

INDEPENDENT SYSTEM OPERATOR

AGREEMENT

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ISO AGREEMENT

AGREEMENT made as of the day of , 1999, by and among CENTRAL HUDSON GAS & ELECTRIC CORPORATION (“Central Hudson”), CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. (“Con Edison”), NEW YORK STATE ELECTRIC & GAS CORPORATION (“NYSEG”), NIAGARA MOHAWK POWER CORPORATION (“NMPC”), ORANGE AND ROCKLAND UTILITIES, INC. (“O&R”) and ROCHESTER GAS AND ELECTRIC CORPORATION (“RG&E”), all corporations organized under the laws of the State of New York, and POWER AUTHORITY OF THE STATE OF NEW YORK (“NYPA”) and LIPA¹, corporate municipal instrumentalities of the State of New York (collectively the “Incorporating Parties”);

W I T N E S S E T H:

WHEREAS, the Incorporating Parties, other than NYPA, established the New York Power Pool (“NYPP”) by agreement made as of the 21st day of July, 1966, and NYPA subsequently joined the NYPP on October 11, 1967; and

WHEREAS, the Incorporating Parties are the current Member Systems of the NYPP under an Agreement made as of the 16th day of July, 1991 (“NYPP Agreement”); and

WHEREAS, on December 30, 1996, the Incorporating Parties filed a proposed amendment to the NYPP Agreement with the Commission to comply with Order Nos. 888 et seq.; and

¹ LIPA is a subsidiary of the Long Island Power Authority, a corporate municipal instrumentality of the State of New York.

WHEREAS, the Incorporating Parties have invested in and operate the interconnected NYS Power System and intend that their customers and shareholders, as the case may be, reasonably benefit from its use; and

WHEREAS, the Incorporating Parties believe and expect that through their initiatives, as well as those of Federal and State regulatory bodies, competition in the Wholesale Market will be enhanced in New York State; and

WHEREAS, the Incorporating Parties desire to maintain the reliable operation of their electric systems and to provide a more efficient means whereby all interested parties can participate in the competitive Wholesale Market in New York; and

WHEREAS, the Incorporating Parties have established and staffed facilities necessary to monitor the NYS Power System facility located near Albany, New York (“Control Center”), for the principal purposes of:

- (1) coordinating the operations of the Incorporating Parties insofar as they may affect the reliability of the NYS Power System;
 - (2) dispatching Energy requirements on an economic basis; and
 - (3) monitoring the internal and external operations of the NYS Power System to ensure the unimpaired overall security of bulk power supply at all times;
- and

WHEREAS, the Incorporating Parties desire to create a New York Independent System Operator (“ISO”) and the Incorporating Parties agree that the principal mission of the ISO shall be:

- (1) to maintain the safety and short-term reliability of the NYS Power System in

conformance with Reliability Rules promulgated by the New York State Reliability Council (“NYSRC”) so as to maintain the integrity and reliability of the interconnected NYS Power System;

- (2) to maintain the internal and external operations of the NYS Power System which may have an impact on the security of the interconnected NYS Power System in accordance with the terms of the ISO Agreement; and
 - (3) to comply with the Commission’s ISO principles as stated in Order Nos. 888 et seq.;
- and

WHEREAS, the Incorporating Parties agree that the ISO shall:

- (1) provide open access to the NYS Transmission System;
- (2) provide non-discriminatory treatment for all Market Participants; and
- (3) provide for meaningful involvement by Market Participants in the oversight of the NYS Transmission System in accordance with the provisions of this ISO Agreement.

WHEREAS, the Incorporating Parties have contemporaneously created a NYSRC, with the principal mission of establishing and maintaining Reliability Rules, protocols, and standards for use by the ISO; and

WHEREAS, the Incorporating Parties agree that a competitive Wholesale Market can be operated in a reliable and efficient fashion most effectively by the ISO, the Power Exchanges, and other Market Participants; and

WHEREAS, nothing in the ISO Agreement is intended to inhibit or prevent the further development of a competitive retail electric market; and

WHEREAS, the Incorporating Parties agree that the ISO should establish and operate an Open Access Same-Time Information System (“OASIS”);

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein set forth, the Incorporating Parties do hereby agree with each other, for themselves and for their successors and assigns, to create and operate the ISO in accordance herewith.

ARTICLE 1: DEFINITIONS

Terms used in this Agreement will have the meaning set forth in this Article.

1.1 Affiliate.

With respect to a person or entity, any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust or unincorporated organization, directly or indirectly controlling, controlled by, or under common control with, such person or entity. The term “Control” shall have the meaning set forth in this Article.

1.2 Ancillary Services.

Services necessary to support the transmission of Energy from Generators to Loads, while maintaining reliable operation of the NYS Power System in accordance with Good Utility Practice and Reliability Rules. Ancillary Services include Scheduling, System Control and Dispatch Service; Reactive Supply and Voltage Support Services (or “Voltage Support Service”); Regulation and Frequency Response Service (or “Regulation Service”); Energy Imbalance Service; Operating Reserve Service; and Black Start Capability.

1.3 Annual Transmission Revenue Requirement.

The total annual cost for each Transmission Owner (other than LIPA) to provide transmission service subject to review and acceptance by the Commission.

1.4 At-Large Member.

An entity that is entitled to hold a seat on a Committee as the representative of more than one party or entity.

1.5 Automatic Generation Control (“AGC”).

The automatic regulation of the power output of electric Generators within a prescribed range in response to a change in system frequency, or tie-line loading, to maintain system frequency or scheduled interchange with other areas within predetermined limits.

1.6 Bid.

Offer to purchase and/or sell Energy, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.

1.7 Bid Price.

The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

1.8 Bilateral Transaction.

A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the ISO Administered Markets.

1.9 Capability Period.

Six (6) month periods which are established as follows: (1) from May 1 through October 31 of each year (“Summer Capability Period”); and (2) from November 1 of each year through April 30 of the following year (“Winter Capability Period”); or such other periods as may be determined by the Operating Committee of the ISO. A Summer Capability Period followed by a Winter Capability Period shall be referred to as a “Capability Year.” Each Capability Period shall consist of On-Peak and Off-Peak periods.

1.10 Capacity.

The capability to generate or transmit electrical power, measured in megawatts (“MW”).

1.11 Code of Conduct.

The rules, procedures and restrictions concerning the conduct of ISO Directors and employees contained in Attachment F to the ISO Open Access Transmission Tariff.

1.12 Commission (“FERC”).

The Federal Energy Regulatory Commission, or any successor agency.

1.13 Committee.

The Management Committee, the Business Issues Committee or the Operating Committee of the ISO, as the context may require.

1.14 Completed Application.

An Application that satisfies all of the information and other requirements of an ISO Tariff.

1.15 Confidential Information.

Information and/or data that has been designated by an entity taking service under an ISO

Tariff to be proprietary and confidential, provided that such designation is consistent with ISO Procedures and the applicable ISO Tariff, including the ISO Code of Conduct.

1.16 Congestion.

A characteristic of the transmission system produced by a constraint on the optimum economic operation of the power system, such that the marginal price of Energy to serve the next increment of Load, exclusive of losses, at different locations on the transmission system is unequal.

1.17 Congestion Rent.

The opportunity costs of transmission Constraints on the NYS Transmission System. Congestion Rents are collected by the ISO from Loads through its facilitation of the LBMP Market Transactions and the collection of Transmission Usage Charges from Bilateral Transactions, and paid to Primary Holders.

1.18 Control.

The possession, directly or indirectly, of the power to direct the management or policies of a person or an entity. A voting interest of ten percent or more shall create a rebuttable presumption of control. There is a rebuttable presumption that an entity controls another entity if, either directly or indirectly: (i) an entity has ten percent or more of the ownership interest of another entity; or (ii) an entity has the ability to exercise ten percent or more of the voting interests of another entity, including an organization, association or group of entities authorized to serve as an At-Large Member of a Committee or to appoint an At-Large Member of a Committee.

1.19 Control Area.

An electric power system or combination of electric power systems to which a common

automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the Generators within the electric power system(s), and capacity and energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.20 Control Area Services.

Services provided by the ISO under the ISO Services Tariff related to the ISO's responsibilities as the Control Area operator for the NYCA.

1.21 Curtailment or Curtail.

A reduction in Firm or Non-Firm Transmission Service in response to a transmission capacity shortage as a result of system reliability conditions.

1.22 Customer.

An entity taking services under the ISO Services Tariff.

1.23 Day-Ahead.

Nominally, the twenty-four (24) hour period directly preceding the Dispatch Day, except when this period may be extended by the ISO to accommodate weekends and holidays.

1.24 Day-Ahead Market.

The ISO Administered Market in which Capacity, Energy and/or Ancillary Services are scheduled and sold Day-Ahead consisting of the Day-Ahead scheduling process, price calculations

and Settlements.

1.25 Direct Sale.

The sale of TCCs directly to a buyer by the Primary Owner through a non-discriminatory auditable sale conducted on the ISO's OASIS, in compliance with the requirements and restrictions set forth in Commission Order Nos. 888 et seq. and 889 et seq.

1.26 Dispatch Day.

The twenty-four (24) hour period commencing at the beginning of each day (0000 hour).

1.27 Dispute Resolution Administrator ("DRA").

An individual hired by the ISO to administer the Dispute Resolution Process established in the ISO Tariffs and ISO Agreement.

1.28 Dispute Resolution Process ("DRP").

The procedures: (1) described in the ISO Tariffs and ISO Agreement that are used to resolve disputes between Market Participants and the ISO involving services provided under the ISO Tariffs (excluding applications for rate changes or other changes to the ISO Tariffs or rules relating to such services); and (2) described in the ISO/NYSRC Agreement that are used to resolve disputes between the ISO and NYSRC involving the implementation and/or application of the Reliability Rules.

1.29 Emergency.

Any abnormal system condition that requires immediate automatic or manual action to prevent or limit loss of transmission facilities or Generators that could adversely affect the reliability of an electric system.

1.30 Energy (“MWh”).

A quantity of electricity that is bid, produced, purchased, consumed, sold, or transmitted over a period of time, and measured or calculated in megawatt hours.

1.31 Energy Service Company (“ESCO”).

A load serving entity, a retail load aggregator or a provider of comprehensive energy services or a formal group of such entities, serving customers in New York State.

1.32 Environmental Party.

An environmental organization that is certified by the ISO Board as a non-Market Participant and is a Party to the ISO Agreement.

1.33 Existing Transmission Agreement (“ETA”).

An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, that was executed and was in effect on the date that the ISO commenced operations, including amendments and superseding issues thereof (including service agreements) under individual Transmission Owners open access tariffs (provided that the Points of Injection (“POI”) and Points of Withdrawal (“POW”) and contract amounts do not change). Existing Transmission Agreements are either Transmission Wheeling Agreements or Transmission Facility Agreements, and are listed in the ISO OATT.

1.34 External Transactions.

Purchases, sales or exchanges of Energy, Capacity or Ancillary Services for which either the Point of Injection (“POI”) or Point of Withdrawal (“POW”) or both are located outside the NYCA (i.e. Exports, Imports or Wheels Through).

1.35 Federal Power Act (“FPA”).

The Federal Power Act, as may be amended from time-to-time (See, 16. U.S.C. §§ 796 et seq.).

1.36 Generator.

A facility capable of supplying Energy, Capacity and/or Ancillary Services that is accessible to the NYCA or the Energy, Capacity and/or Ancillary Services from such facilities.

1.37 Good Utility Practice.

Any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region.

1.38 Government Bonds.

Tax-exempt bonds issued by the New York Power Authority pursuant to Section 103 and related provisions of the Internal Revenue Code, 26 U.S.C. § 103.

1.39 Independent System Operator (“ISO”).

The New York Independent System Operator, Inc., a not-for-profit corporation established pursuant to the ISO Agreement.

1.40 Independent System Operator Agreement (“ISO Agreement”).

The agreement that establishes the New York ISO.

1.41 Independent System Operator/New York State Reliability Council Agreement (“ISO/NYSRC Agreement”).

The agreement between the ISO and the NYSRC governing the relationship between the two organizations.

1.42 Independent System Operator/Transmission Owner Agreement (“ISO/TO Agreement”).

The agreement that establishes the terms and conditions under which the Transmission Owners transferred to the ISO Operational Control over designated transmission facilities.

1.43 Industry Sector Group or Industry Sector Groups.

As the context may require, individually or collectively, Transmission Owners, Wholesale Parties (including Wholesale Marketers and Generators) and Retail Parties (including ESCOs, Retail Marketers, large end users, municipal and cooperative systems, representatives of residential and small commercial consumers and representatives of industrial and large commercial consumers).

1.44 Installed Capacity.

A Generator or Load facility that complies with the requirements in the Reliability Rules and is capable of supplying and/or reducing the demand for Energy in the NYCA for the purpose of ensuring that sufficient Energy and Capacity are available to meet the Reliability Rules. The Installed Capacity requirement, established by the NYSRC, includes a margin of reserve in accordance with the Reliability Rules.

1.45 Interconnection or Interconnection Points (“IP”).

The point(s) at which the NYCA connects with a distribution system or adjacent Control Area. The IP may be a single tie line or several tie lines that are operated in parallel.

1.46 Interface.

A defined set of transmission facilities that separate Load Zones and that separate the NYCA from adjacent Control Areas.

1.47 Investor-Owned Transmission Owners.

At the present time these include: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

1.48 ISO Administered Markets.

The Day-Ahead Market and the Real-Time Market (collectively the LBMP Markets) and any other market administered by the ISO.

1.49 ISO OATT.

The ISO Open Access Transmission Tariff.

1.50 ISO Procedures.

The procedures adopted by the ISO in order to fulfill its responsibilities under the ISO OATT, the ISO Services Tariff and the ISO Related Agreement, and consistent with the Reliability Rules.

1.51 ISO Related Agreements.

Collectively, the ISO Agreement, the ISO/TO Agreement, the NYSRC Agreement and the

ISO/NYSRC Agreement.

1.52 ISO Services Tariff.

The ISO Market Administration and Control Area Services Tariff.

1.53 ISO Tariffs.

The ISO OATT and the ISO Services Tariff, collectively.

1.54 LBMP Markets.

A term that collectively refers to both the Real-Time Market and the Day-Ahead Market.

1.55 LBMP Transition Period Payments (“LTPP”).

Fixed monthly payments, as detailed in Attachment K of the ISO OATT, made between or among the Investor-Owned Transmission Owners to mitigate transmission cost-shifting as the competitive market is introduced for Energy and transmission pricing.

1.56 LIPA Tax-Exempt Bonds.

Obligations of the Long Island Power Authority, the interest on which is not included in gross income under the Internal Revenue Code.

1.57 Load.

A term that refers to either a consumer of Energy or the amount of demand (MW) or Energy (MWh) consumed by certain customers.

1.58 Load Serving Entity (“LSE”).

Any entity, including a municipal electric system and an electric cooperative, authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers located within the NYCA,

including an entity that takes service from the ISO to supply its own Load within the NYCA.

1.59 Load Shedding.

The systematic reduction of system demand by temporarily decreasing Load in response to a transmission system or area Capacity shortage, system instability, or voltage control considerations under the ISO OATT.

1.60 Local Furnishing Bonds.

Tax-exempt bonds issued by a Transmissions Owner under an agreement between the Transmission Owner and the New York State Research and Development Authority (“NYSERDA”), or its successor, or by a Transmission Owner itself, and pursuant to Section 142(f) of the Internal Revenue Code, 26 U.S.C. § 142(f).

1.61 Locality.

A single LBMP Load Zone or set of adjacent LBMP Load Zones within one Transmission District within which a minimum level of Installed Capacity must be maintained.

1.62 Local Reliability Rule.

A Reliability Rule established by a Transmission Owner, and adopted by the NYSRC to meet specific reliability concerns in limited areas of the NYCA, including without limitation, special conditions and requirements applicable to nuclear plants and special requirements applicable to the New York City metropolitan area.

1.63 Locational Based Marginal Pricing (“LBMP”).

A pricing methodology under which the price of Energy at each location in the NYS Transmission System is equivalent to the cost to supply the next increment of Load at that location

(i.e., the short-run marginal cost). The short-run marginal cost takes generation Bid Prices and the physical aspects of the NYS Transmission System into account. The short-run marginal cost also considers the impact of Out-of-Merit Generation (as measured by its Bid Price) resulting from the Congestion and Marginal Losses occurring on the NYS Transmission System which are associated with supplying an increment of Load. The term LBMP also means the price of Energy bought or sold in the LBMP Markets at a specific location.

1.64 Locational Installed Capacity Requirement.

A determination by the ISO of that portion of the state-wide Installed Capacity requirement that must be electrically located within a Locality in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

1.65 Marginal Losses.

The NYS Transmission System Real Power Losses associated with each additional MWh of consumption by Load, or each additional MWh transmitted under a Bilateral Transaction as measured at the Points of Withdrawal.

1.66 Market Participant.

An entity, excluding the ISO, that produces, transmits, sells and/or purchases for resale Capacity, Energy or Ancillary Services in the Wholesale Market. Market Participants include: Transmission Customers under the ISO OATT, Customers under the ISO Services Tariff, Power Exchanges, Transmission Owners, Primary Holders, LSEs, Suppliers and their designated agents. Market Participants also include entities buying or selling TCCs.

1.67 Market Power Monitoring Program.

The program approved by the Commission and implemented by the ISO that is intended to review and analyze data with respect to the possible exercise of market power in an ISO Administered Market.

1.68 Market Services.

Services provided by the ISO under the ISO Services Tariff related to the ISO Administered Markets for Energy, Capacity and Ancillary Services.

1.69 Member.

The individual that is entitled to hold a seat on an ISO Committee as a representative of a Party or Parties or the representative of an entity authorized to hold a seat on a Committee under the terms of this Agreement.

1.70 Member Systems.

The eight Transmission Owners that comprise the membership of the New York Power Pool.

1.71 Modified Wheeling Agreement (“MWA”).

A Transmission Agreement in existence, as amended, between Transmission Owners, that is associated with existing Generators or power supply contracts, that will be modified effective upon LBMP implementation. The terms and conditions of the MWA will remain the same as the original agreement, except as noted in the ISO OATT.

1.72 NERC.

The North American Electric Reliability Council.

1.73 New York Control Area (“NYCA”).

The Control Area that is under the control of the ISO which includes transmission facilities listed in the ISO/TO Agreement Appendices A-1 and A-2, as amended from time-to-time, and Generation located outside the NYS Power System that is subject to protocols (e.g., telemetry signal biasing) which allow the ISO and other Control Area operator(s) to treat some or all of that Generation as though it were part of the NYS Power System.

1.74 New York Power Pool (“NYPP”)

An organization established by agreement (the “New York Power Pool Agreement”) made as of July 21, 1996, and amended as of July 16, 1991, by and among Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Lighting Company, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and the Power Authority of the State of New York. LIPA became a Member of the NYPP on May 28, 1998 as a result of the acquisition of the Long Island Lighting Company by the Long Island Power Authority.

1.75 New York State Reliability Council (“NYSRC”).

An organization established by agreement among the Member Systems to promote and maintain the reliability of the NYS Power System (“NYSRC Agreement”).

1.76 Normal State.

The condition that the NYS Power System is in when the Transmission Facilities Under ISO Operational Control are operated within the parameters listed for Normal State in the Reliability Rules. These parameters include, but are not limited to, thermal, voltage, stability, frequency,

operating reserve and Pool Control Error limitations.

1.77 NPCC.

The Northeast Power Coordinating Council.

1.78 NRC.

The Nuclear Regulatory Commission, or any successor thereto.

1.79 NYPA

The Power Authority of the State of New York.

1.80 NYPA Transmission Adjustment Charges (“NTAC”).

A surcharge on all Energy Transactions designed to recover the Annual Transmission Revenue Requirement of NYPA which cannot be recovered through its TSC, TCCs, or other transmission revenues, including, but not limited to, its ETA revenues. This charge will be assessed to all Load state-wide, as well as Transmission Customers in Wheels Through and Exports.

1.81 NYS Power System.

All facilities of the NYS Transmission System, and all those Generators located within the NYCA or outside the NYCA, some of which may be from time-to-time subject to operational control by the ISO.

1.82 NYS Transmission System.

The entire New York State electric transmission system, which includes: (1) the Transmission Facilities Under ISO Operational Control; (2) the Transmission Facilities Requiring ISO Notification; and (3) all remaining transmission facilities within the NYCA.

1.83 Off-Peak.

The hours between 11 p.m. and 7:00 a.m., prevailing Eastern Time, Monday through Friday, and all day Saturday and Sunday, and NERC-defined holidays, or as otherwise decided by the ISO.

1.84 On-Peak.

The hours between 7 a.m. and 11 p.m. inclusive, prevailing Eastern Time, Monday through Friday, except for NERC-defined holidays, or as otherwise decided by the ISO.

1.85 Open Access Same-Time Information System (“OASIS”).

The information system and standards of conduct contained in Part 37 of the Commission’s regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

1.86 Operating Capacity.

Capacity that is readily converted to Energy and is measured in MW.

1.87 Operating Reserves.

General Capacity that is available to supply Energy, or Interruptible Load Resources that are available to Curtail Energy usage, in the event of contingency conditions which meet the requirements of the ISO. Operating Reserves include spinning reserve, ten-minute non-synchronized reserves, and thirty-minute reserves.

1.88 Operational Control

Directing the operation of the Transmission Facilities Under ISO Operational Control to maintain these facilities in a reliable state, as defined by the Reliability Rules. The ISO shall approve operational decisions concerning these facilities, made by each Transmission Owner before the

Transmission Owner implements those decisions. In accordance with ISO Procedures, the ISO shall direct each Transmission Owner to take certain actions to restore the system to the Normal State. Operational Control includes security monitoring, adjustment of generation and transmission resources, coordination and approval of changes in transmission status for maintenance, determination of changes in transmission status for reliability, coordination with other Control Areas, voltage reductions and Load Shedding, except that each Transmission Owner continues to physically operate and maintain its facilities.

1.89 Order Nos. 888 et seq.

The Final Rule entitled Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, issued by the Commission on April 24, 1996, in Docket Nos. RM95-8-000 and RM94-7-001, as modified on rehearing, or upon appeal. (See FERC Stats. & Regs. [Regs. Preambles January 1991- June 1996] ¶ 31,036 (1996) (“Order No. 888”), on reh’g, III FERC Stats. & Regs. ¶ 31,048 (1997) (“Order No. 888-A”), on reh’g, 81 FERC ¶ 61,248 (1997) (“Order No. 888-B”), order on reh’g, 82 FERC ¶ 61,046 (1998) (“Order No. 888-C”) (“Order No. 888-C”).

1.90 Order Nos. 889 et seq.

The Final Rule entitled Open Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct, issued by the Commission on April 24, 1996, in Docket No. RM95-9-000, as modified on rehearing, or upon appeal. (See FERC Stats. & Regs. [Regs. Preambles 1991-1996] ¶ 31,035 (1996) (“Order No. 889”), on reh’g, III FERC Stats. & Regs. ¶ 31,049 (1997) (“Order No. 889-A”), on reh’g, 81 FERC ¶ 61,253 (1997) (“Order No. 889-B”).

1.91 Out-of-Merit Generation.

Generators producing at a different level of output than they would produce in a dispatch to meet Load which was not security constrained. Out-of-Merit Generation occurs to maintain system reliability or to provide Ancillary Services.

1.92 Party.

The signatories to the respective agreements.

1.93 Point(s) of Injection (“POI” or “Point of Receipt”).

The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the ISO by the delivering party under the ISO OATT or the ISO Services Tariff. The Point(s) of Injection shall be specified in the Service Agreement.

1.94 Point(s) of Withdrawal (“POW” or “Point of Delivery”).

The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the receiving party under the ISO OATT or the ISO Services Tariff. The Point(s) of Withdrawal shall be specified in the Service Agreement.

1.95 Pool Control Error (“PCE”).

The difference between the actual and scheduled interchange with other Control Areas, adjusted for frequency bias.

1.96 Power Exchange (“PE”).

A commercial entity meeting the requirements for service under the ISO OATT or the ISO Services Tariff that facilitates the purchase and/or sale of Energy, Capacity and/or Ancillary Services in a New York Wholesale Market. A PE may transact with the ISO on its own behalf or as an agent

for others.

1.97 Power Flow.

A simulation which determines the Energy flows on the NYS Transmission System and adjacent transmission systems.

1.98 Primary Holder.

A Primary Holder of each TCC is the Primary Owner of that TCC or the party that purchased that TCC at the close of the centralized TCC auction. With respect to each TCC, a Primary Holder must be: (1) a Transmission Customer that has purchased the TCC in the centralized TCC auction, and that has not resold it in that same auction; (2) a Transmission Customer that has purchased the TCC in a Direct Sale and has not resold it through an auction or through a Direct Sale with another Transmission Customer; (3) the Primary Owner who has retained the TCC and did not sell it through the auction; or (4) the Primary Owners of the TCC that allocated the TCC to certain Transmission Customers or sold it in the Secondary Market or sold through a Direct Sale to an entity other than a Transmission Customer. The ISO shall settle Congestion Rents with the Primary Holder of each TCC.

1.99 Primary Owner.

The Primary Owner of each TCC is the Transmission Owner or other party that has acquired the TCC through conversion of rights under an existing Transmission Agreement or the Transmission Owner that acquired the TCC through the ISO's allocation of residual TCCs, in accordance with the provisions of the ISO OATT.

1.100 PSC.

The Public Service Commission of the State of New York or any successor agency thereto.

1.101 Real-Time Market.

The ISO Administered Market resulting from the operation of the Security Constrained Dispatch (“SCD”).

1.102 Reliability Rules.

Those rules, standards, procedures and protocols developed and promulgated by the NYSRC, including Load Reliability Rules, in accordance with NERC, NPCC, FERC, PSC and NRC standards, rules and regulations and other criteria, and pursuant to the NYSRC Agreement.

1.103 Retail Marketer.

A Party that buys electricity at wholesale and sells at retail.

1.104 Safe Operations.

Actions that avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.

1.105 Security Constrained Dispatch (“SCD”).

The allocation of Load to Generators by the ISO through the operation of a computer algorithm which continuously calculates individual Generator loading at minimum Bid cost, balancing Load and scheduled interchange with Generation while meeting all Reliability Rules and Generator performance Constraints consistent with the terms of the ISO Services Tariff.

1.106 Service Agreement.

The agreement, in the form of Attachment A to the ISO OATT or the ISO Services Tariff, and any amendments or supplements thereto entered into by a Transmission Customer and the ISO for Transmission Service under the ISO OATT or between the ISO and a Customer for services under the ISO Services Tariff or any unexecuted Service Agreement, amendments or supplements thereto, that the ISO unilaterally files with the Commission.

1.107 Settlement.

The process of determining the charges to be paid to, or by, a Transmission Customer or a Customer to satisfy its obligations.

1.108 Strandable Costs.

Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or transmission service suppliers.

1.109 Stranded Investment Recovery Charge.

A charge established by a Transmission Owner to recover Strandable Costs.

1.110 Supplemental Resource Evaluation ("SRE").

A determination of the least cost selection of additional generators, which are to be committed, to meet changed conditions that may cause the original system dispatch to be inadequate to meet load and/or reliability requirements.

1.111 Supplier.

A Party that is supplying the Capacity, Energy and/or associated Ancillary Services to be made available under the ISO OATT or the ISO Services Tariff, including Generators and Demand Side Resources that satisfy all applicable ISO requirements.

1.112 TCC Market Clearing Price.

The market clearing price for TCCs awarded in the centralized TCC auction is the price at which all TCCs between specific POIs and POWs in a specific stage of the auction are sold for the duration of the centralized TCC auction period.

1.113 Third Party Transmission Wheeling Agreements (“Third Party TWAs”).

A Transmission Wheeling Agreement, as amended, between Transmission Owner or between a Transmission Owner and an entity that is not a Transmission Owner associated with the purchase (or sale) of Energy, Capacity, and/or Ancillary Services for the benefit of an entity that is not a Transmission Owner. These agreements are listed in Attachment L, Table 1.

1.114 Transfer Capability.

The measure of the ability of interconnected electrical system to reliably move or transfer power from one area to another over all transmission facilities (or paths) between those areas under specified system conditions.

1.115 Transmission Congestion Contract (“TCC”).

The right to collect or obligation to pay Congestion Rents associated with a single MW of transmission between a specified POI and POW. TCCs are financial instruments that enable Energy buyers and sellers to hedge fluctuations in the price of transmission.

