

**THE SECOND AMENDMENT AGREEMENT
TO THE
ISDA MASTER AGREEMENT
between
NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID
and
MORGAN STANLEY CAPITAL GROUP INC.**

THIS SECOND AMENDMENT AGREEMENT, dated as of October 7, 2016 (the "Amendment"), between Niagara Mohawk Power Corporation d/b/a National Grid ("Party A") and Morgan Stanley Capital Group Inc. ("Party B").

W I T N E S S E T H

WHEREAS, Party A and Party B entered into an ISDA Master Agreement, dated as of January 12, 2010, (the "Master Agreement"), a Schedule to the Master Agreement, dated as of January 12, 2010, as amended (the "Schedule"), and a Credit Support Annex to the Schedule to the Master Agreement, dated as of January 12, 2010, as amended (the "Credit Support Annex" and, together with the Master Agreement and the Schedule, as amended, the "ISDA Agreement"), which along with all other Annexes, Exhibits, and Confirmations thereto constitute the "Agreement"; and

WHEREAS, the parties wish to amend the terms and conditions of the Agreement pursuant to the terms set forth below.

NOW THEREFORE, in consideration of mutual premises and undertakings which the parties hereby acknowledge, the parties agree as follows:

1. Paragraph 13(b)(iv)(B) to the Credit Support Annex is deleted and replaced with the following:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. The Schedule to the ISDA Agreement is hereby amended by adding the following as Part 7 to the end of the Schedule.

"Part 7. ISDA North American Gas Annex

- (a) **Gas Annex.** Sub-Annex E to the 2005 ISDA Commodity Definitions (including the ISDA North American Gas Annex) as amended by the 2009 Amendment Addendum to the ISDA North American Gas Annex (the "Gas Annex") is hereby incorporated into, this Agreement. The Gas Annex is amended by replacing all references to "Part 7" or "Part 7 of the Schedule" with references to the "Gas Annex" or "Gas Annex to the Schedule", as applicable.

- (b) **Elective Provisions.** Clause (I) of the Gas Annex is amended and restated in its entirety to read as follows:

- (i) **Outstanding Gas Transactions** – clause (a)(ii). This Gas Annex shall apply to the following pre-existing Gas Transactions pursuant to clause (a)(ii):

☒ Option A: All Gas Transactions outstanding between the parties as of the date this Gas Annex becomes effective.

☐ Option B: The Gas Transactions listed in Schedule 1 to this Gas Annex.

☐ Option C: None of the Gas Transactions between the parties that were executed prior to the date this Gas Annex becomes effective.

If none of the above options is selected, Option A shall apply.

- (ii) **Outstanding Gas Credit Support** – clause (a)(iii):

☒ Outstanding Gas Credit Support held by a party in connection with Outstanding Gas Transactions shall be deemed to have been delivered under and in connection with this Agreement pursuant to clause (a)(iii). If not checked, not applicable.

- (iii) **Performance Obligation** – clause (b)(ii) (remedy for breach of Firm obligation):

☐ Option A: Cover Standard

☒ Option B: Spot Price Standard

If neither option is selected, Option A shall apply.

- (iv) **Taxes** – clause (e):

☒ Option A: Buyer Pays At and After Delivery Point

☐ Option B: Seller Pays Before and At Delivery Point

If neither option is selected, Option A shall apply.

(v) **Payment Date** – clause (f)(ii):

X Option A: the later of the 25th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

___ Option B: the later of the ___ Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

___ Option C: Notwithstanding anything to the contrary in this Schedule, payments with respect to both Gas Transactions and Power Transactions (as defined separately in this Schedule) will be netted and payable on or before the later of the 20th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

___ Option D: Notwithstanding anything to the contrary in this Schedule, payments with respect to both Gas Transactions and Power Transactions (as defined separately in this Schedule) will be netted and payable on or before the later of the 25th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

If none of the above options is selected, Option A shall apply.

(vi) **Alternative to Spot Price Index.** The Spot Price Index specified in clause (k)(xxii) applies.

(vii) **U.S. Customs.** The parties may elect to apply one of the following options:

X Option A: If checked, the following provision shall apply:

In the event Seller took title to Gas under a Gas Transaction outside the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3) for delivery to the Buyer within 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.

___ Option B: If checked, both of the following provisions shall apply:

(A) In the event Seller took title to Gas under a Gas Transaction outside the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3) for delivery to the Buyer within 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 for delivery to the Buyer within the United States, Seller agrees to provide to Buyer within two Local Business Days of the sale a fully executed North American Free Trade Agreement Certificate of Origin.

If neither option is checked, then Option A shall apply.

