

**DRAFT OF September 9, 2009
FOR DISCUSSION PURPOSES ONLY**

PROPOSED REVISIONS TO ATTACHMENT K OF THE OATT

Note: The proposed tariff changes are indicated in this document in track changes, but certain formatting changes were made before editing these sheets: (i) headers and footers were removed, other than sheet numbers; (ii) double-spacing was converted to single-spacing, (iii) certain formatting and spacing between characters were revised. These changes will not show as track changes. In addition, some text was relocated for reorganization/clarification purposes, which relocation is noted only in footnotes. Additional explanatory footnotes are included throughout the text.

ATTACHMENT K

RESERVATION OF CERTAIN TRANSMISSION

~~CAPACITY AND LBMP TRANSITION PERIOD~~

1.0 GENERAL DESCRIPTION OF EXISTING TRANSMISSION CAPACITY RESERVATIONS

This Attachment describes (i) the treatment of Existing Transmission Agreements (“ETA”), including Transmission Wheeling Agreements (“TWA”), Third Party Transmission Wheeling Agreements, (“Third Party TWA”) and Transmission Facilities Agreements (“TFA”), (ii) the treatment of Grandfathered Rights and Grandfathered TCCs arising out of such Existing Transmission Agreements, and (iii) the creation of Existing Transmission Capacity for Native Load and the LBMP Transition Period during which certain rights and obligations apply. The applicability of this Attachment with the exception of Section 6.0 of this Attachment, is subject to the effective date of any necessary Section 205 filing pursuant to the FPA or, for agreements not subject to FERC jurisdictions, the execution of an amendment adopting the provisions of this Attachment.¹

Nothing in this Attachment K shall impact the rights of parties to make Section 205 filings pursuant to the FPA to amend, terminate, or otherwise modify ETAs or, for agreements not subject to FERC jurisdiction, the rights of parties to amend, terminate, or otherwise modify ETAs.

2.0 TRANSMISSION WHEELING AGREEMENT (“TWA”), THIRD PARTY TWA, AND TFA TREATMENT; ETCNL CREATION

2.1 TWAs Between Transmission Owners Associated with Generators or Power Supply Contracts (Modified Wheeling Agreements or “MWAs”)

A. Each TWA between Transmission Owners associated with a Generator or a power supply contract ~~shall be~~was converted into a Modified Wheeling

~~Agreement (“MWA”) to be effective upon or around LBMP implementation~~the start-up of the ISO. The Such TWAs being converted to MWAs are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “MWA.” The terms and conditions of each of these TWAs shall remain unchanged by the conversion, except as follows:

- (i) the MWA ~~C~~customer will have had the option of retaining ~~the transmission rights~~

¹ This sentence was deleted because the effectiveness of Attachment K is not subject to any conditions.

~~received under the existing TWA (“Grandfathered Rights”) or converting those transmission Grandfathered Rights to TCCs (“Grandfathered TCCs”) pursuant to Section 2.5;~~

- (ii) the rights and obligations under the MWA shall be assignable, in whole or in part, with the transfer of a Generator or rights under a power supply contract to an assignee that satisfies reasonable creditworthiness standards;
- (iii) the MWA ~~c~~Customer or the assignee will continue to pay the embedded cost-based rate for Transmission Service in accordance with Sections ~~3.2 and/or 4.20;~~ below ~~except that it~~
- (iv) ~~the MWA customer~~ shall have to pay for losses under this ~~Tariff~~ ISO OATT in accordance with Section 5.0, and the Transmission Owner shall not charge the MWA ~~c~~Customer or the assignee of the MWA for losses to the extent they are provided under this ~~Tariff~~ ISO OATT;
- (iv) the payments under MWAs ~~for~~ related to Grandfathered Rights and Grandfathered TCCs do not include the costs of Ancillary Services as provided in Section 6.0, and customers under these agreements will be responsible for Ancillary Services consistent with

Original Sheet No. 503

~~the other provisions of this Tariff~~ Section 6.0; ~~(v) — any additional modifications to each TWA necessary to convert it into a MWA shall be the subject of a separate amendment to the TWA; and~~

- (vi) the corresponding MWA will be terminated, to the extent the ~~M~~WA is to transmit Energy from ~~such a~~ Generator, upon the retirement of the associated Generator, the termination of the associated power supply contract, or such other date specified in the MWA by mutual agreement of the parties to the ~~M~~WA; ~~except as follows:~~
 - (A) ~~Subject to Paragraph (B), for each TWA associated with a power supply contract, that is terminated pursuant to its terms prior to the end of the LBMP Transition Period, the MWA shall remain in effect until the end of the LBMP Transition Period. At the end of the LBMP Transition Period, such MWAs will be automatically terminated.~~
 - (B) ~~For each TWA associated with (a) the Blenheim Gilboa power supply contract (as noted in Attachment L, Table 1, Line Items 2, 8, 17, 31, 48 and 59) or , if the power supply contract is terminated~~

~~pursuant to its terms prior to the end of the LBMP Transition Period, the MWA shall also be terminated.²~~

B. ~~_____~~ As long as each MWA ~~c~~Customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all MWAs from each associated Point of ~~Receipt~~Injection of the Generator or the NYCA ~~I~~nterconnection with another Control Area to the corresponding Point of ~~Delivery~~Withdrawal of the Load served by the MWA or at the NYCA ~~I~~nterconnection with another Control Area. The Point of Injection may be designated as the "Point of Receipt," or similar, under the MWA. The Point of Withdrawal may be designated as the "Point of Delivery," or similar, under the MWA.