1.116 Transmission Customer.

Any entity (or its designated agent) that receives Transmission Service pursuant to a Service Agreement and the terms of the ISO OATT.

1.117 Transmission District.

The geographic area served by the Investor-Owned Transmission Owner and LIPA, as well as the customers directly interconnected with the transmission facilities of the Power Authority of the State of New York.

1.118 Transmission Facilities Under ISO Operation Control.

The transmission facilities of the Transmission Owners listed in Appendix A-1 of the ISO/TO Agreement, (“Listing of Transmission Facilities Under ISO Operational Control”), that are subject to the Operational Control of the ISO. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.

1.119 Transmission Facilities Requiring ISO Notification.

The transmission facilities of the Transmission Owners listed in Appendix A-2 of the ISO/TO Agreement, “Listing of Transmission Facilities Requiring ISO Notification,” whose status of operation must be provided to the ISO by the Transmission Owners (for the purposes stated in the ISO Tariffs, and in accordance with, the ISO Tariffs and ISO/TO Agreement) prior to the Transmission Owners making operational changes to the state of these facilities. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.

1.120 Transmission Facility Agreement.

The agreements listed in Attachment L, Table 2 of the ISO Tariff governing the use of specific

or designated transmission facilities pursuant to which the provider or owner of said transmission facilities charges all, or a portion, of the costs to install, own, operate, or maintain said transmission facilities, to the customer under the agreement. These agreements may or may not have provisions to provide Transmission Service utilizing said transmission facilities.

1.121 Transmission Owner.

An entity that owns, controls and operates facilities in New York State used for the transmission of Energy in interstate commerce. A Transmission Owner must own, individually or jointly, at least 100 circuit miles of 115 kV or above in New York State and has become a signatory to the ISO/TO Agreement.

1.122 Transmission Service.

Point-To-Point Network Integration or Retail Access Transmission Service provided under the ISO OATT.

1.123 Transmission Service Charge (“TSC”).

A charge under the ISO OATT designed to ensure recovery of the embedded cost of a Transmission Owner’s transmission system.

1.124 Transmission System.

The facilities operated by the ISO that are used to provide Transmission Services under the ISO OATT.

1.125 Transmission Usage Charge (“TUC”).

Payments made by the Transmission Customer to cover the cost of Marginal Losses and, during periods of time when the transmission system is constrained, the marginal cost of Congestion. The

TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in \$/MWh); and (2) the scheduled or delivered Energy (in MWh).

1.126 Transmission Wheeling Agreement (“TWA”).

The agreements listed in Table 1 of Attachment L to the ISO OATT governing the use of specific or designated transmission facilities that are owned, controlled or operated by an entity for the transmission of electric Energy in interstate commerce.

1.127 Wholesale Market.

The sum of purchases and sales of Energy and Capacity for resale along with Ancillary Services needed to maintain reliability and power quality at the transmission level coordinated together through the ISO and Power Exchanges. A Party who purchases Energy, Capacity or Ancillary Services in the Wholesale Market to serve its own Load is considered to be a participant in the Wholesale Market.

1.128 Wholesale Marketer.

A Party that buys and sells electricity at wholesale.

ARTICLE 2: SCOPE AND PARTIES

2.01 Scope.

The Incorporating Parties agree to create a New York State non-share, not-for-profit corporation known as the New York Independent System Operator, Inc. (“ISO”).

The ISO shall maintain the reliable, safe, and efficient operation of the NYS Power System (including adjustment of generation, and coordination of maintenance and outage schedules of certain

Generators and transmission facilities), and the administration of the ISO Open Access Transmission Tariff (the “ISO OATT”) and the ISO Market Administration and Control Area Services Tariff (the “ISO Services Tariff”), in accordance with the Reliability Rules and the terms of the ISO Related Agreements.

The ISO will have Operational Control over those facilities listed in Appendix A-1 of the ISO/TO Agreement, in accordance with the terms of the ISO/TO Agreement. The Facilities Requiring ISO Notification are listed in Appendix A-2 of the ISO/TO Agreement.

2.02 Parties

All Incorporating Parties and all Market Participants that sign a Service Agreement under the ISO Services Tariff are eligible to become Parties to this Agreement. Any eligible Market Participant may become a Party to this Agreement and participate in the governance of the ISO by signing this Agreement. Non-Market Participants also may become Parties to this Agreement and participate in the governance of the ISO. The ISO Board shall permit the following types of organizations or groups to participate in the governance of the ISO as Non-Market Participants:

Organizations that represent residential and/or small commercial consumers, which shall mean those organizations (including governmental bodies) with experience in electric utility regulatory or electricity-related matters in New York State, that in whole or in part advocate on behalf of New York consumers in residential classes and/or commercial consumers having a peak load of less than two megawatts, and are not an Affiliate of a Transmission Owner, utility, Retail or Wholesale Marketer, Wholesale Party, Retail Party or Environmental Party, regardless of where located.

Environmental Organizations that are non-profit corporations, partnerships, associations or

other non-profit entities having the primary purpose of protecting the environment, with experience in electric utility regulatory or electricity-related matters in New York State, and which are not an Affiliate of a Transmission Owner, utility, Retail or Wholesale Marketer, Wholesale Party, or Retail Party, regardless of where located. An organization meeting the foregoing requirements shall not be excluded from the definition of an Environmental Organization if it also has a purpose of promoting energy conservation or the generation of electricity from renewable resources.

The ISO Board shall certify that a Non-Market Participant organization or group is eligible to be a Party to the ISO Agreement and participate in the ISO's governance. In order to become a Party, an eligible Market Participant or Non-Market Participant must sign the ISO Agreement.

Non-Market Participant: an organization that represents residential and/or small commercial consumers or an Environmental Organization that is certified by the ISO Board pursuant to the provisions of Section 2.02 of the Agreement as eligible to participate in the governance of the ISO.

ARTICLE 3: EFFECTIVE DATE AND TERMINATION

3.01 Term.

This Agreement shall become effective upon the execution of this Agreement by the Incorporating Parties and on the latest of: (i) the date(s) the Commission approves, without condition or material modification: (a) this ISO Agreement; (b) the NYSRC Agreement; (c) the ISO/NYSRC Agreement; (d) the ISO/TO Agreement; (e) the ISO OATT; and (f) the ISO Services Tariff; (ii) the date on which both the Commission and the PSC grant all necessary approvals to the Transmission Owners to transfer operational control of any facilities to the ISO or otherwise dispose of any of their property including, without limitation, any approvals required under Section 70 of the New York

Public Service Law and Section 203 of the Federal Power Act; (iii) September 1, 1999; or (iv) such later date specified by the Commission.

The implementation of the ISO is premised upon the Investor-Owned Transmission Owners and LIPA being provided a reasonable opportunity to recover prudent and verifiable expenditures and commitments made pursuant to their legal obligations.

3.02 Termination and Withdrawal.

After the fifth anniversary of the effective date of this Agreement, this Agreement may be terminated by a unanimous vote of the Incorporating Parties or their successors or assigns. If the Incorporating Parties vote to terminate this Agreement, they will file with the Commission and the PSC an explanation of their action and a proposal for an alternate plan for the safe, reliable and efficient operation of the NYS Transmission System.

Except as otherwise provided in this Section 3.02, any Party may withdraw from this Agreement upon ninety (90) days prior written notice to the ISO Board. In the case of an Investor-Owned Transmission Owner, no further approval by the Commission is needed for such withdrawal from the ISO Agreement, if such Investor-Owned Transmission Owner has on file with the Commission its own open access transmission tariff. Any modification to this Article shall provide any Party with the right to withdraw from the Agreement pursuant to the unmodified provisions of this Article, within ninety (90) days of the effective date of such modification. If the tax-exempt status of LIPA's Tax Exempt Bonds are jeopardized by LIPA's participation in the ISO, LIPA may withdraw from this Agreement upon thirty (30) days prior written notice to the ISO Board; however, LIPA shall provide earlier notice whenever and as soon as it is reasonably practicable to do so. Any

such notice shall contain an explanation in reasonably sufficient detail of the grounds for withdrawal. To the extent reasonably requested by LIPA, the ISO shall treat this explanation as confidential consistent with the ISO's confidentiality procedures.

3.03 Survival.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive such termination or expiration. The surviving provisions shall include, but shall not be limited to: (i) those provisions necessary to permit the orderly conclusion of transactions entered into prior to the decision to terminate this ISO Agreement; (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder; and (iii) the indemnification provisions as applicable to periods prior to such termination or expiration by a Party.

ARTICLE 4: ORGANIZATIONAL STRUCTURE

The ISO will be governed by a ten (10) person unaffiliated Board of Directors, as per Article 5 herein. The day-to-day operation of the ISO will be managed by a President, who will serve as an ex-officio member of the ISO Board, in accordance with Article 5 herein. There shall be a Management Committee as per Article 7 herein, which shall report to the ISO Board, and shall be comprised of all Parties to the Agreement. Voting on the Management Committee will be by a weighted vote as set forth in Article 7. There shall be at least two additional standing committees, the Operating Committee, as provided for in Article 8, and the Business Issues Committee, as provided for in Article 9, both of which shall report to the Management Committee. A Dispute Resolution Process will be established and administered by the ISO Board in accordance with Article

10.

ARTICLE 5: ISO BOARD OF DIRECTORS AND VOTING

5.01 Composition Of The ISO Board And Voting.

The ISO Board shall be comprised of ten (10) members (or “ Directors”), none of whom shall be affiliated with any Market Participant. Attendance or participation by proxy by six (6) Directors shall constitute a quorum. Each Director shall have one vote. An affirmative vote by six (6) Directors shall be required to pass a measure. Voting may be done in person or by proxy. A Director must be a natural person.

A Director shall be deemed “affiliated” with a Market Participant or its Affiliate if:

- a. Such person or his or her spouse or minor children owns, controls, or holds with power to vote, securities of a Market Participant or any of its Affiliates; provided, however, (i) that each newly elected Director shall dispose of such securities in accordance with the terms of the ISO’s Code of Conduct, (ii) if such person or his or her spouse or minor children owns, controls or holds with power to vote such securities as a result of an entity becoming a Market Participant, such person shall dispose of such securities in accordance with the terms of the ISO’s Code of Conduct, and (iii) if such person or his or her spouse or minor children owns, controls or holds with power to vote such securities as a result of a gift, inheritance, distribution of marital property or other involuntary acquisition, such person shall dispose of such securities in accordance with the terms of the ISO’s Code of Conduct;

- b. Such person or his or her spouse or minor children purchases securities of any Market Participant or any Affiliate of any Market Participant while such person is a Director;
- c. Such person is an officer, director, partner or employee of a Market Participant or any of its Affiliates;
- d. Such person (i) is a former executive officer of a Market Participant which Market Participant, together with its Affiliates, has three percent or more of the voting shares on the Management Committee or of any Affiliate of such Market Participant and (ii) is receiving continuing benefits under an existing employee benefit plan, arrangement or policy of such Market Participant or any of its Affiliates, except to the extent permitted under the ISO Code of Conduct; or
- e. Such person has a material ongoing business or professional relationship with a Market Participant or any of its Affiliates; provided, however, that such person shall not be deemed to have a material ongoing business relationship with a Market Participant or any of its Affiliates solely as a result of being served, as a customer, with electricity or gas by such Market Participant or its Affiliates.

The term “securities” used above is defined in the ISO’s Code of Conduct.

5.02 Selection of the Nine Initial Directors

The nine (9) initial members of the ISO Board shall be chosen by a Selection Committee. The Selection Committee will be comprised of eighteen (18) members chosen as follows:

- a. Eight (8) members will be selected by the eight (8) current Member Systems of the

NYPP.

- b. Eight (8) members shall be selected from among interested Parties (the “Non-Utility Parties”). The selection of these eight members will be facilitated by a PSC Administrative Law Judge, with all Non-Utility Parties having an opportunity to participate. The eight members selected by the Non-Utility Parties shall consist of representatives of the following groups: generators (2 members), consumer representatives (2 members), marketers (1 member), municipals systems (1 member), energy services companies (1 member), and public interest groups (1 member).
- c. Two (2) members will be staff members of the New York State Department of Public Service selected by the PSC.

The Selection Committee shall choose the nine (9) initial Directors from a list of approximately one-hundred (100) candidates provided by a professional executive search firm retained by the Selection Committee. The nine (9) initial Directors shall possess a cross-section of skills and experience (such as, for purposes of illustration but not by way of mandate or limitation, FERC electric regulatory affairs, electric utility management, corporate finance, bulk power systems, human resources administration, power pool operations, public policy, consumer advocacy, environmental affairs, business management, law, and information systems) to ensure that the ISO has sufficient relevant knowledge and expertise to perform its obligations under this ISO Agreement. At least three (3) of the Directors shall have prior relevant experience in the electric industry. In addition, to ensure sensitivity to regional concerns, strong preference shall be given to electing members from New York to the extent that qualified candidates are available and such representation

can be accomplished consistent with the ISO's conflict of interest policy and Code of Conduct and so long as it does not violate the requirements that Directors be unaffiliated.

The Selection Committee will develop a process by which it will reduce the pool of qualified candidates to a smaller number, of approximately thirty-five (35) individuals, along with a separate process for the selection of the nine initial Directors from the smaller pool of thirty-five candidates. Approval by sixty-seven (67) percent of the members of the Selection Committee shall be required for appointment of a member of the ISO Board.

5.03 The Selection Process For the President.

The nine (9) initial Directors shall select a President of the ISO that shall also serve, ex-officio, as the tenth member of the Board. The nine (9) initial Directors shall hire a search firm to develop a pool of no fewer than ten (10) qualified candidates for the position of President. After interviewing all the candidates, the nine (9) initial Directors may request that the search firm provide them with additional candidates, if necessary. The method of narrowing the candidate pool and selecting the President shall be left to the nine (9) initial Directors. Prior to the selection of the President, the ISO Board shall submit the names of the candidates under consideration to the Selection Committee for its evaluation. The President shall have extensive experience and knowledge in the field of electric power systems. In considering candidates for President, the ISO Board also shall give substantial weight to significant managerial experience and knowledge and experience in electricity markets.

5.04 Future ISO Board Vacancies.

The ISO Board shall be self-perpetuating. Vacancies on the ISO Board shall be filled by the

Directors then in office and new Directors shall to meet the same basic qualifications as the nine (9) initial Directors. The ISO Board shall always be comprised of at least three (3) Directors with prior relevant experience in the electric industry. The Management Committee shall assist the ISO Board in the filling of ISO Board vacancies. The Management Committee shall conduct a search for new Directors and provide the ISO Board with a list of at least three (3) qualified candidates for each vacancy. The ISO Board may seek candidates from other sources, including an executive search firm. The ISO Board shall provide the Management Committee with an opportunity to review the qualifications of candidates not forwarded to the ISO Board by the Management Committee and to comment on their qualifications prior to the selection of a new Director.

5.05 Regulatory Approval.

The process of selecting the individual ISO Directors shall be subject to Commission approval.

5.06 The Chairperson of the Board.

The Directors shall elect a Chairperson of the Board. The President shall not be eligible to serve as the Chairperson of the Board. The Chairperson shall serve a term of one (1) year and will be eligible for re-election.

5.07 Board Review of Matters.

The Board shall review and determine appeals from actions of the Management Committee. The Board may suspend an action by any ISO Committee pending appeal, if the Board determines that such action is warranted. The ISO Board also may review any matter, complaint, or Committee

action on its own motion. The ISO Board shall establish procedures for reviewing such matters, Committee actions, or complaints, and for the suspension of Committee actions pending appeal. The ISO Board may delegate to one or more of its members the authority to suspend a Committee action pending appeal, subject to ratification by the ISO Board. This should include, but not be limited to, the ISO Board establishing procedures to assure prompt action on matters that are brought to it for action on an emergency or urgent basis.

The ISO Board shall designate an ISO representative to each ISO Committee that shall serve as a non-voting Member of such Committee.

5.08 Scope of Responsibilities of the ISO Board.

The ISO Board will have ultimate responsibility for the operation of the ISO and the effective implementation of its basic responsibilities, including, but not limited to: the safe, reliable, and efficient operation of the NYS Power System; the provision of Transmission Service to all Transmission Customers on a non-discriminatory basis in accordance with the ISO OATT; the provision of Market Services and Control Area Services under the ISO Services Tariff, including the administration of the Day-Ahead unit commitment and real-time dispatch, the administration of centrally coordinated markets for Energy, Capacity and Ancillary Services and the administration of Installed Capacity requirements for LSEs. The ISO Board may appoint from time to time such employees and other agents as it deems necessary, each of which shall hold office at the pleasure of the ISO Board, receive such reasonable compensation and have such authority and perform such duties as the ISO Board may determine. The ISO Board will establish appropriate personnel,

employment and salary policies for the day-to-day administration of the ISO. The ISO Board may establish committees and sub-committees as it sees fit, in addition to the committees described in Articles 7, 8, and 9 of this Agreement.

The ISO Board also shall be responsible for the financial affairs of the corporation, including the ISO's capital and operating budgets. The ISO Board shall appoint an independent auditor. Audits may be performed at the request of the ISO Board, or at the request of a Party. If a Party requests an audit, the cost of such audit shall be borne by the requesting Party.

The ISO Board shall have a fiduciary duty to faithfully execute the powers and responsibilities of the ISO and shall not represent or favor the interests of any entity.

Upon request, the ISO Board shall make provisions for representatives of the Commission and the PSC to attend meetings of the ISO Board. The Commission and PSC representatives may participate, but not vote, in a meeting of the ISO Board.

5.09 The President of the ISO.

The President of the ISO, shall be responsible for the day to day operations of the ISO. The President shall be responsible for hiring and supervising the staff of the ISO. The President also shall be responsible for ensuring that all Voting Shares for purposes of committee participation and voting are calculated accurately and fairly. The President shall serve at the pleasure of the ISO Board and shall enter into a contract with the ISO Board detailing the terms of his/her employment, including salary terms and benefits. The President shall serve as an ex-officio director and shall not be a member of the Corporation.

5.10 Removal of a Director For Cause.

The ISO Board shall have the power to remove a Director from office for cause by an affirmative vote of seven (7) Directors, taken at a special meeting of the ISO Board. A Director or the Management Committee may propose the removal of a Director for cause. If the ISO Board fails to remove a Director after a petition by the Management Committee, the Management Committee may appeal to the Commission. Grounds for removal for cause include, but are not limited to: failure to attend meetings, affiliation with a Market Participant, felony conviction, misappropriation of funds, sexual harassment, mental incapacity, and misconduct.

5.11 Term and ISO Board Compensation.

Except for the President, who serves as an ex-officio member of the ISO Board, Directors shall serve staggered four (4) year terms and may be reelected. The terms of the initial Directors shall be staggered, as determined by the Selection Committee. Except for the President, whose compensation shall be set forth in a separate contract, Directors shall be compensated by an annual retainer and meeting fees, and shall be reimbursed for their expenses. The retainer and meeting fees will initially be established by the Selection Committee. Any change in Directors' compensation will be subject to the ISO Board approval, after the Management Committee has had an opportunity to review and comment on any proposed change.

5.12 Meetings.

The ISO Board shall meet at least quarterly, and at such other times as the Chairperson may direct. Attendance at an ISO Board meeting by six (6) Directors shall constitute a quorum.

ARTICLE 6: DUTIES OF THE ISO

6.01 General.

The ISO shall carry out and perform its duties consistent with the provisions of the ISO/TO Agreement, the ISO/NYSRC Agreement and the Reliability Rules, which include Local Reliability Rules, and Good Utility Practice.

The ISO shall perform its functions on non-discriminatory terms and conditions and shall provide services under the ISO OATT and the ISO Services Tariff to all Market Participants impartially.

The ISO shall exercise due diligence and care in coordinating the operation of the NYS Power System and in carrying out its other duties under this ISO Agreement.

The ISO shall have a fiduciary responsibility to the Incorporating Parties to protect the transmission assets over which the ISO assumes control and/or direction and to protect the Incorporating Parties from any liability or potential liability that may arise from their ownership of such transmission assets.

The ISO shall act as the NERC defined Control Area operator for the NYS Power System.

The ISO shall interact with other Control Area operators as required to effect External Transactions pursuant to the ISO OATT and the ISO Services Tariff.

The ISO will have responsibility for administering a Market Power Monitoring Program that is approved by the Commission, including hiring an outside market advisor and ensuring that the ISO compliance staff and the outside advisor have access to all necessary information.

The ISO shall provide, to the extent permitted by law, that all policies and operations of ISO

shall be developed and applied in a comparable manner so that the ISO makes available to all Market Participants the same non-Confidential Information at the same time, and all Market Participants are provided the same opportunity to participate in the purchase and sale of Capacity, Energy, and Ancillary Services in the Wholesale Market in the NYCA on a comparable and non-discriminatory basis.

The ISO will prepare and file with the appropriate regulatory commission or commissions such agreements, operating procedures, and other procedures necessary to provide Transmission Service under the ISO OATT and to provide Market Services and Control Area Services under the ISO Services Tariff, and to maintain the reliable and efficient operation of the NYS Power System. These operating procedures and other procedures shall be consistent with the Reliability Rules and the terms of the ISO Agreement, the ISO/NYSRC Agreement and the ISO/TO Agreement. As a condition to receiving Transmission Service from the ISO, the ISO shall require a Transmission Customer to sign a Service Agreement with the ISO whereby the Transmission Customer agrees to comply with the ISO policies and procedures and all other requirements of the ISO OATT. As a condition to receiving Market Services and Control Area Services from the ISO, the ISO shall require a Market Participant to sign a Service Agreement with the ISO whereby the Market Participant agrees to comply with the ISO policies and procedures and all other requirements for services under the ISO Services Tariff.

The ISO shall develop, maintain and promulgate operating and billing procedures as necessary to carry out its responsibilities under the ISO OATT, the ISO Services Tariff and the ISO Related Agreements. These procedures shall be consistent with the ISO's responsibilities under the ISO

Related Agreements and the Reliability Rules adopted by the NYSRC. Except for those procedures modified or superseded by the ISO Tariffs or ISO Related Agreements, the operating procedures of the New York Power Pool will remain in effect under the ISO, unless and until modified or eliminated by the ISO, consistent with the provisions of the ISO Related Documents.

The ISO shall diligently evaluate and enforce the creditworthiness standards of the ISO OATT and the ISO Services Tariff.

The ISO shall provide local control center system operator training.

The ISO shall facilitate and/or perform financial settlements and billing functions of Market Participants in accordance with the provisions of the ISO OATT and the ISO Services Tariff.

The ISO shall conduct performance audits of Market Participants on a random basis and, if necessary, impose specific penalties, in accordance with Article 15, for failure to perform.

To the extent practicable and subject to reasonable confidentiality requirements, the ISO shall make information concerning its operations available to Market Participants and to State and Federal regulatory agencies.

The ISO shall establish procedures for the appointment of Members, other than those appointed by the Transmission Owners, to the Executive Committee of the NYSRC, as provided for in the NYSRC Agreement.

6.02 Operation.

The ISO shall maintain the safety and the short-term reliability of the NYS Power System, including the implementation of emergency procedures consistent with the Reliability Rules. The ISO shall exercise Operational Control over Transmission Facilities Under ISO Operational Control.

The ISO OATT and the ISO Services Tariff will require those entities having a Service Agreement with the ISO to comply with the Reliability Rules and ISO Procedures regarding the reliability of the NYS Power System and to furnish data to the ISO as required.

The ISO will require and obtain by contract or tariff sufficient control over Generators, transmission facilities, and other NYS Power System facilities necessary for the reliable and efficient operation of the NYS Power System.

6.03 Transmission Service, Tariffs and the Wholesale Market.

Subject to Articles 15 and 19 of this Agreement and the ISO/TO Agreement, the ISO shall provide Transmission Service and Ancillary Services over the NYS Transmission System in accordance with the ISO OATT, and shall provide Market Services and Control Area Services in accordance with the ISO Services Tariff.

Subject to the terms of the ISO Agreement, and the ISO/TO Agreement, the ISO/NYSRC Agreement and the Reliability Rules, the ISO will administer the ISO OATT and the ISO Services Tariff and from time-to-time file with the Commission, as required, amendments to the ISO Tariffs in accordance with the provisions set forth in Article 19 of this Agreement.

Consistent with the Reliability Rules, the ISO will operate a Day-Ahead Security Constrained Unit Commitment (“SCUC”), using Bid data furnished by Customers and other sources. The ISO shall implement a Security Constrained Dispatch (“SCD”), on the Dispatch Day to maintain reliability.

6.04 Maintenance.

The ISO shall coordinate planned outages and schedules for those Generators that are under contract to provide Installed Capacity to the NYS Power System.

The ISO shall have the authority to approve or deny all requests for transmission outages on Transmission Facilities Under ISO Operational Control as defined in the ISO/TO Agreement and in accordance with the ISO OATT. The ISO shall be notified of the maintenance scheduled on Transmission Facilities Requiring ISO Notification, and shall advise the Transmission Owner of potential adverse reliability impacts in accordance with the ISO OATT.

6.05 Capacity Requirements.

The ISO shall establish the Locational Installed Capacity Requirements for New York State, consistent with the Reliability Rules, Local Reliability Rules, and the provisions of the ISO/NYSRC Agreement. In establishing Locational Installed Capacity Requirements, the ISO shall consider the availability of the NYS Transmission System to the extent necessary to maintain reliability.

The ISO, through procedures adopted by the Operating Committee and consistent with the Reliability Rules, shall require that all LSEs entering into Service Agreements under the ISO Services Tariff maintain appropriate levels of Installed Capacity and Operating Capacity. In the case of Installed Capacity, the ISO shall determine the amount of Installed Capacity by location that is needed on an annual basis to meet all Reliability Rules, which includes Local Reliability Rules. In the event that a Party fails to meet its Installed or Operating Capacity requirement, the ISO shall impose the penalties set forth in the ISO Services Tariff.

6.06 Code of Conduct.

The ISO shall prepare and apply a Code of Conduct. The Code of Conduct, among other provisions, shall provide that any ISO employees and Directors are foreclosed from providing any information of commercial value supplied by a Party or Market Participant, to any other Party or any

Market Participant or potential participant in commercial transactions involving the NYS Power System, except to the extent that such information flow is part of the ISO's routine responsibilities. Such information may, however, be provided to another employee or Director of the ISO if the information is needed for the normal execution of the other employee's or Director's duties. Confidential Information includes, without limitation, all information received from a Party or any Market Participant or potential participant with respect to price or other terms upon which such person or entity is willing to sell Capacity and/or Energy or other services. If such information is required to be divulged in compliance with an order of a court or regulatory authority having jurisdiction, or a subpoena, the ISO will seek to obtain an appropriate protective order from the court or regulatory authority. The ISO shall notify the Parties providing the Confidential Information when such an order or a subpoena is received from a court or regulatory authority and shall not be held liable by a Party for any losses, consequential or otherwise, resulting from the ISO divulging such Confidential Information pursuant to a subpoena or an order of a court or regulatory authority. The Code of Conduct will preclude any individual serving as a Director or as a member of an ISO committee from also serving as a representative of a member of the Executive Committee of the NYSRC.

6.07 Planning and Transmission System Expansion.

Consistent with the provisions of Article 18 of this Agreement, the ISO shall develop, maintain and promulgate a NYS Transmission System expansion and reliability assessment process to be performed in compliance with the Reliability Rules. This process shall include an annual compilation of a NYS Transmission Plan.

The ISO shall collect and publish information regarding the amount and cost of historical transmission congestion to facilitate the decision-making process of Market Participants.

ARTICLE 7: MANAGEMENT COMMITTEE

7.01 Membership.

There shall be a Management Committee comprised of each Party to the ISO Agreement.

7.02 Scope of Responsibilities.

The Management Committee shall have the following responsibilities:

- a. Supervision and review of the work of the other ISO committees;
- b. Review and determination of appeals from actions of the other committees, and the ability to suspend an action by another committee pending appeal if the Management Committee determines that such action is warranted;
- c. Development of positions on ISO operations, policies and procedures and provision of recommendations to the other committees and the Board;
- d. Preparation of the ISO capital and operating budgets for review and approval by the ISO Board; and
- e. Subject to Article 19, proposing changes to the ISO OATT and the ISO Services Tariff and reviewing and making recommendations with respect to tariff changes proposed by the ISO Board.

The Management Committee shall meet at least quarterly. Decisions by the Management Committee may be appealed to the ISO Board by any Party.

