ARTICLE 1

INTRODUCTION AND PURPOSE

The New York Independent System Operator Market Administration and Control Area Services Tariff (the "ISO Services Tariff" or the "Tariff") sets forth the provisions applicable to the services provided by the ISO related to its administration of competitive markets for the sale and purchase of Energy and Capacity and for the payments to Suppliers who provide Ancillary Services to the ISO in the ISO Administered Markets ("Market Services") and the ISO's provision of Control Area Services ("Control Area Services"), including services related to ensuring the reliable operation of the NYS Power System. The Tariff addresses the Market Services and the Control Area Services provided by the New York ISO, and the terms and conditions under which those services are provided. Market Services are addressed in Article 4 of the Tariff, and Control Area Services are addressed in Article 5 of the Tariff. Transmission Service is provided under the ISO's Open Access Transmission Tariff (the "ISO OATT"). All references to Sections, Schedules and Attachments, unless otherwise noted, are references to the ISO Services Tariff.

ARTICLE 2

DEFINITIONS

2.0 Definitions

The following definitions are applicable to the ISO Services Tariff:

2.1 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.

2.2a Adjusted Actual Peak Load

Actual peak Load adjusted to reflect: (i) Load relief measures such as voltage reduction and Load Shedding; (ii) peak Load reductions provided by Interruptible Load Resources; and (iii) normalized design weather conditions, as necessary.

2.3 Affiliate

With respect to a person or entity, any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust or unincorporated organization, directly or indirectly controlling, controlled by, or under common control with, such person or entity. The term "Control" shall mean the possession, directly or indirectly, of the power to direct the management or policies of a person or an entity. A voting interest of ten percent or more shall create a rebuttable presumption of control.

2.4 Ancillary Services

Services necessary to support the transmission of Energy from Generators to Loads, while maintaining reliable operation of the NYS Power System in accordance with Good Utility Practice and Reliability Rules. Ancillary Services include Scheduling, System Control and Dispatch Service; Reactive Supply and Voltage Support Service (or "Voltage Support S Regulation and Frequency Response Service (or "Regulation Service"); Energy Imbalance

Service; Operating Reserve Service (including Spinning Reserve, 10-Minute Non-Synchronized Reserves and 30-Minute Reserves); and Black Start Capability.

2.5 Application

A request to provide or receive service pursuant to the provisions of the ISO Services Tariff, that includes all information reasonably requested by the ISO.

2.6 Automatic Generation Control ("AGC")

The automatic regulation of the power output of electric Generators within a prescribed range in response to a change in system frequency, or tie-line loading, to maintain system frequency or scheduled interchange with other areas within predetermined limits.

2.7 Available Generating Capacity

Generating Capacity that is on line to serve Load and/or provide Ancillary Services, or is capable of initiating start-up for the purpose of serving Transmission Customers or providing Ancillary Services, within thirty (30) minutes.

2.8 Availability

A measure of time that a Generator, transmission line or other facility is or was capable of providing service, whether or not it actually is in-service.

2.9 Back-Up Operation

2.9a Back-up Operation Procedures: The ISO shall develop Back-up Operation procedures that will carry out the intent and purposes of this Tariff to the extent practical, taking into consideration circumstances under which the normal communications or computer systems of the ISO are not fully functional. Such procedures shall include testing requirements and training for the ISO staff, Transmission Owner staff, and Market Participants. If communication or computer systems malfunctions result in the ISO's inability to operate the NYCA in accordance with the ISO's Procedures or under approved testing procedures, the ISO will direct the Transmission Owners to assume the responsibility to operate their respective systems in accordance with Good Utility Practice to facilitate the operation of the NYCA in a safe and reliable manner ("Back-up Operation"). The Transmission Owners will continue to operate their respective systems until such time that the ISO is ready to resume control. During Back-up Operation, the Transmission Owner control centers will operate to maintain the Desired Net Interchange ("DNI") within each Transmission District. Generator Bid curves will be provided by the ISO to the individual Transmission Owners in order to permit dispatch by the Transmission Owners subject to the Transmission Owner Code of Conduct. Normal Day-Ahead Market and Real-Time Market operations may be halted if required.