~~Any other differences between the terms and conditions of the MWAs and those of the associated TWAs for which a customer elects Grandfathered Rights or Grandfathered TCCs are discussed in Section 3 and 4 of this Attachment, respectively.~~

2.2 Third Party TWAs

A. ~~_____~~ Each existing TWA with a Third Party ("Third Party TWA"), ~~at each of which are~~is listed in Attachment L, Table 1A, where the "Treatment" column is denoted as "Third Party TWA," ~~or "OATT";~~ will remain in effect in accordance with its terms and conditions, including provisions governing modification or termination, except that the Third Party TWA customer ~~may~~had the option of

- (i) ~~retaining the existing transmission rights ("Grandfathered Rights") subject to the provisions below;~~
or converting the Grandfathered transmission rights to Grandfathered TCCs pursuant to Section 2.5, and (a) purchase or sell power in the LBMP Market pursuant to this Tariff or (b) execute Bilateral Transactions for Capacity, Energy, and/or Ancillary Services, and obtain Transmission Service subject to the rates, terms, and conditions of this Tariff except as explicitly noted below in this Attachment; or
- (iii) ~~terminating~~ge the existing agreement (if the terms and conditions allowed for termination), ~~and (a) purchase or sell power in the LBMP Market pursuant to this Tariff or (b) execute Bilateral Transactions for Capacity, Energy, and/or Ancillary Services, and obtaining~~ Transmission Service subject to the rates, terms, and conditions of this Tariff ISO OATT.

B. ~~_____~~ As long as each Third Party TWA ~~c~~Customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all Third Party TWAs from each associated Point of ~~Receipt~~Injection of the Generator or the NYCA ~~I~~nterconnection with another Control Area to

² This deletion of (A) and (B) was made because it is outdated.

the corresponding Point of ~~Delivery-Withdrawal~~ of the Load served by the Third Party TWA or at the NYCA ~~Interconnection~~ with another Control Area.

Original Sheet No. 506

~~Customers electing Grandfathered Rights will be exempt from having to pay the Congestion Component of the TUC.³~~

First Revised Sheet No. 507

2.3 Other TWAs Between Transmission Owners

~~Commencing with LBMP implementation~~ On or around ISO start-up, certain TWAs between the Transmission Owners will be terminated. These TWAs are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “Terminated” and no rights or obligations shall be associated with such terminated TWAs pursuant to this ISO OATT. [Attachment M will be updated to clarify that these terminated TWAs never qualified for FPTCCs.]

2.4 Transmission Facilityies Agreements

~~Existing TFAs containing no provisions for transmission service require no modifications. These agreements are listed in Attachment L, Table 2.~~

~~TFAs that contain provisions for transmission service~~ are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “Facility Agmt - MWA.” These TFAs will remain in effect in accordance with their terms and conditions, including any provision governing modification or termination, ~~except that customers under these agreements may elect Grandfathered Rights or may convert their rights to Grandfathered TCCs.⁴~~

2.5 Grandfathered Rights and Grandfathered TCCs Created from MWAs, Third Party TWAs, and TFAs

A. Each MWA customer, Third Party TWA customer, and TFA customer (such customers being listed as the “requestor” in Attachment L, Table 1A):

- (i) was initially deemed to hold a Grandfathered Right with the Point of Injection, Point of Withdrawal, termination date, and other terms of the Existing Transmission Agreement, which Grandfathered Right shall (unless converted to a Grandfathered TCC) continue in effect pursuant to the terms of the Existing Transmission Agreement; and
- (ii) was permitted to convert such Grandfathered Right into a Grandfathered TCC

³ The first sentence of this paragraph was deleted because it is covered already in Section 3.1 (i.e., proposed revised Section 3.1).

⁴ This provision was deleted because it is covered in more comprehensive detail in Section 2.5 (i.e., proposed revised Section 2.5).

until the date that was the earlier of two weeks prior to the first TCC Auction or six weeks prior to the start-up of the ISO, which Grandfathered TCC shall continue in effect consistent with the terms of the Existing Transmission Agreement.

B. Grandfathered Rights may no longer be converted to Grandfathered TCCs. Grandfathered TCCs may not be converted to Grandfathered Rights.

C. For the Third Party TWAs listed in Attachment L, Table 1A, ~~Line Items~~ contract numbers 55-62, 65-69, 743-82, 84-92, 98-114, 150-190, each specific individual municipal or cooperative electrical system listed in each such Existing Transmission Agreement shall be deemed to be the Third Party TWA ~~customer~~ for purposes of ~~electing one (1) of the options set forth above. The municipal or cooperative may elect~~ holding Grandfathered Rights or Grandfathered TCCs in specified amounts between specified Points of ~~Receipt-Injection~~ and Points of ~~Delivery~~Withdrawal. Those Grandfathered Rights or Grandfathered TCCs ~~become~~ are the Grandfathered ~~Rights~~ or Grandfathered TCCs of the municipal or cooperative. ~~Whichever Grandfathered Rights or Grandfathered TCCs option is selected~~ are held by the municipal or cooperative, it thereby waives all rights under the Federal Power Act associated with NYPA's obligation to secure transmission wheeling arrangements on its behalf -associated with the Third Party TWA rights elections. If any specific municipal or cooperative fails to make this election, NYPA shall have the right to make the election for that municipal or cooperative.⁵

2.65 Existing Transmission Capacity for Native Load ("ETCNL")

Certain transmission capacity associated with the use of a Transmission Owner's own system to serve its own load ~~will be~~ as designated as Existing Transmission Capacity for Native Load, ~~and~~ as shown on Table 3 of Attachment L.