7.03 Representation on the Management Committee.

A Party may designate any person to represent the Party on the Management Committee. Such representative will serve until replaced by the Party by written notice or until the Party ceases to be a Party. To the extent practicable, provisions shall be made for Parties to attend and participate in meetings of the Management Committee through teleconference or other methods. In addition, with reasonable safeguards, provisions shall be made to permit Parties not physically present at a meeting to submit paper or electronic ballots and to vote by proxy.

The ISO Board may assign a member of its staff to the Management Committee. The ISO staff member may participate in committee proceedings on a non-voting basis. Any Party on the Management Committee and the ISO representative, may appeal a Committee action to the ISO Board. The Management Committee shall establish procedures for the review of appeals from the actions of other committees and for the suspension of actions pending appeal in appropriate circumstances. The Management Committee shall make provisions for attendance at Committee meetings by representatives of the Commission and the PSC.

The Management Committee shall select members to act as chairperson, vice-chairperson and secretary, who shall serve terms of one (1) year and shall be eligible for re-election. The Management Committee shall meet quarterly and at such other times as the chairperson may determine. An executive session of the Management Committee may be called at the discretion of the chairperson, or upon a vote of the members of the Committee representing sixty-seven (67) percent of the total Voting Shares.

7.04 Voting and Voting Formula.

Each Party shall have a Voting Share, as a member of the Management Committee,

representing the percentage of the aggregate Voting Shares of all Parties to which the Party is entitled. A quorum for a meeting of the Management Committee shall consist of the attendance in person or by proxy of sixty-seven (67) percent of the aggregate Voting Shares of all Parties. An affirmative vote in person or by proxy of sixty-seven (67) percent of the aggregate Voting Shares of all Parties shall be required to pass a measure. For the first five (5) years after the ISO commences operation, the Voting Shares shall be recalculated on a quarterly basis. After the fifth year, Voting Shares shall be recalculated on an annual basis. The percentage of the aggregate Voting Shares of all Parties to which a Party is entitled shall be determined in accordance with the following formula:

$$V = 0.15 (P/P') + 0.15 (E/E') + 0.15 (C/C') + 0.15 (X/X') + 0.15 (M/M') \\ + 0.15 (R/R') + 0.1 (Y/Y')$$

where:

V = the Party's Voting Share as a percentage of the aggregate Voting Shares of all Parties;

P = the average in megawatts of the Party's Monthly Peaks in the NYCA for the most recently completed 12 months;

P' = the sum of the averages in megawatts of the non-coincident Monthly Peaks in the NYCA of all Parties for the most recently completed 12 months;

E = the average in megawatt hours of the Party's Monthly Loads in the NYCA for the most recently completed 12 months;

E' = the sum of the averages of the Monthly Loads in the NYCA of all Parties for the most recently completed 12 months;

- C = the average in megawatts of the Party's Monthly Generation Ownership Shares, as defined in this Section for the most recently completed 12 months.
- C' = the sum of the averages in megawatts of the sum for each month of the Generation Ownership Shares of all Parties for the most recently completed 12 months;
- X = the average sum for the most recently completed 12 months of: (i) a number of kilowatt-hours equal to the kilowatts of the Party's Generation Ownership Shares, times the number of hours in the month; plus (ii) the number of kilowatt-hours that the Party was entitled to receive in each hour with respect to its energy entitlements under supply contracts, less any resale in whole or part of any such energy entitlement into the retail market, times, in the case of each contract, the number of hours the contract was in effect in the month. Parties performing multiple market functions will have their weighted vote for each market function computed independently and aggregated.
- X' = the sum of the average sums for the most recently completed 12 months of : (i) a number of kilowatt-hours equal to the kilowatts of the Generation Ownership Shares of all Parties, times the number of hours in the month; plus (ii) the number of kilowatt-hours that all Parties were entitled to receive in each hour with respect to their Energy entitlements under unit contracts or system contracts, less any resale in whole or in part of any such Energy entitlement into the retail market, times, in the case of each contact, the number of hours the contract was in effect in the month. Parties performing multiple market functions will have their weighted vote for each

market function computed independently and aggregated;

M = the circuit miles of the Party's Transmission and Distribution Facility ("TDF") Ownership Shares, as defined in this Section, times, in the case of each transmission or distribution line, the nominal operating voltage of the line;

M' = the aggregate of the circuit miles of the TDF Ownership Shares of all Parties, times, in the case of each transmission or distribution line, the nominal operating voltage of the line;

R = the Party's TDF Ownership Shares revenue requirement consisting of the sum of: (i) the Annual Transmission Revenue Requirements of the Party as of the beginning of the current calendar year as determined by the Commission or as otherwise lawfully established; plus (ii) the Annual Distribution System Revenue Requirements of the Party as of the beginning of the current calendar year as determined by the PSC or as otherwise lawfully established;

R' = the aggregate TDF Ownership Shares revenue requirement consisting of the sum of: (i) the aggregate Annual Transmission Revenue Requirements of all Party as of the beginning of the current calendar year as determined by the Commission or as otherwise lawfully established; plus (ii) the aggregate Annual Distribution System Revenue Requirements of all Parties as of the beginning of the current calendar year as determined by the PSC or as otherwise lawfully established;

Y = 1; and

Y' = the number of ISO Parties at the beginning of the quarter; provided, however, that a

Party and its Affiliates may not have aggregate Voting Shares exceeding 20 percent of the aggregate Voting Shares of all Parties. The amount of a Voting Share greater than 20 percent shall be allocated to the other non-capped Parties on a pro rata basis in accordance with their unadjusted Voting Shares (i.e., each Party's share of the excess Voting Share will be determined by dividing such Party's weighted Voting Share by an amount equal to one hundred percent of the total Voting Share of the Parties less the weighted Voting Share, determined prior to the application of the cap to the Party or Parties to which it is applicable; provided, however, that no Party may be assigned a reallocation that would cause it to exceed the 20 percent individual Party Voting Share cap. To the extent that the Transmission Owners' actual aggregate (affirmative or negative) vote for a given issue exceeds 55 percent of the aggregate Voting Shares, the difference between the Transmission Owners' actual aggregate vote and 55 percent shall be reallocated to all other Parties.

The "excess" vote above this aggregate Transmission Owner cap of 55 percent that results from the application of the Section 7.04 formula, will be reallocated to the Parties, other than Transmission Owners, that comprise the Management Committee on a pro rata basis in accordance with their "unadjusted" Voting Shares (i.e., each Party's share of this excess Voting Share shall be determined by dividing such Party's weighted Voting Share by an amount equal to one hundred percent of the total Voting Shares of all Parties excluding the weighted Voting Shares of those Incorporating Partners that contributed to the vote that exceeded the cap); provided, however, that no Party may receive a reallocation that would cause it to exceed the 20 percent individual Party

Voting Share cap and provided further that “adjusted” Voting Shares shall mean the Voting Shares as determined above.

For purposes of the preceding formula (i) if an entity has been a Party for less than twelve months, the amounts to be taken into account for purposes of “P”, “E”, “A” and “X” in the formula shall be for the period during which the entity has been a Party; (ii) for purposes of “X” and “X” in the formulas, the number of kilowatt-hours to be taken into account with respect to any Energy entitlements under a supply contract, under which a Party is entitled to receive Energy from outside the NYCA shall be computed on the basis of the number of kilowatts of Installed Capability credit, or Monthly Peak reduction, for which the Party is given credit in determining whether it has satisfied its Installed Capacity responsibility.

In the event a Party participates in one or more market segments, inclusive of TDF Ownership Shares, the Party shall be entitled to divide its vote on any matter as the Party determines by notice given to the Secretary of the Management Committee at or prior to the meeting at which the vote is to be cast.

For purposes of this Section, the Generation Ownership Shares of a Party means and includes:

- (1) the direct ownership interest which the Party has, as either a sole or joint owner, of a Generator which is subject to the ISO’s dispatch or selling Energy into the New York Wholesale Market,
- (2) the indirect ownership interest which the Party has as a shareholder of a Generator which is subject to the ISO’s dispatch or selling Energy into the New York Wholesale Market, provided the corporation or partnership is itself not a Party;

- (3) any other interest which the Party has in a Generator which is subject to the ISO Services Tariff under a lease or other contractual arrangement, provided the other party to the arrangement is itself not a Party and the Management Committee determines, at the request of the affected Party, that the Party has benefits and rights, and assumes risks, under the arrangement with respect to the Generator which are substantially equivalent to the benefits, rights and risks of an owner; and
- (4) an interest which the Party shall be deemed to have in the direct ownership interest, or the indirect ownership interest as a shareholder or general or limited partner, of an Affiliate of the Party of a Generator which is subject to the ISO Services Tariff, provided the Affiliate is not itself a Party.

For the purposes of this Section, the term Monthly Loads means and includes: The total amount for each month of the Party's electric energy, expressed in megawatt-hours delivered to or by a system, part of a system or a piece of equipment to the Party's retail customers in the NYCA. Voting Shares based on Monthly Loads shall also be allocated to Parties that are large commercial and industrial customers provided that such Party's peak load within the NYCA for any month in the most recent twelve months equals or exceeds five megawatts.

For the purpose of this Section, the term Monthly Peaks means and includes: The maximum for each month of the rate, averaged over a period of sixty (60) minutes and expressed in megawatts, at which the Party's electric energy is delivered to or by a system or a piece of equipment to the Party's retail customers within the NYCA. Voting Shares based on Monthly Peaks shall also be allocated to Parties that are large commercial and industrial customers, provided that such Party's

peak load within the NYCA for any month in the most recent twelve months equals or exceeds five megawatts.

For purposes of this Section, the TDF Ownership Shares of a Party mean and include the items listed below. All such facilities must be within the NYCA or listed in Appendices A-1 or A-2 of the ISO/TO Agreement.

- (1) the direct ownership interest which the Party has as a sole or joint owner of TDF;
- (2) the indirect ownership interest which the Party has, as a shareholder in a corporation, or as a general or limited partner in a partnership, in TDF owned by such corporation or partnership, provided the corporation or partnership is not itself a Party;
- (3) any other interest which the Party has in TDF under a lease or other contractual arrangement, provided the other party to the arrangement is not itself a Party and the Management Committee determines, at the request of the affected Party, that the Party has benefits and rights, and assumes risks, under the arrangement with respect to the TDF which are substantially equivalent to the benefits, rights and risks of an owner; and
- (4) an interest which the Party shall be deemed to have in the direct ownership interest, or the indirect ownership interest as a shareholder or general or limited partner, of an Affiliate of the Party in TDF, provided the Affiliate is not itself a Party.

7.05 Confidential Information.

The Management Committee shall develop procedures to define and provide for the handling of Confidential Information.

ARTICLE 8: OPERATING COMMITTEE

8.01 Scope of Responsibilities.

The responsibilities of the Operating Committee shall include the following:

- a. Establishment of procedures related to the coordination of the operations of the NYS Power System;
- b. Establishment of procedures related to the safe and reliable operation of the NYS Power System;
- c. Ensuring that all ISO procedures and practices are consistent with the Reliability Rules, and serving as liaison to the NYSRC;
- d. Oversight and coordination of operating and performance studies;
- e. Review and approval of operating limits;
- f. Establishment of procedures for coordinating the maintenance schedules for the NYS Power System in order to maintain system reliability;
- g. Determination of the minimum system Operating Reserves required to be available within the NYS Power System and establishing methods of allocating a portion thereof to responsible entities as minimum Operating Capacity. In determining Operating Reserve requirements, the committee shall take into consideration the locational capacity needs of New York State;
- h. Establishment of procedures for determining Operating Reserve requirements and, if experience or the results of studies indicate the desirability of change, recommending changes thereto to the Management Committee;

- i. Development of Locational Installed Capacity Requirements, consistent with the Reliability Rules, Local Reliability Rules, the ISO/TO Agreement and the ISO Agreement; and
- j. Any additional responsibilities assigned by the Management Committee.

Procedures adopted by the Operating Committee will be implemented by the staff of the ISO unless suspended or overruled by the Management Committee or the Board. In carrying out its responsibilities, the Operating Committee shall seek input and recommendations from ISO staff.

8.02 Planning.

The Operating Committee shall implement the transmission system expansion process described in Article 18. The Operating Committee shall review and approve ISO staff assessments of proposed projects that impact transmission capability to confirm that those projects meet all applicable reliability criteria.

The Operating Committee shall review and approve the NYS Transmission Plan prepared by the ISO staff and reliability assessments performed using such NYS Transmission Plan, to ensure conformance with the Reliability Rules.

The Operating Committee shall review and approve illustrative NYS Transmission System expansion options developed by ISO staff in response to PSC requests.

The Operating Committee, at the request of a Committee member, may review the adequacy of cost recovery mechanisms for transmission expansion.

8.03 Representation on the Operating Committee.

The Operating Committee shall consist of Members representing a total of twenty-five (25)

votes appointed pursuant to the provisions of this Article. For the first five (5) years following commencement of operations by the ISO, new Members will be added on a quarterly basis. After the fifth year, new Members will be added only on an annual basis.

Parties shall be represented by a fixed number of Members from the Industry Sector Group described below that best describes their primary function. The Industry Sector Groups are as follows: Members representing Transmission Owners will exercise eight votes, Members representing Wholesale Parties will exercise eight votes, Members representing Retail Parties will exercise eight votes, and a Member representing Environmental Parties will exercise one vote.

The total number of votes; the allocation of eight votes to each of the three Industry Sector Group and one vote to a Member representing Environmental Parties, and the methodology for the selection of Members will remain as specified in this Agreement unless modified by the ISO Board in accordance with the authority provided in Article 19.

The selection of Members may be done on a Committee-by-Committee basis using the methods provided in this Article. The same individual or Party need not be selected to serve as a Member on both Committees, although the same individual or Party may be selected to serve as a Member of both Committees at the same time.

8.04 Quorum and Voting Rules:

- a. The quorum required to conduct Committee business will be Members who represent seventeen votes. Seventeen affirmative votes will be required to carry a motion. To the extent practicable, provisions will be made for Members to attend and participate in committee meetings through teleconference or other methods. In addition, with

reasonable safeguards, provisions will be made to permit Members not physically present at a meeting to submit paper or electronic ballots and to vote by proxy. Meetings of the Committee will be open to all Parties.

- b. Each Member will have one vote, except as otherwise provided in paragraph (d) of this Section and paragraph (a) of Section 8.06.
- c. Each Member of a Committee must be a Party to the ISO Agreement, the designated representative of a Party or Parties, or the designated representative of an entity qualified for a seat under the provisions of this Agreement.
- d. A Party may not hold more than one vote within an Industry Sector Group on a Committee unless there are fewer Parties within the Industry Sector Group than votes allocated to that Group.
- e. A Party or other entity may not be a Member in one Industry Sector Group and at the same time be a Member, or Control a Member, in another Industry Sector Group; and a Party or other entity may not Control Members in more than one Industry Sector Group.

An entity that is a Member in one Industry Sector Group or its Affiliate may, however, belong to a group of Parties or an association that serves as an At-Large Member in the same or another Industry Sector Group, and may participate in the selection of an At-Large Member in the same or another Industry Sector Group; provided that if the entity or its Affiliate Controls a group of Parties or association that serves as an At-Large Member, the entity or its Affiliate shall be disqualified from participating in the selection of the At-Large Member unless the entity or its Affiliate ceases to

Control the group of Parties or association, as the term “Control” is defined in Section 1.18 of Article 1 of this Agreement; and provided further, that an employee of a Committee Member or its Affiliate may not serve as the At-Large Member representing a group of Parties or association on the Committee.

8.05 Selection of Members and Terms:

A. Transmission Owners Industry Sector Group

- (i) Each of the existing eight Transmission Owners shall select its representative to be a Member of the Transmission Owners Industry Sector Group on each Committee.

B. Wholesale Parties Industry Sector Group

- (i) The eight Members of the Wholesale Parties Industry Sector Group selected to serve on the Committee will consist of five Members representing the five largest Wholesale Parties and three At-Large Members. The three At-Large Members will be selected by the Wholesale Parties that did not qualify as one of the five largest Wholesale Parties.
- (ii) The selection of the five largest Wholesale Parties will be made using the following method:
 - a. fifty (50) percent of a Wholesale Party’s total weight will be based on the Wholesale Party’s total kilowatt hours sold in New York State in the most recent twelve months for which there are reliable and verifiable records available, as determined by the ISO;

- b. fifty (50) percent of a Wholesale Party's total weight will be based on the Wholesale Party's total installed generating Capacity that has been installed in New York State or that has been committed to the Installed Capacity market in New York State during the same most recent twelve-month period.
- c. The Wholesale Party's final weight for Energy will be determined by dividing the Party's total kilowatt-hour sales in New York State by the total kilowatt-hour sales in New York State by all of the Wholesale Parties. The Wholesale Party's final weight for Capacity will be determined by dividing the total amount of the Wholesale Party's Capacity (in kilowatt months) by the total Capacity of all Wholesale Parties (in kilowatt months). If a generating facility of a Wholesale Party is not geographically located within New York State, the eligible Capacity of that facility will be the average of the Installed Capacity which the Wholesale Party has provided from the facility to the New York Control Area for at least the last full Capability Period. The Wholesale Party's final weight will be the sum of the Party's final weight for energy and the Party's final weight for capacity.
- d. Any Wholesale Party seeking one of the five seats based on size may be required by the ISO to submit, subject to appropriate confidentiality protections, verified records of its Energy sales and the

Capacity of its facilities.

- (iii) All Wholesale Parties that have participated in the New York State wholesale electricity market during the most recent twelve months, other than the five largest Wholesale Parties, will be eligible to participate in the determination of the three At-Large Members. The determination of the three At-Large Wholesale Party Members on a Committee will be made using the following methods:
- a. Each eligible Wholesale Party may nominate itself or another eligible Wholesale Party to serve as an At-Large Member;
 - b. Each eligible Wholesale Party may cast one vote;
 - c. The three nominees receiving the highest number of votes, and receiving a minimum of fifteen percent of the votes cast, will be elected to the three At-Large seats on a given Committee. If fewer than three nominees are elected in the first round of voting, subsequent rounds will be held as necessary, until all three seats are filled. In the subsequent rounds, all remaining nominees not elected in a preceding round will be eligible to participate in any further round of voting;
 - d. In the last round of voting, the nominee who receives the next highest amount of votes to the last representative elected will serve as the alternate to the At-Large Members of the Wholesale Parties Group.

There will be no fifteen percent voting requirement to serve as an alternate. The alternate will be able to cast one of the At-Large Wholesale Party's votes on the Committee to which the alternate is selected if a holder of an At-Large seat does not attend a meeting, does not provide for a proxy or does not meet any other requirements for representation as established by the ISO.

C. Retail Parties Industry Sector Group

1. The eight Members of the Retail Parties Industry Sector Group selected to serve on the Committee will consist of two representatives selected based on size, one At-Large representative of residential and small commercial consumers, one At-Large representative of municipal and cooperative systems, two At-Large ESCO representatives and two At-Large representatives of industrial and large commercial consumers.
2. The two Members selected based on size shall be the two Parties within the Retail Parties Group having the highest weighted vote determined by the "P" and "E" variables, as those terms are set forth and defined in Section 7.04, each weighted fifty (50) percent. An aggregator, or formal group of aggregators, serving load in New York State may be considered as one entity for purposes of this determination.
3. One seat shall be set aside and filled by an At-Large representative of residential and small commercial consumers in New York. The Member will

be selected by the ISO Board from among the Parties that qualify as organizations that represent residential and/or small commercial consumers, after consultation with those Parties. The ISO Board will select the organization that best represents residential and small commercial consumers (including farms) throughout the State, giving due consideration to the demonstrated ability of the candidate organizations to provide sufficient resources to identify and to represent the interest of such consumers before federal, state and local governmental agencies, and to coordinate with other groups having similar interest.

4. One seat shall be set aside and filled by an At-Large representative of Parties that are municipal and cooperative systems located in New York State. The Member will be selected by the municipal and cooperative systems on the basis of a “one Party-one vote” rule.
5. Two seats shall be set aside and filled by At-Large representatives of Parties that are ESCOs and that have engaged in business in New York State in the most recent period for which there are verifiable records, as determined by the ISO Board. Such records will be subject to confidentiality provisions. One of these seats will be set aside for an At-Large representative of ESCO Parties serving the residential and small commercial (less than 500 kilowatts of peak demand) market segments in New York State, and the other seat will be set aside for an At-Large representative of ESCO Parties serving other market

segments in New York State; provided that one ESCO party, or group of ESCO Parties, may not hold both seats.

ESCO Parties eligible to nominate and to participate in the election of these two Members include: i) those ESCO Parties that have been certified by the PSC to do business and have actively served retail access customers in New York State; ii) those ESCO Parties that have actively served as buyers or aggregators or agents for retail customers in New York State; and iii) those ESCO Parties that have provided comprehensive energy services to retail customers in New York State; provided, however, that no activities of an ESCO with respect to market segments other than the residential and small commercial (less than 500 kilowatts of peak demand) market segments will be considered for purposes of determining the eligibility of an ESCO to participate in the selection of an At-Large Member representing the residential and small commercial market segments, or for purposes of determining the number of votes that the ESCO is entitled to cast in the selection of an At-Large Member representing the residential and small commercial market segments. An ESCO Party that is a provider of comprehensive energy services must be certified as a performance contractor by the NYSERDA to participate in the selection process.

The initial election shall be based on data from the most recent six months for which the ISO determines reliable and verifiable data are available. Subsequent elections will be based on data from the most recent twelve months for which the ISO determines reliable and verifiable data are available.

Each ESCO Party eligible to participate in the selection of these At-Large Members

by virtue of the above paragraphs may cast a single vote. In addition, an ESCO Party eligible to vote will also be entitled to cast ten (10) additional votes if, during the relevant time period established by the ISO, it has met one or more of the following three threshold criteria with respect to the market segments to be represented by the At-Large Member: (a) it provided service to more than five hundred customers in New York State; (b) it provided more than one thousand kilowatts of non-coincident peak demand served in New York; (c) it provided more than 500,000 kWh in electric energy savings in New York State during the initial six month period or, during any subsequent twelve month period selected by the ISO; or (d) it provided more than 1,000,000 kWh in electric energy or electric energy savings in New York State. Determination of energy savings will be made by the ISO based upon the NYSERDA method until such time as internal ISO records are sufficiently complete, accurate and verifiable to employ. The ISO may incorporate such methods of validation of claimed savings as the ISO determines appropriate. The responsibility of demonstrating an ESCO Party's entitlement to vote, and to additional votes, shall rest on the ESCO Party.

The candidate qualifying as serving residential and small commercial market segments that obtains the highest number of votes of all qualifying ESCOs within those market segments will be elected as the large Member to represent those market segments. The candidate that obtains the highest number of votes of all qualifying ESCOs will be elected as the other At-Large Member; provided that it has not been selected as the At-Large Member representing ESCO's who serve the residential and small commercial market segments. An ESCO entitled to hold a seat pursuant to paragraph 2 of subdivision C of this Section by

virtue of size computations will not be eligible to be one of the At-Large Members at the same time or to participate in the voting for the At-Large Members.

6. Two seats will be set aside and filled by At-Large representatives of industrial and large commercial (i.e., a peak load greater than two megawatts) electric consumers located within New York State. One seat shall be filled by a representative of the entity representing the largest total combined industrial and large commercial electrical loads “upstate,” measured in total kWh for the most recent twelve month period for which the ISO determines reliable and verifiable statewide data are available. The other seat shall be filled by a representative of the entity representing the largest total combined industrial and large commercial electrical loads “downstate,” measured in total kWh for the same past twelve month period. An entity may include an incorporated or unincorporated association. For these purposes, “upstate” shall consist of the preexisting electric service territories of Central Hudson, NYSEG, NMPC and RG&E (including municipal and cooperative systems located in those areas) and “downstate” shall consist of the remainder of New York State.

Each entity seeking to fill either of these seats shall be required by the ISO to submit information delineating: (i) the industrial and large commercial customers represented by the entity; and (ii) the respective loads of each of these customers. This information will be deemed to be Confidential Information.

D. Environmental Parties Representative.

3The member on the Committee representing Environmental Parties will be selected by environmental organizations that are certified by the ISO Board as non-Market Participants and have

become Parties to the ISO Agreement, on a “one Party-one vote” basis.

8.06 Review and Update of Committee Members:

A. Transmission Owners Industry Sector Group.

1. Members within the Transmission Owners Industry Sector Group will have a term of one year and may be reappointed. If the number of Transmission Owners increases or decreases in the future, the Transmission Owners will have the responsibility and authority to develop revised procedures for the selection of Members and voting rules within the Transmission Owners Industry Sector Group; provided, however, that the total number of votes exercised by the Members within the Transmission Owners Industry Sector Group on the Committee will remain at eight.

B. Wholesale Parties Industry Sector Group

1. Members will have a term of one year and may be reelected or reappointed. However, the term of a Member may be terminated after six months in the event of a change in the identity of any of the five largest Wholesale Parties, as determined by the ISO using the procedure set forth below.

Every six months after the initial selection of the eight Wholesale Parties Group Members, the ISO shall recalculate, using updated data, the Energy and Capacity values used to determine the five largest Wholesale Parties. The data may be obtained from internal ISO sources, or publicly reported data that the ISO determines are accurate and verifiable. The ISO may also require any Party within the Wholesale Parties Group to provide information to update the energy and capacity

values used to determine the election of the five Wholesale Parties Members based on size.

In the event that such recalculation using updated data results in any change in the identity of the Wholesale Parties qualified to hold the five seats based on size, the five new largest Wholesale Parties shall be selected immediately to occupy the five Wholesale Party seats based on size. A new election for the three At-Large Members also will be held and new At-Large Members also shall be selected immediately.

If the recalculation using updated data does not result in any change in the identity of the Wholesale Parties qualified to hold the five seats based on size, there will not be a new election for the At-Large seats; provided, however, that a new election process for the three At-Large seats on each Committee shall be held not later than twelve months after the preceding election.

C. Retail Parties Industry Sector Group

1. Members will have a term of one year and may be reelected or reappointed. The selection of Members and the updating of relevant information will be conducted annually.
2. With respect to the two seats to be filled by representatives of the two entities to be selected based on size, the ISO shall recalculate annually the weight of each of the entities eligible to fill those two seats, using the “P” and “E” formula set forth in Section 7.04.

The Member on the Committee representing residential and small commercial consumers will be appointed annually by the ISO Board.

The Members that represent Parties that are municipal and cooperative systems and the two

At-Large Members that represent ESCO Parties will be elected annually.

With respect to the two seats to be filled by At-Large Members representing upstate and downstate industrial consumers and the total combined loads represented by the entities eligible to fill those seats.

D. Environmental Parties Representative

The selection of the Members representing Environmental Parties on the Committee will be conducted annually.

The ISO Board may assign a member of its staff to participate in committee meetings on a non-voting basis. Any member of the committee, and the representative of the ISO, may appeal a committee action to the Management Committee. The Operating Committee shall make provisions for attendance at committee meetings by representatives of the Commission and the PSC.

8.07 Committee Procedures.

The Operating Committee shall select members to act as chairperson, vice chairperson, and secretary that shall serve terms of one (1) year and shall be eligible for re-election. The Operating Committee shall meet at regularly scheduled times and at such other times as the chairperson may determine.

An executive session of the Operating Committee may be called at the discretion of the chairperson, or upon a vote of sixty-seven (67) percent of the members of the committee.

8.08 Confidential Information.

The Operating Committee shall develop procedures to deal with Confidential Information.

ARTICLE 9: BUSINESS ISSUES COMMITTEE

9.01 Scope of Responsibilities.

The responsibilities of the Business Issues Committee shall include the following:

- a. Establishment of procedures related to the efficient and non-discriminatory operation of electricity markets centrally coordinated by the ISO, including procedures related to bidding, Settlements and the calculation of market prices;
- b. Development of procedures related to the implementation of the commercial aspects associated with the procedures developed by the Operating Committee;
- c. Development of procedures related to the commercial aspects of the ISO's operations;
- d. Formation of uniform standards and procedures for the bidding, scheduling, and financial Settlement of bulk power transactions consistent with the Reliability Rules and with the provisions of the ISO Tariffs, the ISO/NYSRC Agreement, the ISO/TO Agreement, and this ISO Agreement;
- e. Establishment, subject to the review and approval or modification of the Management Committee, of policies and procedures related to the maintenance of sufficient working capital to fund the operations of the ISO, and the establishment of credit arrangements and accounts with financial and commercial institutions, including banks; and
- f. Any additional responsibilities assigned by the Management Committee.