(viii) **Market Disruption Events.** The parties may elect to apply one of the following options:

___ Option A: If checked, the following provision shall apply to Gas Transactions:

The 2005 ISDA Commodity Definitions (the "Commodity Definitions") shall apply (including, without limitation, Sections 7.4 and 7.5 of the Commodity Definitions). Notwithstanding the foregoing, any amendments to the Commodity Definitions in the Schedule to the Agreement are hereby incorporated and any such amendments shall supersede the Commodity Definitions.

X Option B: If checked, the following provision shall apply to Gas Transactions:

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Relevant Price (or on a method for determining a replacement price for the Relevant Price) for the affected Day, and if the parties have not so agreed on or before the second Commodity Business Day following the affected Day then the replacement price for the Relevant Price shall be determined within the next two following Commodity Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Relevant Price. "Market Disruption Event" means, with respect to an index specified for a Transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Relevant Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Relevant Price has occurred. For the purposes of the calculation of a replacement price for the Relevant Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one, and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

If neither option is checked, Option A shall apply to Gas Transactions.

Option B is hereby amended by deleting the sentence beginning "If either party fails to provide and replacing it with the following:

"If either party fails to provide two quotes then the parties shall use the average of all of the quotes obtained to determine the replacement price for the Floating Price."

(c) **Other Modifications to this Gas Annex.** The Gas Annex is modified as follows:

(i) **Billing, Payment and Audit.** Section (f) of the Gas Annex is amended by adding the following new subsection at the end thereof:

"(vi) **Mobile-Sierra Standard.** To the extent that a Gas Transaction does not qualify as a "first sale" as defined by the Natural Gas Act and §§ 2 and 601 of the Natural Gas Policy Act, each party irrevocably waives its rights, including its rights under §§ 4-5 of the Natural Gas Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Gas Annex, any Gas Transaction hereunder or any other agreements entered into in connection with this Agreement (collectively, the "Covered Agreements"). By this provision,

each party expressly waives its right to seek or support: (i) an order from the U.S. Federal Energy Regulatory Commission ("FERC") finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the parties under the Covered Agreements are unjust and unreasonable; or (ii) any refund with respect thereto. Each party agrees not to make or support such a filing or request, and that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter. Absent the agreement of all parties to the proposed change, the standard of review for changes to any section of the Covered Agreements proposed by a party (to the extent that any waiver as set forth in this Section (f)(vii) is unenforceable or ineffective as to such party), a non-party or FERC acting sua sponte, shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and clarified by Morgan Stanley Capital Group Inc. v. Pub. Util. Dist. No. 1 of Snohomish County, 128 S. Ct. 2733 (2008) (the "Mobile-Sierra" doctrine)."

(ii) ***Force Majeure.***

(A) Clause (h)(iii)(A) is deleted in its entirety and replaced with the following:

"(A) the loss, interruption or curtailment of interruptible or secondary Firm transportation, on any transporter necessary to effect receipt or delivery of Gas hereunder unless primary, in-path, Firm transportation is also lost, interrupted or curtailed, and then only to the extent of such loss, interruption or curtailment on the affected pipeline segment;"

(B) Clause (h)(iii) is amended by adding the following to the end of the first sentence:

"(F) increases or decreases in natural gas supply due to allocation or reallocation of production by producers, well operators, or other parties controlling production or well operation (except for an allocation or reallocation of production pursuant to a governmental order); or

(G) failure of specific, individual wells or appurtenant facilities in the absence of a force majeure event broadly affecting other wells in the same geographic area.".

(C) Clause (h)(v) is amended by adding the following as a new third sentence:

"The party receiving such written notice of Force Majeure shall have until the end of five Business Days to notify the party claiming Force Majeure that it objects to or disputes the existence of an event of Force Majeure."

Clause (h)(v) is further amended by deleting the words "Upon providing written notice of Force Majeure to the other party" and replacing them with the words:

"If the party receiving notice of Force Majeure has not provided the party claiming Force Majeure with a notice of objection or dispute by the end of the fifth Business Day following receipt of written notice of Force Majeure".

(iii) Gas Annex clause (g)(ii) shall be amended by inserting the following after the first sentence:

"Party B warrants that if its obligations to Party A under a Gas Transaction are Firm, if Party B at any time is unable for any reason, including a Force Majeure occurrence, to satisfy fully its obligations to Party A under such Transaction, Seller will use supplies of gas available to it on Transporter to satisfy its obligations to Party A under this

Contract before applying such supplies to the satisfaction of obligations that are not Firm or that arise under an EFP at the Delivery Point.”

- (iv) Gas Annex clause (j)(ii) shall be amended by inserting the following at the end thereof:

“Notwithstanding the foregoing, in the event of a failure to deliver or receive Gas under a Firm Transaction for five (5) consecutive days or eight (8) cumulative days during any sixty (60) day period where such failure is not excused by the non-performance of the other party or a Force Majeure event, such failure to deliver or receive shall, in addition to the remedy in clause (b)(ii) of the Gas Annex to the Schedule be treated as an Event of Default.”