First Revised Sheet No. 508

~~The transmission Capacity shown on Table 3 of Attachment L will be available in each Auction; provided, however, that the amount of transmission Capacity available from each set of ETCNL may be reduced (i) if the ETCNL was previously sold as TCCs that are valid for any part of the duration of any TCCs to be sold in the Centralized TCC Auction, (ii) if the ETCNL is reduced pursuant to Section 3.0 of Attachment M of this Tariff, or (iii) if the ETCNL is converted to ETCNL TCCs pursuant to Section 5.0 of Attachment M of this Tariff.~~⁶

~~The Transmission Owners shall release all ETCNL that is not converted into ETCNL TCCs into each Centralized TCC Auction in accordance with Attachment M.~~⁷

Such Existing Transmission Capacity for Native Load shall not be increased above the megawatt (MW) amounts noted in Attachment L, Table 3, ~~of the ISO Tariff.~~ The requirements

⁵ This provision was relocated from the second paragraph of sheet 506 of the existing Att. K.

⁶ This paragraph has been deleted because the ETCNL reduction process and the requirements for the release of ETCNL are both already currently addressed in Attachment M.

⁷ This paragraph has been deleted because the ETCNL reduction process and the requirements for the release of ETCNL are both already currently addressed in Attachment M.

and procedures relating to ETCNL reduction are set forth in Attachment M of the ISO OATT.

3.0 CONGESTION TERMS APPLICABLE TO GRANDFATHERED RIGHTS AND GRANDFATHERED TCCS UNDER MWAS, TFAS, AND THIRD PARTY TWAS.

3.1 Congestion Charge Relief Associated with Grandfathered Rights

~~Each ETA Customer that maintains holder of Grandfathered Rights under an option listed in Section 2 above, retain~~has the right to inject power at one specified bus and take power at

Original Sheet No. 508A

another specified bus up to amounts reflected in Attachment L, Table 1A, without having to pay the Congestion Component of the TUC, but only to the extent it schedules (in accordance with applicable ISO Procedures⁸) the injection and withdrawal Day-Ahead and is on schedule. ~~If it the holder of the Grandfathered Right~~ does not schedule Energy Day-Ahead or inject or withdraw Energy, it will not receive (or pay) any Congestion Rents associated with the Transaction. If the ~~ETA Customer~~ holder of a Grandfathered Right schedules Day-Ahead and/or transacts for a portion of the Grandfathered Rights that are retained, it will not receive any compensation for the unused transmission capacity.⁹ ~~If the customer under the MWA, TFA or Third~~

Original Sheet No. 509

~~Party TWA~~ holder of a Grandfathered Right transmits Energy without scheduling it Day-Ahead (in accordance with applicable ISO Procedures) or exceeds the amounts specified in Attachment L, Table 1A, the customer will pay the real-time TUC for all Energy transmitted under the Transaction exceeding the Day-Ahead schedule or the number of MWs of Grandfathered Rights. This TUC will include real-time Congestion Rents. ~~The ETA Customer will not be permitted to resell or transfer these Grandfathered Rights unless permitted in the existing agreements, except as noted above.~~¹⁰

3.2 MWAs and TFAs

~~Subject to the losses provision below, each MWA or TFA Customer shall pay the contract rates for the Grandfathered Rights which shall be frozen at the contract rates that were in effect on the date the ISO Tariff was originally filed at FERC (January 31, 1997), through the LBMP Transition Period or the termination date of the TFA, if earlier. After the LBMP Transition Period, rates under each MWA or TFA will be based on embedded cost, and these contract rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. Each MWA or TFA Customer or its assignee shall pay the Transmission~~

⁸ See, e.g., existing provisions of the Transmission Services Manual and Tech. Bulletin #21, which require that GFR-related transactions be identified to the NYISO in the scheduling process to obtain GFR treatment.

⁹ This sentence was relocated from lower in the same paragraph so that all of the “underscheduling” is covered together in a single “thought.”

¹⁰ This sentence was deleted to be covered more comprehensively in Section 8.0 (i.e., proposed revised Section 8.0).

Original Sheet No. 510

~~Owner under the MWA or TFA directly for the Grandfathered Rights.¹¹~~

~~3.3 — Third Party TWAs~~

~~Subject to Section 5 below, each Third Party TWA Customer will compensate the Transmission Owner under a Third Party TWA for transmission charges in accordance with the terms and conditions of the TWA, including any provisions governing modification or termination.¹²~~

Original Sheet No. 511

~~4.0 — Terms Applicable to Conversion to Grandfathered TCCs~~

~~4.1 — General~~

~~Each ETA Customer, that has the right to convert transmission rights to TCCs in accordance with Section 2 above, must notify the ISO of its election to convert to TCCs the earlier of two weeks prior to the first TCC Auction or six weeks prior to the start up of the ISO in accordance with procedures that the ISO will post. Where the applicable ETA provides for more than one Point of Receipt and/or more than one Point of Delivery, these ETA Customers may designate Grandfathered Rights or Grandfathered TCCs, but not both, from each Point of Receipt to each Point of Delivery. The ISO will assign point-to-point TCCs to the ETA Customer, equivalent to the amount of transmission capacity (in MWs) associated with the transmission service received under each ETA, as measured between the Generator bus or NYCA Interconnection with another Control~~