Procedures adopted by the Business Issues Committee will be implemented by the staff of the

ISO unless suspended or overruled by the Management Committee or ISO Board. In carrying out its responsibilities, the Business Issues Committee shall seek input and recommendations from ISO staff.

9.02 Representation on the Business Issues Committee.

The composition of the Business Issues Committee will be subject to the same rules and requirements as those applicable to the Operating Committee, under Section 8.03.

9.03 Quorum and Voting Rules.

The quorum and voting rules for the Business Issues Committee will be the same as those applicable to the Operating Committee, under the provisions of Section 8.04.

9.04 Selection of Members and Terms.

The rules with respect to the selection of Members of the Business Issues Committee and their terms shall be the same as those applicable to the Operating Committee, under the provisions of Section 8.05.

9.05 Review and Update of Committee Members.

The rules with respect to the review and update of members of the Business Issues Committee shall be the same as those applicable to the Operating Committee, under the provisions of Section 8.06.

The Business Issues Committee shall select members to act as chairperson, vice chairperson and secretary, that shall serve terms of one (1) year and shall be eligible for reelection. The Business Issues Committee shall meet at regularly scheduled times and at such other times as the chairperson

may determine.

An executive session of the Business Issues Committee may be called at the discretion of the chairperson, or upon a vote of sixty-seven (67) percent of the Members of the Committee.

9.06 Confidential Information.

The Business Issues Committee shall develop procedures to deal with Confidential Information.

ARTICLE 10: DISPUTE RESOLUTION

10.01 Overview.

The ISO Board shall establish a Dispute Resolution Process (“DRP”) and shall retain a Dispute Resolution Administrator (“DRA”) to manage the DRP.

In administering the DRP, the DRA shall be responsible for the following:

- a. maintaining lists of qualified arbitrators and mediators, and updating these lists annually;
- b. scheduling, administering, and facilitating the DRP;
- c. responding to written disputes in a timely manner consistent with the time limits specified in the ISO OATT and the ISO Services Tariff;
- d. determining whether written disputes are subject to non-binding mediation or arbitration;
- e. maintaining records of all dispute resolutions and making these records available for inspection subject to the rules of confidentiality described in the ISO Tariffs and this

Agreement; and

- f. providing supervision of the dispute resolution processes and developing appropriate procedures which will further the fair and equitable resolution of disputes.

The DRA shall establish and, from time to time, update a list of qualified arbitrators and mediators. Qualified arbitrators and mediators shall be knowledgeable in matters regarding the planning and operation of interconnected electric systems and in relevant regulatory policies and requirements. The list of arbitrators and mediators may be subdivided by the DRA into categories of disputes in which an arbitrator or mediator has expertise. The list of arbitrators and mediators can also include names supplied by the American Arbitration Association. The DRA may, from time to time, arrange for appropriate training for potential arbitrators and mediators.

10.02 Submission of a Dispute.

Any dispute between or among a Market Participant(s), a Customer, and/or the ISO involving transmission or other services under the ISO Tariffs shall be presented directly to a senior representative of each of the parties to the dispute for resolution on an informal basis as promptly as practicable.

In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days such dispute may be submitted to the DRA. The party submitting the matter to the DRA shall include a written statement describing the nature of the dispute and the issues to be resolved. Any subsequent mediation or arbitration process shall be limited to the issues presented for resolution.

Within thirty (30) days, the DRA shall decide whether the dispute should be referred to: (1) non-binding mediation; or (2) arbitration.

10.03 Referral of a Dispute To Mediation or Arbitration.

The DRA may submit disputes to non-binding mediation where the subject matter of the dispute involves the proposed change or modification of an ISO procedure, rate, Service Agreement, or ISO Tariff provision. The DRA may submit disputes to arbitration which involve the interpretation of an ISO Procedure, rate, Service Agreement, or ISO Tariff provision. Both the mediator and the arbitrator shall have the authority to dismiss a dispute if:

1. The dispute did not arise under the ISO Agreement or the ISO OATT or the ISO Services Tariff; or
2. The claim is de minimis.

10.04 Non-Binding Mediation.

If the DRA refers the dispute to non-binding mediation, the following procedure will apply:

1. The DRA shall have ten (10) days from the date of such referral to distribute a list of ten (10) qualified mediators to the disputing parties.
2. Absent the express written consent of all disputing parties, no person shall be eligible for selection as mediator that is a past or present officer, employee or consultant to any of the disputing parties, or of any entity related to or affiliated with any of the disputing parties or has an interest in the matter to be mediated. Any individual designated as mediator shall make known to the disputing parties any such disqualifying

relationship or interest and a new mediator shall be designated.

3. If the disputing parties cannot agree upon a mediator, the disputing parties shall take turns striking names from a list supplied by the DRA with a disputing party chosen by lot striking the first name. The last remaining name shall be designated as the mediator. If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected that is able and willing to serve.
4. The disputing parties shall attempt in good faith to resolve their dispute in accordance with the schedule established by the mediator. In no event may the schedule extend beyond ninety (90) days from the date of appointment of the mediator.
5. The mediator may require the disputing parties to:
 - a. submit written statements of issues and positions;
 - b. meet for discussions;
 - c. provide expert testimony and exhibits; and
 - d. comply with the mediation procedures designated by the DRA and/or the mediator.
6. If the disputing parties have not resolved the dispute within ninety (90) days of the date the mediator was appointed, the mediator shall promptly provide the disputing parties and the DRA with a written, confidential, non-binding recommendation to resolve the dispute. The recommendation shall include an assessment by the mediator

of the merits of the principal positions being advanced by each of the parties to the dispute.

7. The parties to the dispute shall then meet in a good faith attempt to resolve the dispute in light of the mediator's recommendation. This recommendation shall be limited to resolving the specific issues presented for mediation.
8. If the disputing parties are still unable to resolve the dispute:
 - a. any dispute not involving the proposed change or modification of a ISO Procedure, rate, Service Agreement, or an ISO Tariff provision may be referred to the arbitration process described below; or
 - b. any disputing party may resort to regulatory or judicial proceedings as provided under the ISO OATT or the ISO Services Tariff; and
 - c. the recommendation of the mediator and any statement made by any party during the mediation process shall not be admissible for any purpose in any subsequent proceeding.
9. Each party to the dispute will bear a pro rata share of the costs associated with the time, expenses, and other charges of the mediator. Each party shall bear its own costs, including attorney and expert fees.

10.05 Arbitration.

If the DRA or the mediator refers the dispute to binding arbitration, then the following procedure will apply:

1. The DRA shall have ten (10) days from the date of such decision to distribute a list of qualified arbitrators to the disputing parties.
2. Absent the express written consent of all disputing parties, no person shall be eligible for selection as an arbitrator that is a past or present officer, employee of or consultant to any of the disputing parties, or of an entity related to or affiliated with any of the disputing parties, or has an interest in the matter to be arbitrated. Any individual designated as an arbitrator shall make known to the disputing parties any such disqualifying relationship or interest and a new arbitrator shall be designated.
3. If the disputing parties cannot agree upon an arbitrator, they shall take turns striking names from a list of ten qualified individuals supplied by the DRA with a party chosen by lot striking the first name. The last remaining name shall be designated as the arbitrator. If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected that is able and willing to serve.
4. The arbitrator shall have no power to modify or change any agreement, tariff or rule, or otherwise create any additional rights or obligations for any party. The scope of the arbitrator's decision shall be limited to the issues presented for arbitration.
5. The arbitrator shall determine discovery procedures, intervention rights, how evidence shall be taken, what written submittals may be made, and other procedural matters, taking into account the complexity of the issues involved, the extent to which factual

matters are disputed, and the extent to which the credibility of witnesses is relevant to a resolution. Each disputing party shall produce all evidence determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves proprietary or Confidential Information, the arbitrator may issue an appropriate protective order which shall be complied with by all disputing parties. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

6. The arbitrator shall consider all issues underlying the dispute, and shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information including the opinion of recognized technical bodies or experts. Disputing parties shall be afforded a reasonable opportunity to rebut any such additional information.
7. Absent an agreement to the contrary by all disputing parties, no person or entity that is not a party to the dispute shall be permitted to intervene.
8. Within ninety (90) days of the appointment of the arbitrator, and after providing the Parties with an opportunity to be heard, the arbitrator shall render a written decision, including findings of fact and the legal basis for the decision. The arbitrator will follow the Commercial Arbitration Rules of the American Arbitration Association.
9. Under the following circumstances, the decision of the arbitrator shall be final and binding on the parties:

- a. all parties agree that the decision will be binding; or
 - b. the dispute involves a claim that a party owes another party a sum of money less than \$500,000.
10. If the arbitrator concludes that no proposed award is consistent with this ISO Agreement, the FPA and the Commission's then-applicable standards and policies, or would address all issues in dispute, the arbitrator shall develop a compromise solution consistent with the terms of this Agreement. A written decision explaining the basis for the award shall be provided by the arbitrator to the parties and the DRA. No award shall be deemed to be precedential in any other arbitration related to a different dispute.
11. All costs associated with the time, expenses and other charges of the arbitrators shall be borne by the unsuccessful party. Each party shall bear its own costs, including attorney and expert fees.
12. All arbitration decisions shall be filed with the Commission. Any arbitration decision that affects matters subject to the jurisdiction of the PSC under the New York State Public Service Law may be filed with the PSC.
13. The judgment of the arbitrator may be entered on the award by any court in New York having jurisdiction. Within one (1) year of the arbitral decision, a party may request that the Commission or any other federal, state, regulatory or judicial authority (in the state of New York) having jurisdiction over such matter vacate,

modify, or take such other action as may be appropriate with respect to any arbitration decision that is:

- a. based upon an error of law;
 - b. contrary to the statutes, rules, or regulations administered by such authority;
 - c. violative of the Federal Arbitration Act or Administrative Dispute Resolution Act;
 - d. based on conduct by an arbitrator that is violative of the Federal Arbitration Act or Administrative Dispute Resolution Act; or
 - e. involves a dispute in excess of \$500,000.
14. Nothing in this Article shall restrict the rights of any party to file a complaint or a rate, tariff, or other contract change with the Commission under the relevant provisions of the Federal Power Act.
15. No arbitrator shall render an Award which requires the transmission of electricity under circumstances where the Commission is precluded from ordering Transmission Services pursuant to FPA Section 212(h).

ARTICLE 11: RELATIONSHIP OF THE ISO AND MARKET PARTICIPANTS

11.01 Service Agreements.

Consistent with the terms of the ISO OATT and the ISO Services Tariff, the ISO will enter into non-discriminatory Service Agreements with all Customers, Market Participants and Transmission Customers seeking to obtain Eligible Service or other ISO services on the NYS Power

System.

11.02 Scheduling Transactions and Invoicing.

Except for Transmission Service on the Northport-Norwalk intertie, the parties seeking service under the ISO Tariffs will submit schedules to the ISO and schedule transactions with and through the ISO. LIPA will be the only party authorized to submit schedules to the ISO for Transmission Service on the Northport-Norwalk intertie. The ISO will render invoices and Settlement information to the various parties consistent with the provisions of the ISO OATT and the ISO Services Tariff. All parties seeking Transmission Service into and out of the Long Island Transmission District shall obtain pre-approval from LIPA before scheduling transactions with and through the ISO. LIPA shall electronically certify to the ISO pre-approved customers and transactions. If a party or transaction is not so pre-approved and certified by LIPA and the party submits a schedule for such a transaction to the ISO, the ISO shall reject the schedule and advise such party that it must obtain LIPA approval.

ARTICLE 12: RELATIONSHIP BETWEEN THE ISO AND THE NYSRC

12.01 Compliance with Reliability Rules.

The Incorporating Parties have separately created an NYSRC, which shall establish, and monitor the compliance with its Reliability Rules.

12.02 Implementation of Reliability Rules.

The ISO shall implement the Reliability Rules and shall cooperate with the Transmission Owners with respect to those Reliability Rules implemented by the Transmission Owners. The ISO

shall maintain the safety and short-term reliability of the NYS Power System in accordance with the Reliability Rules and in accordance with the ISO/NYSRC Agreement and the ISO/TO Agreement.

12.03 Audit.

The ISO shall allow the NYSRC to review and audit the ISO's compliance with the Reliability Rules. Upon a request from the NYSRC, the ISO will provide sufficient information and data to the NYSRC to demonstrate that the ISO is in compliance with the Reliability Rules.

12.04 Disputes.

Disputes between the ISO and the NYSRC with respect to the implementation or terms of a Reliability Rule or a Local Reliability Rule shall be resolved in accordance with the ISO/NYSRC Agreement.

ARTICLE 13: OASIS AND OTHER NOTIFICATION REQUIREMENTS

The ISO shall establish and operate an OASIS which shall be available to all Market Participants at a reasonable cost. The ISO shall satisfy regulatory requirements to make information available to all Market Participants on a same-time, non-discriminatory basis subject to any regulatory waiver. Additionally, network models, or the results of certain studies, may be required from time to time to be available for download by Market Participants.

Market Participants will be required to communicate all information to the ISO that is necessary for the ISO to dispatch their resource or Load using the OASIS. As part of the OASIS, the ISO shall establish and operate an exchange mechanism using an electronic technology to process the bids.

ARTICLE 14: SALE OF TRANSMISSION CONGESTION CONTRACTS

14.01 Primary Sales.

Transmission Congestion Contracts (“TCCs”) shall be sold in the primary market by either a centralized auction process or directly by the individual Transmission Owners in a non-discriminatory manner.

14.02 Secondary Sales.

TCCs may be offered, resold, and assigned on a secondary market, either in their entirety or subdivided.

14.03 Auction Bids.

The TCC auction bids will be made in accordance with the ISO OATT.

14.04 Market Clearing Prices.

Each winning bidder in the auction shall pay the Market Clearing Price for the TCCs. The total revenues received from the sale of TCCs, the Market Clearing Prices, and the entities awarded TCCs shall be posted on OASIS.

14.05 Revenues Remitted.

Any and all revenue received from the sale of a TCC shall be remitted to the Primary Owner of the TCC or the owner of the applicable transmission assets.

ARTICLE 15: TAX-EXEMPT FINANCING

15.01 Tax-Exempt Financing Pursuant to Section 142(f) of IRC.

Except for Section 15.05, this Article is applicable only to Transmission Owners that have financed facilities for the local furnishing of electricity as described in Section 142(f) of the Internal Revenue Code (“Local Furnishing Bond”). Notwithstanding any other provision of the ISO Agreement or an ISO Tariff, neither the ISO nor a Transmission Owner shall be required to provide Transmission Service or any other service to any Customer pursuant to an ISO Tariff if the provision of such Transmission Service or other service would result in the loss of tax-exempt status of any Local Furnishing Bonds used to finance the Transmission Owner’s facilities.

Notwithstanding any other provision of this Agreement, no Transmission Owner shall be required to accept or consent to any request, recommendation, or decision, including, without limitation, a recommendation or a decision of an Arbitrator, or to build any facilities or to take any action, including, without limitation, the providing of Transmission Service or any other service, or to enter into any agreement if, in the sole judgment of such Transmission Owner, such request, recommendation, decision, facilities, action, Transmission Service or agreement might reasonably be expected to result in litigation related to the tax-exempt status of the Local Furnishing Bonds or any other tax-exempt debt obligation, or might reasonably be construed to adversely affect or bring into question the tax-exempt status of interest on bonds or other obligations issued by or for the benefit of such Transmission Owner, or adversely affect or bring into question the ability of such Transmission Owner to deduct interest payments or to access the benefits of tax-exempt financing

in the future.

15.02 Alternative Procedures for Requesting Transmission Service.

- a. If a Transmission Owner determines that the provision of Transmission Service to be provided under the ISO OATT would jeopardize the tax-exempt status of any Local Furnishing Bonds, the Transmission Owner shall advise the ISO within thirty (30) days of receipt of a Completed Application by an Customer requesting such service, or the date on which the ISO OATT becomes effective.
- b. If a Customer thereafter renews its request for the same Transmission Service referred to in (a) by tendering an application under Section 211 of the FPA, the Transmission Owner, within ten (10) days of receiving a copy of the Section 211 request, will waive its right to receive a request for service under Section 213(a) of the FPA. The Commission, upon receipt of the Transmission Owner's waiver of its right to a request for service under Section 213(a) of the FPA, shall issue an Order under Section 211 of the FPA. Upon issuance of the Order under Section 211 of the FPA, the ISO and the Transmission Owner shall be required to provide the requested Transmission Service in accordance with the terms and conditions of the ISO Tariff.

15.03 Section 211 Order.

The provision of Transmission Service under the ISO OATT shall also constitute the provision of Transmission Service pursuant to an Order by the Commission under Section 211 of the FPA with respect to the transmission of electricity on Con Edison's and LIPA's transmission systems.

15.04 Tax-Exempt Financing Pursuant to Section 103 and related provisions of Internal Revenue Code.

This provision is applicable only to NYPA which has financed transmission facilities with the proceeds of bonds issued pursuant to Section 103 and related provisions of the Internal Revenue Code (“Government Bonds”). Notwithstanding any other provision of the ISO OATT Tariff, neither the ISO nor NYPA shall be required to provide Transmission Service to any Market Participant pursuant to the ISO OATT if the provision of such Transmission Service would result in the loss of the tax-exempt status of any Government Bonds or impair NYPA’s ability to issue future tax-exempt obligations.

15.05 Responsibility of Costs Associated With Loss of Tax-Exempt Status.

If, by virtue of an order issued by the Commission pursuant to Section 211 of the FPA, the ISO or a Transmission Owner is required to provide Transmission Service that would adversely affect the tax-exempt status of a Transmission Owner’s Local Furnishing Bonds or any other tax-exempt debt obligations, then the Market Participant receiving such Transmission Service will compensate the Transmission Owner for all costs, if any, associated with the loss of tax-exempt status plus the normal costs of Transmission Service.

15.06 Transmission Service Effects on Tax-Exempt Financing by LIPA

This provision is applicable only to LIPA which has financed transmission facilities with the proceeds of LIPA’s tax-exempt bonds issued pursuant to the Internal Revenue Code. Notwithstanding any other provisions of the ISO OATT or the ISO Services Tariff, neither the ISO

nor the Transmission Owner shall be required to provide transmission service to any Customer pursuant to an ISO Tariff if the provisions of such Transmission Service would result in loss of tax-exempt status of any tax-exempt bonds or impair LIPA's ability to issue future tax exempt obligations. If, by virtue of an order issued by the Commission pursuant to Section 211 of the FPA, the ISO or a Transmission Owner is required to provide Transmission Service that would adversely affect the tax-exempt status of LIPA's tax-exempt bonds or any other tax-exempt debt obligations, then the Customer receiving such Transmission Service will compensate LIPA for all costs, if any, associated with the loss of tax-exempt status of LIPA's tax-exempt bonds on such other tax exempt obligations plus the normal costs of Transmission Service.

ARTICLE 16: PENALTIES FOR NON-PERFORMANCE

16.01 ISO Rights and Obligations.

In the event that a Transmission Owner, Generator, marketer, or LSE should perform, or fail to perform, or fail to follow the ISO's instructions or orders in such a way as to violate a Reliability Rule, or otherwise to endanger the reliability of the NYS Power System, the ISO Board shall have the right and obligation to take appropriate action and assess appropriate penalties against the offending entity, as set forth below.

16.02 ISO Actions and Penalties.

The actions and/or penalties that may be assessed by the ISO shall be set forth in the ISO Tariffs and/or relevant contracts.

16.03 Commission Filings.

The ISO shall make a filing with the Commission as to the penalties that it may assess against any Market Participant or Party. The ISO may petition the Commission and/or any court of competent jurisdiction to enforce these sanctions.

16.04 Dispute Resolution Process.

Any Market Participant or Party upon which a penalty is imposed under this Article may treat it as a dispute and utilize the Dispute Resolution Process set forth in Article 10 of this Agreement.

ARTICLE 17: FINANCIAL SETTLEMENTS

17.01 Settlement Procedures.

The ISO shall implement such Settlement and billing procedures as necessary to implement the provisions of the ISO Tariffs.

17.02 Settlement Records and Bills.

Settlement records will be maintained, prepared, and disseminated by ISO personnel. Within five (5) business days after the first day of each month, the ISO shall provide Settlement and billing information to customers who take service under an ISO Tariff consistent with the Settlement and billing provisions of the applicable Tariff. Bills for charges made under the ISO Tariffs shall be paid directly to the Party designated by the ISO, or into an account maintained by the ISO for such purposes by the first banking day common to all Parties after the nineteenth day of the month. Payments for bills related to Bilateral Transactions will be settled by the Parties to the transactions.

17.03 Financial Obligations after Withdrawal and Termination.

Any financial obligation incurred by a Party under this Article prior to withdrawal by the Party from this Agreement or prior to the termination of this Agreement pursuant to Article 3 herein shall remain due and owing subsequent to such withdrawal or termination. The ISO Board and the Party or Parties to which the obligation is owed retain all legal rights and authority to recover such amounts.

17.04 Facilitation of Settlements.

The ISO shall facilitate or perform (as required by the ISO OATT or the ISO Services Tariff) the Settlement of financial transactions between and among the various Customers and other Market Participants receiving or providing services pursuant to the ISO Tariffs, and the ISO. Settlements shall include, without limitation, the provision of necessary information to facilitate collection and disbursement of moneys associated with ISO Tariff charges and payments, payments to the Transmission Owners, payments related to the sale of TCCs, and charges associated with ISO operational costs. The ISO also shall facilitate the financial Settlement of any Congestion Rents.

17.05 Transmission Owner Rights.

Nothing in this Agreement shall affect the right of individual Transmission Owners to directly bill and collect the revenues associated with their individual TSCs.

ARTICLE 18: TRANSMISSION SYSTEM EXPANSION

18.01 Transmission System Expansion

The ISO will exercise the responsibilities with respect to transmission system expansion set forth in the ISO OATT. The ISO Operating Committee will have the primary role in the implementation of

the ISO's transmission system expansion responsibilities. The ISO will not have the authority to order a Transmission Owner to construct new facilities or to modify existing facilities.

18.02 Confirmation That Proposed Projects Meet Reliability Standards.

- a. Transmission projects proposed by Transmission Owners and projects proposed by other Market Participants, including generation, that impact Interface Transfer Capability, shall be submitted to the ISO Operating Committee to confirm that all applicable reliability criteria would be met.
- b. The ISO Operating Committee analysis will include identification of changes in Interface Transfer Capability resulting from the project and measures that might mitigate reduction in Transfer Capability.
- c. The ISO staff will prepare reports covering the above analyses, with Transmission Owner support and participation, for Operating Committee review and approval.
- d. Transmission Owners and municipal electric systems will evaluate the impact of transmission expansion proposals on local reliability.

18.03 Compilation of a New York State Transmission Plan.

- a. The ISO will compile a consolidated New York State Transmission Plan (the "Plan") as described in the ISO OATT, which will be comprised of all transmission projects proposed by Transmission Owners, as well as projects proposed by other Market Participants, that are found to meet all applicable criteria and include appropriate Transfer Capability mitigation measures, and that have pending applications for construction permits or approvals.

- b. The Plan shall be compiled in coordination with the transmission systems of neighboring ISOs, Control Areas, and Canadian systems.
- c. The Plan shall conform with applicable NYSRC standards, in accordance with ISO Procedures detailed in ISO manuals.
- d. The Plan will be compiled by the ISO staff, with Transmission Owner support and participation, for Operating Committee review and approval.

18.04 Assessment of the Overall Reliability of the New York State Transmission System.

- a. The ISO will conduct planning and reliability assessments of the NYS Transmission Plan in accordance with the Reliability Rules.
- b. The overall security and adequacy of the NYS Transmission System will be assessed to ensure conformance with NERC, NPCC, and NYSRC planning criteria.
- c. The ISO Operating Committee will participate in inter-regional studies and assessments to ensure the interconnected systems are planned and developed on a coordinated basis to preserve reliability.
- d. The ISO staff, with Transmission Owner support and participation, will prepare reliability assessments for Operating Committee review and approval.

18.05 Preparation of Actual Congestion Information.

- a. The ISO, upon formation, will compile actual Power Flows and Congestion Cost information for all New York transmission Interfaces, including those with neighboring systems. This information will include histograms of hourly MW flows

and congestion costs and total monthly Congestion Costs by Interface.

- b. The ISO staff will publish reports covering this information, subject to audits.

ARTICLE 19: AMENDMENT OF THIS AGREEMENT AND THE ISO TARIFFS

19.01 Modifications.

Without waiving or limiting any rights of the Incorporating Parties under this Agreement, the ISO/TO Agreement or the ISO/NYSRC Agreement, the Parties agree that this Agreement the ISO OATT, and the ISO Services Tariff may be modified only upon:

- a. submission of the proposed amendment to the ISO Management Committee and the ISO Board;
- b. approval of the proposed amendment by both the ISO Management Committee and the ISO Board; and
- c. approval or acceptance for filing of the amendment by the Commission (and/or any other regulatory body with jurisdiction thereof), subject to the following requirements:
 - (i) If the ISO Board and the ISO Management Committee both agree to an amendment of this Agreement or an ISO Tariff, the ISO shall file the proposed amendment with the Commission pursuant to Section 205 of the Federal Power Act. Nothing herein is intended to limit the rights of any Party or other person to oppose the filing of such proposal to amend this Agreement or an ISO Tariff.
 - (ii) If the ISO Board and Management Committee do not agree on a proposed

amendment to this Agreement or an ISO Tariff, the ISO Board, the Management Committee or any Party or other person shall have the right to make application to the Commission for a change in rates, terms, conditions, charges or classifications of service, provision of additional new Ancillary Services, Service Agreement, rule or regulation under the FPA and pursuant to the Commission's rules and regulations promulgated thereunder. Nothing herein is intended to limit the rights of any Party or other person to oppose the filing of such proposal to amend this Agreement or an ISO Tariff.

19.02 FPA Section 206 Filings.

Subject to Section 19.01, nothing in this Agreement shall be construed in any way as affecting the rights of any party to make a filing with the Commission pursuant to Section 206 of the Federal Power Act.

19.03 Proposed Amendments.

All proposed amendments to the ISO Agreement must be filed with the Commission.

ARTICLE 20: ADDITIONAL CONDITIONS

20.01 Recovery Under State-Approved Tariffs.

Nothing in this ISO Agreement shall preclude any party from recovering under its PSC-approved or other lawfully established electric service tariffs the costs associated with the sale or delivery of electric Capacity or Energy to customers served under such tariffs.

20.02 Recovery of Start-Up and Development Costs.

As provided for in the ISO/TO Agreement, as soon as practicable, the ISO shall reimburse

the Transmission Owners for all costs associated with the start-up and establishment of the ISO. Such costs shall include, but are not limited to, the costs associated with: the transfer of the current NYPP Energy Control Center buildings and facilities to the ISO start-up and development costs, including but not limited to software development and licensing costs, project development costs, and regulatory costs.

20.03 Assumption of Existing Obligations.

As provided for in the ISO/TO Agreement, the ISO shall assume all existing contractual and other obligations of the NYPP. If the ISO decides to take action to terminate any such contract or obligation, it will bear any costs related thereto. The ISO shall utilize the current facilities and equipment of the NYPP and retain NYPP employees to the greatest extent practicable.

ARTICLE 21: REGULATORY JURISDICTION

Subject to Section 19.01, nothing in this Agreement shall restrict the rights of the Parties to file a complaint with or submit any action to the Commission or any other appropriate regulatory authority under relevant provisions of the Federal Power Act or other relevant statutory provisions, nor shall anything in this Agreement affect the jurisdiction of the Commission or any other regulatory authority over matters arising under this Agreement.

ARTICLE 22: ASSIGNMENT

22.01 Limitations on Assignment.

Except as specifically provided in Section 22.02 hereof, this Agreement may not be assigned or otherwise transferred by any of the Parties without the express prior written consent of the ISO Board which consent shall not be unreasonably withheld or delayed. Any person to which an

assignment or transfer is made shall be required to demonstrate, to the reasonable satisfaction of the ISO Board, that it is capable of fulfilling the requirements of this Agreement, and such assignee shall pay all costs and expenses, including reasonable attorney fees, in connection with such assignment. Unless otherwise expressly provided in a written instrument approved by the ISO Board in connection with the consummation of such assignment or transfer, any such assignment or other transfer by a Party of any of its rights and obligations under this Agreement shall not release, or in any way modify, the assigning or transferring party's liability for the performance of its obligations hereunder.

