



International Swaps and Derivatives Association, Inc.
One Bishops Square
London E1 6AD
United Kingdom
Telephone: 44 (20) 3088 3550
Facsimile: 44 (20) 3088 3555
email: isdaeurope@isda.org
website: www.isda.org

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**North American Energy Standards Board
Wholesale Gas Quadrant Contracts Subcommittee
1301 Fannin, Suite 2350
Houston, Texas 77002**

**Re: North American Energy Standards Board (“NAESB”) Proposed Changes
to ISDA’s North American Gas Annex (the “ISDA Gas Annex”)**

Dear Sirs,

The International Swaps and Derivatives Association, Inc. (“ISDA”) is pleased to provide its comments and those of several of its members with respect to the proposed amendments to the ISDA Gas Annex being considered by NAESB (the “Proposal”).

We appreciate NAESB’s desire to facilitate market participants’ ability to amend the ISDA Gas Annex in order to reflect the new provisions of the 2006 version of the NAESB Base Contract for Sale and Purchase of Natural Gas (the “2006 NAESB”). However, we are concerned that the release by NAESB of a new model in the form of a revised ISDA Gas Annex will create confusion in the marketplace. As you know, ISDA retains the exclusive rights to amend and republish revised versions of its documents. Consequently, it would be preferable that any publications by NAESB with respect to any ISDA document be in the form of suggested optional amendments to the relevant form. In the case of the ISDA Gas Annex, such amendments could be included in an updated version of NAESB’s “User’s Guide” to the ISDA Gas Annex. Alternatively, NAESB could release a model set of amendments to the ISDA Gas Annex (for inclusion in clause (n) of the ISDA Gas Annex) that would allow market participants to achieve greater consistency with the 2006 NAESB.

Our members have expressed several additional concerns of a substantive nature with respect to the amendments contained in the Proposal, and we have set forth these issues below.

Spot Price Determination/Market Disruption Provisions

The foremost concern raised by ISDA members is that the new market disruption provisions included in the Proposal in the definition of “Spot Price” and the related elections in clause (l)(7) are inconsistent with the 2005 ISDA Commodity Definitions (the “ISDA Commodity Definitions”) as well as the 2006 NAESB itself.

It is the view of our members that the existing market disruption provisions contained in the ISDA Commodity Definitions should apply to transactions under the ISDA Gas Annex upon the occurrence of a market disruption event. The ISDA Commodity Definitions already set forth provisions addressing market disruption events and fallbacks, and these provisions are applicable to both physical and financial gas transactions under an ISDA Master Agreement. By effectively seeking to apply different market disruption provisions to physical and financial gas transactions under a single ISDA Master Agreement, the Proposal creates unnecessary and unacceptable contractual basis risk issues for market participants with related positions in both of the physical and financial markets.

Additionally, the Proposal is inconsistent with the 2006 NAESB because the definition of "Spot Price" is not redefined in the 2006 NAESB, whereas it is redefined in the Proposal. The 2006 NAESB has two market disruption mechanisms: (1) the new market disruption provisions in Section 14 that cover the "Floating Price" in the Transaction Confirmation and (2) the last sentence of the definition of "Spot Price" addressing the unavailability of the spot price in applying the Spot Price Standard. In the Proposal "Spot Price" is essentially redefined to include both the market disruption provisions with respect to the "Floating Price" as defined in the Confirmation and the market disruption provisions with respect to the "Spot Price" as used in the Spot Price Standard. The "Spot Price Determination" in clause (l)(7) of the Proposal permits the parties to elect either: Option A (which is the market disruption mechanism in the "Spot Price" definition of the 2006 NAESB) or Option B (which is the Section 14 market disruption provisions in the 2006 NAESB). Once selected, Option A or Option B will apply throughout the document. However, neither selection enables the parties to achieve consistency with the 2006 NAESB.

U.S. Customs

Clause (g)(iv) of the Proposal creates an inconsistency in the ISDA Gas Annex by stating that title delivery and title transfer will take place within the customs territory of the United States, while the ISDA Gas Annex expressly states in clause (a) that the annex applies to all delivery points in North America. Additionally, there is no certificate of origin language: from a U.S. perspective, a Seller importing gas from Canada will need to have a certificate of origin in order to avoid paying the import/processing fees and, for marketers, it presents a problem buying gas in Canada for import into the United States. Our members have proposed the following alternative language:

"U.S. Customs

(A) In the event Seller owned title to Gas under a Gas Transaction outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

(B) In the event that Seller sells Gas under a Gas Transaction outside the Customs Territory of the United States to the Buyer, Seller agrees to provide to Buyer within two Business Days of the sale a fully executed North American Free Trade Agreement Certificate of Origin."

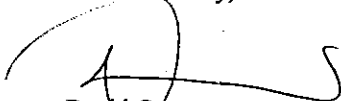
Additionally, to the extent that any portion of the language in clause (g)(iv) of the Proposal is retained, the word "Contract" should be deleted and replaced with the word "Agreement" to conform to the ISDA Master Agreement convention.

Conclusion

ISDA is grateful for the opportunity to comment on the Proposal and would be happy to work with NAESB in producing a revised NAESB User's Guide or model amendments to the ISDA Gas Annex for those market participants that wish to conform the ISDA Gas Annex to the 2006 NAESB.

Accordingly, if NAESB has any questions regarding this letter, please do not hesitate to contact David Geen or Peter Werner of ISDA in London (+44 20 3088 3550); (dgeen@isda.org, pwerner@isda.org) or ISDA's external counsel in New York, Lauren Teigland-Hunt of Teigland-Hunt LLP (1-212-269-1600); (lteigland@teiglandhunt.com).

Yours sincerely,



David Geen
General Counsel