Original Sheet No. 512

~~Area where the power is injected and the Point of Delivery of the Load served by the ETA or at the NYCA Interconnection with another Control Area. If the ETA Customer fails to duly notify the ISO of its conversion to Grandfathered TCCs, the ISO and Transmission Owner will deem the ETA Customer to have elected Grandfathered Rights.~~

~~3.2 — Congestion Rents Collectible for Grandfathered TCCs~~

~~Each MWA or TFA Customer that chooses holder of Grandfathered TCCs, shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its Grandfathered TCCs pursuant to Attachment N, and but will be subject to the service provisions of the ISO Tariff, including the duty to pay for (i) Congestion Rent; and (ii) Marginal Losses for use of the transmission system in accordance with the provisions of the ISO OATT.¹³~~

¹¹ The rules in this paragraph are already covered in Section 4.0 (i.e., proposed revised Section 4.0).

¹² The rules in this paragraph are already covered in Section 4.0 (i.e., proposed revised Section 4.0).

¹³ This provision is relocated from sheet 508A of the existing Att. K.

4.0 OBLIGATION TO PAY CONTRACTUALLY AGREED TRANSMISSION RATES; RELIEF FROM TSC

4.12 MWA Customers and TFA Customers to Continue to Pay Contractually Agreed Transmission Rates

Each MWA or TFA ~~c~~Customer shall continue to pay the Transmission Owner rates set forth in the MWA or TFA. ~~which shall be frozen at the contract rates that were in effect on the date this Tariff was originally filed at FERC (January 31, 1997), through the LBMP Transition Period or the termination date of the MWA or TFA, if earlier. After the LBMP Transition Period,~~ ~~r~~Rates under each MWA or TFA shall be based on embedded cost, and these embedded cost rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. The MWA customer or TFA cCustomer or its assignee shall pay the Transmission Owner directly ~~for the Grandfathered TCCs.~~

Original Sheet No. 513

4.23 Third Party TWA Customers to Continue to Pay Contractually Agreed Transmission Rates

Subject to Section ~~56.0, below,~~ each Third Party TWA cCustomer will pay the Transmission Owner transmission charges in accordance with the terms and conditions of the Third Party TWA, including any provisions governing modification or termination. The Third Party TWA customer or its assignee shall pay the Transmission Owner directly.

4.3 Transmission Service Charge Relief

Each MWA, Third Party TWA, or TFA ~~C~~customer, whether it elects Grandfathered TCCs or Grandfathered Rights pursuant to Section 2.5, shall have the right to inject Energy at the specified Point of ~~Receipt~~ Injection and withdraw it at the specified Point of ~~Delivery~~ Withdrawal in designated amounts without application of a TSC,¹⁴ provided that the MWA, Third Party TWA, or TFA customer schedules it pursuant to applicable ISO Procedures.

5.0 RESPONSIBILITY FOR LOSSES

5.1 MWA Customers and TFA Customers to Pay Losses

A. Each MWA customer or TFA customer, that irrespective of whether it chooses Grandfathered Rights or Grandfathered TCCs under Section 2.5, shall pay the ISO for losses; under this TariffISO OATT. -The Transmission Owner shall not charge for losses under the ~~ETA, MWA or TFA~~ to the extent the losses are provided under this ~~Tariff~~ISO OATT. -The MWA customer or TFA customer will pay or receive payment for losses between the Point of ReceiptInjection and the Point of ~~Delivery~~Withdrawal under the MWA or TFA listed in Attachment L, Table 1A, as calculated in accordance with this ~~Tariff~~ISO OATT.

B. To the extent losses on the Transmission Owner's system are not provided under this ISO

¹⁴ This provision was relocated from the top of Sheet 506 of the existing Att. K.

OATT, the Transmission Owner may charge for losses unless prohibited from doing so under the MWA or TFA.¹⁵

5.2 Third Party TWA Customers to Pay Losses

A. Each Third Party TWA Customers, that irrespective of whether it choose Grandfathered Rights or Grandfathered TCCs under Section 2.5, shall pay the ISO for losses under the ~~ISO Tariff~~ ISO OATT. -The Transmission Owner shall not charge for losses under the Third Party TWA to the extent the losses are provided under this ~~Tariff~~ ISO OATT. -The Transmission Customer will pay or receive payment for losses between the Points of ~~Receipt Injection and Points of Delivery Withdrawal~~ under the Third- Party TWA listed in Attachment L, Table 1A, as calculated in accordance with this ~~Tariff~~ ISO OATT.¹⁶

B. To the extent losses on the Transmission Owner's system are not provided, the Transmission Owner may charge for losses, unless prohibited from doing so under the Third Party TWA.¹⁷

56.0 RESPONSIBILITY FOR ANCILLARY SERVICES

Irrespective of whether an ETA is a MWA, Third Party TWA, or a TFA, or whether an ETA customer thereunder elects Grandfathered Rights or Grandfathered TCCs, the customer shall be responsible for payment for any applicable Ancillary Services that shall be provided pursuant to this ~~Tariff~~ ISO OATT.