2.9b Market Participant and Transmission Customer Obligations: During Back-up Operation, Transmission Customers and other Market Participants shall comply with any and all instructions and orders issued by the ISO or the Transmission Owners.

2.9c Billing and Settlement: In the event that Back-up Operation is implemented, the billing and Settlement Procedures contained in this Tariff shall apply only to the extent they can be implemented by the Back-up Operation procedures. The ISO will follow specific billing and Settlement procedures developed by the ISO for use under these circumstances. The ISO shall gather necessary information, manually reconstruct the billing information as soon as practical, and submit invoices to Transmission Customers. The ISO shall be under no obligation to comply with the billing procedure time limits specified in Section 7. Neither the ISO nor the Transmission Owners shall be liable, under any circumstances, for any economic losses suffered by any Transmission Customer, Market Participant, or third party, resulting from the implementation by the ISO of Back-up Operation or compliance with orders issued by the ISO or Transmission Owners that were necessary to operate the NYCA in a safe and reliable manner. Such orders may include, without limitation, instructions to generation facilities to increase or decrease output, and instructions to Load to reduce or interrupt service.

2.10 Balancing Market Evaluation ("BME")

An evaluation performed for the hour in which the dispatch occurs. The BME begins ninety (90) minutes before the beginning of the hour in which dispatch occurs. Based upon the Day-Ahead commitment and updated Load forecasts and Generator schedules, BME will assess new Bids for the Locational Based Marginal Pricing ("LBMP") Markets and requests for new Bilateral Transaction schedules for the Dispatch Hour to which the SCUC applies. BME will redispatch Internal Generators, schedule External Generators, schedule new Bilateral Transactions if feasible, update Desired Net Interchanges if needed, and Reduce or Curtail Bilateral Transactions with Non-Firm and Firm Transmission Service as needed for the Dispatch Hour for which the SCUC applies.

2.11 Base Point Signals

Electronic signals sent from the ISO and ultimately received by Generators specifying the scheduled MW output for the Generator. Security Constrained Dispatch ("SCD") Base Point Signals are typically sent to Generators on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators on a nominal six (6) second basis.

2.12 Bid/Post System

An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post Locational Based Marginal Prices and schedules.

2.13 Bid

Offer to purchase and/or sell Energy, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.

2.14 Bid Price

The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

2.15 Bid Production Cost

Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running cost and Minimum Generation and Start-Up Bid).

2.15a Bidder

An entity that bids to purchase Installed Capacity in an Installed Capacity auction.

2.16 Bilateral Transaction

A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the ISO Administered Markets.

2.17 Capability Period

Six month periods which are established as follows: (1) from May 1 through October 31 of each year ("Summer Capability Period"); and (2) from November 1 of each year through April 30 of the following year ("Winter Capability Period").

2.17a Capability Year

A Summer Capability Period, followed by a Winter Capability Period (*i.e.,* May 1 - April 30).

2.18 Capacity

The capability to generate or transmit electrical power, measured in megawatts ("MW").

2.19 Centralized Transmission Congestion Contracts ("TCC") Auction ("Auction")

The process by which TCCs are released for sale for the Centralized TCC Auction period, through a bidding process administered by the ISO or an auctioneer.

2.20 Class A Unit

A Generator or Dispatchable Load that participates in nominal five (5) minute SCD dispatch.

2.21 Class B Unit

A Generator or Dispatchable Load that is not participating in the nominal five (5) minute SCD dispatch, but offers to provide spinning reserves to the ISO.

2.22 Code of Conduct

The rules, procedures and restrictions concerning the conduct of the ISO directors and employees, contained in Attachment F to the ISO Open Access Transmission Tariff.

2.23 Commission ("FERC")

The Federal Energy Regulatory Commission, or any successor agency.

2.24 Completed Application

An Application that satisfies all of the information and other requirements for service under the ISO Services Tariff.

2.25 Confidential Information

Information and/or data that has been designated by a Customer to be proprietary and confidential, provided that such designation is consistent with the ISO Procedures, the ISO Services Tariff, and the ISO Code of Conduct.