22.02 Assignment.

Notwithstanding the provisions of Section 22.01 of this Agreement, the Parties hereby consent to the assignment of this Agreement by any Incorporating Party:

- a. to any entity or entities pursuant to a plan of restructuring approved by the PSC in conjunction or compliance with, or in furtherance of, the PSC restructuring as outlined in PSC Case No. 94-E-0952, and Opinion 96-12 issued in such proceeding or any related order; or
- b. to any entity or entities in connection with a merger, consolidation, reorganization, or other change in organizational structure of the assigning Incorporating Party provided that the surviving entity(ies) agree, in writing, to be bound by the terms of this Agreement.

ARTICLE 23: INDEMNIFICATION

23.01 Indemnification.

The ISO shall indemnify, save harmless and defend a Transmission Owner including its

directors, officers, employees, trustees, and agents, or each of them, from and against all claims, demands, losses, liabilities, judgments, damages (including, without limitation, any consequential, incidental, direct, special, indirect, exemplary or punitive damages and economic costs) and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by a Transmission Owner in any actions or proceedings between a Transmission Owner and another Transmission Owner, a third party, Market Participant, the ISO, or any other party) arising out of or related to the Transmission Owner's or the ISO's acts or omissions related in any way to performance under the ISO Services Tariff, the ISO/TO Agreement, the NYSRC Agreement, the ISO/NYSRC Agreement, or this Agreement, except to the extent a Transmission Owner is found liable for gross negligence or intentional misconduct.

23.02 Survival.

The provisions of this Article 23 shall survive the termination of this ISO Agreement.

ARTICLE 24: CLAIMS BY EMPLOYEES AND INSURANCE

The ISO shall be solely responsible for and shall bear all of the costs of claims by its own employees, contractors, or agents arising under and covered by, any workers' compensation law. The ISO shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Agreement.

Additionally, the ISO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the ISO carrying out its obligations, including the obligation to indemnify the Transmission Owners. The ISO shall provide the Transmission Owners with the details of such insurance and shall have them named as additional insureds to the extent of

their insurable interests.

ARTICLE 25: LIMITATION OF LIABILITY

25.01 Limitation of Liability of ISO.

For the purpose of this Section, the term Market Participant shall not include a Transmission Owner either in its role as a Transmission Owner or in its role as a Market Participant. Subject to the provisions of Article 23, the ISO shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to any Market Participant or any third party for any damages whatsoever, including without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages resulting from any act or omission in any way associated with this Agreement, except in the event that the ISO is found liable for gross negligence or intentional misconduct, in which case the ISO will not be liable for any incidental, consequential, punitive, special, exemplary, or indirect damages; provided, however, that the liability of the ISO related services provided under the ISO OATT shall be governed by the provisions of the ISO OATT.

25.02 Limitations of Liability of Transmission Owners.

A Transmission Owner shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to the ISO, any Market Participant, any third party, or any other Party, for any damages whatsoever, including without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages resulting from any act or omission in any way associated with this Agreement, except to the extent that the Transmission Owner is found liable for gross negligence or intentional misconduct, in which case the Transmission Owner shall not be liable for any incidental, consequential, punitive, special, exemplary, or indirect damages; provided,

however, that the liability of a Transmission Owner related to services provided under the ISO OATT shall be governed by the provisions of the ISO OATT.

ARTICLE 26: OTHER PROVISIONS

26.01 Governing Law; Jurisdiction.

The interpretation and performance of this Agreement shall be in accordance with and shall be controlled by the laws of the State of New York as though this Agreement was made and performed entirely in New York. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of the Federal or State Courts of the State of New York, the Parties consent to the exclusive jurisdiction and venue of said courts.

26.02 Headings.

The section headings herein are for convenience and reference only, and in no way define or limit the scope of this ISO Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this ISO Agreement, they shall be construed as referring to this entire ISO Agreement, rather than to any individual section, subsection, or sentence.

26.03 Mutual Agreement.

Nothing in this ISO Agreement is intended to limit the Parties' ability to mutually agree upon taking a course of action different than that provided for herein, provided that doing so will not adversely affect any other Parties' rights under this Agreement.

26.04 No Third Party Rights.

Nothing in this Agreement, express or implied, is intended to confer on any person, other than

the Parties hereto, any rights or remedies under or by reason of this Agreement.

26.05 Not Partners.

Nothing contained in this Agreement shall be construed to make the Parties partners or joint venturers or to render any Party liable for the debts or obligations of any other Party.

26.06 Waiver.

Any waiver, at any time, of the rights of any Party as to any default on the part of any other Party or Parties to this Agreement, or as to any other matter arising hereunder, shall not be deemed a waiver as to any default or other matter subsequently occurring.

26.07 Contract Supremacy.

In the case of a conflict between the terms of this Agreement and the terms of the ISO/TO Agreement, the terms of the ISO/TO Agreement shall prevail. In the case of a conflict between the terms of this Agreement and the terms of ISO/NYSRC Agreement, the terms of the ISO/NYSRC Agreement shall prevail.

26.08 Force Majeure.

A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause

or causes beyond such Party's reasonable control, including any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except the settlement of any labor disturbance shall be in the sole judgment of the affected party.

26.09 Counterparts.

This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in its corporate name by its proper officers as of the date first written above.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

By: _____

Title: _____

Date: _____

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: _____

Title: _____

Date: _____

LIPA

By: _____

Title: _____

Date: _____

NEW YORK STATE ELECTRIC & GAS CORPORATION

By: _____

Title: _____

Date: _____

NIAGARA MOHAWK POWER CORPORATION

By: _____

Title: _____

Date: _____

ORANGE AND ROCKLAND UTILITIES, INC.

By: _____

Title: _____

Date: _____

ROCHESTER GAS AND ELECTRIC CORPORATION

By: _____

Title: _____

Date: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: _____

Date: _____

**AGREEMENT BETWEEN NEW YORK
INDEPENDENT SYSTEM OPERATOR AND
TRANSMISSION OWNERS**

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**AGREEMENT BETWEEN
NEW YORK INDEPENDENT SYSTEM OPERATOR
AND
TRANSMISSION OWNERS**

This Agreement is made as of the ____ day of _____, 1999, by and among Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation (referred to collectively as the "Investor-Owned Transmission Owners"), the Power Authority of the State of New York ("NYPA"), a corporate municipal instrumentality of the State of New York, and LIPA(a subsidiary of the Long Island Power Authority, a corporate municipal instrumentality of the State of New York)(herein referred to collectively as the "Transmission Owners") and the New York Independent System Operator ("ISO"), a not-for-profit corporation. The Transmission Owners and the ISO are herein referred to collectively as the Parties.

WITNESSETH:

WHEREAS, the Investor-Owned Transmission Owners established the New York Power Pool ("NYPP") by agreement made as of the 21st day of July, 1966, and NYPA subsequently joined NYPP on October 11, 1967, and LIPA joined the NYPP on May 28, 1998; and

WHEREAS, the Transmission Owners have created, invested in and operated the interconnected transmission facilities in New York State and each Investor-Owned Transmission

Owner has fiduciary responsibilities to assure, among other things, the receipt of adequate revenues to maintain the facilities, a reasonable rate of return on its transmission facilities, and to provide for recovery of the capital invested in its transmission facilities; and

WHEREAS, the ISO's principal mission is to maintain the integrity and reliability of the interconnected transmission facilities of the Transmission Owners, which will require the ISO to exercise Operational Control of the transmission facilities of the Transmission Owners, referred to as "Transmission Facilities Under ISO Control," and will further require the ISO, among other things, to function as the successor to NYPP with respect to certain NYS Power System operational activities heretofore conducted by NYPP; and

WHEREAS, the Investor-Owned Transmission Owners have legal obligations to provide safe and reliable service to the public, including assuring suitable use of their individual transmission facilities to attain and maintain compliance with this obligation; and

WHEREAS, the Transmission Owners will continue to own, physically operate, modify, and maintain the Transmission Facilities Under ISO Operational Control, and the Investor-Owned Transmission Owners will continue to have fiduciary obligations to their investors to protect their transmission facilities and to protect their investors from liability that may result from the operation of those facilities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Parties do hereby agree with each other, for themselves and their successors and assigns, as follows:

ARTICLE 1.0: DEFINITIONS

1.01 The definitions contained in Article 1 of the Independent System Operator Agreement (“ISO Agreement”) as it existed on the date this Agreement is signed by the Parties are hereby incorporated by reference in their entirety into this Agreement. Modifications to such definitions under the ISO Agreement shall apply to this Agreement, only if the Parties to this Agreement agree in writing pursuant to Section 6.14 below.

ARTICLE 2.0: RESPONSIBILITIES OF THE TRANSMISSION OWNERS

2.01 Transmission Facilities. The Transmission Owners have specified transmission facilities over which the ISO will have day-to-day Operational Control. These facilities shall be collectively known as the "Transmission Facilities Under ISO Operational Control," and are listed in Appendix A-1. The Transmission Owners also will be responsible for providing notification to the ISO with respect to actions related to other specified transmission facilities. These facilities shall be collectively known as "Transmission Facilities Requiring ISO Notification," and are listed in Appendix A-2. Transmission facilities may be added to, or deleted from, the lists of facilities provided in Appendices A-1 and A-2 by mutual written agreement of the ISO and the Transmission Owner owning and controlling such facilities. A current version of such list will be posted on the ISO's OASIS.

2.02 Transmission System Operation. Each Transmission Owner shall operate and maintain its facilities that are designated as Transmission Facilities Under ISO Operational Control and Transmission Facilities Requiring ISO Notification in accordance with the terms of this Agreement and in accordance with all Reliability Rules and all other applicable operating instructions, and ISO Procedures. The

Operating Committee of the ISO will promulgate procedures to provide for the assumption of authority by the Transmission Owners' control centers to respond to an Emergency. These procedures shall provide for the coordination of such response with the ISO. The procedures will provide that, in situations where immediate action is required, the Transmission Owners' control centers will have the authority to take actions, including without limitation, the following:

1. exercising control over facilities listed in Appendix A-1 of this Agreement and generating units;
2. starting quick start generation and the adjustment of generation;
3. re-energizing transmission facilities following breaker trips;
4. implementing emergency Load Shedding and voltage reduction measures and subsequent restoration;
5. voltage/VAR control during an Emergency;
6. changing ratings of transmission facilities; and
7. taking other measures consistent with Good Utility Practice that are required to respond to the Emergency.

Until the Operating Committee promulgates such procedures, the Transmission Owners will exercise the above responsibilities during an Emergency.

2.03 Local Area Transmission System Facilities. Transmission system facilities not designated as Transmission Facilities Under ISO Operational Control or as Transmission Facilities Requiring ISO Notification shall be collectively known as "Local Area Transmission System Facilities." Each Transmission Owner shall have sole responsibility for the operation of its Local Area Transmission System Facilities,

provided, however, that such operation by each Transmission Owner shall not compromise the reliable and secure operation of the NYS Transmission System. Each Transmission Owner shall promptly comply to the extent practicable with a request from the ISO to take action with respect to coordination of the operation of its Local Area Transmission System Facilities.

2.04 Safe Operations. Notwithstanding any other provision of this Agreement, a Transmission Owner may take such action with respect to the operation of its facilities as it deems necessary to maintain Safe Operations. To ensure Safe Operations, all Transmission Owner local operating rules shall govern the connection and disconnection of generation with transmission facilities. Safe Operations include the application and enforcement of rules, procedures and protocols that are intended to ensure the safety of personnel operating on performing work or tests or transmission facilities.

2.05 Local Control Center, Metering and Telemetry. Each Transmission Owner shall operate, or arrange for a suitable third party to operate, on a twenty-four (24) hour basis, a suitable control center, and shall install and maintain all other equipment and facilities reasonably required for the ISO to exercise Operational Control over Transmission Facilities Under ISO Operational Control. Operation of the NYS Power System will be a cooperative effort coordinated by the ISO control center in conjunction with each Transmission Owner's control center and will require the exchange of all reasonably necessary information. The Transmissions Owners' control centers must provide the ISO with Supervisory Control and Data Acquisition ("SCADA") information on facilities listed in Appendices A-1 and A-2 as well as on

certain generation resources in their Transmission Districts.

- a. Each Transmission Owner shall have the responsibility for providing metering data in its Transmission District to the ISO, unless other parties are authorized by the appropriate regulatory authority to provide metering data. Each Transmission Owner shall be responsible for collecting and making available to the ISO billing quality metering data and any other information for the Transmission District required by the ISO for billing purposes. The Parties agree that the metering and data acquisition systems currently in place will be acceptable for initial ISO operation. The Transmission Owner shall cooperate with the ISO in implementing reasonable metering enhancements and new metering installations that the ISO may deem necessary, provided that mechanisms satisfactory to each Transmission Owner are in place for their recovery of all associated costs. Each Transmission Owner shall continue to receive telemetry from existing Generators in its Transmission District and provide for the receipt of such information from new Generators. Automatic Generation Control (“AGC”) will be implemented via each Transmission Owner’s control center. Each Transmission Owner shall operate its control center to comply with current AGC procedures, as well as any revised or new AGC procedures reasonably adopted by the ISO. In addition, each Transmission Owner shall provide backup control services to the ISO in the event the ISO’s computer systems malfunction. In such situations, Bid curves will be made available to the Transmission Owners’ control centers to facilitate the continued economic operation of the system. Each Transmission Owner will

maintain a strict Code of Conduct to prevent such information from reaching any unauthorized person or entity.

- b. The Transmission Owners' control centers shall review the Security Constrained Unit Commitment ("SCUC") results as determined by the ISO as well as other components of the ISO's Day-Ahead operating plan. Each Transmission Owner's control center will have the authority to direct the commitment of additional Generators or make other changes to the Day-Ahead operating plan, as may be required, to ensure the reliability of the system. This authority will be subject to audit by the ISO.

2.06 SCUC Adjustments. A Transmission Owner may request commitment of additional Generators (including specific output level(s) if it determines that an additional Generator is needed to ensure local area reliability in accordance with the Local Reliability Rules. The ISO will use Supplemental Resource Evaluation ("SRE") to fulfill a Transmission Owner's request for additional units.

2.07 Design, Maintenance and Rating Capabilities. Each Transmission Owner shall comply with the provisions of this Agreement and all Reliability Rules, ISO Procedures, and Good Utility Practice with respect to the design, maintenance and rating of capabilities of NYS Transmission System facilities.

2.08 Maintenance Scheduling. The Transmission Owners shall schedule maintenance of their facilities designated as Transmission Facilities Under ISO Operational Control and schedule any outages (other than forced transmission outages) of said transmission system facilities in accordance with outage schedules approved by the ISO. The Transmission Owners shall comply with maintenance schedules

coordinated by the ISO, pursuant to this Agreement, for Transmission Facilities Under ISO Operational Control. Each Transmission Owner shall be responsible for providing notification of maintenance schedules to the ISO for Facilities Requiring ISO Notification.

2.09 Investigations and Restoration. Each Transmission Owner shall promptly conduct investigations of equipment malfunctions and failures and forced transmission outages in a manner consistent with applicable FERC, PSC, NRC, NERC, NPCC and NYSRC rules, principles, guidelines, standards and requirements, ISO Procedures and Good Utility Practice. Each Transmission Owner shall supply the results of such investigations to the NYSRC, the ISO and the other Transmission Owners. Each Transmission Owner shall determine the level of resources to be applied to restore facilities to service following a failure, malfunction, or forced transmission outage. Following a total or partial system interruption, restoration shall be coordinated between the ISO and the Transmission Owners' control centers. The Transmission Owners' control centers shall have the authority, in coordination with the ISO, to restore the system and to re-establish service if doing so would minimize the period of service interruption.

2.10 Information and Support. The Transmission Owners shall obtain from the ISO and the ISO shall provide to the Transmission Owners the necessary information and support services to comply with their obligations under this Article.

ARTICLE 3.0: RESPONSIBILITIES OF THE ISO

3.01 Operation and Coordination. The ISO shall direct the operation of, and coordinate the maintenance scheduling of, certain facilities of the NYS Power System, including

coordination with control centers maintained by the Transmission Owners in accordance with the Reliability Rules, as follows:

- a. Assuming responsibility for Control Area operations of the NYS Power System previously performed by NYPP;
- b. Performing balancing of Generation and Load while ensuring the safe, reliable and efficient operation of the NYS Power System;
- c. Exercising Operational Control over certain facilities of the NYS Power System under normal operating conditions and system Emergencies to maintain system reliability; and
- d. Coordinating the NYS Power System equipment outages and maintenance and maintaining the safety and short term reliability of the NYS Power System.

3.02 Tariff Administration. The ISO shall administer the ISO OATT and the ISO Services Tariff in accordance with their provisions and the provisions of the ISO Related Agreements.

3.03 Amendment of ISO Tariffs. Notwithstanding any other provisions in the Agreement, the ISO OATT and the ISO Services Tariff may be modified only upon:

- a. submission of the proposed amendment to the ISO Management Committee and the ISO Board;
- b. approval of the proposed amendment by both the ISO Management Committee and the ISO Board; and
- c. approval or acceptance for filing of the amendment by any regulatory body with jurisdiction thereof, including the Commission.

The above stated conditions are subject to the following requirements:

- a. If the ISO Board and the ISO Management Committee both agree to an amendment of an ISO Tariff, the ISO shall file the proposed amendment with the Commission pursuant to Section 205 of the Federal Power Act. Nothing herein is intended to limit the rights of any person to oppose the filing of such proposal to amend an ISO Tariff.
- b. If the ISO Board and the ISO Management Committee do not agree on a proposed amendment of a Tariff, the ISO Board, the Management Committee or any other person shall have the right to commence a proceeding pursuant to Section 206 of the Federal Power Act. Nothing herein is intended to limit the rights of any person to oppose the filing of such a Section 206 filing.

Subject to the foregoing provisions, nothing in this Agreement shall be construed in any way as affecting the rights of any person to make a filing with the Commission pursuant to Section 206 of the Federal Power Act.

3.04 Granting of Authority. The ISO responsibilities set forth in Article 3 of this Agreement, are granted by each Transmission Owner to the ISO only so long as each of the conditions set forth below is met and continues to be met throughout the term of this Agreement:

- a. The ISO fully implements all Reliability Rules including, without limitation, requiring all Market Participants to maintain appropriate levels of Installed Capacity and Operating Capacity, consistent with

- the ISO OATT, the ISO Services Tariff and all Reliability Rules;
- b. The ISO has a FERC-accepted transmission tariff(s) which provide(s) for full recovery by each of the Investor-Owned Transmission Owners of its Annual Transmission Revenue Requirement, NTAC, the annual transmission revenue requirement of LIPA, and any Stranded Investment Recovery Charge approved or accepted by FERC.
 - c. The ISO does not materially and adversely affect the right of any Transmission Owner concerning transitional arrangements set forth in the ISO Tariffs, pertaining or relating to Existing Transmission Agreements which are in effect at the commencement of ISO operations;
 - d. Con Edison, LIPA and NYPA have adequate assurance in the opinion of each such entity, of the continued tax-exempt status of their respective tax-exempt bonds, of the ability of such Investor-Owned Transmission Owners to deduct interest payments, and of the ability of the Transmission Owners to secure future tax-exempt financing;
 - e. PSC and FERC approvals are rendered in form and substance acceptable to each Investor-Owned Transmission Owner, that provide a reasonable opportunity for each Investor-Owned Transmission Owner to recover prudent and verifiable expenditures and commitments made pursuant to its legal obligations;
 - f. The ISO does not act in violation of PSC or FERC Orders;
 - g. The ISO does not file a request under Section 205 of FPA to revise

the provisions in the ISO Services Tariff related to indemnification and limitation of liability;

- h. Additions to the NYS Transmission System remain the responsibility of the Transmission Owners, consistent with FERC and PSC requirements and subject to review by the ISO;
- i. The ISO does not have a financial interest in any commercial transaction involving the use of the NYS Power System or any other electrical system;
- j. The ISO does not modify any provisions of the ISO OATT or the ISO Services Tariff so as to require, directly or indirectly, involuntary wheeling to end-users or in a sham wholesale transaction (as defined in the FPA Section 212(h));
- k. The ISO does not take any action or fail to take any action in a manner that would be inconsistent with the provisions of this Agreement or the ISO/NYSRC Agreement;
- l. The ISO distributes revenues from the collection of transmission charges to the Transmission Owner in a timely manner; and
- m. The ISO diligently evaluates and ensures the creditworthiness standards of the ISO, the ISO OATT and the ISO Services Tariff.

3.05 Collection and Billing. The ISO shall facilitate and/or perform the billing and collection of revenues related to services provided by the ISO pursuant to the terms of the ISO OATT and the ISO Services Tariff. The ISO shall facilitate and/or perform billing and collection with respect to the following:

- a. Transmission Congestion Contract sales revenues;
- b. Congestion Rent and revenues;
- c. Modified Wheeling Agreement charges and revenues;
- d. Transmission Service Charges and revenues;
- e. LBMP Transition Period Payments and revenues;
- f. Ancillary Service charges and revenues;
- g. Energy sales and revenues;
- h. Installed Capacity costs and revenues;
- i. NYPA Transmission Adjustment Charges and revenues;
- j. Transmission Usage Charges and revenues; and
- k. The Rate Schedule 1 charges of the ISO OATT and ISO Services Tariff including the collection of revenues owed to the ISO Clearing Account and bad debts.

3.06 NYPA Annual Transmission Revenue Requirement. This Agreement is premised on NYPA recovering its full annual transmission revenue requirement. This is to be achieved through a mechanism known as the NTAC. NYPA will submit its annual revenue requirement for FERC approval. NYPA will be entitled to receive from the ISO the difference between its FERC-approved revenue requirement and the sum of revenues it collects from contracts and from TSCs associated with its current transmission system. The ISO will credit any TCC revenues associated with NYPA's facilities and allocate the remainder on a kWh basis to all transmission Load the ISO serves. NYPA's recovery pursuant to NTAC is limited as described in Attachment H to the ISO OATT. This Agreement is further premised on each Investor-Owned

Transmission Owner being able to fully recover NTAC charged to its transmission and retail customers and that any necessary regulatory approvals for such full recovery will be granted by the PSC and FERC.

3.07 Proposed Material Modifications to the NYS Power System. The ISO shall establish procedures to evaluate the impact of any proposed material modifications to the NYS Power System. If the ISO or a Transmission Owner determines that a proposed modification will have a negative impact on system reliability or on total Interface transfer capability over an Interface or Interfaces, the ISO or the Transmission Owner may refer the issue for resolution pursuant to procedures comparable to those set forth in Article 5 of the ISO/NYSRC Agreement. However, the approval of the NYSRC or the ISO shall not be required to submit the issue to the PSC for resolution. This Section does not and shall not be deemed to expand the obligations of the Transmission Owner to modify or expand its transmission system beyond: (a) those obligations it contractually assumes; or (b) the requirements of the FPA.

3.08 OASIS. The ISO shall maintain the OASIS for the Transmission Owners' direct sale of TCCs and the Centralized TCC Auction as described in the ISO OATT.

3.09 Transmission Owner Reimbursement and Assumption of Existing Obligations. As soon as practicable, or no later than a date to be mutually agreed upon by the Parties, the ISO shall reimburse the Transmission Owners for all costs associated with the start-up and establishment of the ISO. Such costs shall include, but are not limited to, the costs associated with: the transfer of the current NYPP Control Center buildings and facilities to the ISO; and start-up and development costs, including but

not limited to software development and licensing costs, project development costs, and regulatory costs.

The ISO shall assume all existing contractual and other obligations of the NYPP. If the ISO decides to take action to terminate any such contract or obligation, or its assumption of existing obligations, it will bear any costs related thereto. The ISO shall utilize the current facilities and equipment of the NYPP and retain NYPP employees to the greatest extent practicable.

3.10 Retention of Non-Transferred Obligations. Any and all other rights and responsibilities that have not been specifically transferred to the ISO under this Agreement will remain with the Transmission Owners.

3.11 LIPA Scheduling Procedures. LIPA shall develop and file with the ISO procedures that will be implemented by LIPA on a nondiscriminatory basis. The procedures shall cover: (a) LIPA's scheduling of transactions on the Northport-Norwalk intertie; (b) submitting such schedules to the ISO by the ISO's deadline for submitting schedules; (c) developing a preapproved list of transactions that the ISO may schedule and list of Transmission Customers that may withdraw Energy from and inject Energy into the Long Island Transmission District; and (d) any additional procedures required for LIPA to coordinate transaction scheduling with the ISO. LIPA will be the only party authorized to submit schedules to the ISO for Transmission Service on the Northport-Norwalk intertie. All parties seeking Transmission Service into and out of the Long Island Transmission District shall obtain pre-approval from LIPA before scheduling transactions with and through the ISO. LIPA shall electronically certify to the ISO pre-approved customers and transactions. If a party or transaction is not so pre-

approved and certified by LIPA and such party submits a schedule for such a transaction to the ISO, the ISO shall reject the schedule and advise such party that it must obtain LIPA approval.

ARTICLE 4.0: ASSIGNMENT

4.01 Limitations of Assignment by the ISO. This Agreement cannot be assigned by the ISO.

4.02 Transmission Owner Assignments. This Agreement may be assigned by any Transmission Owner including, without limitation, to:

- a. any entity(ies) formed pursuant to a plan of restructuring approved by the PSC in conjunction or compliance with or in furtherance of PSC Case No. 94-E-0952 Opinion 96-12 and/or other related orders; or
- b. any entity(ies) in connection with a merger, consolidation, reorganization or other change in the organizational structure of the assigning Transmission Owner, provided that the surviving entity(ies) agree, in writing, to be bound by the terms of this Agreement.

ARTICLE 5.0: LIMITATION OF LIABILITY AND INDEMNIFICATION

5.01 Limitations of Liability. Except as otherwise provided under the ISO OATT, the Transmission Owners shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to the ISO or any Market Participant or any third party or other party for any damages whatsoever, including without limitation, special, indirect, incidental, consequential, punitive, exemplary or direct damages resulting from any act or omission in any way associated with this

Agreement, except to the extent the Transmission Owner is found liable for gross negligence or intentional misconduct, in which case the Transmission Owner shall not be liable for any special, indirect, incidental, consequential, punitive or exemplary damages.

5.02 Additional Limitations of Liability. Except as otherwise provided under the ISO OATT, a Transmission Owner shall not be liable for any indirect, consequential, exemplary, special, incidental or punitive damages including, without limitation, lost revenues or profits, the cost of replacement power or the cost of capital, even if such damages are foreseeable or the damaged party has been advised of the possibility of such damages and regardless of whether any such damages are deemed to result from the failure or inadequacy of any exclusive or other remedy.

5.03 Indemnification. The ISO shall indemnify, save harmless and defend the Transmission Owners, including their directors, officers, employees, trustees, and agents, or each of them, from and against all claims, demands, losses, liabilities, judgments, damages (including, without limitation, any consequential, incidental, direct, special, indirect, exemplary or punitive damages and economic costs), and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by the Transmission Owners in any actions or proceedings between one or more Transmission Owners and one or more Transmission Owners and a third party, Market Participant, the ISO, or any other party) arising out of or related to the Transmission Owner's or the ISO's acts or omissions related in any way to performance under the ISO Services Tariff, the ISO Agreement, the ISO/NYSRC Agreement, NYSRC Agreement, or this Agreement,

except to the extent the Transmission Owner(s) is found liable for gross negligence or intentional misconduct.

5.04 Force Majeure. A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause or causes beyond such Party's reasonable control, including any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except the settlement of any labor disturbance shall be in the sole judgment of the affected party.

5.05 Claims by Employees and Insurance. A Party shall be solely responsible for and shall bear all of the costs of claims by its own employees, contractors, or agents arising under and covered by, any workers' compensation law. A Party shall furnish,

at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Agreement. Additionally, the ISO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the ISO carrying out its obligations, including the obligation to indemnify the Transmission Owners. The ISO shall provide the Transmission Owners with the details of such insurance and shall have them named as additional insureds to the extent of their insurable interests.

5.06 Survival. The provisions of this Article, "Limitations of Liability and Indemnification" shall survive the termination or expiration of this Agreement or the ISO Tariffs.

ARTICLE 6.0: OTHER PROVISIONS

6.01 Term and Termination. This Agreement shall become effective upon the execution of this Agreement by the Transmission Owners and the ISO and on the latest of: (i) the date(s) FERC accepts for filing, without condition or material modification: (a) this Agreement; (b) the ISO Tariffs; (c) the ISO Agreement; (d) the NYSRC Agreement; and (e) the ISO/NYSRC Agreement ("ISO Tariffs" and "ISO Related Agreements"); (ii) the date on which FERC, the PSC and any other regulatory agency having jurisdiction grant all necessary approvals, including, without limitation, any approvals required under Section 70 of the Public Service Law and Section 203 of the FPA; (iii) September 1, 1999; or (iv) on such later date specified by FERC.