Original Sheet No. 514

6.0 LBMP Transition Period and Payment

~~— In the absence of an effective Section 205 Filing under the FPA, the ISO shall follow the methodology prescribed in the Transmission Agreement governing the specific transaction in question. The ISO shall not hold a Transmission Owner responsible for any shortfall in loss revenue resulting from discrepancies between losses calculations used by the ISO and losses calculations prescribed by any Transmission Agreement. In the event Third Party TWAs do not convert the existing rights to TCCs, and in which the participants pay losses other than marginal losses, and in the event the applicable Transmission Owner experiences losses revenue deficiencies due to the event that the Transmission Owner is charged on a marginal losses basis by the ISO for the losses associated with these unmodified TWAs the following procedures shall be implemented. To the extent any Transmission Owner incurs payments to the ISO for its unmodified TWAs resulting from any marginal losses provisions of this Tariff over and above the compensation the Transmission Owner receives under its TWA, and the following is a good faith effort by the Transmission Owner to modify the TWA via a FERC Section 205 filing pursuant to the Federal Power Act to pay charges consistent with this Tariff, the ISO will reimburse each affected Transmission Owner for its losses revenue deficiencies as follows: (a)~~

¹⁵ This provision was relocated from 5.1A (i.e., proposed revised 5.1A).

¹⁶ This provision was relocated from the top of Sheet 511 of the existing Att. K.

¹⁷ This provision was relocated from 5.2A (i.e., proposed revised 5.2A).

for each specific bilateral transaction associated with an unmodified TWA, the ISO will

Original Sheet No. 515

~~calculate the marginal loss component “L” of the TUC; (b) the Transmission Owner will be responsible to the ISO for each marginal losses charge “L”; (c) the Transmission Owner will submit arrangements specified in each of its unmodified TWAs to the ISO including the amount of reimbursement “R” from the participant for the losses associated with each bilateral transaction; (d) the Transmission Owner will compute its losses revenue variances for each applicable unmodified TWA as its marginal losses charge “L” minus the amount of reimbursement “R” for the losses associated with the bilateral transaction; (e) the ISO will settle with each Transmission Owner for the sum total of its losses revenue variances; and (f) total losses revenue variances will reduce or increase the amount of the Residual Adjustment in Schedule 1 of this Tariff.~~

7.0 LBMP TRANSITION PERIOD AND PAYMENT¹⁸

At the present time, the Member Systems do not have sufficient data to calculate the LTPP term of the TSC formula. This provision shall only become effective upon the filing of such data and the determination of the LTPP payments with the Commission. Prior to such filing, the LTPP will be set to zero.

A “LBMP Transition Period” shall be established under which the Investor-Owned Transmission Owners shall be subject to a schedule of fixed monthly transmission payments (“LBMP Transition Period Payments” or “LTPP”). These payments will occur for the period

First Revised Sheet No. 516

commencing with the start of the first Centralized TCC Auction and continuing for a period of five (5) years following implementation of both the Day-Ahead and Real-Time Markets. The formula for calculating the LTPP is shown below. The LTPP calculation is based upon the differences between each Investor-Owned Transmission Owner’s net transmission revenues and expenses under the current NYPP system and the proposed restructured NYPP system utilizing LBMP. The specific factors include: (1) the amount of transmission revenues/expenses eliminated through the termination of some TWAs including existing net Transmission Fund (“T-Fund”) distributions in effect under the current NYPP pricing mechanism; (2) estimated Congestion Rents to be paid under LBMP; (3) revenues received from the distribution of Net Congestion Rents and the sale of TCCs; and (4) transmission revenues received from off-system sales. The LTPP to be paid or received by the Investor-Owned Transmission Owners during the LBMP Transition Period are designed to offset the net effect of these revenues and expenses.

The LTPP will be calculated once for the entire LBMP Transition Period within thirty (30) days after the initial Centralized TCC Auction. The sum of all LTPPs for the Investor-Owned Transmission Owners shall be zero.

¹⁸ This Section 7.0 (LTPP) will be revised/deleted as part of the TSC/NTAC review.

The formula for the calculation of the LTPP for each Investor-Owned Transmission Owner is as follows:

First Revised Sheet No. 517

$$\text{LTPP} = \text{RTA} + \text{CR} - \text{SR}_1 - \text{SR}_2 - \text{CRR} - \text{ROS}$$

- Where:
- RTA** = Net reduction in revenue resulting from the termination of existing transmission wheeling agreements, effective upon LBMP implementation;
 - CR** = Estimated Congestion Rents to be incurred under LBMP;
 - SR₁** = Revenues from the Direct Sale of Original Residual TCCs and Grandfathered TCCs by Transmission Owners prior to the first Centralized TCC Auction, which are valued at the Market Clearing Prices from the first Centralized TCC Auction;
 - SR₂** = Actual revenues from the allocation of TCC sales revenues from the first Centralized TCC Auction;¹⁹

Original Sheet No. 518

- CRR** = Estimated revenues received from the ownership of TCCs, based on the results from the first Centralized TCC Auction and Imputed Revenues from Grandfathered Rights; and
- ROS** = Transmission revenues received from off-system sales, as reported in FERC Form 1.

All estimates or forecasts used to determine each LTPP are subject to unanimous agreement among the Investor-Owned Transmission Owners; absent unanimous agreement, they may unanimously agree to submit to mediation or arbitration; absent this latter agreement, then each such Transmission Owner reserves its rights under the FPA to justify or protest LTPP

¹⁹

For the purposes of calculating the LTPP, each Original Residual TCC shall be valued at a weighted average of the prices determined in Stage 1 of the Centralized TCC Auction. The weighted average shall be computed by multiplying the fraction of total transmission capability offered for sale in Stage 1 of the Auction that will be offered for sale in that round, as determined by the Transmission Providers, and the Market Clearing Price of that TCC in that round, summed over all Stage 1 rounds. The price at which Transmission Providers sell Original Residual TCCs through sales prior to the Centralized TCC Auction shall not affect the calculation of the LTPP. NYPA's NTAC (See Attachment H) shall be calculated by valuing their Original Residual TCCs at the greater of the market value of a TCC, as determined by this weighted average of the Market Clearing Prices of that TCC in Stage 1 of the Centralized TCC Auction, or the price at which NYPA sells the Original Residual TCCs through sales prior to the Centralized TCC Auction, if it chooses to do so.

estimates or forecasts.