2.26 Congestion

A characteristic of the transmission system produced by a constraint on the optimum economic operation of the power system, such that the marginal price of Energy to serve the next increment of Load, exclusive of losses, at different locations on the transmission system is unequal.

2.27 Congestion Component

The component of the LBMP measured at a location or the Transmission Usage Charge between two locations that is attributable to the cost of transmission Congestion.

2.28 Congestion Rent

The opportunity costs of transmission Constraints on the NYS Transmission System. Congestion Rents are collected by the ISO from Loads through its facilitation of LBMP Market Transactions and the collection of Transmission Usage Charges from Bilateral Transactions.

2.29 Congestion Rent Shortfall

A condition in which the Congestion Rent revenue collected by the ISO in the Day-Ahead Market for Energy is less than the amount of Congestion Rent revenue in the Day-Ahead Market for Energy that the ISO is obligated under the ISO OATT to pay out to the Primary Holders of TCCs.

2.30 Constraint

An upper or lower limit placed on a variable or set of variables that are used by the ISO in its SCUC, BME or SCD programs to control and/or facilitate the operation of the NYS Transmission System.

2.31 Contingency

An actual or potential unexpected failure or outage of a system component, such as a Generator, transmission line, circuit breaker, switch or other electrical element. A Contingency also may include multiple components, which are related by situations leading to simultaneous component outages.

2.32 Control Area

An electric system or combination of electric power systems to which a common Automatic Generation Control scheme is applied in order to: (1) match, at all times, the power output of the Generators within the electric power system(s) and Capacity and Energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating Capacity to maintain operating reserves in accordance with Good Utility Practice.

2.33 Curtailment or Curtail

A reduction in Firm or Non-Firm Transmission Service in response to a transmission Capacity shortage as a result of system reliability conditions.

2.34 Customer

An entity which has complied with the requirements contained in the ISO Services Tariff, including having signed a Service Agreement, and is qualified to utilize the Market Services and the Control Area Services provided by the ISO under the ISO Services Tariff; provided, however, that a party taking services under the Tariff pursuant to an unsigned Service Agreement filed with the Commission by the ISO shall be deemed a Customer.

2.35 Day-Ahead

Nominally, the twenty-four (24) hour period directly preceding the Dispatch Day, except when this period may be extended by the ISO to accommodate weekends and holidays.

2.36 Day-Ahead LBMP

The LBMPs calculated based upon the ISO's Day-Ahead Security Constrained Unit Commitment process.

2.37 Day-Ahead Market

The ISO Administered Market in which Capacity, Energy and/or Ancillary Services are scheduled and sold Day-Ahead consisting of the Day-Ahead scheduling process, price calculations and Settlements.

2.38 Decremental Bid

A monotonically increasing Bid curve provided by an entity engaged in a Bilateral Transaction to indicate the LBMP below which that entity is willing to reduce its Generator's

output or have its Transmission Service Curtailed, and purchase Energy in the LBMP Markets. If Decremental Bids are not voluntarily provided by such entities, the ISO will enter a default Decremental Bid.

2.39 Demand Side Resources

Resources that result in the reduction of a Load in a responsive and measurable manner and within time limits established in the ISO Procedures.

2.40 Dependable Maximum Net Capability ("DMNC")

The sustained maximum net output of a Generator, as demonstrated by the performance of a test or through actual operation, averaged over a continuous time period as defined in the ISO Procedures.

2.41 Desired Net Interchange ("DNI")

A mechanism used to set and maintain the desired Energy interchange (or transfer) between two Control Areas; it is scheduled ahead of time and can be changed only manually in real-time.

2.42 Direct Sale

The sale of TCCs directly to a buyer by the Primary Owner through a non-discriminatory auditable sale conducted on the ISO's OASIS, in compliance with the requirements and restrictions set forth in Commission Order Nos. 888 et seq. and 889 et seq.

2.43 Dispatchable

A Generator or Load that is capable of responding to real-time control from the ISO.

2.44 Dispatch Day

The twenty-four (24) hour period commencing at the beginning of each day (0000 hour).

2.45 Dispute Resolution Administrator ("DRA")

An individual hired by the ISO to administer the Dispute Resolution Process established in the ISO Tariffs and ISO Agreement.

