

1.39d Safe Operations: Actions which avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.

1.39d.01 Scheduled Energy Injection: Energy injections which are scheduled on a real-time basis through the BME.

1.39d.1 Scheduling Differential: A monetary amount, to be defined by the ISO pursuant to ISO Procedures that is assigned to, or defines Bid Price limits applicable to, Decremental Bids and Sink Price Cap Bids at Proxy Generator Buses, in order to establish an appropriate scheduling priority for the Transaction or Firm Transmission Service associated with each such Bid. The Scheduling Differential shall be no larger than one dollar (\$1.00).

1.39e SCUC: Security Constrained Unit Commitment, described in Attachment C of the Tariff.

1.39f Second Contingency Design and Operation: The planning, design and operation of a power system such that the loss of any two (2) facilities will not result in a service interruption to either native load customers or contracted firm Transmission Customers. Second Contingency Design and Operation criteria do not include the simultaneous loss of two (2) facilities, but rather consider the loss of one (1) facility and the restoration of the system to within acceptable operating parameters, prior to the loss of a second facility. These criteria apply to thermal, voltage and stability limits and are generally equal to or more stringent than NYPP, NPCC and NERC criteria.

1.39g Second Settlement: The process of: (1) identifying differences between Energy production, Energy consumption or NYS Transmission System usage scheduled in a First Settlement, and the actual production, consumption, or NYS Transmission System usage during the Dispatch Day; and (2) assigning financial responsibility for those differences to the appropriate Customers and Market Participants. Charges for Energy supplied (to replace Generation deficiencies or unscheduled consumption), and payments for Energy consumed (to absorb consumption deficiencies or excess Energy supply) or changes in transmission usage will be based on the Real-Time LBMPs.

1.39h Secondary Holder: Entities that: (1) purchase TCCs in the Secondary Market; (2) purchase TCCs in a Direct Sale from a Transmission Owner and have not been certified as a Primary Holder by the ISO; or (3) receive an allocation of Native Load TCCs from a Transmission Owner (See Attachment M). A Transmission Customer purchasing TCCs in a Direct Sale may qualify as a Primary Holder with respect to those TCCs purchased in that Direct Sale.

1.39i Secondary Market: A market in which Primary and Secondary Holders sell TCCs by mechanisms other than through the Centralized TCC Auction or by Direct Sale. Buyers of TCCs in the Secondary Market shall neither pay nor receive Congestion Rents directly to or from the ISO.

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SCHEDULE 1

SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

This service is required to schedule the purchase, sale and movement of power through, out of, within, or into the NYCA. This service can be provided only by the ISO. The Transmission Customer must purchase this service from the ISO. The ISO Services Charge for Scheduling, System Control and Dispatch Service and any rebillings associated therewith are set forth below.

1. Parties to Which Charges Apply

The ISO shall charge, and Transmission Customers taking service under the ISO OATT, only, shall pay an "ISO Services Charge" as calculated in Section 2.B of this Rate Schedule on all Transmission Services provided pursuant to Parts II, III and IV to this Tariff, provided that Transmission Customers who are retail access customers who are being served by an LSE shall not pay this charge to the ISO; the LSE shall pay these charges. Transmission Customers taking service under both the ISO OATT and the ISO Services Tariff shall pay the applicable ISO Services Charge as calculated (i) in Sections 3.A through C of Rate Schedule 1 of the ISO Services Tariff, and (ii) in Sections 2.B.2 and 2.B.3 of this Rate Schedule.

2. Billing Units and Calculation of Rates

The ISO shall charge each Transmission Customer based on the product of: (i) the ISO Services Charge rate for Scheduling, System Control and Dispatch Service; and (ii) the

Schedule 1

Transmission Customer's applicable injection billing units and/or withdrawal billing units for the month as described in Section 2A.

A. Billing Units

For the ISO Services Charge calculated under Section 2.B.1 of this Rate Schedule, the Transmission Customer's injection billing units shall be based on Scheduled Energy Injections to Import Energy into the LBMP Market in the New York Control Area. The Transmission Customer's withdrawal billing units shall be based on its Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly

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Schedule 1

Energy schedules for all Wheels Through and Exports. For the ISO Services Charge calculated pursuant to Sections 2.B.2 and 2.B.3 of this Rate Schedule, the Transmission Customer's billing units shall be based on the Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly Energy schedules for all Wheels Through and Exports. To the extent Schedule 1 charges are associated with satisfying Local Reliability Rules, the billing units for such charges will be based on the Actual Energy Withdrawals in the sub-zone(s) where the Local Reliability Rules are applied. To the extent Schedule 1 charges are associated with payments made for supplemental payments and Demand Reduction Incentive payments to Demand Reduction Providers, the billing units of such charges shall be based on Actual Energy Withdrawals to supply Load in the NYCA according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules and all Day-Ahead Market purchases to service Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

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Schedule 1

B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch Service shall consist of three components and shall be recovered on a monthly basis in accordance with the following processes:

1. ISO Annual Budget and FERC Regulatory Fees Component
 - a. The responsibility for the sum of (a) those costs listed in Section 3.A of this Rate Schedule that are included in the ISO's annual budget and (b) the ISO's FERC regulatory fees, shall be allocated 15% to all injection billing units and 85% to all withdrawal billing units.
 - b. The rate to be applied to injection billing units shall be the quotient of 15% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units as described in Section 2.A of this Rate Schedule. The rate to be applied to withdrawal billing units shall be the quotient of 85% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 2.A of this Rate Schedule.

- c. The rates derived in Section 2.B.1 of this Rate Schedule shall then be multiplied by each Customer's injection billing units and withdrawal billing units, as appropriate, for the month.
2. ISO Start-Up and Formation Costs Component
The costs listed in Section 3.B of this Rate Schedule shall be estimated each month for the following month, shall be divided by the total estimated withdrawal billing units as described in Section 2.A of this Rate Schedule for the following month and shall be posted on the ISO's website prior to the start of the subject month. This rate is then multiplied by each customer's withdrawal billing units for the subject month.
3. Residual Adjustment and Bid Production Guarantees Component
 - a. The ISO shall calculate, and Transmission Customers shall pay, an hourly charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to

(ii) the sum of all ISO Transmission Customers' withdrawal billing units for that hour as described in Section 2A of this Rate Schedule.

- b. The ISO shall calculate, and each Transmission Customer shall pay, a daily charge equal to the product of (A) the bid production guarantee costs listed in Section 4.B of this Rate Schedule for each day and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that day as described in Section 2.A of this Rate Schedule to (ii) the sum of all ISO Transmission Customers' withdrawal billing units for that day as described in Section 2A of this Rate Schedule, provided, however, that the costs of supplemental payments and Demand Reduction Incentive Payments made to Demand Reduction Providers shall be allocated to Transmission Customers according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production

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