The LTPP will be based on the latest available FERC Form 1 data for transmission revenues and expenses.

Original Sheet No 519

Sheet Nos. 519 through 520 are reserved for future use.

8.0 SALE OR OTHER TRANSFER OF GRANDFATHERED RIGHTS AND GRANDFATHERED TCCS

8.1 Transfers of Grandfathered Rights

An ETA Customer will not be permitted to resell or transfer Grandfathered Rights unless permitted in the existing agreements, except as noted in Section 2.1A(ii).

8.2 Transfers of Grandfathered TCCs

A. Grandfathered TCCs may be transferred (whether through sale or otherwise) in the same manner in which other types of TCCs may be transferred pursuant to Attachment M; *provided, however,* if a Transmission Owner sells Grandfathered TCCs, the Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions, as provided in Attachment M of the ISO OATT.

B. To the extent a Grandfathered TCC is transferred (other than in connection with the assignment of the underlying ETA), the relief from the Transmission Service Charge (as provided in Section 4.3) and the obligation to pay the transmission charges set forth in an ETA (as provided in Section 4.1 and Section 4.2) shall continue to apply to the ETA customer, and such rights and obligations shall not transfer with the transfer of the Grandfathered TCC.

8.3 Appointment of Settlement Agent is Not a Transfer

A holder of a Grandfathered Right or Grandfathered TCC may appoint the party indicated in Attachment L, Table 1A, in the column labeled “Requestor” to hold the Grandfathered Right or Grandfathered TCC for the ultimate benefit of the ETA customer, and such parties shall be deemed to be the holder of the Grandfathered Right or Grandfathered TCC. The holding by such party shall not be deemed a transfer.

[Note: The following chart explains the basis for the provisions set forth in Section 8.0. It is included for explanatory purposes only.]

	<u>Proposed Section 8.0 Language</u>	<u>Basis for Proposed Section 8.0 Language</u>
--	--------------------------------------	--

8.1	<p><u>“An ETA Customer will not be permitted to resell or transfer Grandfathered Rights unless permitted in the existing agreements, except as noted in Section 2.1A(ii).”</u></p>	<p><u>Proposed Section 8.1 is wholly consistent with currently effective provisions of Attachment K:</u></p> <ul style="list-style-type: none"> • <u>Section 3.1 provides “ETA Customer[s] will not be permitted to resell or transfer these Grandfathered Rights unless permitted in the existing agreements . . .”</u> • <u>Sections 2.1 and 2.2 provide that as long as a party holds a GFR, it must maintain the underlying ETA.</u>
8.2A	<p><u>“Grandfathered TCCs may be transferred (whether through sale or otherwise) in the same manner in which other types of TCCs may be transferred pursuant to Attachment M; provided, however, if a Transmission Owner sells Grandfathered TCCs, the Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions, as provided in Attachment M of the ISO OATT.”</u></p>	<p><u>The proposed Section 8.2A restates and clarifies currently effective tariff provisions:</u></p> <ul style="list-style-type: none"> • <u>Section 1.0 of Attachment M provides that if a TO “sells Grandfathered TCCs, a Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions.”</u>
8.2B	<p><u>“To the extent a Grandfathered TCC is transferred and the underlying agreement is not transferred, the relief from the Transmission Service Charge (as provided in Section 4.3) and the obligation to pay the transmission charges set forth in an ETA (as provided in Section 4.1 and Section 4.2) shall continue to apply to the ETA customer, and such rights and obligations shall not transfer with the transfer of the Grandfathered TCC.”</u></p>	<p><u>Sections 4.1-4.3 of Attachment K already impose contractually agreed transmission charges (instead of the TSC) on ETA customers:</u></p> <ul style="list-style-type: none"> • <u>Section 4.3 provides that ETA customers “have the right to inject energy at the specified [POI] and withdraw it at the specified [POW] in designated amounts without application of a TSC.”</u> • <u>Sections 4.1 and 4.2 ETA customers will continue to “pay the Transmission Owner [transmission rates].”</u> <p><u>Section 8.2B merely clarifies that the transfer of a GFTCC does not impact the underlying ETA customer’s obligations to pay the contractually agreed transmission rates instead of the TSC.</u></p>
8.3	<p><u>“A holder of a Grandfathered Right or Grandfathered TCC may appoint the party indicated in Attachment L, Table 1A, in the column labeled “Requestor” to hold the Grandfathered Right or Grandfathered TCC for the ultimate benefit of the ETA customer, and such parties shall be deemed to be the holder of the Grandfathered Right or Grandfathered TCC. The holding by such party shall not be deemed a transfer.”</u></p>	<p><u>Section 8.3 reflects the practice that NYMPA, NYPA, and other third parties hold the GFRs/GFTCCs belonging to ETA holders. Because these third parties already hold GFRs/GFTCCs on behalf of ETA holders, Section 8.3 acknowledges this practice and clarifies the status of those GFRs/GFTCCs consistent with current practice. This approach is already recognized under Section 2A of Attachment M for purposes of Fixed Price TCCs.</u></p>

[NOTE: ALL OF THE CHANGES TO ATT. K UP TO THIS POINT WERE MADE TO REFLECT CLARIFICATIONS TO AMBIGUITIES, INCONSISTENCIES, AND SIMILAR ISSUES IN ATT. K. ALL OF THE CHANGES TO ATT. K SUBSEQUENT TO THIS POINT ARE MADE TO REFLECT THE NYISO'S PROPOSED CHANGES IN RELATION TO THE ATTACHMENT L UPDATE PROCESS.]