2.46 Dispute Resolution Process ("DRP")

The procedures: (1) described in the ISO Tariffs and the ISO Agreement that are used to resolve disputes between Market Participants and the ISO involving services provided under the ISO Tariffs (excluding applications for rate changes or other changes to the ISO Tariffs or rules relating to such services); and (2) described in the ISO/NYSRC Agreement that are used to resolve disputes between the ISO and NYSRC involving the implementation and/or application of the Reliability Rules.

2.46a DMNC Test Period

The period within a Capability Period during which a Generator's, System Resource's or Special Case Resource's DMNC test must be conducted if that DMNC test is to be valid for

purposes of determining the amount of Installed Capacity that resource is permitted to provide. Such periods will be established pursuant to the ISO Procedures.

2.47 Emergency

Any abnormal system condition that requires immediate automatic or manual action to prevent or limit loss of transmission facilities or Generators that could adversely affect the reliability of an electric system.

2.48 Emergency State

The state that the NYS Power System is in when an abnormal condition occurs that requires automatic or immediate, manual action to prevent or limit loss of the NYS Transmission System or Generators that could adversely affect the reliability of the NYS Power System.

2.49 Energy ("MWh")

A quantity of electricity that is bid, produced, purchased, consumed, sold, or transmitted over a period of time, and measured or calculated in megawatt hours.

2.49a Energy Limited Resource

Capacity resources that, due to design considerations, environmental restrictions on operations, cyclical requirements, such as the need to recharge or refill, or other non-economic reasons, are unable to operate continuously on a daily basis, but are able to operate for at least four consecutive hours each day.

2.49b Excess Amount

The difference, if any, between the amounts charged to purchasers of Installed Capacity in an ISO-administered Installed Capacity auction and the amounts paid to sellers of Installed Capacity in that ISO-administered Installed Capacity auction.

2.50 Excess Congestion Rents

Congestion revenues in the Day-Ahead Market for Energy collected by the ISO that are in excess of its Day-Ahead payment obligations. Excess Congestion Rents may arise if Congestion occurs in the Day-Ahead Market for Energy and if the Day-Ahead Transfer Capability of the transmission system is not exhausted by the set of TCCs and Grandfathered Rights that have been allocated at the completion of the last Centralized TCC Auction.

2.51 Existing Transmission Capacity for Native Load ("ETCNL")

Transmission Capacity reserved on a Transmission Owner's transmission system to serve the Native Load Customers of the current Transmission Owners (as of the filing date of the original ISO Tariff - January 31, 1997). This includes transmission Capacity required: (1) to deliver the output from operating facilities located out of a Transmission Owner's Transmission District; (2) to deliver power purchased under power supply contracts; and (3) to deliver power purchased under third party agreements (i.e., Non-Utility Generators). Existing Transmission Capacity for Native Load is listed in Attachment L of the ISO OATT.

2.52 Existing Transmission Agreement ("ETA")

An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, as defined in the ISO Agreement and the ISO OATT.

2.53 Exports

A Bilateral Transaction or purchases from the LBMP Market where the Energy is delivered to an NYCA Interconnection with another Control Area.

2.54 External

An entity (e.g., Supplier, Transmission Customer) or facility (e.g., Generator, Interface) located outside the Control Area being referenced or between two or more Control Areas. Where a specific Control Area is not referenced, the NYCA is the intended reference.

2.55 External Transactions

Purchases, sales or exchanges of Energy, Capacity or Ancillary Services for which either the Point of Injection ("POI") or Point of Withdrawal ("POW") or both are located outside the NYCA (i.e., Exports, Imports or Wheels Through).

2.56 Federal Power Act ("FPA")

The Federal Power Act, as may be amended from time-to-time (See 16 U.S.C. § 796 et seq.).

2.57 Firm Point-To-Point Transmission Service

Transmission Service under this Tariff that is scheduled between specified Points of Receipt and Delivery pursuant to the ISO OATT. Firm Point-To-Point Transmission Service is service for which the Transmission Customer has agreed to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion 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.

2.58 Firm Transmission Service

Transmission service requested by a Transmission Customer willing to pay Congestion Rent.

