Insert for OATT Sheet No. 22 and its Services Tariff Equivalent)

1.3a.1 Auction Allocation Right ("AAR"): A right that ~~may be converted by an LSE to a 1 MW TCC between a specified POI and POW, prior to the~~an LSE may convert before each Spring Centralized TCC Auction ~~in a given year, with a duration of one year (May 1 to April 30) at a cost to be~~into a 1 MW TCC which has the same POI and POW that were specified for that AAR, and which is valid for the forthcoming Capability Year. The cost that an LSE will incur to convert an AAR into a TCC shall be the price determined in that Spring Centralized TCC Auction for TCCs with a duration of one year, and the same POI and POW as the AAR, pursuant to Attachment M of this Tariff. Rules governing the creation and allocation of AARs~~, their duration,~~ and their conversion into TCCs by LSEs~~,~~ are likewise set forth in Attachment M to this Tariff.

associated with its Firm Point-To-Point Transmission Service by acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

1.13a Firm Transmission Service: Transmission Service requested by a Transmission Customer willing to pay Congestion Rent.

1.13b First Settlement: The process of establishing binding financial commitments on the part of Customers participating in the Day-Ahead Market based on Day-Ahead LBMP.

1.13b.1 Fixed Block Unit: A unit that, due to operational characteristics, can only be dispatched in one of two states: either turned completely off, or turned on and run at a fixed capacity level.

1.13c Generator: A facility capable of supplying Energy, Capacity and/or Ancillary Services that is accessible to the NYCA.

1.13d Generator Classes: The type of Generator (e.g., nuclear, gas turbine, fossil, hydro) which is used by the ISO to determine criteria that must be met for that Generator to qualify as a source of Installed Capacity.

1.14 Good Utility Practice: Any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region.

1.14a Government Bonds: Tax-exempt bonds issued by the New York Power Authority pursuant to Section 103 and related provisions of the Internal Revenue Code. 26 U.S.C. § 103.

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 TCCs. Upon the expiration or termination of Grandfathered Rights, a portion of the associated transmission Capacity shall be converted to AARs and the remainder shall be converted to Residual Transmission Capacity pursuant to Attachment M.

1.14c Grandfathered TCCs: The TCCs associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; and (3) Third Party TWAs where the party entitled to exercise the transmission rights associated with such agreements, has chosen, as provided for in the Tariff, to convert those rights to TCCs.

1.14d Reserved for Future Use.

1.14e Imports: A Bilateral Transaction or sale to the LBMP Market where Energy is delivered to a NYCA Interconnection from another Control Area.

1.14f Imputed Revenue: The Congestion Rents that owners of Grandfathered Rights do not have to pay due to their own use of those Grandfathered Rights.

1.14g Inadvertent Energy Accounting: The accounting performed to track and reconcile the difference between net actual Energy interchange and scheduled Energy interchange of a Control Area with adjacent Control Areas.

1.14h Incremental Energy Bid: A series of monotonically increasing constant cost incremental Energy steps that indicate the quantities of Energy for a given price that an entity is willing to supply to the ISO Administered Markets.

1.14i Incremental TCC: A set of point-to-point Transmission Congestion Contract(s) allocated to the Transmission Customer or Transmission Owner that is paying for a Network Upgrade or Direct Assignment Facilities. Incremental TCCs are point-to-point TCCs that derive from the increase or decrease in Interface Total

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, *et. al.*, issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

1.35h PSC: The Public Service Commission of the State of New York or any successor agency thereto.

1.35i PSL: The New York Public Service Law, N.Y. Pub. Serv. Law § 1 et seq. (McKinney 1989 & Supp. 1997-98).

1.36 Power Purchaser: The entity that is purchasing the Capacity and Energy to be transmitted under the Tariff.

1.36a Primary Holder: A Primary Holder of each TCC is the Primary Owner of that TCC or the party that purchased that TCC at the close of the Centralized TCC Auction. With respect to each TCC, a Primary Holder must be: (1) a Transmission Customer that has purchased the TCC in the Centralized TCC Auction, and that has not resold in that same Auction; (2) a Transmission Customer that has purchased the TCC in a Direct Sale with another Transmission Customer; (3) the Primary Owner who has retained the TCC; (4) Primary Owners of the TCC that allocated the TCC to certain customers or sold it in the Secondary Market or sold through a Direct Sale to an entity other than a customer. The ISO settles Day-Ahead Congestion Rents pursuant to Attachments M and N with the Primary Holder of each TCC.