9.0 BASIS FOR SETTLEMENTS; PROCEDURES FOR REVISING INFORMATION NECESSARY FOR GRANDFATHERED RIGHT AND GRANDFATHERED TCC SETTLEMENTS

9.1 ISO to Make GFR/GFTCC Settlements and Adjust Other TCC related Processes Based on Information Made Available Through Established Procedures

A. The ISO shall maintain on its website a list of all Accepted Revisions, including the date each such Accepted Revision took effect and was accepted. The ISO shall also maintain on its website a copy of Attachment L, Table 1A that will be updated from time to time to reflect Accepted Revisions pursuant to the provisions of Section 9.4 of this Attachment K.

B. Notwithstanding other provisions of the ISO Tariffs, the ISO shall base Settlements pertaining to Grandfathered Rights and Grandfathered TCCs (and conduct Centralized TCC Auctions and administer other processes pertaining to Grandfathered Rights and Grandfathered TCCs) on information listed in Attachment L, Table 1A, as such information is modified from time to time by Accepted Revisions, - and the ISO shall make adjustments to Settlements (and TCC related processes) in accordance with the billing and payment provisions of the ISO OATT, and adjust other TCC related processes, based on updates of Table 1A information and subsequent Accepted Revisions, each as in effect on the day Settlements (and TCC related processes) are made; provided, however:

(i) the ISO shall administer Reconfiguration Auctions and Centralized TCC Auctions on the basis of information listed in Table 1A and Accepted Revisions in effect accepted thirty (30) or more days prior to the first round of the relevant auction and the ISO shall not include more recent changes;

(ii) the ISO shall perform Net Congestion Rent calculations under Attachment N of the ISO OATT on the basis of Table 1A and Accepted Revisions in effect accepted thirty (30) or more days prior to the initial ISO calculation of such allocation factors and the ISO shall not include more recent changes; and

(iii) the ISO shall award Fixed Price TCCs on the basis of information listed in Table 1A and Accepted Revisions accepted thirty (30) or more days prior to the deadline for submitting the documentation necessary to request a Fixed Price TCC.

C. To the extent the provisions of any footnote to Table 1A conflict with the information contained in the cells of Table 1A, the information contained in the cells of Table 1A shall govern for purposes of ISO Settlements (and TCC related processes).

9.2 Responsibility for Providing Revised Information

It will be the responsibility of the signatories to an ETA, and not the ISO, to notify the ISO of any revisions to Table 1A information or errors in Table 1A that may impact Settlements (and TCC related processes) and to provide the documentation required to make an Accepted Revision.

9.3 Process for Making Accepted Revisions

A. *Non-NYPA/LIPA ETAs Requiring Revision Due to Amendment.* For an ETA in which neither NYPA nor LIPA is the provider of service, a proposed revision to Attachment L Table 1A pursuant to an amendment of the underlying ETA will be accepted as an Accepted Revision as of the start of the day (subject to the 30-day exceptions set forth in Section 9.1) that both (i) the ISO has received a written notification of a change in the ETA from a signatory to the ETA in accordance with ISO Procedures, and (ii) the ISO has received a FERC order approving the change and determined that the FERC order substantiates the proposed revision.

B. *Non-NYPA/LIPA ETAs Requiring Revision Not Due to Amendment.* For ETAs in which neither NYPA nor LIPA is the provider of service, a proposed revision to Attachment L Table 1A to make it consistent with the existing terms of an ETA will be accepted as an Accepted Revision as of the start of the day (subject to the 30-day exceptions set forth in Section 9.1) that both (i) the ISO has received a written notification of a change in the ETA from a signatory to the ETA in accordance with ISO Procedures, and (ii) the ISO has ~~determined based upon~~ received FERC orders, copies of the relevant agreement(s) (including amendments thereto), or other information required by the ISO and determined ~~to substantiate the request that such information substantiates supports~~ the proposed revision.

C. *NYPA/LIPA ETAs Requiring Revision.* For ETAs in which NYPA or LIPA is the provider of service, a proposed revision to Attachment L Table 1A pursuant to an amendment of a transmission agreement or to make Attachment L Table 1A consistent with the existing terms of a transmission agreement will be accepted as an Accepted Revision as of the start of the day (subject to the 30-day exceptions set forth in Section 9.1) that both (i) the ISO has received a written notification of a change in the ETA from a signatory to the ETA in accordance with ISO Procedures, and (ii) the ISO has ~~determined based upon~~ received copies of the relevant agreement(s) (including amendments thereto) or other information required by the ISO and determined that ~~to substantiate the request that such information substantiates supports~~ the proposed revision.

D. *ISO to Notify Market.* The ISO shall provide reasonable notice to all Customers upon receipt of written notification of an ETA change that may result in an Accepted Revision and shall notify all signatories to the extent they are known to, and their contact information can be obtained by, the ISO.