2.59 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.

2.60 Generator

A facility capable of supplying Energy, Capacity and/or Ancillary Services that is accessible to the NYCA or the Energy, Capacity and/or Ancillary Services from such facilities.

2.61 [reserved for future use]

2.62 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.

2.63 [NOT USED]

2.64 Grandfathered Rights

The transmission rights associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; (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 those rights to TCCs; and (4) Existing Transmission Capacity for Native Load, Table 3 of Attachment L to the ISO OATT. Upon the expiration or termination of Grandfathered Rights, the associated transmission Capacity is converted to Residual Transmission Capacity.

2.65 Grandfathered TCCs

The TCCs associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; (3) Third Party TWA where the party entitled to exercise the transmission rights associated with such Agreements has chosen, as provided by the Tariff, to convert those rights to TCCs; and (4) Existing Transmission Capacity for Native Load, Table 3 of Attachment L to the ISO OATT.

2.66 Hour-Ahead Bid

A Bid submitted at least ninety (90) minutes before the dispatch hour to which it applies.

2.67 Imports

Transmission Service originating within another Control Area and wheeling into the NYCA.

2.68 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.

2.68a In-City

Located electrically within the New York City Locality (LBMP Load Zone J).

2.69 Incremental Bid

A monotonically increasing Bid curve with a finite number of break points (currently six

break points), that indicates an entity's willingness to supply Energy at certain prices to the ISO Administered LBMP Markets.

2.70 Independent System Operator ("ISO")

The New York Independent System Operator, Inc., a not-for-profit corporation established pursuant to the ISO Agreement.

2.71 Independent System Operator Agreement ("ISO Agreement")

The agreement that establishes the New York ISO.

2.72 Independent System Operator/New York State Reliability Council ("ISO/NYSRC Agreement")

The agreement between the ISO and the New York State Reliability Council governing the relationship between the two organizations.

2.73 Independent System Operator-Transmission Owner Agreement ("ISO/TO

The agreement that establishes the terms and conditions under which the Transmission Owners transferred to the ISO Operational Control over designated transmission facilities.

2.74 Installed Capacity

External or Internal Capacity, in increments of 100 kW, that is continuously made available for the portion of an Obligation Procurement Period for which that Capacity is being sold for the purpose of satisfying the NYCA's Installed Reserve Requirement.

2.74a Installed Capacity Marketer

An entity which has signed this Tariff and which purchases Installed Capacity from qualified Installed Capacity Suppliers, either bilaterally or through ISO-administered auctions. Installed Capacity Marketers that purchase Installed Capacity through ISO-administered auctions may only resell Installed Capacity purchased in such auctions in the NYCA.

2.74b Installed Capacity Supplier

An Energy Limited Resource, Generator, Installed Capacity Marketer, Interruptible Load Resource**,** Special Case Resource or System Resource that satisfies the ISO's qualification requirements for selling Installed Capacity.

2.75 Interconnection or Interconnection Points ("IP")

The point(s) at which the NYCA connects with a distribution system or adjacent Control Area. The IP may be a single tie line or several tie lines that are operated in parallel.

2.76 Interface

A defined set of transmission facilities that separate Load Zones and that separate the NYCA from adjacent Control Areas.

2.77 Interface MW - Mile Methodology

The procedure used to allocate Residual TCCs, revenues from the sale of certain TCCs, and Excess Congestion Rents between the Transmission Owners as described in Attachment K to the ISO OATT.

2.78 Internal

An entity (e.g., Supplier, Transmission Customer) or facility (e.g., Generator, Interface) located within the Control Area being referenced. Where a specific Control Area is not referenced, internal means the NYCA.

2.79 Internal Transactions

Purchases, sales or exchanges of Energy, Capacity or Ancillary Services where the Generator and Load are located within the NYCA.

2.80 Interruptible Load Resources

A Load that is obligated under a contract to be interrupted when required by the ISO. Such a Load must demonstrate that it is capable of quantifiable reduction in consumption in response to the ISO's instructions.