The implementation of the ISO by the Transmission Owners and LIPA is premised upon their being provided a reasonable opportunity to recover prudent and verifiable expenditures and commitments pursuant to their legal obligations.

Without waiving or limiting any of its other rights under this Article, if a Transmission Owner determines that any of the conditions set forth in Section 3.04 hereof are not being met or cease to be in full force and effect that Transmission Owner may withdraw from this Agreement, the ISO Agreement and the ISO Tariffs and withdraw its assets from the ISO's control and administration on ninety (90) days prior written notice to all Parties to this Agreement and FERC. Such notice shall identify the condition or conditions set forth in Section 3.04 that have not been met or is no longer in full force and effect. However, the Transmission Owner who submitted the notice of termination may withdraw the notice or extend the termination date.

In addition to the foregoing provision, after the fifth anniversary of the effective date of this Agreement, this Agreement may be terminated by a unanimous vote of the Transmission Owners or their successors or assignees. If the Transmission Owners vote to terminate this Agreement, they will file with FERC and the PSC an explanation of their action and a proposal for an alternative plan for the safe, reliable and efficient operation of the NYS Transmission System.

6.02 Withdrawal. Any Transmission Owner may withdraw from this Agreement, the ISO Agreement and the ISO Tariffs and withdraw its assets from the ISO control and administration upon ninety (90) days written notice to the ISO Board. In the case of an Investor-Owned Transmission Owner, no further approval by FERC shall be

required for such withdrawal from this Agreement, if such Investor-Owned Transmission Owner has on file with FERC its own open access transmission tariff. Any modification to this Article shall provide any party with the right to withdraw from the Agreement pursuant to the unmodified provisions of this Article, within ninety (90) days of the effective date of such modification. In the event that the tax-exempt financing of a Party is jeopardized by its participation in the ISO, the Party may withdraw from this Agreement upon thirty (30) days prior written notice to the ISO Board.

6.03 Obligations after Termination or Withdrawal.

- a. Following termination or withdrawal from the Agreement, a Party shall remain liable for all obligations arising hereunder prior to the effective date of termination or withdrawal, including all continuing obligations, just accrued prior to the effective date, imposed on the Party by this Agreement or the ISO Tariffs or other ISO Related Agreements.
- b. Termination or the withdrawal from this Agreement shall not relieve a Party of any continuing obligation it may have under the ISO Tariffs and ISO Related Agreements, unless the Party also withdraws from the ISO Tariffs or ISO Related Agreements.

6.04 Winding Up. Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or withdrawal from this Agreement shall survive such termination or withdrawal. The surviving provisions shall include, but shall not be limited to (i) those provisions necessary to permit the orderly conclusion, or continuation pursuant to another agreement, or transactions

entered into prior to the termination of or withdrawal from this Agreement, (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder, and (iii) the indemnification and limitation of liability provisions as applicable to periods prior to such, termination or withdrawal.

6.05 Confidentiality.

A. Party Access. No Party shall have a right hereunder to receive or review any documents, data or other information of another Party, including documents, data or other information provided to the ISO, to the extent such documents, data or information have been designated as confidential pursuant to the procedures specified in the ISO Tariffs or to the extent that they have been designated as confidential by such other Party; provided, however, that a Party may receive and review any composite documents, data and other information that may be developed based on such confidential documents, data or information if the composite does not disclose any individual Party's confidential data or information.

B. Required Disclosure. Notwithstanding anything in this Section to the contrary, if a Party is required by applicable law, or in the course of administrative or judicial proceedings, or subpoena, to disclose information that is otherwise required to be maintained in confidence pursuant to this Section, that Party may make disclosure of such information; provided, however, that as soon as the Party learns of the disclosure requirement and prior to making such disclosure, that Party shall notify the affected Party or Parties of the requirement and the terms thereof and the affected Party or Parties may, at their sole discretion and cost, assert any challenge to or defense against the disclosure requirement and the Party shall cooperate with such

affected Parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. Each Party shall cooperate with the affected Parties to obtain proprietary or confidential treatment of such information by the person to whom such information is disclosed prior to any such disclosure.

- 6.06 Governing Law; Jurisdiction.** The interpretation and performance of this Agreement shall be in accordance with and shall be controlled by the laws of the State of New York as though this Agreement is made and performed entirely in New York. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of the Federal or State courts of the State of New York, the Parties consent to the exclusive jurisdiction and venue of said courts.
- 6.07 Headings.** The section headings herein are for convenience and reference only and in no way define or limit the scope of this Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this Agreement, they shall be construed as referring to this entire Agreement, rather than to any individual section, subsection or sentence.
- 6.08 Mutual Agreement.** Nothing in this Agreement is intended to limit the Parties' ability to mutually agree upon taking a course of action different than that provided for herein; provided that doing so will not adversely affect any other Parties' rights under this Agreement.

- 6.09 Contract Supremacy.** In the case of a conflict between the terms of this Agreement and the terms of the ISO Agreement, the terms of this Agreement shall prevail. In the case of a conflict between the terms of this Agreement and the terms of the ISO-NYSRC Agreement, the terms of this Agreement shall prevail. In the case of a conflict between the terms of this Agreement and the terms of an ISO Tariff the terms of this Agreement shall prevail.
- 6.10 Additional Remedies.** The Parties agree that remedies at law will be inadequate to protect the interests of the Transmission Owners and that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the ISO in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that the Transmission Owners, or any Transmission Owner, individually or in conjunction with one or more other Transmission Owners, shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or an ISO Tariff by the ISO and specific performance to enforce specifically the terms and provisions thereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which the Transmission Owners are entitled at law or in equity.
- 6.11 No Third Party Rights.** Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any rights or remedies under or by reason of this Agreement.
- 6.12 Not Partners.** Nothing contained in this Agreement shall be construed to make the Parties partners or joint venturers or to render any Party liable for the debts or obligations of any other Party.

- 6.13 Waiver.** Any waiver at any time of the rights of any Party as to any default or failure to require strict adherence to any of the terms herein, on the part of any other Party or Parties to this Agreement or as to any other matters arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.
- 6.14 No Modification.** This Agreement is not subject to change under Sections 205 and 206 of the FPA, as either section may be amended or superseded, absent the mutual written agreement of the Parties. It is the intent of this Section 6.14 that, to the maximum extent permitted by law, the terms and conditions of this Agreement shall not be subject to change, regardless of whether such change is sought (a) by the Commission acting sua sponte on behalf of a Party or third party, (b) by a Party, (c) by a third party, or (d) in any other manner.
- 6.15 Counterparts.** This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all of the Parties, and this Agreement shall be binding upon all the Parties with the same force and effect as if all the Parties had signed the same document, and each such signed counterpart shall constitute an original of this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in its corporate name by its proper officers as of the date first written above.

New York Independent System Operator

By: _____

Title: _____

Date: _____

Central Hudson Gas & Electric Corporation

By: _____

Title: _____

Date: _____

Consolidated Edison Company of New York, Inc.

By: _____

Title: _____

Date: _____

LIPA

By: _____

Title: _____

Date: _____

New York State Electric & Gas Corporation

By: _____

Title: _____

Date: _____

Niagara Mohawk Power Corporation

By: _____

Title: _____

Date: _____

Orange and Rockland Utilities, Inc.

By: _____

Title: _____

Date: _____

Rochester Gas and Electric Corporation

By: _____

Title: _____

Date: _____

Power Authority of the State of New York

By: _____

Title: _____

Date: _____

APPENDIX A-1
LISTING OF TRANSMISSION FACILITIES
UNDER ISO OPERATIONAL CONTROL

Appendix A-1: Listing of Transmission Facilities under ISO Operational Control

CIRCUIT ID	FROM	KV	TO	KV
7040	CHATEAUGUAY	765	MASSENA	765
BK 1	MARCY	765	MARCY	345
BK 2	MARCY	765	MARCY	345
MSU1	MASSENA	765	MARCY	765
BK 1	MASSENA	765	MASSENA A	230
BK 2	MASSENA	765	MASSENA B	230
5018	BRANCHBURG	500	RAMAPO	500
BK 1500	RAMAPO	500	RAMAPO S.	345
393	ALPS	345	BERKSHIRE	345
PA301	BECK A	345	NIAGARA	345
PA302	BECK B	345	NIAGARA	345
67-1	BOWLINE 1	345	W.HAVERSTRAW	345
W93	BUCHANAN N.	345	EASTVIEW 2N	345
W97	BUCHANAN S.	345	MILLWOOD	345
W98	BUCHANAN S.	345	MILLWOOD	345
13	CLAY	345	DEWITT	345
1-16	CLAY	345	EDIC	345
2-15	CLAY	345	EDIC	345
BK 2	COOPERS CRNS	345	COOPERS CRNS	115
BK 3	COOPERS CRNS	345	COOPERS CRNS	115
CRT-34	COOPERS CRNS	345	ROCK TAVERN	345
CRT-42	COOPERS CRNS	345	ROCK TAVERN	345
22	DEWITT	345	LAFAYETTE	345
F38	E.FISHKIL CE	345	WOOD ST	345
F39	E.FISHKIL CE	345	WOOD ST	345
W64	EASTVIEW 1N	345	SPRAINBROOK	345
W78	EASTVIEW 1S	345	SPRAINBROOK	345
W79	EASTVIEW 2N	345	SPRAINBROOK	345
W65	EASTVIEW 2S	345	SPRAINBROOK	345
EF24-40	EDIC	345	FRASER	345
14	EDIC	345	NEW SCOTLAND	345
FE-1	FITZPATRICK	345	EDIC	345
FS-10	FITZPATRICK	345	SCRIBA	345
33	FRASER	345	COOPERS CRNS	345
BK 2	FRASER	345	FRASER	115
GF5-35	FRASER	345	GILBOA	345
GL3	GILBOA	345	LEEDS	345
GNS-1	GILBOA	345	NEW SCOTLAND	345
37	HOMER CITY	345	STOLLE RD	345
30	HOMER CITY	345	WATERCURE	345
303	HURLEY AVE	345	ROSETON	345
26	INDEPENDENCE	345	CLAY	345
25	INDEPENDENCE	345	SCRIBA	345
SRI-39	KINTIGH	345	ROCHESTER	345
68	LADENTOWN	345	BOWLINE 2	345

Appendix A-1: Listing of Transmission Facilities under ISO Operational Control

ISO/Transmission Owners Agreement

CIRCUIT ID	FROM	KV	TO	KV
Y88	LADENTOWN	345	BUCHANAN S.	345
67-2	LADENTOWN	345	W.HAVERSTRAW	345
4-36	LAFAYETTE	345	OAKDALE	345
301	LEEDS	345	HURLEY AVE	345
91	LEEDS	345	PLEASANT VALLEY	345
92	LEEDS	345	PLEASANT VALLEY	345
398	LONG MT	345	PLEASANT VALLEY	345
UCC2-41	MARCY	345	COOPERS CRNS	345
UE1-7	MARCY	345	EDIC	345
18	MARCY	345	NEW SCOTLAND	345
W99	MILLWOOD	345	EASTVIEW 1N	345
W85	MILLWOOD	345	EASTVIEW 1S	345
W82	MILLWOOD	345	EASTVIEW 2S	345
2	NEW SCOTLAND	345	ALPS	345
93	NEW SCOTLAND	345	LEEDS	345
94	NEW SCOTLAND	345	LEEDS	345
NS1-38	NIAGARA	345	KINTIGH	345
BK 3	NIAGARA	345	NIAGARA	230
BK 4	NIAGARA	345	NIAGARA	230
BK 5	NIAGARA	345	NIAGARA	230
NR2	NIAGARA	345	ROCHESTER	345
8	NINE MILE PT 1	345	CLAY	345
9	NINE MILE PT 1	345	SCRIBA	345
32	OAKDALE	345	FRASER	345
BK 2	OAKDALE	345	OAKDALE	115
BK 3	OAKDALE	345	OAKDALE	115
17	OSWEGO	345	LAFAYETTE	345
11	OSWEGO	345	VOLNEY	345
12	OSWEGO	345	VOLNEY	345
1	PANNELL RD	345	CLAY	345
2	PANNELL RD	345	CLAY	345
F36	PLEASANT VLY	345	E.FISHKIL CE	345
F37	PLEASANT VLY	345	E.FISHKIL CE	345
F30	PLEASANT VLY	345	WOOD ST	345
F31	PLEASANT VLY	345	WOOD ST	345
W90	PLEASNTVL E.	345	DUNWOODIE	345
W89	PLEASNTVL W.	345	DUNWOODIE	345
Q35L	POLETTI	345	E.13TH ST C	345
Q35M	POLETTI	345	E.13TH ST D	345
Y94	RAMAPO	345	BUCHANAN N.	345
W72	RAMAPO	345	LADENTOWN	345
PAR3500	RAMAPO S.	345	RAMAPO	345
PAR4500	RAMAPO S.	345	RAMAPO	345
RP1	ROCHESTER	345	PANNELL RD	345
RP2	ROCHESTER	345	PANNELL RD	345

Appendix A-I: Listing of Transmission Facilities under ISO Operational Control

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
77	ROCK TAVERN	345	RAMAPO	345
305	ROSETON	345	E.FISHKIL CE	345
311	ROSETON	345	ROCK TAVERN	345
69	S.MAHWAH A	345	RAMAPO	345
70	S.MAHWAH B	345	RAMAPO	345
20	SCRIBA	345	VOLNEY	345
21	SCRIBA	345	VOLNEY	345
W75	SPRAINBROOK	345	DUNWOODIE	345
BK 3	STOLLE RD	345	STOLLE RD	115
BK 4	STOLLE RD	345	STOLLE RD	115
6	VOLNEY	345	CLAY	345
19	VOLNEY	345	MARCY	345
J3410	WALDWICK	345	S.MAHWAH A	345
K3411	WALDWICK	345	S.MAHWAH B	345
31	WATERCURE	345	OAKDALE	345
BK 1	WATERCURE	345	WATERCURE	230
W80	WOOD ST	345	MILLWOOD	345
W81	WOOD ST	345	MILLWOOD	345
Y87	WOOD ST	345	PLEASNTVL E.	345
Y86	WOOD ST	345	PLEASNTVL W.	345
BK 1	WOOD ST	345	WOOD ST	115
BK 2	WOOD ST	345	WOOD ST	115
11	ADIRONDACK	230	PORTER	230
12	ADIRONDACK	230	PORTER	230
PA27	BECK	230	NIAGARA	230
BP76	BECK	230	PACKARD	230
68	DUNKIRK	230	S.RIPLEY	230
70	E.TOWANDA	230	HILLSIDE	230
73	GARDENVILLE	230	DUNKIRK	230
74	GARDENVILLE	230	DUNKIRK	230
T8-12	GARDENVILLE	230	GARDENVILLE	230
BK 6	GARDENVILLE	230	GARDENVILLE	115
BK 7	GARDENVILLE	230	GARDENVILLE	115
66	GARDENVILLE	230	STOLLE RD	230
BK 3	HILLSIDE	230	HILLSIDE	115
BK 4	HILLSIDE	230	HILLSIDE	115
69	HILLSIDE	230	WATERCURE	230
79	HUNTLEY	230	GARDENVILLE	230
80	HUNTLEY	230	GARDENVILLE	230
68	MEYER	230	HILLSIDE	230
BK 4	MEYER	230	MEYER	115
MA1	MOSES	230	ADIRONDACK	230
MA2	MOSES	230	ADIRONDACK	230
MMS1	MOSES	230	MASSENA A	230
MMS2	MOSES	230	MASSENA B	230

Appendix A-1: Listing of Transmission Facilities under ISO Operational Control

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
BK 1	MOSES	230	MOSES	115
BK 2	MOSES	230	MOSES	115
BK 3	MOSES	230	MOSES	115
BK 4	MOSES	230	MOSES	115
MW1	MOSES	230	WILLIS	230
MW2	MOSES	230	WILLIS	230
N BUS TIE	NIAGARA	230	NIAGARA	230
S BUS TIE	NIAGARA	230	NIAGARA	230
BK T1	NIAGARA	230	NIAGARA	115
BK T2	NIAGARA	230	NIAGARA	115
61	NIAGARA	230	PACKARD	230
62	NIAGARA	230	PACKARD	230
64	NIAGARA	230	ROBINSON RD	230
BK 1	OAKDALE	230	OAKDALE	115
77	PACKARD	230	HUNTLEY	230
78	PACKARD	230	HUNTLEY	230
BK 4	PLATTSBURGH A	230	PLATTSBURGH	115
BK 1	PLATTSBURGH B	230	PLATTSBURGH	115
30	PORTER	230	ROTTERDAM	230
31	PORTER	230	ROTTERDAM	230
BK 1	ROBINSON RD	230	ROBINSON RD	115
65	ROBINSON RD	230	STOLLE RD	230
E205W	ROTTERDAM	230	BEAR SWAMP	230
69	S.RIPLEY	230	ERIE E.	230
PSL 33P	ST.LAW OH A	230	ST.LAW OH B	230
PSL 34P	ST.LAW OH C	230	ST.LAW OH D	230
67	STOLLE RD	230	MEYER	230
71	WATERCURE	230	OAKDALE	230
WP2	WILLIS	230	PLATTSBURGH A	230
WP1	WILLIS	230	PLATTSBURGH B	230
BK 1	WILLIS	230	WILLIS	115
BK 2	WILLIS	230	WILLIS	115
998	CODDINGTN RD	115	ETNA	115
907	HARRISON RAD	115	ROBINSON RD	115
964	HICKLING	115	RIDGE RD	115
963	HILLSIDE	115	RIDGE RD	115
943	JENNISON	115	KATTELVILLE	115
966	MEYER	115	BENNETT	115
968	MEYER	115	GREENIDGE	115
974	MILLIKEN	115	ETNA	115
975	MILLIKEN	115	ETNA	115
982	MONTOUR FLS	115	CODDINGTN RD	115
701	NORTH END	115	PLATTSBURGH	115
939	OAKDALE	115	GOUDEY	115
943	OAKDALE	115	KATTELVILLE	115

Appendix A-1: Listing of Transmission Facilities under ISO Operational Control

<u>CIRCUIT_ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
PAR3	PLATTSBURGH	115	PLATTSBURGH	115
PV20	PLATTSBURGH	115	S.HERO, VT	115
934	S.PERRY	115	MEYER	115
906- 7X	STA 162	115	S.PERRY	115
976	STATE ST	115	WRIGHT AVE	115
BK 1	W.WOODBOURNE	115	W.WOODBOURNE	69
973	WRIGHT AVE	115	MILLIKEN	115
REA #1	MARCY	765		
REA #1	MASSENA	765		
REA #2	MASSENA	765		
CAP A	COOPERS CRNS	345		
CAP B	COOPERS CRNS	345		
CAP #1	E.FISHKIL CE	345		
CAP #2	E.FISHKIL CE	345		
CAP #1	FRASER	345		
CAP #2	FRASER	345		
SVC	FRASER	345		
CAP #1	GILBOA	345		
CAP #1	MARCY	345		
CAP #2	MARCY	345		
CAP #1	ROCHESTER	345		
CAP #1	ROCK TAVERN	345		
CAP #2	ROCK TAVERN	345		

APPENDIX A-2
LISTING OF TRANSMISSION FACILITIES
REQUIRING ISO NOTIFICATION

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
BK TA5	BUCHANAN N.	345	BUCHANAN TA5	138
BK 1	CLAY	345	CLAY	115
BK 2	CLAY	345	CLAY	115
BK 2	DEWITT	345	DEWITT	115
BK N1	DUNWOODIE	345	DUNWOODIE N1	138
BK S1	DUNWOODIE	345	DUNWOODIE S1	138
71	DUNWOODIE	345	RAINEY	345
72	DUNWOODIE	345	RAINEY	345
Y50	DUNWOODIE	345	SHORE RD	345
BK 14	E.13TH ST A	345	E.13TH ST	138
BK 15	E.13TH ST A	345	E.13TH ST	138
45	E.13TH ST A	345	FARRAGUT	345
BK 12	E.13TH ST B	345	E.13TH ST	138
BK 13	E.13TH ST B	345	E.13TH ST	138
46	E.13TH ST B	345	FARRAGUT	345
BK 16	E.13TH ST C	345	E.13TH ST	138
B47	E.13TH ST C	345	FARRAGUT	345
BK 10	E.13TH ST D	345	E.13TH ST	138
BK 11	E.13TH ST D	345	E.13TH ST	138
48	E.13TH ST D	345	FARRAGUT	345
BK 1	E.FISHKIL CE	345	E.FISHKIL CH	115
BK 1	E.G.C. BNK1	345	E.GARDEN CTY	138
BK 2	E.G.C. BNK2	345	E.GARDEN CTY	138
PAR1	E.GARDEN CTY	345	E.G.C. BNK1	345
PAR2	E.GARDEN CTY	345	E.G.C. BNK2	345
BK 1N	EASTVIEW 1N	345	EASTVIEW	138
BK 1S	EASTVIEW 1S	345	EASTVIEW	138
BK 2N	EASTVIEW 2N	345	EASTVIEW	138
BK 2S	EASTVIEW 2S	345	EASTVIEW	138
BK 2	EDIC	345	EDIC	230
BK 3	EDIC	345	EDIC	115
BK 4	EDIC	345	EDIC	115
BK 1	ELBRIDGE	345	ELBRIDGE	115
41	FARRAGUT	345	GOWANUS N41	345
42	FARRAGUT	345	GOWANUS S42	345
BK 11	FARRAGUT 2	345	FARRAGUT	345
TA 1	FRESHKILLS	345	FRESHKILLS R	138
TB 1	FRESHKILLS	345	FRESHKILLS R	138
22	GOETHALS N.1	345	FRESHKILLS	345
BK 1N	GOETHALS N.1	345	GOETHALS N.2	345
BK 1	GOETHALS N.2	345	GOETHALS	230
21	GOETHALS S.	345	FRESHKILLS	345
G23L&M	GOETHALS S	345	LINDEN CE	345
R41 S.REACT	GOWANUS	345		
R42 S.REACT	GOWANUS	345		

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
25	GOWANUS N.	345	GOETHALS N.1	345
BK T2	GOWANUS N.	345	GOWANUS B	138
26	GOWANUS S.	345	GOETHALS S.	345
BK T14	GOWANUS S.	345	GOWANUS D	138
B3402	HUDSON A	345	FARRAGUT 1	345
C3403	HUDSON B	345	FARRAGUT 2	345
BK 1	HURLEY AVE	345	HURLEY AVE	115
TA 1	MILLWOOD	345	MILLWOOD	138
TA 2	MILLWOOD	345	MILLWOOD	138
R81/R82	NEW SCOTLAND	345	NEW SCOTLAND	345
BK 1	NEW SCOTLAND	345	NEW SCOTLAND...	115
BK 2	NEW SCOTLAND	345	NEW SCOTLAND	115
BK 7	OSWEGO	345	OSWEGO	115
BK 1	PANNELL RD	345	PANNELL RD	115
BK 2	PANNELL RD	345	PANNELL RD	115
BK S1	PLEASANT VLY	345	PLEASANT VLY	115
BK 2	PLEASNTVL E.	345	PLEASNTVL	13
BK 1	PLEASNTVL W.	345	PLEASNTVL	13
61	RAINEY	345	FARRAGUT	345
62	RAINEY	345	FARRAGUT	345
63	RAINEY	345	FARRAGUT	345
BK 8W	RAINEY	345	RAINEY 1	138
BK 8E	RAINEY	345	RAINEY 2	138
BK 1300	RAMAPO	345	RAMAPO	138
BK 2300	RAMAPO	345	RAMAPO	138
1	REYNOLDS RD	345	ALPS	345
BK 2	REYNOLDS RD	345	REYNOLDS RD	115
BK 1	ROCHESTER	345	STA 80	115
BK 2	ROCHESTER	345	STA 80	115
BK 3	ROCHESTER	345	STA 80	115
BK TR1	ROCK TAVERN	345	ROCK TAVERN	115
BK 258	S.MAHWAH A	345	S.MAHWAH	138
BK 1	SHORE RD	345	SHORE RD	138
BK 2	SHORE RD	345	SHORE RD	138
BK S6	SPRAINBROOK	345	DUNWOODIE N2	138
BK N7	SPRAINBROOK	345	DUNWOODIE S3	138
Y49	SPRAINBROOK	345	E.GARDEN CTY	345
X28	SPRAINBROOK	345	TREMONT	345
M51	SPRAINBROOK	345	W.49TH ST	345
M52	SPRAINBROOK	345	W.49TH ST	345
M54	W.49TH ST	345	E.13TH ST A	345
M55	W.49TH ST	345	E.13TH ST B	345
BK 194	W.HAVERSTRAW	345	W.HAVERSTRAW	138
BK 31	DUNKIRK	230	DUNKIRK	115
BK 41	DUNKIRK	230	DUNKIRK	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
BK 2	GARDENVILLE	230	GARDENVILLE	115
BK 3	GARDENVILLE	230	GARDENVILLE	115
BK 4	GARDENVILLE	230	GARDENVILLE	115
BK 130	HUNTLEY	230	HUNTLEY	23
BK 140	HUNTLEY	230	HUNTLEY	23
A2253	LINDEN	230	GOETHALS	230
BK 2	PACKARD	230	PACKARD	115
BK 3	PACKARD	230	PACKARD	115
BK 4	PACKARD	230	PACKARD	115
BK 1	PORTER	230	PORTER	115
BK 2	PORTER	230	PORTER	115
BK 6	ROTTERDAM	230	ROTTERDAM	115
BK 7	ROTTERDAM	230	ROTTERDAM	115
BK 8	ROTTERDAM	230	ROTTERDAM	115
34124L	ASTORIA E	138	ASTORIA 4	138
34125L	ASTORIA E	138	ASTORIA 5	138
34181	ASTORIA E	138	CORONA	138
34182	ASTORIA E	138	CORONA	138
34183	ASTORIA E	138	CORONA	138
34184	ASTORIA E	138	CORONA	138
34185	ASTORIA E	138	CORONA	138
34186	ASTORIA E	138	CORONA	138
24121	ASTORIA W	138	ASTORIA 3	138
24122	ASTORIA W	138	ASTORIA 3	138
24124M	ASTORIA W	138	ASTORIA 4	138
24125M	ASTORIA W	138	ASTORIA 5	138
28241	ASTORIA W	138	QUEENS BRDG	138
28242	ASTORIA W	138	QUEENS BRDG	138
28243	ASTORIA W	138	QUEENS BRDG	138
28244	ASTORIA W	138	QUEENS BRDG	138
PAR	BARRETT 1	138	BARRETT 2	138
459	BARRETT 1	138	FREEPORT	138
864	BROOKHAVEN	138	RIVERHEAD	138
95891	BUCHANAN GT	138	BUCHANAN TA5	138
96951	BUCHANAN GT	138	MILLWOOD	138
96952	BUCHANAN GT	138	MILLWOOD	138
18001	CORONA PAR1	138	JAMAICA	138
18002	CORONA PAR2	138	JAMAICA	138
BK N1	DUNWOODIE N1	138	DUNWOODIE N3	138
BK N2	DUNWOODIE N1	138	DUNWOODIE N4	138
99997 TIE	DUNWOODIE N1	138	DUNWOODIE S1	138
99941	DUNWOODIE N2	138	DUNWOODIE N1	138
99031	DUNWOODIE N3	138	SHERMAN CRK	138
99032	DUNWOODIE N4	138	SHERMAN CRK	138
BK S1	DUNWOODIE S1	138	DUNWOODIE S2	138