9.4 Accepted Revisions to be Incorporated into Attachment L

The ISO shall biannually revise Attachment L Table 1A to reflect Accepted Revisions posted on the ISO website; provided, however, that the ISO shall have no obligation to revise

Attachment L Table 1A if no Accepted Revisions are have been -posted on the ISO website since the last Attachment L Table 1A revision.

PROPOSED REVISIONS TO THE OATT
THAT CORRESPOND TO REVISIONS TO
ATTACHMENT K OF THE OATT

Note: Corresponding changes will be made to parallel provision in the Services Tariff, where appropriate.

[Revisions to definitions]

Accepted Revision: A change to the terms of an Existing Transmission Agreement for purposes of ISO Settlements related to a Grandfathered Right or Grandfathered TCC, which change is made pursuant to the procedures prescribed in Attachment K of the ISO OATT.

- 1.11e Existing Transmission Agreement (“ETA”):** An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, ~~as defined in this Tariff~~ in existence at the time of ISO start-up and providing for transmission service by a Transmission Owner to another Transmission Owner or another entity. Table 1A of Attachment L lists all ETAs.
- 1.11f Existing Transmission Capacity for Native Load (“ETCNL”):** Transmission capacity identified on a Transmission Owner’s transmission system to serve the Native Load ~~customers~~ of the current Transmission Owners (as of the filing date of the original ISO Tariff-January 31, 1997) for the purposes of allocating revenues from the sale of TCCs related to that capacity. This includes transmission capacity required: (1) to deliver the output from ~~generating facilities~~ generators located out of a Transmission Owner’s Transmission District; (2) to deliver power purchased under power supply contracts; and (3) to deliver power purchased under third party agreements (i.e.,- Non-Utility Generators). Existing Transmission Capacity for Native Load is listed in Attachment L, Table 3, “Existing Transmission Capacity Reservations for Native Load Table.”
- 1.14b Grandfathered Rights:** The transmission rights associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements ~~with transmission wheeling provisions~~; and (3) Third Party Transmission Wheeling Agreements (“TWA”) where the party entitled to exercise the transmission rights associated with such Agreements has chosen, as provided in the Tariff, to retain those rights rather than to convert them to Grandfathered TCCs.
- 1.18k Modified Wheeling Agreements (“MWA”):** A Transmission Wheeling Agreement between Transmission Owners that was in existence at the time of ISO start-up, as amended and modified as described in Section 2.1 of Attachment K, ~~between Transmission Owners, that is~~ Modified Wheeling Agreements are associated with existing Generators or power supply contracts existing at ISO start-up. All Modified Wheeling Agreements are listed in Attachment L, Table 1A, and are designated in the “Treatment” column of Table 1A, as “MWA.” ~~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.~~
- 1.33a Point(s) of Injection (“POI”):** 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. ~~(Same May be referred to as “Point of Receipt” or similar in some Existing Transmission Agreements.)~~ [In conjunction with

this change to the definition of POI, the NYISO intends to replace “Point of Receipt” with “POI” in the few places in which “Point of Receipt” is used in the NYISO tariffs.]

1.34a Point(s) of Withdrawal (“POW”): 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. (Same May be referred to as “Point of Delivery” or similar in some Existing Transmission Agreements). [In conjunction with this change to the definition of POW, the NYISO intends to replace “Point of Delivery” with “POW” in the few places in which “Point of Delivery” is used in the NYISO tariffs.]

1.44a Third Party Transmission Wheeling Agreements (“Third Party TWAs”): A Transmission Wheeling Agreement, as amended, between Transmission Owners or between a Transmission Owner and an entity that is not a Transmission Owner. Third Party TWAs are 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. All Third Party TWAs ~~These agreements are listed in Attachment L, Table 1A, and are designated in the “Treatment” column of Table 1A, as “Third Party TWA.” and 1B.~~

1.45b Transmission Facility Agreement (“TFA”): ~~The a~~ Agreements listed in Attachment L, Table 2 of the ISO OATT governing the use of specific or designated transmission facilities charges to cover all, or a portion, of the costs to install, own, operate, or maintain said transmission facilities, to the customer under the agreement and that. These agreements may or may not have provisions to provide T ~~transmission S~~ service utilizing said transmission facilities. All Transmission Facility Agreements are listed in Attachment L, Table 1A, and are designated in the “Treatment” column as “Facility Agmt. - MWA.”

1.49b Transmission Wheeling Agreement (“TWA”): The agreements listed in Tables 1A ~~and 1B~~ 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 Energy in interstate commerce. TWAs between Transmission Owner have been modified such that all TWAs between Transmission Owner are now MWAs.

Transmission Owners will be required to either sell their Original Residual TCCs through a Direct Sale on the OASIS prior to each Centralized TCC Auction, or to sell them through each Centralized TCC Auction. Each Transmission Owner may retain its Grandfathered TCCs. If it sells Grandfathered TCCs, a Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions.

When selling TCCs, Transmission Owners are considered Primary Owners of those TCCs. Purchasers of TCCs, other than in a secondary market, are considered Primary Holders of those TCCs if they meet certain criterion outlined in Sections 7.0 and 9.4 of this Attachment M.

2.0 General Description of the Auction Process

Until the ISO develops the Auction software necessary to perform an End-State Auction, the ISO shall conduct Initial Auctions, in which TCCs will be available. The proportion of system transmission

Second Revised Sheet No.125

~~**15.6 Other Transmission Service Schedules:** Eligible Customers receiving Transmission Service under other agreements on file with the Commission may continue to receive Transmission Service under those agreements until such time as those agreements may be modified by the Commission. The agreements are listed in Attachment L.~~