

## New! - 2019 Power and Gas Master Agreement

The North American Energy Markets Association (“NAEMA”) and the International Energy Credit Association (“IECA”) are pleased to announce the new state-of-the-art master agreement for power and gas transactions. According to Jim Richardson, President of NAEMA, “The 2019 Power and Gas Master Agreement is the product of a collaborative effort between NAEMA and IECA to more effectively and efficiently address the energy market’s needs both today and in the future.”

### One agreement for both power and gas transactions

The 2019 Power and Gas Master Agreement is the first-ever industry master agreement to cover both power and gas without supplemental product annexes.

“The new Master Agreement fills in necessary gaps that have existed for decades between power and gas contracts, such as standard terms for monitoring the creditworthiness of non-rated counterparties, confirming transactions through electronic methods, and better defining thresholds for credit assurances,” according to Nicole Russell, a drafting member from Trading Counsel Solutions LLC.

*“Our Organization is very excited to join with NAEMA in offering this new trading platform to the market. IECA looks forward to working with NAEMA to offer training and networking opportunities around the new agreement.”*

- Jamie Swartz, President of IECA

“It is very common for energy companies to transact power and gas with the same counterparty under two separate agreements – one for power, and one for gas – but that is no longer necessary now that we have the 2019 Power and Gas Master Agreement,” said drafting team member Jeremy Weinstein from the Law Offices of Jeremy D. Weinstein.

Having both products under one base master agreement reduces credit risk and permits cross commodity netting without having to negotiate a master netting agreement. This simplification alone can save companies substantial amounts of money and time by streamlining contract negotiations and reducing required credit support.

### North America scope and use

The 2019 Power and Gas Master Agreement includes terms for power and gas transactions conducted in the United States and Canada. In addition, IECA’s Mexico Energy Working Group has translated the master agreement into Spanish with specific additions as “optional” clauses to refer to Mexican principles and law – making it fully functional for all of North America.

According to K.C. Hairston from Balch & Bingham LLP, “Until now, companies with projects in the United States, Canada and Mexico have generally transacted under separate contract formats for their projects in each country – resulting in unnecessary gap risks within these companies. The 2019 Power and Gas Master Agreement provides a new contracting platform for use with both power and gas transactions, regardless of where they take place within North America.” Eduardo Corzo from Haynes and Boone, LLC’s Mexico City office added, “This contract will be very useful for the emerging Mexican power and gas market, as a model for the industry to follow. We are very satisfied with the contribution of the IECA Mexico Energy Working Group in translating this Agreement.”

## Innovative provisions

"With help from IECA's working groups, our goal was to provide a state-of-the-art contract with current bankruptcy, Dodd-Frank and credit terms, unlike any other contract available on the market," said Geoffrey Heffernan of O'Heffernan LLC.

The 2019 Power and Gas Master Agreement includes certain new innovative provisions to improve efficiency and effectiveness; the benefits include:

- Addressing changes in market designs.
- Expansion of a non-defaulting party's ability to suspend performance to 90 days.
- The ability to report transaction information to index developers without amending confidentiality provisions.
- A more accurate reflection of current market practices for Liquidated Damages.
- Updating documentation requirements based on Dodd-Frank regulations.
- Broadening netting rights to reduce payment exposure.

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## Joint development effort

NAEMA and IECA formed a joint drafting team comprised of members from across the energy industry to develop the new Agreement.

The new Master Agreement incorporates the results of a detailed review of pro forma power and gas contract terms from numerous companies across North America to help standardize the market's commonly used provisions. IECA's Bankruptcy & Creditor's Rights, Dodd-Frank, Credit Analytics Education, and Mexico Energy Working Groups drafted key provisions relating to those subject-matter areas. "Our intent was to provide a standard set of terms that reflect the market's general contract preferences, thereby minimizing the amount of time and expense needed to get from the point of deal origination to a signed agreement," said Phil Lookadoo of Haynes and Boone, LLP.

Jamie Swartz, President of IECA, said "Our Organization is very excited to join with NAEMA in offering this new trading platform to the market. IECA looks forward to working with NAEMA to offer training and networking opportunities around the new Agreement."

NAEMA and IECA encourage companies to evaluate the new 2019 Power and Gas Master Agreement with their contract professionals and counsel to identify the benefits of this new platform for their power and gas transactions.

Assistance in developing the new 2019 Power and Gas Master Agreement was provided by:

*Balch & Bingham LLP*

*Haynes and Boone, LLP*

*Law Offices of Jeremy D. Weinstein*

*O'Heffernan LLC*

*Trading Counsel Solutions LLC*

For additional information regarding the 2019 Power and Gas Master Agreement, please visit NAEMA.com or IECA.net, or contact K.C. Hairston at [kchairston@balch.com](mailto:kchairston@balch.com) (205-226-3435) or Donna Foy at [donna.foy@naema.com](mailto:donna.foy@naema.com) (503-574-2130).