ATTACHMENT J

I. LBMP CALCULATION METHOD

The Locational Based Marginal Prices ("LBMPs") for Generators and Loads will be based on the system marginal costs produced by either the Security Constrained Dispatch ("SCD") program for Real-Time Market prices, or the Security Constrained Unit Commitment ("SCUC") program for Day-Ahead Market prices. The marginal cost of a Fixed Block Unit may only set LBMP when some portion of its Energy is necessary to meet Load, displace higher cost Energy, or satisfy Operating Reserves requirements. The marginal cost of a Fixed Block Unit may not set LBMP at any other time. During periods when Fixed Block Units are precluded from setting LBMP, the marginal cost of the most economical unit backed down to accommodate a Fixed Block Unit shall set LBMP. TheseSystem marginal costs will be utilized in an *ex post* computation to produce LBMP bus prices using the following equations.

The LBMP at bus i can be written as:

$$\gamma_i = \lambda^R + \gamma_i^L + \gamma_i^C$$

Where:

γ_i = LBMP at bus i in \$/MWh

λ^R = the system marginal price at the Reference Bus

If the Transmission Customer was receiving Non-Firm Point-to-Point

Transmission Service, and its Transmission Service was Reduced or Curtailed, the replacement

Energy may be purchased in the Real-Time LBMP Market by the Internal Load. An Internal

Generator supplying Energy for such a Transmission Service that is Reduced or Curtailed may

sell its excess Energy in the Real-Time LBMP Market.

The ISO shall not automatically reinstate Non-Firm Point-to-Point Transmission

Service that was Reduced or Curtailed. Transmission Customers may submit new schedules to

restore the Non-Firm Point-to-Point Transmission Service in the next BME execution.

If a security violation occurs or is anticipated to occur, the ISO shall attempt to

relieve the violation using the following procedures:

(i)   Reduce Non-Firm Point-to-Point Transmission Service: Partially or fully

        physically curtail External Non-Firm Transmission Service (Imports,

        Exports and Wheels-Through) by changing DNI schedules to (1) curtail

        those in the lowest NERC priority categories first; (2) curtail within each

        NERC priority category based on Incremental Bids, Decremental Bids or

        Sink Price Cap Bids; and (3) prorate Curtailment of equal cost transactions

        if Decremental Bids within a priority category are equal.

(ii)   Curtail non-Firm Point-to-Point Transmission Service: Curtail (through

         changing DNI) unscheduled non-Firm Transactions which contribute to

         the violation, starting with the lowest NERC priority category.

(iii)   Dispatch Internal Generators, based on Incremental and Decremental Bids,

         including committing additional resources, if necessary;

(iv)   Adjust the DNI associated with Transactions supplied by External

         Resources: Curtail External Firm Transactions until the constraint is

         relieved by (1) Curtailing based on Incremental Bids, Decremental Bids, or

         Sink Price Cap Bids and (2) except for import transactions with minimum

         run times, prorating Curtailment if Decremental Bids are of equal cost

         transactions;

(v)   Request Internal Generators to voluntarily operate in manual mode below

         minimum or above maximum dispatch able levels. When operating in

         manual mode, Generators will not be required to adhere to the one percent

         minimum ramp rate set forth in Section 4.0 of this Tariff, nor will they be

         required to be respond to SCD Base Point Signals;

(vi)   In over generation conditions, decimate Internal Generators based on

         minimum generation Bid rate in descending order; and

(vii)   Invoke other emergency procedures including involuntary load

         Curtailment, if necessary.

(iii)   Existing intermittent (i.e., non-schedulable) renewable resource

Generators within the NYCA, plus up to an additional 50 MW of such

Generators.

This procedure shall not apply at times when the Generator supplying that

transaction has been scheduled to provide Regulation or Operating Reserves.

The ISO will not schedule a Bilateral Transaction which crosses an Interface

between the NYCA and a neighboring Control Area if doing so would cause the DNI to exceed

the Transfer Capability of that Interface.

IV.   SCHEDULING

Security Constrained Unit Commitment ("SCUC)

The ISO shall develop an SCUC schedule using a computer algorithm which

simultaneously minimizes the total Bid Production cost of: (i) supplying power to satisfy all

accepted purchaser's Bids to buy Energy from the Day-Ahead Market; (ii) providing sufficient

Ancillary Services to support Energy purchased from the day-ahead Market; (iii) committing

sufficient Capacity to meet the ISO's Load forecast and provide associated Ancillary Services;

and (iv) meeting all Transmission Schedules submitted Day-Ahead. The schedule will include

commitment of sufficient Generators and/or Interruptible Load to provide for reliable operation

of the NYS Transmission System. In considering which additional resources to schedule, import transactions,

the cost of which effectively exceed a Bid Price cap in the hours in which the capacity is required, will not be

scheduled. In addition to all Reliability Rules, the ISO shall consider the

following information when developing the SCUC: (i) Load forecasts provided to the ISO and

adjusted as required by the ISO; (ii) Ancillary Service requirements as determined by the ISO;

(iii) Transmission Service schedules; (iv) price Bids and operating constraints submitted for

Generator or Demand Side Resources; (v) price bids for Ancillary Services; (iv) Decremental

Bids for Bilateral Transactions; (vii) ancillary Services in support of Bilateral Transactions; and

(viii) Bids to purchase energy from the Day-ahead Market. . The scheduling of transactions with

identical rice Bids and minimum run times greater than one hour will not be prorated. The SCUC

schedule shall list the twenty-four (24) hour injections for: (a) each Generator whose Bid the ISO

accepts for the following Dispatch Day, and (b) each Bilateral Transaction Scheduled Day-

Ahead.

In the development of its SCUC schedule, the ISO may commit and decommit Generators

based upon any flexible Bids, including Minimum Generation and Start-Up Costs, Energy, and

Incremental and Decremental Bids received by the ISO.

Reliability Forecast

In the SCUC program, system operation shall be optimized over the Dispatch Day.

However, to preserve system reliability, the ISO must assure that there will be sufficient

Generators available to meet forecasted Load and reserve requirements over the seven-day period

that begins with the next Dispatch Day. When SCUC evaluates days two through seven of the

commitment cycle and determines that a long start-up time Generator is needed for reliability,

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