2.80a Investor-Owned Transmission Owners

At the present time these include: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

2.81 ISO Administered Markets

The Day-Ahead Market and the Real-Time Market (collectively the "LBMP Markets") and any other market administered by the ISO.

2.82 ISO Market Power Monitoring Program

The monitoring program approved by the Commission and administered by the ISO designed to monitor the possible exercise of market power in ISO Administered Markets.

2.83 ISO OATT

The ISO Open Access Transmission Tariff.

2.84 ISO Procedures

The procedures adopted by the ISO in order to fulfill its responsibilities under the ISO OATT, the ISO Services Tariff and the ISO Related Agreements.

2.85 ISO Related Agreements

Collectively, the ISO Agreement, the ISO/TO Agreement, the NYSRC Agreement, and the ISO/NYSRC Agreement.

2.86 ISO Services Tariff (the "Tariff")

The ISO Market Administration and Control Area Services Tariff.

2.87 ISO Tariffs

The ISO OATT and the ISO Services Tariff, collectively.

2.88 LBMP Market(s)

The Real-Time Market or the Day-Ahead Market or both.

2.89 LIPA Tax Exempt Bonds

Obligations of the Long Island Power Authority, the interest on which is not included in gross income under the Internal Revenue Code.

2.90 Load

A term that refers to either a consumer of Energy or the amount of demand (MW) or Energy (MWh) consumed by certain consumers.

2.91 Load Serving Entity ("LSE")

Any entity, including a municipal electric system and an electric cooperative, authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers located within the NYCA, including an entity that takes service directly from the ISO to supply its own Load in the NYCA.

2.92 Load Shedding

The systematic reduction of system demand by temporarily decreasing Load in response to a Transmission System or area Capacity shortage, system instability, or voltage control considerations under the ISO OATT.

2.93 Load Zone

One (1) of eleven (11) geographical areas located within the NYCA that is bounded by one (1) or more of the fourteen (14) New York State Interfaces. During the implementation of the LBMP Markets, all Loads located within the same Load Zone pay the same Day-Ahead LBMP and the same Real-Time LBMP for Energy purchased in those markets.

2.94 Local Furnishing Bonds

Tax-exempt bonds issued by a Transmission Owner under an agreement between the Transmission Owner and the New York State Energy Research and Development Authority ("NYSERDA"), or its successor, or by a Transmission Owner itself, and pursuant to Section 142(f) of the Internal Revenue Code, 26 U.S.C. § 142(f).

2.95 Locality

A single LBMP Load Zone or set of adjacent LBMP Load Zones within one Transmission District within which a minimum level of Installed Capacity must be maintained.

2.96 Local Reliability Rule

A Reliability Rule established by a Transmission Owner, and adopted by the NYSRC, to meet specific reliability concerns in limited areas of the NYCA, including without limitation, special conditions and requirements applicable to nuclear plants and special requirements applicable to the New York City metropolitan area.

2.97 Locational Based Marginal Pricing ("LBMP")

A pricing methodology under which the price of Energy at each location in the NYS Transmission System is equivalent to the cost to supply the next increment of Load at that location (i.e., the short-run marginal cost). The short-run marginal cost takes Generation Bid Prices and the physical aspects of the NYS Transmission System into account. The short-run marginal cost also considers the impact of Out-of-Merit Generation (as measured by its Bid

Price) resulting from the Congestion and Marginal Losses occurring on the NYS Transmission System which are associated with supplying an increment of Load. The term LBMP also means the price of Energy bought or sold in the LBMP Markets at a specific location.

2.98 Locational Installed Capacity Requirement

A determination of the ISO of that portion of the state-wide Installed Capacity requirement that must be electrically located within a Locality, in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

2.99 Lost Opportunity Cost

The foregone profit associated with the provision of Ancillary Services, which is equal to the product of: (1) the difference between (a) the Energy that a Generator could have sold at the specific LBMP and (b) the Energy sold as a result of reducing the Generator's output to provide an Ancillary Service under the directions of the ISO; and (2) the LBMP existing at the time the Generator was instructed to provide the Ancillary Service, less the Generator's Energy bid for the same MW segment.

