimate sink other than the Fixed Delivery Point (i.e., Buyer takes transmission, losses and congestion risks on the away wheel.)
Use of Firm Transmission	Optional to Seller; If Seller's firm transmission curtailed from GS to control area, Seller re-supplies to Alternative Designated Interface (ADI) & each of Seller and Buyer pays for its transmission	Must be available to Buyer. If Buyer's firm transmission curtailed within control area, Buyer receives at ADI & each of Buyer and Seller pays for its transmission.	Optional to Seller. Whether or not curtailed Seller must deliver to the Fixed Delivery Point.	Need not be available to Buyer. Buyer pays for its transmission, losses and congestion from the Fixed Delivery Point. Buyer's Transmission out of the Fixed Delivery Point is at Buyer's option and risk.

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer Rationale
Use of Non-firm Transmission	Seller option. If transmission curtailed, Seller re-supplies to ADI and pays its and Buyer's transmission.	Seller can require Buyer to take non-firm @ Seller's risk. Buyer can elect non-firm @ Buyer's risk and in such case Seller has no re-supply obligation if transmission curtailed.	Optional to Seller. Whether or not curtailed, Seller must deliver to the Fixed Delivery Point.	Need not be available to Buyer. Buyer pays for its transmission, losses, and congestion from the Fixed Delivery Point. Buyer's Transmission from the Fixed Delivery Point is at Buyer's option and risk.
Transmission – Hourly Firm or Non Firm to/from Designated Interface or Alternate Designated Interface if day ahead firm transmission schedule sinking in control area is curtailed	Seller may require Buyer to buy hourly transmission	If both Seller and Buyer bought firm transmission, then each pays for its own replacement transmission.]	Optional to Seller. Whether or not curtailed, Seller must deliver to the Fixed Delivery Point.	Need not be available to Buyer. Buyer pays for its transmission, losses, and congestion from the Fixed Delivery Point. Buyer's Transmission from the Fixed Delivery Point is at Buyer's option and risk.

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer Rationale
Non-delivery to DI due to loss of Generation Source.	Move to ADI or control area generation. Seller pays for its and Buyer's transmission.	Receive at ADI or control area generation.-	Not Applicable – Seller obligated to deliver to the Fixed Delivery Point.	Not applicable, Buyer obligated to receive at the Fixed Delivery Point.
Seller & Buyer Firm Transmission Curtailed To or within control area	Seller re-supplies to ADI & pays for its transmission	Buyer receives at ADI & pays for its transmission	Not applicable – Seller obligated to deliver to the Fixed Delivery Point.	Not Applicable, Buyer obligated to receive at the Fixed Delivery Point.

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer
Buyer elected non-firm transmission which was curtailed	Seller deemed to have met its delivery obligations and not obligated to re-supply	Buyer assumes risk of transmission curtailment & pays LDs	Not Applicable – Seller obligated to deliver to the Fixed Delivery Point.	Not Applicable, Buyer obligated to receive at the Fixed Delivery Point
Seller elected non-firm transmission to control area, which is curtailed	Seller re-supplies to ADI & pays for all transmission	Buyer arranges transmission from ADI at Seller’s expense	Not applicable – Seller obligated to deliver to the Fixed Delivery Point.	Not applicable, Buyer obligated to receive at the Fixed Delivery Point.
Transmission out of control area curtailed	Seller deemed to have met its delivery obligation; no obligation to re-supply	Buyer deemed to have failed to receive; liable for LDs	Seller deemed to have met its delivery obligation.	Not applicable - Buyer pays Contract Price.

Comparison of Former Into Product and PJM Transition Product				
Former Into Product Obligations, Rights and Transaction Curtailment Risk Allocation			PJM Transition Product Obligations, Rights and Transaction Curtailment Risk Allocation	
Activity	Seller	Buyer	Seller	Buyer
Force Majeure	Seller excused only if "prevented," i.e., only if no ADI & no control area generation.	Buyer excused only if no transmission from ADI or bus bar in control area.	No physical Force Majeure. A Financial force Majeure (i.e. "market disruption event") as per addenda to Master Agreement, if any.	
Ancillary Services	Seller supplies to ADI or at control area bus bar	Buyer supplies from ADI or from bus bar to ultimate sink	As provided in existing transaction, otherwise as per PJM Rules, if any.	As provided in existing transaction, otherwise as per PJM Rules, if any.
Supply of Transmission Energy Losses	Seller supplies to ADI or at control area bus bar	Buyer supplies from ADI or from bus bar to ultimate sink	As provided in existing transaction, otherwise as per PJM Market Rules, if any.	As provided in existing transaction, otherwise as per PJM Market Rules, if any.

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

This Amendment Agreement (this “Amendment”) is made this ___ day of ___ 2004, by and between [party A] a _____ corporation (“_____”), and [Party B], a _____ corporation (“_____”).

BACKGROUND

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

WHEREAS, the PJM Interconnection, LLC (“PJM”) expansion to include the _____ control area is likely to alter the rights, duties and commercial risks of pre-existing transactions for an “Into _____” product as defined in the Master Agreement; and

WHEREAS, the Edison Electric Institute (“EEI”) has published a “Conversion Convention For An Into _____ Product” on its website (www.eei.org) dated September 22, 2004 which enables parties to amend the Master Agreement to confirm their intentions with respect to certain matters arising in connection with the impact of PJM’s expansion on the “Into ‘control area’” 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 operational control of the _____ control area is transferred to the PJM and PJM begins to operate an LMP market (the “Effective Date”) the definitions and provisions contained in the Conversion Convention published by the EEI on _____, 2004, 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. 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. The Parties agree that the Conversion Price, if any, shall be as set forth in Schedule A hereto.
4. Voidability. Neither PJM’s expansion to include _____ control area 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 expansion of PJM to encompass _____ or execution and delivery of this Amendment be deemed to impair the performance by either party under the Master Agreement.

5. Entire Agreement. This Amendment, the Master Agreement and the Conversion Convention comprise the entire understanding of the parties with respect to the subject matter hereof, and supercedes all prior or other negotiations, representations, understandings and agreements of, by or among the parties, express or implied, oral or written. The express terms of this Amendment control and supercede any course of performance and/or customary practice inconsistent with such terms. Any agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of this Amendment unless such agreement is in writing and signed by the party against whom enforcement of such change, modification, discharge or abandonment is sought.

6. 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.

7. 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.

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

9. 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) "G"=AEPGenHub "W"=WestHub "N"=NIHub "A"=ADhub "S"=SouthHub	Conversion Price Paid By	
							Buyer (\$)	Seller (\$)
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