1.36b Primary Owner: The Primary Owner of each TCC is the Transmission Owner or other Transmission Customer that has acquired the TCC through conversion of rights under an Existing Transmission Agreement to Grandfathered TCCs (in accordance with Attachment K), or through the conversion of AARs (in accordance with Attachment M), or the Transmission Owner that acquired the TCC through the ISO's allocation of Original Residual TCCs or through the conversion of ETCNL or an RCRR.

1.36b1 Qualified Non-Generator Voltage Support Resource: A resource that is neither a Generator nor a synchronous condenser but that is capable of providing the ISO with Reactive Power on a dynamic basis, that is energized and under the operational control of the ISO, or a Transmission Owner, or an External Control Area operator, that meets the resource-specific technical and testing criteria specified in the ISO Procedures, and that is ineligible to receive Reactive Power compensation other than as a Qualified Non-Generator Voltage Support Resource. The Cross-Sound Scheduled Line shall be a Qualified Non-Generator Voltage Support Resource, provided that it meets the technical and testing criteria specified in the ISO Procedures.

termination or a material modification of this Tariff and/or Service Agreements related to this Tariff that would be inconsistent with any term or provision of the ISO/TO Agreement. Any Transmission Customer may withdraw from this Tariff on thirty (30) days prior written notice to the ISO.

2.0 Initial Allocation and Renewal Procedures

2.1 Initial Allocation of Available Transmission Capability: Firm Transmission Service under this Tariff is obtained when the Transmission Customer agrees to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion costs associated with its Firm Transmission Service through the purchase~~, or conversion from AARs,~~ of a sufficient quantity of Transmission Congestion Contracts ("TCCs")<u>, including the purchase of TCCs that are created through the conversion of AARs pursuant to Attachment M,</u> with receipt and delivery points corresponding to its Transmission Service. TCCs are solely financial instruments that do not establish any rights to, or the availability of, Transmission Service. For purposes of determining whether existing capability on the NYS Transmission System is adequate to accommodate a request for Firm Transmission Service under this Tariff, the ISO shall employ Security Constrained Unit Commitment ("SCUC"), Real-Time Commitment ("RTC") and Real-Time Dispatch ("RTD") programs in accordance with Attachment C. The availability of TCCs

February 11, 2004, 106 FERC ¶ 61,111 (2004).

will be determined as described in Attachment M.

2.2 Reservation Priority For Existing Firm Service: Existing firm service customers (wholesale requirements and transmission-only, with a contract term ~~of~~ extending beyond the ISO implementation date), have the right to take Transmission Service from the ISO in accordance with the provisions of Attachment K. This transmission reservation priority is independent of whether the existing customer continues to purchase Capacity and Energy from a Transmission Owner or elects to purchase Capacity and Energy from another Supplier. At the end of the contract ~~terms, a portion of NYS Transmission System capacity associated with~~, the ISO will create AARs corresponding to those Grandfathered Rights and/or TCCs ~~shall be set aside as AARs and shall be offered~~, which shall be allocated to the existing firm service customer for a period of time, ~~with the remainder made available through an auction, as is~~as described in Attachment M to this Tariff. ~~All AARs not converted to TCCs prior to the Spring Centralized TCC Auction immediately following the expiration of the Grandfathered Rights or TCCs by the existing firm service customer shall be offered for sale as TCCs~~Following that, the ISO will create AARs corresponding to a portion of those Grandfathered Rights and/or TCCs, which shall be allocated to LSEs in the relevant Load Zone as described in Attachment M to this tariff. All of the transmission capacity associated with Grandfathered Rights and/or TCCs other than that needed to support these AARs, to the extent that those AARs are converted into TCCs, shall be made available to support TCCs

available for purchase in the next Centralized TCC auction facilitated by the ISO, pursuant to the provisions of Attachment M.

3.0 Ancillary Services

Ancillary Services are needed with Transmission Service to maintain reliability within and among the Control Areas affected by the Transmission Service. The ISO is required to provide, and the Transmission Customer is required to purchase, the following Ancillary Services: (i) Scheduling, System Control and Dispatch, (ii) Voltage Support Service, (iii) Energy Imbalance and (iv) Black Start Service.

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