2.100 Major Emergency State

An Emergency accompanied by abnormal frequency, abnormal voltage and/or equipment overloads that create a serious risk that the reliability of the NYS Power System could be adversely affected.

2.101 Marginal Losses

The NYS Transmission System Real Power Losses associated with each additional MWh of consumption by Load, or each additional MWh transmitted under a Bilateral Transaction as measured at the Points of Withdrawal.

2.102 Marginal Losses Component

The component of LBMP at a bus that accounts for the Marginal Losses, as measured between that bus and the Reference Bus.

2.102a Market-Clearing Price

The price determined in an Installed Capacity auction for each ISO-defined Locality, the remainder of the NYCA and each adjacent External Control Area for which all offers to sell and bids to purchase Installed Capacity are in equilibrium.

2.103 Market Participant

An entity, excluding the ISO, that produces, transmits, sells, and/or purchase for resale Capacity, Energy or Ancillary Services in the Wholesale Market. Market Participants include: Transmission Customers under the ISO OATT, Customers under the ISO Services Tariff, Power Exchanges, Transmission Owners, Primary Holders, LSEs, Suppliers and their designated agents. Market Participants also include entities buying or selling TCCs.

2.104 Market Services

Services provided by the ISO under the ISO Services Tariff related to the ISO Administered Markets for Energy, Capacity and Ancillary Services.

2.105 Member Systems

The eight Transmission Owners that comprise the membership of the New York Power Pool.

2.106 Minimum Generation and Start-Up Bid

The payment required by a Supplier to bring a Generator to, and operate at, its minimum safe and stable operating level.

2.107 Modified Wheeling Agreement ("MWA")

A Transmission Agreement in existence, as amended, between Transmission Owners, that is associated with existing Generators or power supply contracts, that will be modified effective upon LBMP implementation. The terms and conditions of the MWA will remain the same as the original agreement, except as noted in the ISO OATT.

2.107a Native Load Customers

The wholesale and retail power customers of the Transmission Owners on whose behalf the Transmission Owners, by statute, franchise, regulatory requirement, or contract, have undertaken an obligation to construct and operate the Transmission Owners' systems to meet the reliable electric needs of such customers.

2.108 NERC

The North American Electric Reliability Council.

2.109 Network Integration Transmission Service

The Transmission Service provided under Part III of the Tariff.

2.110 New York Control Area ("NYCA")

The Control Area that is under the control of the ISO which includes transmission facilities listed in the ISO/TO Agreement Appendices A-1 and A-2, as amended from time-to-time, and Generation located outside the NYS Power System that is subject to protocols (e.g., telemetry signal biasing) which allow the ISO and other Control Area operator(s) to treat some or all of that Generation as though it were part of the NYS Power System.

2.111 New York Power Pool ("NYPP")

An organization established by agreement (the "New York Power Pool Agreement") made as of July 21, 1966, and amended as of July 16, 1991, by and among Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Lighting Company, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and the Power Authority of the State of New York. LIPA became a Member of the NYPP on May 28, 1998 as a result of the acquisition of the Long Island Lighting Company by the Long Island Power Authority.

2.112 New York State Power System ("NYS Pow

All facilities of the NYS Transmission System, and all those Generators located within the NYCA or outside the NYCA, some of which may from time-to-time be subject to operational control by the ISO.

2.113 New York State Reliability Council ("NYSRC")

An organization established by agreement among the Member Systems to promote and maintain the reliability of the NYS Power System.

2.114 New York State Reliability Council Agreement ("NYSRC Agreement")

The agreement which established the NYSRC.

2.115 New York State Transmission System ("NYS Transmission System")

The entire New York State electric transmission system, which includes: (1) the Transmission Facilities Under ISO Operational Control; (2) the Transmission Facilities Requiring ISO Notification; and (3) all remaining transmission facilities within the NYCA.

2.116 Non-Firm-Point-To-Point Transmission Service

Point-To-Point Transmission Service under the Tariff for which a Customer is not willing to pay Congestion. Such service is available absent constraint under Part II of this Tariff. Non-Firm-Point-To-Point Transmission Service is available on a stand-alone basis for individual one-hour periods not to exceed twenty-four (24) consecutive hours.

