

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.3 and 2.B.4 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

Issued by: William J. Museler, President
Issued on: April 16, 2003

Effective: June 16, 2003

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

Issued by: William J. Museler, President
Issued on: May 31, 2002

Effective: June 1, 2002

Energy schedules for all Wheels Through and Exports. For the ISO Services Charge calculated pursuant to Sections 2.B.2, 2.B.3, and 2.B.4 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.

B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch Service shall consist of ~~four~~five components and shall be recovered on a monthly basis (except for section 2.B.5 which shall be billed quarterly) 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 20% to all injection billing units and 80% to all withdrawal billing units. The 80%/20% allocation will be effective for a minimum of five years commencing January 1, 2005. This allocation methodology shall be reviewed during the fourth quarter of 2008 if significant market changes merit its review.
 - b. The rate to be applied to injection billing units shall be the quotient of 20% 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 80% 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 Transmission Customer's injection billing units and withdrawal billing units, as appropriate, for the month.

2. ISO Unbudgeted Cost Component

Except with respect to bad debt loss and working capital contribution costs, the responsibility for those costs listed in Section 3.A of this Rate Schedule that are neither (i) included in the ISO's annual budget, nor (ii) FERC-assessed regulatory fees, shall be allocated 100% to all withdrawal billing units. The rate to be applied to withdrawal billing units in each month shall be the quotient of the amount of these costs to be included in the month, as determined by the ISO, divided by the total estimated withdrawal billing units for the month, as described in Section 2.A of this Rate Schedule. This rate shall then be multiplied by each Transmission Customer's withdrawal billing units for the month. The responsibility for costs associated with bad debt losses and working capital contributions shall be allocated pursuant to Attachments U and V to this Tariff, respectively.

Issued by: William J. Museler, President
Issued on: October 23, 2003

Effective: January 1, 2004

Filed to comply with order of the Federal Energy Regulatory Energy Regulatory Commission, Docket No. ER03-984-000, issued September 22, 2003, 104 FERC ¶ 61,311 (2003).

3. ~~Reserved~~Non-ISO Facilities Payments Component
 - a. The monthly payments the ISO makes to owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System shall be recovered based on withdrawal billing units. Currently, the ISO makes payments to Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC and to Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system. The charges to be applied to withdrawal billing units for Transmission Customers, other than those taking service under Part IV of the OATT to supply Station Power as third party providers, shall be the product of (A) the sum of the monthly bills for such facilities from: (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation, divided by the total number of hours in the month, 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 (other than withdrawal billing units for those taking services under Part IV of the OATT) as described in Section 2.A of this Rate Schedule. Charges to be paid by Transmission

Customers for this service shall be aggregated to render a monthly charge.

- b. Transmission Customers taking service under Part IV of the OATT to supply Station Power as third-party providers shall pay to the ISO a daily charge for this service equal to the product of (A) the sum of the daily bills for such facilities as described in subparagraph (a) above and (B) the ratio of the Transmission Customer's Station Power supplied under Part IV of the OATT for the day to the sum of all withdrawal billing units for the day.
- c. The ISO shall credit charges paid for this service by Transmission Customers and LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for the day on a Load ratio share basis to Transmission Customers serving load in the NYCA for the day.