SCD, or, in the case of a Proxy Generator Bus, from the results of BME during periods in which

(1) proposed economic transactions over the Interface between the NYCA and the Control Area

in which that Proxy Generator Bus is located would exceed the Available Transfer Capability for

that Interface, (2) proposed interchange schedule changes pertaining to the NYCA as a whole

would exceed any Ramp Capacity limits in place for the NYCA as a whole, or (3) proposed

interchange schedule changes pertaining to the Interface between the NYCA and the Control

Area in which that Proxy Generator Bus is located would exceed any Ramp Capacity limit

imposed by the ISO for that Interface.

Real-Time LBMPs for a Noncompetitive Proxy Generator Bus shall be determined as

follows. When (i) proposed Real-Time Market economic net import transactions into the NYCA

from the Control Area in which the Noncompetitive Proxy Generator Bus is located would

exceed the Available Transfer Capability for the Interface between the NYCA and the Control

Area in which the Noncompetitive Proxy Generator Bus is located, or (ii) proposed interchange

schedule changes pertaining to increases in Real-Time Market net imports into the NYCA from

the Control Area in which the Noncompetitive Proxy Generator Bus would exceed the Ramp

Capacity limit imposed by the ISO for the Interface between the NYCA and the Control Area in

which the Noncompetitive Proxy Generator Bus is located, the Real-Time LBMP at the

Noncompetitive Proxy Generator Bus will be the higher of (i) the BME-determined price at that

Proxy Generator bus or (ii) the lower of the LBMP determined by SCD for that Noncompetitive

Proxy Generator bus or zero. When (i) proposed Real-Time Market economic net export

transactions from the NYCA to the Control Area in which the Noncompetitive Proxy Generator

Bus is located would exceed the Available Transfer Capability for the Interface between the NYCA and the Control Area in which the Noncompetitive Proxy Generator Bus is located, or (ii) proposed interchange schedule changes pertaining to increases in Real-Time Market net Exports from the NYCA to the Control Area in which the Noncompetitive Proxy Generator Bus is located would exceed the Ramp Capacity limit imposed by the ISO for the Interface between the NYCA and the Control Area in which that Noncompetitive Proxy Generator Bus is located, the Real-Time LBMP at the Noncompetitive Proxy Generator Bus will be the lower of (i) the BME-determined price at the proxy generator bus or (ii) the higher of the LBMP determined by SCD for the Noncompetitive Proxy Generator Bus or the Day-Ahead LBMP determined by SCUC for the Noncompetitive Proxy Generator Bus. At all other times, the Real-Time LBMP shall be calculated as specified in the subsection titled LBMP Prices for External Locations, above.

The Marginal Losses Component and the Congestion Component of the Real-Time LBMP, calculated pursuant to the preceding paragraph, shall be constructed as follows: When the Real-Time LBMP is set to zero and that zero price was not the result of using the SCD, BME or SCUC-determined LBMPs;

Marginal Losses Component of the Real-Time LBMP = $\text{Losses}_{\text{BME PROXY GENERATOR BUS}}$; and

Congestion Component of the Real-Time LBMP = - $(\text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY GENERATOR BUS}})$.

When the Real-Time LBMP is set to the Day-Ahead LBMP:

Marginal Losses Component of the Real-Time LBMP = $\text{Losses}_{\text{BME PROXY GENERATOR BUS}}$; and

Congestion Component of the Real-Time LBMP = Day-Ahead $\text{LBMP}_{\text{PROXY GENERATOR BUS}}$ - $(\text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY GENERATOR BUS}})$.

where:

Energy $_{\text{BME REF BUS}}$ = Marginal Bid cost of providing Energy at the reference Bus, as calculated by BME for the hour;

Losses $_{\text{BME PROXY GENERATOR BUS}}$ = Marginal Losses Component of the LBMP as calculated by BME at the Noncompetitive Proxy Generator Bus for the hour;

Day-Ahead LBMP $_{\text{PROXY GENERATOR BUS}}$ = Day-Ahead LBMP as calculated by SCUC for the Noncompetitive Proxy Generator Bus for the hour.

6.0   The Marginal Losses Component of LBMP

Reduction Incentive Payment from the ISO equal to the product of: (a) the Day-Ahead hourly

LBMP at the Demand Reduction bus; and (b) the lesser of the actual hourly Demand Reduction

or the scheduled hourly Demand Reduction (in MW), provided however that Demand Reduction

Incentive Payments shall not be available for Demand Reductions after October 31, 20043.

A zonal floor bid price of $50/MW hour is applicable to all Day-Ahead Demand

Response Resources that bid into the Day-Ahead Energy market.

The ISO shall publish the Day-Ahead Settlement Load Zone LBMPs for each hour

in the scheduling horizon (nominally twenty-four (24) hours). The ISO shall then close the

Day-Ahead Settlement.

4.17   Real-Time LBMPs

The ISO shall calculate Real-Time LBMPs at each Generator bus, and for each

Load Zone in each SCD cycle, based on data generated by the SCD program in accordance with

the procedures set forth in Attachment B. The ISO shall, however, calculate Real-Time LBMPs

at Proxy Generator Buses based on data generated by the BME program for any hour in which

(1) proposed economic transactions over the Interface between the NYCA and the Control Area

with which that Proxy Generator Bus is associated would exceed the Available Transfer

Capability for that Interface, (2) proposed interchange schedule changes pertaining to the NYCA

as a whole would exceed any Ramp Capacity limits in place for the NYCA as a whole, or

(3) proposed interchange schedule changes pertaining to the Interface between the NYCA and the

Control Area with which that Proxy Generator Bus is associated would exceed any Ramp

Capacity limit imposed by the ISO for that Interface.

The ISO shall determine, on a daily basis, if any Demand Reduction committed by the

ISO in the Day-Ahead Market will not recover its Curtailment Initiation Cost and its Demand

Reduction Bid price through Day-Ahead LBMP revenues. If a Demand Reduction Provider's

Curtailment Initiation Cost Bid plus its Demand Reduction Bid Price over the twenty-four (24)

hour day exceeds its Day-Ahead LBMP revenue over the twenty-four (24) hour day, its Day-

Ahead LBMP revenue may be augmented by a supplemental payment pursuant to the provisions

of Attachment C.

The ISO shall determine, on a daily basis, if any Special Case Resource committed by the

ISO will not recover its Minimum Payment Nomination through LBMP revenues. If a Special

Case Resource's Minimum Payment Nomination over the period of requested performance, or

four (4) hour period, whichever is greater, exceeds the LBMP revenue received as a Special Case

Resource over that same period, its LBMP revenue may be augmented by a supplemental

payment pursuant to the provisions of Attachment C.

Each Generator committed by the ISO in the Real-Time Market whose Real-Time LBMP

payments for Energy produced are less than its Minimum Generation and Start-Up Bids to

produce that Energy will be compensated by the ISO for the shortfall, in accordance with

Attachment C. When the Interface between the NYCA and the Control Area in which the

Noncompetitive Proxy Generator Bus is located is export constrained due to limits on Available

Interface Capacity or Ramp Capacity limits for that Interface in an hour, External Generators and

other Suppliers scheduling Import transactions at such Noncompetitive Proxy Generator Bus

in that hour will not be eligible for Real-time shortfall payments for those transactions. The ISO

shall recover any supplemental payments to Generators through the Rate Schedule 1 charge

under the ISO OATT.

Issued by: William J. Museler, President   Effective: ~~July 25, 2001~~February 18, 2003

Issued on: ~~June 6, 2001~~December 20, 2002