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

CIRCUIT ID	FROM	KV	TO	KV
BK S2	DUNWOODIE S1	138	DUNWOODIE S2	138
99153	DUNWOODIE S2	138	E.179TH ST	138
99942	DUNWOODIE S3	138	DUNWOODIE S1	138
15054	E.179TH ST	138	HELLGATE 1	138
15053	E.179TH ST	138	HELLGATE 4	138
15055	E.179TH ST	138	HELLGATE 6	138
38X01	E.179TH ST	138	PARKCHESTR1	138
38X02	E.179TH ST	138	PARKCHESTR2	138
38X04	E.179TH ST	138	PARKCHESTR3	138
38X03	E.179TH ST	138	PARKCHESTR4	138
361	E.GARDEN CTY	138	CARLE PLACE	138
462	E.GARDEN CTY	138	NEWBRIDGE RD	138
463	E.GARDEN CTY	138	NEWBRIDGE RD	138
465	E.GARDEN CTY	138	NEWBRIDGE RD	138
362	E.GARDEN CTY	138	ROSLYN	138
32078	FARRAGUT HUD	138	HUDSON AVE D	138
29211-1	FOXHILLS 1	138	WILLOWBROOK	138
29212-1	FOXHILLS 2	138	WILLOWBROOK	138
461	FREERPORT	138	NEWBRIDGE RD	138
PSR 1	FRESHKILS AK	138	FRESHKILLS R	138
PSR 2	FRESHKILS AK	138	FRESHKILLS R	138
366-1	GLENWOOD GT	138	GLENWOOD N	138
364	GLENWOOD GT	138	ROSLYN	138
363	GLENWOOD S	138	CARLE PLACE	138
42231	GOWANUS A	138	GREENWOOD	138
42232	GOWANUS C	138	GREENWOOD	138
674	GREENLAWN	138	ELWOOD E	138
29231	GREENWOOD	138	FOXHILLS 1	138
29232	GREENWOOD	138	FOXHILLS 2	138
889	HAUPPAUG	138	CENTRAL ISLIP	138
34052	HELLGATE 1	138	ASTORIA E	138
24054	HELLGATE 2	138	ASTORIA W	138
24053	HELLGATE 3	138	ASTORIA W	138
34051	HELLGATE 4	138	ASTORIA E	138
24051	HELLGATE 5	138	ASTORIA W	138
24052	HELLGATE 6	138	ASTORIA W	138
887	HOLBROOK	138	BROOKHAVEN	138
888	HOLBROOK	138	HOLTSVILLE	138
874	HOLTSVILLE	138	BROOKHAVEN	138
818	HOLTSVILLE	138	UNION AVE	138
32711	HUDSON AVE A	138	HUDSON AVE D	138
32077	HUDSON AVE B	138	HUDSON AVE D	138
701	HUDSON AVE D	138	JAMAICA	138
702	HUDSON AVE D	138	JAMAICA	138
903	JAMAICA	138	LK SUCCESS W	138

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
901 L&M	JAMAICA	138	VALLEY STR 1	138
PAR	LK SUCCESS E	138	LK SUCCESS W	138
563	NEWBRIDGE RD	138	PILGRIM 1	138
561	NEWBRIDGE RD	138	RULAND	138
562	NEWBRIDGE RD	138	RULAND	138
672	NORTHPORT E	138	PILGRIM 1	138
677	NORTHPORT E	138	PILGRIM 1	138
679	NORTHPORT E	138	PILGRIM 2	138
PAR 1	NORTHPORT NE	138	NORTHPORT E	138
681	NORTHPORT W	138	ELWOOD E	138
678	NORTHPORT W	138	ELWOOD W	138
PS2	NORTHPORT W	138	NORTHPORT E	138
1385	NORWALK HARB	138	NORTHPORT NE	138
673	OAKWOOD	138	ELWOOD W	138
675	OAKWOOD	138	SYOSSET	138
871	PILGRIM 1	138	HAUPPAUG	138
881	PILGRIM 2	138	HOLTSVILLE	138
PAR	PILGRIM 2	138	PILGRIM 1	138
883	PILGRIM 2	138	RONKONKOMA	138
862	PORT JEFF	138	HOLBROOK	138
886	PORT JEFF	138	HOLBROOK	138
31281	QUEENS BRDG	138	VERNON	138
31282	QUEENS BRDG	138	VERNON	138
36312	RAINEY 1	138	VERNON	138
36311	RAINEY 2	138	VERNON	138
26 / BK 7108	RAMAPO	138	SUGARLOAF	69
875	RONKONKOMA	138	HOLBROOK	138
882	RULAND	138	HOLBROOK	138
661	RULAND	138	PILGRIM 1	138
662	RULAND	138	PILGRIM 2	138
15031	SHERMAN CRK	138	E.179TH ST	138
15032	SHERMAN CRK	138	E.179TH ST	138
366-2	SHORE RD	138	GLENWOOD N	138
365	SHORE RD	138	GLENWOOD S	138
367	SHORE RD	138	LK SUCCESS E	138
368	SHORE RD	138	LK SUCCESS E	138
861	SHOREHAM	138	BROOKHAVEN	138
885	SHOREHAM	138	HOLBROOK	138
863	SHOREHAM	138	WILDWOOD	138
676	SYOSSET	138	GREENLAWN	138
558	SYOSSET	138	LOCUST GROVE	138
559	SYOSSET	138	LOCUST GROVE	138
38X01	TREMONT 11E	138	PARKCHESTR1	138
38X02	TREMONT 11E	138	PARKCHESTR2	138
BK 11	TREMONT 11E	138	TREMONT 11W	138

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
38X04	TREMONT 12E	138	PARKCHESTR3	138
38X03	TREMONT 12E	138	PARKCHESTR4	138
BK 12	TREMONT 12E	138	TREMONT 12W	138
291	VALLEY STR 1	138	BARRETT 1	138
PAR	VALLEY STR 1	138	VALLEY STR 2	138
292	VALLEY STR 2	138	BARRETT 2	138
262	VALLEY STR 2	138	E.GARDEN CTY	138
31231	VERNON	138	GREENWOOD	138
31232	VERNON	138	GREENWOOD	138
884	WADING RIV	138	HOLBROOK	138
891	WADING RIV	138	SHOREHAM	138
890	WLDWOOD	138	RIVERHEAD	138
29211-2	WILLOWBROOK	138	FRESHKILS AK	138
29212-2	WILLOWBROOK	138	FRESHKILS AK	138
1	ALBANY	115	GREENBUSH	115
2	ALBANY	115	GREENBUSH	115
12	ALCOA	115	DENNISON	115
13	ALCOA	115	N.OGDENSBURG	115
R8105	ALCOA N.	115	ALCOA	115
20	ALTAMONT	115	NEW SCOTLAND	115
157(932)	ANDOVER	115	PALMITER RD	115
700	ASHLEY RD	115	PLATTSBURGH	115
5(972)	AUBURN (STATE ST)	115	ELBRIDGE	115
117	BATAVIA	115	SE.BATAVIA	115
953	BATH	115	BENNETT	115
965	BATH	115	MONTOUR FLS	115
BL104	BECK	115	LOCKPORT	115
932	BENNETT	115	PALMITER	115
18	BETHLEHEM	115	ALBANY	115
6	BLACK RIVER	115	LIGHTHOUSE HILL	115
1	BLACK RIVER	115	TAYLORVILLE	115
2	BLACK RIVER	115	TAYLORVILLE	115
8	BLUE CIRCLE CEMENT	115	PLEASANT VALLEY	115
1	BOONVILLE	115	PORTER	115
2	BOONVILLE	115	PORTER	115
969	BORDER CITY	115	GREENIDGE	115
1	BRAINARDSVILLE	115	KENTS FLS	115
3	BROWNS FALLS	115	TAYLORVILLE	115
4	BROWNS FALLS	115	TAYLORVILLE	115
15	CARR ST	115	DEWITT	115
6	CEDAR	115	WHITEHALL	115
1/11	CEDARS	115	DENNISON	115
2/22	CEDARS	115	DENNISON	115
DW-1	CHADWICK	115	DANSKAMMER	115
DW-2	CHADWICK	115	E.WALDEN	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
DW-3	CHADWICK	115	W.BALMVILLE	115
13	CHURCHTOWN	115	PLEASANT VALLEY	115
3	CLAY	115	DEWITT	115
5	CLAY	115	DEWITT	115
14	CLAY	115	GE	115
10	CLAY	115	TEALL AVE	115
11	CLAY	115	TEALL AVE	115
17	CLAY	115	WOODARD	115
15	CLINTON	115	ING-MECOTAP	115
981-1	CODDINGTN RD	115	E.ITHACA	115
3	COFFEEN	115	BLACK RIVER	115
5	COFFEEN	115	LIGHTHOUSE HILL	115
929	COLLIERS	115	RICHFIELD SPRINGS	115
7	COLTON	115	BATTLE HILL	115
1	COLTON	115	BROWNS FALLS	115
2	COLTON	115	BROWNS FALLS	115
3	COLTON	115	MALONE	115
950	COOPERS CRNS	115	FERNDALE	115
957	COOPERS CRNS	115	W.WOODBOURNE	115
1(947)	CORTLAND	115	ETNA	115
991/995	CROTON FLS	115	AMAWALK	115
994/990	CROTON FLS	115	SYLVAN LK	115
991/992	CROTON FLS	115	WOOD ST	115
13	CURTIS ST.	115	TEALL AVE	115
AC	DANSKAMMER	115	N.CHELSEA	115
DC	DANSKAMMER	115	N.CHELSEA	115
DR	DANSKAMMER	115	REYNOLDS HL	115
DB	DANSKAMMER	115	W.BALMVILLE	115
903	DAVIS RD	115	GARDENVILLE	115
927	DAVIS RD	115	STOLLE RD	115
951-1	DELHI	115	DELHI TAP	115
949	DELHI	115	JENNISON	115
919	DELHI	115	OAKDALE	115
951-2	DELHI TAP	115	COLLIERS	115
4	DENNISON	115	COLTON	115
5	DENNISON	115	COLTON	115
19	DEWITT	115	TILDEN	115
160	DUNKIRK	115	FALCONER	115
161	DUNKIRK	115	FALCONER	115
162	DUNKIRK	115	FALCONER	115
J	E. WALDEN	115	ROCK TAVERN	115
981-2	E.ITHACA	115	ETNA	115
LR-2	E.KINGSTON	115	RHINEBECK	115
946	E.NORWICH	115	JENNISON	115
956	E.SAYRE	115	N.WAVERLY	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
PX-1	E.WALDEN	115	MODENA	115
D	E.WALDEN	115	ROCK TAVERN	115
18	ELBRIDGE	115	GERES LOCK	115
19	ELBRIDGE	115	GERES LOCK	115
3	ELBRIDGE	115	GERES LOCK	115
4	ELBRIDGE	115	WOODWARD	115
926	ERIE ST	115	STOLLE RD	115
945-2	ETNA	115	WILLET	115
153	FALCONER	115	HOMER HILL	115
154	FALCONER	115	HOMER HILL	115
171	FALCONER	115	WARREN	115
959	FERNDALE	115	W.WOODBOURNE	115
2	FEURA BUSH	115	N.CATSKILL	115
HF	FISHKILL PLN	115	E.FISHKIL CH	115
A/990	FISHKILL PLN	115	SYLVAN LK	115
3	FITZPATRICK	115	LIGHTHOUSE HILL	115
951-T	FRASER	115	DELHI TAP	115
4	FULTON	115	CLAY	115
141	GARDENVILLE	115	DUNKIRK	115
142	GARDENVILLE	115	DUNKIRK	115
54(921)	GARDENVILLE	115	ERIE ST	115
151	GARDENVILLE	115	HOMER HILL	115
152	GARDENVILLE	115	HOMER HILL	115
925	GARDENVILLE	115	STOLLE RD	115
8	GE	115	GERES LOCK	115
15(979)	GENEVA(BORDER CITY)	115	ELBRIDGE	115
16	GERES LOCK	115	TILDEN	115
908	GINNA	115	PANNELL RD	115
912	GINNA	115	PANNELL RD	115
911-1	GINNA	115	STA 204A	115
913	GINNA	115	STATION 42	115
15	GREENBUSH	115	HUDSON	115
13	GREENBUSH	115	SCHODACK	115
967	GREENIDGE	115	MONTOUR FLS	115
970	GREENIDGE	115	MONTOUR FLS	115
908	HARRISON RAD	115	HINMAN	115
960/958	HICKLING	115	HILLSIDE	115
962-1	HILLSIDE	115	N.WAVERLY	115
157	HOMER HILL	115	ANDOVER	115
6	HOOSICK	115	BENNINGTON	115
12	HUDSON	115	PLEASANT VALLEY	115
38	HUNTLEY	115	GARDENVILLE	115
39	HUNTLEY	115	GARDENVILLE	115
36	HUNTLEY	115	LOCKPORT	115
37	HUNTLEY	115	LOCKPORT	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
HP	HURLEY AVE	115	LINCOLN PARK	115
OR-1	HURLEY AVE	115	OHIOVILLE	115
2	INDECK	115	LIGHTHOUSE HILL	115
15	INGHAMS	115	MECO	115
7(942)	INGHAMS	115	RICHFIELD SPRINGS	115
9	INGHAMS	115	STONER	115
PAR 2	INGHAMS CD	115	INGHAMS ED	115
R81	INGHAMS CD	115	INGHAMS ED	115
954	JENNISON	115	HANCOCK	115
1-KS	KENTS FLS	115	SARANAC	115
MC	KNAPPS CRN	115	MANCHESTER A	115
952	LAUREL LK	115	GOUDEY	115
7	LIGHTHOUSE HILL	115	CLAY	115
LR-1	LINCOLN PARK	115	E.KINGSTON	115
107	LOCKPORT	115	BATAVIA	115
108	LOCKPORT	115	BATAVIA	115
112	LOCKPORT	115	BATAVIA	115
100	LOCKPORT	115	HINMAN	115
111	LOCKPORT	115	MORTIMER	115
113	LOCKPORT	115	MORTIMER	115
114	LOCKPORT	115	MORTIMER	115
6	MCINTYRE	115	BATTLE HILL	115
10	MECO	115	ROTTERDAM	115
10	MILAN	115	PLEASANT VALLEY	115
MR	MILAN	115	RHINEBECK	115
PX-2	MODENA	115	OHIOVILLE	115
963-2	MONTOUR FLS	115	RIDGE RD	115
978-2	MONTOUR FLS	115	RIDGE RD	115
1	MORTIMER	115	ELBRIDGE	115
2	MORTIMER	115	ELBRIDGE	115
110	MORTIMER	115	GOLAH	115
24	MORTIMER	115	PANNELL RD	115
25	MORTIMER	115	PANNELL RD	115
904	MORTIMER	115	ROCHESTER(STA 80)	115
901	MORTIMER	115	STA 33	115
7X8272	MORTIMER	115	STA 82	115
MAL4	MOSES	115	ALCOA N.	115
MAL6	MOSES	115	ALCOA N.	115
MAL5	MOSES	115	ALCOA S.	115
103	MOUNTAIN	115	LOCKPORT	115
120	MOUNTAIN	115	NIAGARA	115
5	N. TROY	115	HOOSICK	115
T7	N.CATSKILL	115	MILAN	115
NF	N.CHELSEA	115	FISHKILL PLN	115
9	N.OGDENSBURG	115	MCINTYRE	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
16	N.TROY	115	REYNOLDS RD	115
14	N.TROY	115	WYNANTSKILL	115
8	NEW SCOTLAND	115	ALBANY	115
4	NEW SCOTLAND	115	BETHLEHEM	115
3	NEW SCOTLAND	115	FEURA BUSH	115
9	NEW SCOTLAND	115	FEURA BUSH	115
7	NEW SCOTLAND	115	LONG LANE	115
180	NIAGARA	115	GARDENVILLE	115
101	NIAGARA	115	LOCKPORT	115
102	NIAGARA	115	LOCKPORT	115
191	NIAGARA	115	PACKARD	115
192	NIAGARA	115	PACKARD	115
193	NIAGARA	115	PACKARD	115
194	NIAGARA	115	PACKARD	115
195	NIAGARA	115	PACKARD	115
4	NINE MILE PT 1	115	FITZPATRICK	115
702	NORTHEND	115	ASHLEY RD	115
OR-2	OHIOVILLE	115	REYNOLDS HL	115
3	ONEIDA	115	CORTLAND	115
7	ONEIDA	115	PORTER	115
6	ONEIDA	115	YAHNUNDASIS	115
3	OSWEGO	115	S.OSWEGO	115
5	OSWEGO	115	S.OSWEGO	115
8	OSWEGO	115	S.OSWEGO	115
181(922)	PACKARD	115	ERIE ST.	115
182	PACKARD	115	GARDENVILLE	115
130	PACKARD	115	HUNTLEY	115
129	PACKARD	115	WALCK RD	115
4(977)	PANNELL RD	115	GENEVA (BORDER CITY)	115
PS1	PLATTSBURGH	115	SARANAC	115
C/A	PLEASANT VLY	115	FISHKILL PLN	115
X-1	PLEASANT VLY	115	INWOOD	115
M	PLEASANT VLY	115	MANCHESTER A	115
4	PORTER	115	VALLEY	115
5	PORTER	115	WATKINS RD	115
930	QUAKER RD	115	MACEDON	115
914	QUAKER RD	115	PANNELL RD	115
13(980)	QUAKER RD	115	SLEIGHT RD	115
6	QUEENSBURY	115	CEDAR	115
X-2	REYNOLDS HL	115	INWOOD	115
9	REYNOLDS RD	115	GREENBUSH	115
978-1	RIDGE RD	115	HILLSIDE	115
SL	ROCK TAVERN	115	SUGARLOAF	115
17	ROTTERDAM	115	ALTAMONT	115
13	ROTTERDAM	115	NEW SCOTLAND	115

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
18	ROTTERDAM	115	NEW SCOTLAND	115
1	ROTTERDAM	115	SPIER	115
2	ROTTERDAM	115	SPIER	115
7	S. OSWEGO	115	FULTON	115
10	S.OSWEGO	115	CURTIS ST.	115
9	S.OSWEGO	115	GERES LOCK	115
6	S.OSWEGO	115	INDECK	115
1	S.OSWEGO	115	NINE MILE PT 1	115
961	S.OWEGO	115	GOUDEY	115
962-2	S.OWEGO	115	N.WAVERLY	115
933	S.PERRY	115	MEYER	115
REA BYPASS	SANDBAR	115	SANDBAR OMS	115
SERIES REA	SANDBAR	115	SANDBAR OMS	115
14	SCHODACK	115	CHURCHTOWN	115
119	SE.BATAVIA	115	GOLAH	115
EF	SHENANDOAH	115	E.FISHKIL CH	115
3(971)	SLEIGHT RD	115	AUBURN (STATE ST)	115
906	STA 162	115	STA 82	115
911-2	STA 204A	115	STA 42	115
922	STA 67	115	STA 80	115
903	STA 67	115	STA 82	115
23	STA 82	115	QUAKER RD	115
902	STA 82	115	STA 33	34
905	STA 82	115	STA 80	115
12	STONER	115	ROTTERDAM	115
BK 6108	SUGARLOAF	115	SUGARLOAF	69
5	TAYLORVILLE	115	BOONVILLE	115
6	TAYLORVILLE	115	BOONVILLE	115
4	TEALL AVE	115	DEWITT	115
2	TEALL AVE	115	ONEIDA	115
5	TEALL AVE	115	ONEIDA	115
18	TILDEN	115	CORTLAND	115
3	VALLEY	115	INGHAMS	115
133	WALCK RD	115	HUNTLEY	115
2	WATKINS RD	115	INGHAMS	115
7	WHITEHALL	115	BLISSVILLE	115
13	WHITEHALL	115	MOHICAN	115
945-1	WILLET	115	E.NORWICH	115
1	WILLIS	115	BRAINARDSVILLE	115
1(910)	WILLIS	115	MALONE	115
996	WOOD ST	115	AMAWALK	115
13	WYNANTSKILL	115	REYNOLDS RD	115
3	YAHNUNDASIS	115	PORTER	115
WH1-1	HONK FLS	69	NEVERSINK B	69
WH2	HONK FLS	69	W.WOODBOURNE	69

Appendix A-2: Listing of Transmission Facilities Requiring ISO Notification

<u>CIRCUIT ID</u>	<u>FROM</u>	<u>KV</u>	<u>TO</u>	<u>KV</u>
WH1-2	NEVERSINK A	69	NEVERSINK B	69
WH1-3	NEVERSINK B	69	W.WOODBOURNE	69
690	SMITHFIELD	69	FALLS VILLGE	69
R1	DUNWOODIE	345		
SR #1 REAC	E.GARDEN CTY	345		
SR #2 REAC	E.GARDEN CTY	345		
R25	GOETHALS	345		
R26	GOETHALS	345		
REA #1	GOETHALS S.	345		
R18	GOWANUS	345		
R6	GOWANUS	345		
CAP #1	LEEDS	345		
CAP #2	LEEDS	345		
SVC	LEEDS	345		
CAP #1	NEW SCOTLAND	345		
CAP #2	NEW SCOTLAND	345		
CAP #3	NEW SCOTLAND	345		
RSR61	POLETTI	345		
RSR62	POLETTI	345		
R1	SHORE RD	345		
2N1 REACT	SPRAINBROOK	345		
2N2 REACT	SPRAINBROOK	345		
4S1 REACT	SPRAINBROOK	345		
4S2 REACT	SPRAINBROOK	345		
5S1 REACT	SPRAINBROOK	345		
5S2 REACT	SPRAINBROOK	345		
R49 S.REACT	SPRAINBROOK	345		
S6A REACT	SPRAINBROOK	345		

NEW YORK STATE RELIABILITY COUNCIL

AGREEMENT

NEW YORK STATE RELIABILITY COUNCIL AGREEMENT

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NEW YORK STATE RELIABILITY COUNCIL AGREEMENT

AGREEMENT made as of the ____ day of _____, 1999, by and among Central Hudson Gas & Electric Corporation ("Central Hudson"), Consolidated Edison Company of New York, Inc. ("Con Edison"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation ("NMPC"), Orange and Rockland Utilities, Inc. ("O&R"), and Rochester Gas and Electric Corporation ("RG&E"), all corporations organized under the laws of the State of New York, and Power Authority of the State of New York ("NYPA") and LIPA, (a subsidiary of the Long Island Power Authority, a corporate municipal instrumentality of the State of New York) (collectively the "Parties");

WITNESSETH:

WHEREAS, the Parties have invested tens of billions of dollars in facilities to provide reliable electric service in the State of New York; and

WHEREAS, reliable electric service is critical to the economic and social welfare of the millions of residents and businesses in the State of New York; and

WHEREAS, the Parties currently are members of the New York Power Pool ("NYPP") and through NYPP have coordinated their electric operations to enhance reliability; and

WHEREAS, the reliable and efficient operation of the NYS Power System is fundamental to achieving and maintaining reliability of supply; and

WHEREAS, the reliable and efficient operation of the NYS Power System requires extensive coordination of system design and Reliability Rules; and

WHEREAS, in order to maintain the reliability of the NYS Power System, it is necessary to

have standards of performance and Reliability Rules that must be used in planning and operating the NYS Power System; and

WHEREAS, in the future, the Independent System Operator ("ISO") will be responsible for exercising Operational Control over the Transmission Facilities Under ISO Operational Control; and

WHEREAS, network interactions and transmission congestion on the NYS Transmission System create special conditions that require the development and promulgation of Reliability Rules that must effectively be implemented in order to maintain the reliable operation of the NYS Transmission System; and

WHEREAS, the unique circumstances and complexities related to the maintenance of reliable transmission service to the New York City metropolitan area and the dire consequences that would result from a failure to provide uninterrupted service to that region of the state, as has been demonstrated in the past, further require the development of Reliability Rules in New York State; and

WHEREAS, the Parties own the transmission facilities that comprise the NYS Transmission System, and will continue to be responsible for the safe and reliable operation of those facilities and for protecting their respective interests in the safe and reliable operation of those facilities; and

WHEREAS, the development and promulgation of Reliability Rules for the NYS Power System will allow the ISO to determine the most appropriate and efficient means of implementing those Reliability Rules; and

WHEREAS, it is essential that the restructuring of the electric industry in New York State and the deregulation of certain aspects of that industry not create a risk of any degradation of the

current level of reliability of the NYS Power System; and

WHEREAS, upon implementation of the New York State Reliability Council ("NYSRC") and the ISO, the Parties intend to dissolve the NYPP; and

WHEREAS, it is essential to maintain the reliable operation of the Transmission Owners' electric systems consistent with Good Utility Practice and the Transmission Owners' legal and fiduciary responsibilities; and

WHEREAS, the Parties have concluded that it is appropriate and necessary to establish the NYSRC with the appropriate authority to establish Reliability Rules that will be implemented by the ISO and enforce compliance with the Reliability Rules, including Local Reliability Rules; and

WHEREAS, the primary mission of the NYSRC is to promote and preserve the reliability of electric service on the NYS Power System within New York State;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE 1: DEFINITIONS

1.01 The definitions contained in the Independent System Operator Agreement (the "ISO Agreement") as they existed on the date this Agreement is signed by the Parties are hereby incorporated by reference in their entirety into this NYSRC Agreement. Modifications to such definitions, under the ISO Agreement shall apply to this Agreement only if the Parties to this Agreement agree in writing pursuant to Article 19 below.

ARTICLE 2: SCOPE AND MISSION

2.01 The Parties hereby agree to create the NYSRC, an organization comprising the Transmission Owners and certain participants in New York State's Wholesale Market. The Parties will seek any necessary authorizations, regulatory approvals and rulings to give effect to this Agreement.

2.02 The mission of the NYSRC is to promote and preserve the reliability of electric service on the NYS Power System by developing, maintaining, and, from time-to-time, updating the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System. The NYSRC shall carry out its mission with no intent to advantage or disadvantage any Market Participant's commercial interests.

2.03 The NYSRC's mission also includes monitoring compliance with the Reliability Rules by working in consultation with the ISO to assure compliance, including when necessary, seeking compliance through the dispute resolution procedure contained in the ISO/NYSRC Agreement, and taking such other actions which may be necessary to carry out the purpose of the NYSRC Agreement.

2.04 The NYSRC will be governed by an Executive Committee as set forth in Article 4.

ARTICLE 3: DUTIES OF THE NYSRC

3.01 General Reliability Rules

Using the reliability standards, regulations, criteria, procedures, and rules established or imposed by NERC, NPCC, FERC, PSC, NRC, and any other government agency with jurisdiction

over the reliability of the NYS Power System, other reliability criteria, and Local Reliability Rules, the NYSRC shall develop, establish, maintain, assure compliance with, and, from time-to-time, update the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric power transactions on the NYS Power System. The NYSRC shall initially adopt those existing rules, policies, and procedures of the NYPP that relate to or affect the reliability of the NYS Power System. The NYSRC shall adopt or create from time-to-time such additional Reliability Rules that it deems necessary to meet the unique reliability needs of New York State. The NYSRC may apply Reliability Rules to the entire NYS Power System or to a particular sub-region thereof as is deemed necessary by the NYSRC to ensure that the reliability needs of the New York Control Area are met.

The ISO or a member of the NYSRC may petition the NYSRC Executive Committee to seek specific and limited exceptions to NERC and NPCC criteria, provided the intent of the criteria is not compromised. Subject to Article 8, the Executive Committee shall be responsible for granting such exceptions. The NYSRC shall adopt all new mandatory compliance rules of NERC and NPCC unless existing Reliability Rules are more stringent.

3.02 Local Reliability Rules

The NYSRC shall adopt as a Reliability Rule each Local Reliability Rule in existence at the time this Agreement becomes effective. Local Reliability Rules shall be treated the same as other Reliability Rules. A Transmission Owner may promulgate a new Local Reliability Rule if that Transmission Owner determines that a new Local Reliability Rule is necessary to protect the reliable delivery of electricity over its transmission and/or distribution facilities. Such promulgated new Local Reliability Rules will be reviewed and voted on for adoption as a Reliability Rule at the request of the

Transmission Owner who promulgated that rule in accordance with Section 4.05 of this Agreement

3.03 Installed and Operating Capacity Requirements

The NYSRC shall establish the state-wide annual Installed Capacity requirements for New York State consistent with NERC and NPCC standards. The NYSRC will initially adopt the Installed Capacity requirement as set forth in the current NYPP Agreement and currently filed with FERC. Any changes to this requirement will require an appropriate filing and FERC approval. In establishing the state-wide annual Installed Capacity requirements, consideration will be given to the configuration of the system, generation outage rates, assistance from neighboring systems and Local Reliability Rules.

The NYSRC shall develop Reliability Rules, to be implemented by the ISO to ensure that sufficient Operating Capacity is committed on a Day-Ahead basis and remains available to ensure the reliable operation of the NYS Power System during the next day.

3.04 Relationship with ISO

The NYSRC shall enter into an agreement with the ISO (the "ISO/NYSRC Agreement") which shall define the terms and conditions of their relationship. The ISO/NYSRC Agreement shall provide that the ISO will implement and comply with all Reliability Rules established by the NYSRC. The NYSRC shall monitor and audit the ISO's compliance with the Reliability Rules and with the provisions of the ISO/NYSRC Agreement.