- (v) Gas Annex clause (j) shall be amended by inserting the following at the end thereof:

“(iv) *Section 6(a)*. With respect to all Gas Transactions, the following is added after the first sentence of Section 6(a): ‘Notwithstanding the foregoing, if such Event of Default is the failure to deliver or receive Gas under a Firm Transaction for five (5) consecutive days or eight (8) cumulative days during any sixty (60) day period where such failure is not excused by the non-performance of the other party or a Force Majeure event, then the Non-defaulting Party may either (i) designate an Early Termination Date in respect of all outstanding Transactions, or (ii) designate an Early Termination Date only in respect of such Transaction.’”

- (d) **Notices for Gas Transactions.** The following information is applicable to Gas Transactions:

PARTY A

Invoices:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Accounting
100 E. Old Country Road
Hicksville, New York 11801

Phone: 516-545-6070
Facsimile: 516-545-5469

Nominations:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Nominations
100 E. Old Country Road
Hicksville, NY 11801

Phone: 516-545-5425

Facsimile: 516-545-5468

Email: gas-scheduling@nationalgrid.com

PARTY B

Invoices:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Manager, Gas Ops
1585 Broadway, 3rd Floor
New York, NY 10036

Phone: 914.225.4386
Facsimile: 914.750.0445

Nominations:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Manager, Gas Ops
1585 Broadway, 3rd Floor
New York, NY 10036

Phone: 914.225.1436 / 1501 (East)
914.225.1611 / 1501 (West)

Facsimile: 212.507.6778 (East)
914.750.1487 (West)

Email: natgas_schedulers@morganstanley.com

Confirmations:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Confirmations
100 E. Old Country Road
Hicksville, NY 11801
Phone: 516-545-2467
Facsimile: 516-545-5466
Email: confirmationsEPRM@nationalgrid.com

Option Exercise:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn:
100 E. Old Country Road
Hicksville, NY 11801

Phone: 516-545-5425
Facsimile: 516-545-5468

☒ **Wire Transfer - or - ACH (check one box):**

As set forth in Part 4 of the Schedule unless otherwise set forth below:

[REDACTED]

Other Details:

Confirmations:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Manager, Gas Ops
1585 Broadway, 3rd Floor
New York, NY 10036
Phone: 914.225.4450
Facsimile: 914.750.1493
Email: msnyconfirms.phys.natgas@morganstanley.com

Option Exercise:

As set forth in Part 4 of the Schedule unless otherwise set forth below:

Attn: Manager, Gas Ops
1585 Broadway, 3rd Floor
New York, NY 10036

Phone: 914.225.1501
Facsimile: To be advised

☒ **Wire Transfer - or - ACH (check one box):**

As set forth in Part 4 of the Schedule unless otherwise set forth below:

[REDACTED]

3. **Negative Interest Protocol.** The following new Paragraph 13(h)(iv) is added to the Credit Support Annex:

"Incorporation of ISDA 2014 Collateral Agreement Negative Interest Protocol. The parties to this Annex agree that the amendments set out in the Attachment to the ISDA 2014 Collateral Agreement Negative Interest Protocol published by the ISDA on May 12, 2014 and available on the ISDA website (www.isda.org) (the "Protocol") shall apply to this Annex. The parties further agree that this Annex will be deemed to be a Protocol Covered Collateral Agreement and that the Implementation Date will be the effective date of this Annex notwithstanding the definitions of such terms in the Protocol."

4. **Demands and Notices.** The address for Party B in Paragraph 13(l) of the Credit Support Annex is hereby deleted in its entirety and replaced with the following address:

"Morgan Stanley Capital Group Inc.
1 New York Plaza, 40th Floor
New York, NY 10004
Attention: Collateral Department
Tel: 212-276-7155
Email: nycoll1@morganstanley.com"

5. Each party represents to the other party that all of the representations set forth in Section 3(a) of the Agreement are true and correct as of the date of this Amendment and further represents as of the date hereof that this



Amendment and the changes contemplated hereby will not, in and of itself, adversely affect any obligations owed, whether by it or any third party, under any Credit Support Document

6. Except as modified by this Amendment, all terms and conditions of the ISDA Agreement shall remain in full force and effect. All capitalized terms used but not defined in this Amendment shall have the meaning specified in this ISDA Agreement.

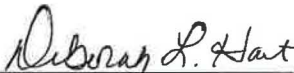
7. This Amendment constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine, and may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as the day and year first above written.

**NIAGARA MOHAWK POWER CORPORATION d/b/a
NATIONAL GRID**

By:  
Name: _____
Title: John V. Vaughn
Date: Authorized Signatory

MORGAN STANLEY CAPITAL GROUP INC.

By: 
Name: Deborah L. Hart
Title: Vice President
Date: _____