

ARTICLE 2

DEFINITIONS

2.0 Definitions

The following definitions are applicable to the ISO Services Tariff:

2.1 Actual Energy Injections

Energy injections which are measured using a revenue-quality real-time meter.

2.1.1 Actual Energy Withdrawals

Energy withdrawals which are either: (1) measured with a revenue-quality real-time meter; (2) assessed (in the case of Load Serving Entities ("LSEs") serving retail customers where withdrawals are not measured by revenue-quality real-time meters) on the basis provided for in a Transmission Owner's retail access program; or (3) calculated (in the case of wholesale customers where withdrawals are not measured by revenue-quality real-time meters), until such time as revenue - quality real-time metering is available on a basis agreed upon by the unmetered wholesale customers.

2.2 Adverse Conditions

Those conditions of the natural or man-made environment that threaten the adequate reliability of the NYS Power System, including, but not limited to, thunderstorms, hurricanes, tornadoes, solar magnetic flares and terrorist activities.

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Rate Schedule 1

Market Administration and Control Area Services Charge

1. Parties to Which Charges Apply

A. The ISO shall charge and each Customer taking service under the ISO Services Tariff, the ISO OATT, or both, shall pay the applicable “ISO Services Charge” on all services provided under the Tariff. Market Participants taking service under both the ISO Services Tariff and the ISO OATT shall pay the applicable ISO Services Charges as calculated under Sections 3.A through C of this Rate Schedule and under Sections 2.B.2 and 2.B.3 of Rate Schedule 1 of the ISO OATT. Market Participants taking service under the ISO OATT only shall pay the applicable ISO Services Charges as calculated under Rate Schedule 1 of the ISO OATT.

B. Each Market Participant that sells or purchases Energy, including Demand Side Resources, sells or purchases Capacity, or provides Ancillary Services in the ISO Administered Markets utilizes Market Services and must enter into a Service Agreement under the Tariff, as set forth in Attachment A; and each entity that withdraws Energy to supply Load within the NYCA or provides Installed Capacity to an LSE serving Load within the NYCA utilizes the Control Area Services provided by the ISO and benefits from the reliability achieved as a result of ISO Control Area Services, and must enter into a Service Agreement under this Tariff, as set forth in Attachment A.

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C. To the extent that Schedule 1 charges are associated with costs the ISO incurs as a result of bad debt, including finance charges, resulting from Virtual Transactions, the ISO shall allocate such bad debt to Customers taking service under the ISO Services Tariff according to the Methodology described in Attachment I.

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2. Billing

For the ISO Services Charges calculated under Section 3.A of this Rate Schedule, the ISO shall charge each Customer based on the product of: (i) the applicable ISO Services Charges rates; and (ii) the Customer's applicable injection billing units and/or withdrawal billing units for the month. The Customer's injection billing units shall be based on its Actual Energy Injections to Import Energy into the LBMP market in the New York Control Area. The Customer's withdrawal billing units shall be based on the Actual Energy Withdrawals for all Transactions to supply Load in the NYCA and hourly Energy schedules for all Wheels Through and Exports.

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For the ISO Services Charges calculated under Section 3.B of this Rate Schedule, the ISO shall charge each Customer based on the product of: (i) the applicable ISO Services Charges rate; and (ii) the Customer's Actual Energy Withdrawals for all Transactions to supply Energy to the LBMP market in the NYCA and all other purchases from the LBMP markets to supply Load outside the NYCA.

3. Computation of Rate

The ISO Services Charge shall consist of two components and shall be recovered on a monthly basis in accordance with the following processes:

- A. ISO Annual Budget and FERC Regulatory Fees Component
 - 1. The responsibility for the sum of (i) the ISO's annual budget including the costs listed in Section 4A of this Rate Schedule; and (ii) the ISO's FERC Regulatory fees, shall be allocated 15% to all injection billing units as described in Section 2 of this Rate Schedule and 85% to all withdrawal billing units as described in Section 2 of this Rate Schedule.
 - 2. The rate for 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 of this

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Rate Schedule. The rate for 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 of this Rate Schedule.

3. The rates derived in pursuant to Sections 3.A.1 and 2 above shall then be multiplied by each customer's injection billing units and withdrawal billing units, as appropriate, for the month, as described in Section 2 of this Rate Schedule.

B. ISO Start-Up and Formation Costs Component

The costs listed in Section 4.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 of this Rate Schedule, for the following month and shall

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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.

4. ISO Costs

A. ISO costs to be recovered through this ISO Services Charge shall include the costs listed in Section 3A of Rate Schedule 1 of the ISO OATT and the costs incurred by the ISO that go with "directly assignable" to the services provided by the ISO under this Tariff for : the ISO's administration of the LBMP Markets; the ISO's administration of Installed Capacity requirements and an Installed Capacity Market; the ISO's administration of Control Area Services, other than Ancillary Services provided under the ISO OATT; the ISO's administration of the Market Power Monitoring Program; other activities related to the maintenance of reliability in the NYCA; and costs related to any indemnification of or by the ISO pursuant to Section 12.4 of this Tariff, together the annual ISO budget; and, .

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- B. Fifty (50) percent of the costs associated with the start-up and formation of the ISO, plus interest, equaling \$27.45 million, plus interest, less one-half of the start-up costs already collected by the ISO under the ISO OATT. These costs will be amortized over a period from September 1, 2000 through December 31, 2004.

Where costs or expenses or receipts are incurred on a basis other than a monthly basis, the ISO shall use reasonable judgment consistent with commonly accepted accounting practices to develop the monthly components.

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