The NYSRC shall have the authority to require the ISO to provide it with information and data demonstrating the ISO's compliance with the Reliability Rules. If the NYSRC determines, in its sole discretion, that the ISO has failed to comply with or has improperly implemented the Reliability

Rules, representatives of the NYSRC shall discuss this issue with representatives of the ISO. If a satisfactory resolution of the differences cannot be reached within thirty (30) days, then the issue may be referred to dispute resolution in accordance with the provisions of the ISO/NYSRC Agreement.

The NYSRC shall represent New York State at NPCC and NERC. The NYSRC shall review and comment on all state-wide documents prepared by the ISO that are filed with the NPCC and NERC.

ARTICLE 4: MEMBERSHIP ON THE NYSRC EXECUTIVE COMMITTEE AND VOTING

4.01 The NYSRC Executive Committee shall be comprised of thirteen (13) members (collectively the "Members" or "Executive Committee Members"). The Members will be selected as follows:

Each Transmission Owner (or its successors or assigns) shall select one Member (for a total of eight (8) Transmission Owner Members). The ISO Board will establish procedures for the selection of Members to represent the following groups:

- Parties who are engaged in the NYCA principally in the business of selling electricity in the Wholesale Market (1 Member).
- Parties who are large commercial or industrial consumers of electricity in the NYCA (1 Member).
- Parties who are municipally owned or cooperatively owned electric systems in the NYCA (1 Member).
- Parties who are not affiliated with any Market Participant (2 Members). For the purpose of this Article, the term “affiliated” shall have the same meaning as set forth in Article 5 of the ISO Agreement.

4.02 The ISO Board may designate a member of its staff to participate in meetings of the Executive Committee on a non-voting basis. The Executive Committee will make provisions for the attendance at committee meetings for non-voting representatives of the Commission and the PSC.

4.03 Each Member of the Executive Committee shall have substantial knowledge and/or experience in the reliable operation of bulk power electric systems. Each Member of the Executive Committee shall file a notice with the Commission stating that he/she has been selected as a Member of the Executive Committee.

4.04 Executive Committee Members shall serve two (2) year terms, with no limitation on the number of terms that an Executive Committee Member can serve. The Executive Committee Members will serve from August 1 of each year to July 31 of the following year, and shall be eligible for reappointment. A vacancy in a seat held by a Member representing a Transmission Owner shall be filled by that Transmission Owner. Vacancies in seats held by other Members of the Executive Committee shall be filled pursuant to procedures adopted by the ISO Board.

4.05 Attendance or participation by proxy of nine (9) Members of the Executive Committee shall constitute a quorum. A vote of nine (9) Members is needed to pass a measure. All Executive Committee Members shall have the right to vote on all measures brought before the Executive Committee. Executive Committee Members not physically present may vote by proxy, telephone, signed facsimile, or a duly authorized alternate.

4.06 Each Executive Committee Member may designate one or more representatives with full authority to act on its behalf in carrying out the work of the Executive Committee.

4.07 The Executive Committee shall elect a chairperson, vice chairperson, and secretary with a one

(1) year term of office. The chairperson shall have the power to call meetings of the Executive Committee and such other powers as set forth in this Agreement. The vice chairperson shall exercise any powers delegated by the chairperson.

4.08 The NYSRC shall act through the Executive Committee. The Executive Committee shall approve all Reliability Rules and changes to Reliability Rules issued by the NYSRC. Any Member of the Executive Committee may propose modifications to the Reliability Rules, including specific exceptions, additions, or deletions. The Executive Committee shall seek input and recommendations from the ISO, as appropriate, on proposed modifications to the Reliability Rules. Modifications to the Reliability Rules shall be within the exclusive authority and discretion of the Executive Committee of the NYSRC.

4.09 The Executive Committee, or the chairperson acting pursuant to the direction of the Executive Committee, shall direct the activities of the NYSRC, create subcommittees as necessary, and make assignments to these subcommittees.

4.10 The Executive Committee shall have the authority to employ such staff members, temporary workers, independent consultants, auditors, and counsel as necessary to carry out such assignments and functions.

4.11 Minutes of meetings of the Executive Committee will be made available to any entity requesting a copy. A reasonable charge may be made for copies furnished to any entity other than Members and regulatory agencies.

4.12 The unaffiliated Members of the Executive Committee shall receive a fee for meetings and have their expenses reimbursed by the NYSRC.

4.13 If costs associated with a study or any other activity undertaken by the NYSRC can be directly assigned to a specific person or entity the costs associated with such study or activity shall be borne by that person or entity. Costs not so assigned shall be paid out of the NYSRC budget.

4.14 The Executive Committee shall determine the NYSRC's annual budget and assess annual dues. Such dues shall not be allocated to the unaffiliated Members.

4.15 Members shall be required to provide the NYSRC with appropriate personnel, on a temporary basis, to enable the NYSRC to carry out its functions.

4.16 The costs associated with membership and participation in meetings and committee work shall be borne by the individual Members. These costs include, but are not limited to, travel to and from meetings and the costs of providing the NYSRC with personnel on a temporary basis to carry out the administrative and technical functions of the NYSRC.

4.17 The NYSRC may request the ISO to perform certain studies on behalf of the NYSRC.

4.18 The Executive Committee shall meet at least quarterly and at any other such time as agreed to by nine (9) of the Executive Committee Members.

4.19 Each Member of the Executive Committee shall be bound by terms of this Agreement.

ARTICLE 5: PUBLICATION OF RELIABILITY RULES

5.01 The secretary of the Executive Committee shall be responsible for ensuring that all Reliability Rules, including Local Reliability Rules, are published, updated, and maintained in a Reliability Rules manual. Copies of the Reliability Rules manual, along with any updates, are to be made available to: the Members, the Commission, the PSC, the ISO, all ISO customers and any Market Participant that requests a copy. A reasonable charge may be made for copies furnished to entities other than

Members and regulatory agencies.

5.02 Costs associated with the publication and dissemination of the Reliability Rules manual are to be apportioned as determined by the Executive Committee.

ARTICLE 6: RESPONSIBILITIES OF THE PARTIES

6.01 Each Party shall maintain and operate its portion of the NYS Power System in accordance with the Reliability Rules established by the NYSRC.

6.02 Each Party shall use its best efforts to assure that, whenever it enters into Energy, Capacity, Ancillary Services, or Transmission Service agreements with non-parties, such arrangements will be in accord with the Reliability Rules and criterion established by NERC or the regional reliability council established in the areas in which the facilities used for such arrangements are located.

ARTICLE 7: EFFECTIVE DATE AND TERMINATION

7.01 This Agreement, once executed by the Parties, shall become effective on the date on which the Commission, the PSC and other regulatory agency of competent jurisdiction, to the extent applicable, grant all the necessary approvals and the Agreement is executed by the Parties.

7.02 Any Party may withdraw from this Agreement upon ninety (90) days written notice to all other Parties; provided, however, that any Party submitting notice of intent to withdraw shall continue to be obligated to pay its allocated share of the administrative expenses of the NYSRC for one (1) full year commencing with the date such termination shall become effective.

ARTICLE 8: DISPUTE RESOLUTION

8.01 If there is a dispute between the ISO and the NYSRC regarding the necessity, terms or the implementation and/or application of a Reliability Rule by the ISO or in the enactment of a specific Reliability Rule by the NYSRC, the dispute shall be resolved in accordance with the dispute resolution process contained in the ISO/NYSRC Agreement.

ARTICLE 9: CODE OF CONDUCT

9.01 The NYSRC shall prepare and apply a code of conduct with respect to the treatment by Members, their representatives or NYSRC Staff of any information of a commercial value provided by a Customer or Market Participant to the NYSRC. The code of conduct will establish protocols to ensure that Members, their representatives or NYSRC Staff shall not favor their own commercial interests in carrying out their NYSRC responsibilities.

9.02 An individual serving as a Member's designated representative or alternate on the Executive Committee of the NYSRC is precluded from serving on the ISO Board or on any ISO Committee.

9.03 The NYSRC shall adopt appropriate procedures to maintain the confidentiality of Confidential Information in the possession of the NYSRC.

ARTICLE 10: ASSIGNMENT

10.01 This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the respective Parties.

ARTICLE 11: FORCE MAJEURE

11.01 A Party shall not be considered to be in default or breach under this Agreement, and shall be

excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from an act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause or causes beyond such Party's reasonable control, including any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except that the settlement of any labor disturbance shall be in the sole judgment of the affected party.

ARTICLE 12: LIMITATION OF LIABILITY

12.01 The NYSRC and the Parties shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to any Party, Market Participant or third party for any damages whatsoever, including without limitation direct, special, indirect, punitive, incidental, exemplary or consequential damages resulting from any act or omission in any way associated with this NYSRC Agreement except to the extent that the NYSRC or a Party is found liable for gross negligence or willful misconduct, in which case the NYSRC or the Party will not be liable for any

incidental, consequential, exemplary, punitive, special or indirect damages.

ARTICLE 13: REGULATORY JURISDICTION

13.01 Subject to Article 19, nothing in this NYSRC Agreement shall restrict the rights of the Parties to file a complaint with or submit any action to the Commission or any appropriate regulatory authority under relevant provisions of the Federal Power Act or other relevant statutory provisions, nor shall anything in this Agreement affect the jurisdiction of the Commission or any other regulatory authority over matters arising under this Agreement.

ARTICLE 14: GOVERNING LAW AND JURISDICTION

14.01 The interpretation and performance of this NYSRC Agreement shall be in accordance with, and shall be controlled by, the laws of the State of New York. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of the Federal or the State Courts of the State of New York, the Parties consent to the exclusive jurisdiction and venue of said courts.

ARTICLE 15: HEADINGS

15.01 The section headings herein are for convenience and reference only, and in no way define or limit the scope of this NYSRC Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this Agreement, they shall be construed as referring to this entire NYSRC Agreement, rather than to any individual section, subsection or sentence.

ARTICLE 16: NO THIRD PARTY RIGHTS

16.01 Nothing in this NYSRC Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any rights or remedies under or by reason of this NYSRC Agreement.

ARTICLE 17: NOT PARTNERS

17.01 Nothing contained in this NYSRC Agreement shall be construed to make the Parties partners or joint ventures or to render any Party liable for the debts or obligations of any other Party.

ARTICLE 18: WAIVER

18.01 Any waiver at any time of the rights of any Party as to any default on the part of any other Party or Parties to this NYSRC Agreement or as to any other matter arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.

ARTICLE 19: AMENDMENTS

19.01 This Agreement is not subject to change under Section 205 and 206 of the FPA, as either section may be amended or superseded, absent the mutual written agreement of the Parties. It is the intent of this Section 19.01 that, to the maximum extent permitted by law, the terms and conditions of this Agreement shall not be subject to change, regardless of whether such change is sought (a) by the Commission acting sua sponte on behalf of a Party, (b) by a Party, (c) by a third party, or (d) in any other manner.

ARTICLE 20: CLAIMS BY EMPLOYEES AND INSURANCE

Each Party shall be solely responsible for and shall bear all of the costs of claims by its own

employees, contractors, or agents arising under, and covered by, any workers' compensation law. Each of the Parties shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this NYSRC Agreement to be executed in its corporate name by its proper officers as of the date first written above.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

By: _____

Title: _____

Date: _____

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: _____

Title: _____

Date: _____

LIPA

By: _____

Title: _____

Date: _____

NEW YORK STATE ELECTRIC & GAS CORPORATION

By: _____

Title: _____

Date: _____

NIAGARA MOHAWK POWER CORPORATION

By: _____

Title: _____

Date: _____

ORANGE AND ROCKLAND UTILITIES, INC.

By: _____

Title: _____

Date: _____

ROCHESTER GAS AND ELECTRIC CORPORATION

By: _____

Title: _____

Date: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: _____

Date: _____

**AGREEMENT BETWEEN THE NEW YORK
INDEPENDENT SYSTEM OPERATOR AND THE
NEW YORK STATE RELIABILITY COUNCIL**

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**AGREEMENT BETWEEN THE NEW YORK INDEPENDENT SYSTEM OPERATOR
AND THE NEW YORK STATE RELIABILITY COUNCIL**

This AGREEMENT made as of the ___ day of _____, by and between the NEW YORK INDEPENDENT SYSTEM OPERATOR ("ISO"), a not-for-profit corporation formed by certain participants in the competitive Wholesale Market in New York State and the NEW YORK STATE RELIABILITY COUNCIL ("NYSRC"), a voluntary organization comprised of certain participants in the Wholesale Market in New York State (collectively, the ISO and the NYSRC are referred to as the "Parties").

W I T N E S S E T H:

WHEREAS, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA¹, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc. and Rochester Gas and Electric Corporation established the New York Power Pool ("NYPP") by Agreement made as of the 21st day of July, 1966, and Power Authority of the State of New York ("NYPA") joined the NYPP on October 11, 1967 (the "Member Systems"); and

WHEREAS, the Member Systems have created, invested in, and operate the interconnected NYS Power System and have the responsibility to maintain the reliable operation of the NYS Power System; and

WHEREAS, the Member Systems have agreed to create the ISO and agree that a competitive

¹ A subsidiary of the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, which joined the New York Power Pool on May 28, 1998.

Wholesale Market can be operated in a reliable and efficient fashion most effectively by the creation of the ISO, the NYSRC, as proposed by the Member Systems; and

WHEREAS, the Member Systems believe and expect that through their initiatives, as well as those of federal and state regulatory agencies, a competitive Wholesale Market will be created in New York State; and

WHEREAS, the ISO shall exercise Operational Control over certain facilities in the NYS Power System and maintain the safety, efficiency, and short-term reliability of the NYS Power System; and

WHEREAS, the NYSRC's principal mission is to establish Reliability Rules for use by the ISO to maintain the integrity and reliability of the NYS Power System such that it is not compromised as a result of the operation of the competitive Wholesale Market in New York State; and

WHEREAS, the reliable and efficient operation of the NYS Power System is fundamental to achieving and maintaining reliability of power supply, requiring extensive coordination of system design and operations; and

WHEREAS, the NYSRC is the appropriate entity to establish and assess conformance with appropriate design and operating criteria by all entities whose electric operations may have a significant impact on system reliability; and

WHEREAS, in order to facilitate the coordination of the responsibilities of the ISO and the reliability functions performed by the NYSRC in such a way as to minimize any adverse commercial impacts, a relationship between those two entities, whereby certain information is exchanged between them, is necessary; and

WHEREAS, nothing in this Agreement is intended to inhibit or prevent the future

development of a voluntary competitive retail electric market.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein set forth, the Parties hereto do hereby agree with each other, for themselves and for their successors and assigns as follows:

ARTICLE 1: DEFINITIONS

The definitions contained in Article 1 of the Independent System Operator Agreement (the "ISO Agreement") as they existed on the date this Agreement is signed by the Parties are hereby incorporated by reference in their entirety into this Agreement. Modification to such definitions under the ISO Agreement shall apply to this Agreement only if the Parties to this Agreement agree in writing pursuant to Section 12.6 below.

ARTICLE 2: RELATIONSHIP OF THE ISO AND THE NYSRC

- 2.1** Pursuant to the NYSRC Agreement, the NYSRC shall develop Reliability Rules which shall be complied with by the ISO and all entities engaged in transactions on the NYS Power System.
- 2.2** The ISO shall exercise Operational Control over Transmission Facilities Under ISO Operational Control and maintain the safety and short-term reliability of the NYS Power System in accordance with the ISO/TO Agreement, ISO Agreement, this Agreement, and the Reliability Rules.
- 2.3** The NYSRC shall have the authority to audit the ISO's implementation of the Reliability Rules and to assess the ISO's compliance with the Reliability Rules and this Agreement.
- 2.4** NYSRC and the ISO will function as two separate and distinct entities. However,

the NYSRC and the ISO shall work cooperatively in accordance with the terms of this Agreement.

ARTICLE 3: DUTIES OF THE ISO

- 3.1** The ISO shall comply with all Reliability Rules, including the Local Reliability Rules.
- 3.2** The ISO shall maintain the safety and short-term reliability of the NYS Power System and administer the ISO OATT and the ISO Services Tariff in accordance with the Reliability Rules, this Agreement, the ISO Agreement and the ISO/TO Agreement.
- 3.3** The ISO shall not have a financial interest in any commercial transaction.
- 3.4** The ISO shall require LSEs within the NYCA to maintain appropriate levels of Installed Capacity consistent with the Reliability Rules, this Agreement, the ISO/TO Agreement, and the ISO Agreement.
- 3.5** The ISO shall ensure that sufficient Operating Capacity is committed on a Day-Ahead basis and remains available to assure the reliable operation of the NYS Power System during the next day.
- 3.6** The ISO shall provide the NYSRC with such information, data, reports, and assistance as the NYSRC requires in carrying out its responsibilities.
- 3.7** The ISO shall prepare reports to the NYSRC at least annually describing the performance of the NYS Power System and the ISO's compliance with the Reliability Rules.
- 3.8** The ISO shall assign a member of its staff to serve as liaison to the NYSRC. The ISO representative may attend and participate in meetings of the NYSRC, on a non-voting basis.

3.9 The ISO shall perform studies that may be requested by the NYSRC.

ARTICLE 4: DUTIES OF THE NYSRC

4.1 The NYSRC shall be responsible for developing Reliability Rules pursuant to which the ISO shall maintain the safety and short-term reliability of the NYS Power System. The NYSRC shall develop Reliability Rules in accordance with NERC, NPCC, FERC, PSC, and NRC standards, criteria, rules, regulations, the Local Reliability Rules that have been adopted as Reliability Rules and other criteria, as provided for in Article 3 of the NYSRC Agreement.

4.2 The NYSRC, using the information, data, reports and assistance provided by the ISO, shall monitor and assess the ISO's compliance with the Reliability Rules. If the NYSRC determines that the operation of the NYS Power System by the ISO has not been in compliance with the Reliability Rules or the ISO has improperly implemented the Reliability Rules, the NYSRC shall discuss such non-compliance or improper implementation with the ISO. If a satisfactory resolution of the matter cannot be reached within thirty (30) days, the issue may be referred by either Party to dispute resolution in accordance with the provisions of this Agreement.

4.3 The NYSRC shall represent New York State at NPCC and NERC. NPCC triennial reviews and similar reliability reports required by NPCC and NERC shall be prepared by the ISO for review and approval by the NYSRC prior to submittal to NPCC and NERC. The ISO also shall actively participate in NPCC and NERC activities as the New York Control Area operator.

4.4 The NYSRC shall develop Reliability Rules for implementation by the ISO to ensure

that sufficient Operating Capacity is committed on a Day-Ahead basis to ensure the reliable operation of the NYS Power System during the next day.

- 4.5** The NYSRC shall determine the state-wide annual Installed Capacity requirement. Such requirement will be subject to periodic review and revision by the NYSRC. For periods beyond one (1) year the NYSRC may perform or direct the ISO or another entity to perform studies required to identify future operating conditions.

ARTICLE 5: DISPUTE RESOLUTION

- 5.1** The Parties hereby establish a dispute resolution process for the resolution of disputes under this Agreement wherein the PSC conducts the arbitration of the dispute. The dispute resolution process shall apply to all Reliability Rules including Local Reliability Rules. If the NYSRC determines that the ISO has not complied with or effectively implemented a Reliability Rule, or if the ISO determines that a Reliability Rule is unnecessary or should be modified, representatives of the NYSRC and the ISO shall upon request of either Party, meet within thirty (30) days to discuss and attempt to resolve the matter.
- 5.2** If the Parties are unable to resolve a dispute described in Section 5.1 herein within thirty (30) days by mutual agreement (unless extended by mutual consent of the Parties), such dispute may be submitted to the PSC by either Party in a written statement describing the nature of the dispute and the issues to be resolved. If the enactment of a new Reliability Rule or a modification of an existing Reliability Rule leads to a dispute, the ISO Board of Directors may request that the effectiveness of the new Reliability Rule or the modification of an existing Reliability Rule be

suspended pending the outcome of the dispute resolution process. Upon such a request by the ISO Board, the NYSRC shall suspend implementation of the new Reliability Rule or the enactment of the modification pending resolution of the dispute by the PSC. Notwithstanding the foregoing, the PSC may direct that the new Reliability Rule or modification of an existing Reliability Rule go into effect immediately upon a finding that suspension of the Reliability Rule could put the reliability of the NYS Power System at risk.

- 5.3** Any dispute between the ISO and the NYSRC concerning a Reliability Rule that affects not only reliability but also matters subject to the Commission's jurisdiction under the Federal Power Act (such as a transmission line loading relief rule that affects the curtailment provisions of an ISO Tariff) must be resolved directly by the Commission, and not submitted first to the PSC. Other matters may be resolved in the first instance by the PSC, as provided for in this Article.
- 5.4** The PSC shall, on an expedited basis, (as permitted by PSC regulations) evaluate and determine whether the dispute should be: (1) dismissed; or (2) accepted for arbitration. The PSC may dismiss a dispute if:
- a. the complaining Party failed to negotiate in good-faith;
 - b. the dispute does not reasonably relate to the Reliability Rules or their application; or
 - c. the claim is de minimis.
- 5.5** If the PSC accepts the dispute for arbitration, the following procedure shall be followed:

- a. The PSC shall have the authority to make a determination with respect to any contention by the ISO that a Reliability Rule is unnecessary or should be modified, or by the NYSRC that a Reliability Rule has not been effectively implemented by the ISO. The PSC shall have no power to modify or change any Agreement or a provision of any ISO Tariff, or otherwise create any additional rights or obligations for any Party. The scope of the PSC's decision under this Agreement shall be limited to the issues presented for arbitration.
- b. The PSC staff shall have the ability to review Reliability Rules and their implementation by the ISO. If the PSC staff determines that a Reliability Rule is unwarranted or should be modified or that a Reliability Rule is not being effectively implemented by the ISO, PSC staff may raise that issue with the NYSRC and the ISO. If the issue is not resolved among the PSC staff, the NYSRC and ISO, the PSC staff may initiate an arbitration proceeding before the PSC with respect to the issue. The PSC shall conduct a proceeding brought by the PSC staff under the same procedures applicable to a proceeding initiated by the NYSRC or the ISO under this Agreement.
- c. The PSC shall determine discovery procedures, intervention rights, evidentiary rules, procedures for submission of written materials, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution. Each Party to the dispute shall produce all evidence determined by the PSC to be relevant to the issues

presented. To the extent such evidence involves proprietary or Confidential Information, the PSC may issue an appropriate protective order which shall be complied with by all disputing Parties. The PSC may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

- d. The PSC shall consider all issues underlying the dispute and the PSC shall take evidence submitted by the disputing Parties in accordance with procedures established by the PSC and may request additional information including the opinion of recognized technical bodies or experts. Disputing Parties shall be afforded a reasonable opportunity to rebut any such additional information.
- e. The PSC may permit intervention by an interested third party provided that a request to intervene is timely and the PSC finds that such intervention will enhance the arbitration process and will not cause undue delay. All intervenors shall be required to comply with all applicable procedural rules established by the PSC pursuant to Section 5.4 (c) herein.
- f. After conclusion of the discovery process and after providing the Parties with an opportunity to be heard, the PSC shall render a written decision, including findings of fact and the basis for the decision. The PSC shall make a specific finding that its decision will adequately protect the reliability of the NYS Power System and state the reasons for such finding.

5.6 The order of the PSC may be entered on the award by any court in New York State having jurisdiction. Within one (1) year of the arbitration decision, a Party may

request that the Commission vacate, modify, or take such other action as may be appropriate with respect to any arbitration decision that is:

- a. based upon an error of law;
- b. contrary to the statutes, rules, or regulations of any appropriate regulatory entity having jurisdiction;
- c. violative of the Federal Arbitration Act or Administrative Dispute Resolution Act; or
- d. involves a dispute in excess of \$500,000.

5.7 Nothing in this Article shall restrict the rights of any Party to file a complaint or a rate or tariff change with the Commission under the relevant provisions of the Federal Power Act.

ARTICLE 6: EFFECTIVE DATE AND TERMINATION

This Agreement, once executed by the Parties, shall become effective on the date the Commission, the PSC, and any other regulatory agencies having jurisdiction, to the extent applicable, grant all necessary approvals and the NYSRC is formed. This Agreement shall continue in full force and effect unless terminated by the written consent of all of the Parties hereto.

ARTICLE 7: REGULATORY JURISDICTION

Subject to Section 12.6, nothing in this Agreement shall restrict the right of the Parties to file a complaint with or submit any action to FERC or any other appropriate regulatory authority under relevant provisions of the Federal Power Act, nor shall anything in this Agreement affect the jurisdiction over matters arising under this Agreement.

ARTICLE 8: ASSIGNMENT

This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties. This Agreement cannot be assigned without the consent of the other Parties which consent shall not be unreasonably withheld.

ARTICLE 9: LIMITATION OF LIABILITY

The NYSRC shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to the ISO or any Market Participant or any third party or other party for any damages whatsoever, including without limitation, special, indirect, incidental, consequential, punitive, exemplary or direct damages resulting from any act or omission in any way associated with this Agreement, except to the extent the NYSRC is found liable for gross negligence or intentional misconduct, in which case the NYSRC shall not be liable for any special, indirect, incidental, consequential, punitive or exemplary damages.

ARTICLE 10: FORCE MAJEURE

A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other Party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause or causes beyond such Party's reasonable control, including any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by the

making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any Party to the ISO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any Party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except the settlement of any labor disturbance shall be in the sole judgment of the affected Party.

ARTICLE 11: INDEMNIFICATION

11.1 For the purpose of this Article 11, the term Market Participant shall not include a Transmission Owner either in its role as a Transmission Owner or in its role as a Market Participant.

11.2 The ISO shall indemnify, save harmless and defend the NYSRC, including its directors, officers, employees, trustees, and agents, or each of them from and against all claims, demands, losses, liabilities, judgments, damages (including, without limitation, any consequential, incidental, direct, special, indirect, exemplary or punitive damages and economic costs), and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by the NYSRC in any actions or proceedings between the NYSRC and a third party, Market Participant, the ISO, or any other party) arising out of or related to the NYSRC or the ISO's acts or omissions related in any way to performance under an ISO Tariff, the ISO Agreement, the ISO/TO Agreement, NYSRC Agreement, or this Agreement, except to the extent the NYSRC is found liable for gross negligence or intentional misconduct.

- 11.3** Survival. The provisions of this Article 11, "Indemnification," shall survive the termination or expiration of this Agreement.

ARTICLE 12: OTHER PROVISIONS

- 12.1** Governing Law; Jurisdiction. The interpretation and performance of this Agreement shall be in accordance with and shall be controlled by the laws of the State of New York as though this Agreement is made and performed entirely in New York State. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of the Federal or State courts of the State of New York, the Parties consent to the exclusive jurisdiction and venue of said courts.
- 12.2** Headings. The section headings herein are for convenience and reference only and in no way define or limit the scope of this Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this Agreement, they shall be construed as referring to this entire Agreement, rather than to any individual section, subsection or sentence.
- 12.3** No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any rights or remedies under or by reason of this Agreement.
- 12.4** Not Partners. Nothing contained in this Agreement shall be construed to make the Parties partners or joint ventures or to render any Party liable for the debts or obligations of any other Party.
- 12.5** Waiver. Any waiver at any time of the rights of any Party as to any default or failure

to require strict adherence to any of the terms herein, on the part of any other Party or Parties to this Agreement or as to any other matter arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.

12.6 No Modification. This Agreement is not subject to change under Sections 205 and 206 of the FPA, as either section may be amended or superseded, absent the mutual written agreement of the Parties. It is the intent of this Section 12.6 that, to the maximum extent permitted by law, the terms and conditions of this Agreement shall not be subject to change, regardless of whether such change is sought (a) by the Commission acting sua sponte on behalf of a Party or third party, (b) by a Party, (c) by a third party, or (d) in any other manner.

12.7 Contract Supremacy. In the case of a conflict between the terms of this Agreement and the terms of the ISO/TO Agreement, the terms of the ISO/TO Agreement shall prevail. In the case of a conflict between the terms of this Agreement and the terms of the ISO Agreement, the terms of this Agreement shall prevail. In the case of a conflict between the terms of this Agreement and the terms of the NYSRC Agreement, the terms of the NYSRC Agreement shall prevail.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in its corporate name by its proper officers as of the date first written above.

New York Independent System Operator

By: _____

Title: _____

Date: _____

New York State Reliability Council

By: _____

Title: _____

Date: _____