2.117 Non-Utility Generator ("NUG ," "Independent Power Producer" or "IPP")

Any entity that owns or operates an electric generating facility that is not included in an electric utility's rate base. This term includes, but is not limited to, cogenerators and small power producers and all other non-utility electricity producers, such as exempt wholesale Generators that sell electricity.

2.118 Normal State

The condition that the NYS Power System is in when the Transmission Facilities Under ISO Operational Control are operated within the parameters listed for Normal State in the Reliability Rules. These parameters include, but are not limited to, thermal, voltage, stability, frequency, operating reserve and Pool Control Error limitations.

2.119 NPCC

The Northeast Power Coordinating Council.

2.120 NRC

The Nuclear Regulatory Commission or any successor thereto.

2.121 NYPA

The Power Authority of the State of New York.

2.122 NYPA Tax-Exempt Bonds

Obligations of the New York Power Authority, the interest on which is not included in gross income under the Internal Revenue Code.

2.122a Obligation Procurement Period

The period of time during which LSEs shall be required to satisfy their Installed Capacity requirements. Obligation Procurement Periods shall begin and end on the same dates as the Capability Periods defined by Section 2.17 of this Tariff.

2.123 Off-Dispatch

A Dispatchable Generator or Load that is not capable of responding to computer-issued ISO instructions but is capable of responding to ISO orders relayed by telephone.

2.124 Off-Peak

The hours between 11 p.m. and 7 a.m., prevailing Eastern Time, Monday through Friday, and all day Saturday and Sunday, and NERC-defined holidays, or as otherwise decided by ISO.

2.124a Offeror

An entity that offers to sell Installed Capacity in an auction.

2.125 On-Dispatch

A Dispatchable Generator or Load that is capable of responding to computer-issued ISO instructions.

2.126 On-Peak

The hours between 7 a.m. and 11 p.m. inclusive, prevailing Eastern Time, Monday through Friday, except for NERC-defined holidays, or as otherwise decided by the ISO.

2.127 Open Access Same-Time Information System ("OASIS")

The information system and standards of conduct contained in Part 37 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

2.128 Operating Capacity

Capacity that is readily converted to Energy and is measured in MW.

2.128a Operating Committee

A standing committee of the ISO created pursuant to the ISO Agreement, which coordinates operations, develops procedures, evaluates proposed system expansions and acts as a liaison to the NYSRC.

2.129 Operating Reserves

Generator Capacity that is available to supply Energy, or Interruptible Load Resources that are available to Curtail Energy usage, in the event of Contingency conditions, which meet the requirements of the ISO. Operating Reserves include spinning reserves, non-synchronized 10-minute reserves, and 30-minute reserves.

2.130 Operating Study Power Flow

A Power Flow analysis that is performed at least once before each Capability Period that is used to determine each Interface Transfer Capability for the Capability Period (See Attachment M to the ISO OATT).

2.131 Operational Control

Directing the operation of the Transmission Facilities Under ISO Operational Control to maintain these facilities in a reliable state, as defined by the Reliability Rules. The ISO shall approve operational decisions concerning these facilities, made by each Transmission Owner before the Transmission Owner implements those decisions. In accordance with ISO Procedures, the ISO shall direct each Transmission Owner to take certain actions to restore the system to the Normal State. Operational Control includes security monitoring, adjustment of generation and transmission resources, coordination and approval of changes in transmission status for maintenance, determination of changes in transmission status for reliability, coordination with other Control Areas, voltage reductions and Load Shedding, except that each Transmission Owner continues to physically operate and maintain its facilities.

2.132 Optimal Power Flow ("OPF")

The Power Flow analysis that is performed during the administration of the Centralized TCC Auction to determine the most efficient simultaneously feasible allocation of TCCs to Bidders (See Attachment M to the ISO OATT).

on reh'g, III FERC Stats. & Regs. ¶ 31,048 (1997) ("Order No. 888-A"), on reh'g, 81 FERC ¶ 61,248 (1997) ("Order No. 888-B"), order on reh'g, 82 FERC ¶ 61,046 (1998) ("Order No. 888-C")).

2.134 Order Nos. 889 et seq.

The Final Rule entitled Open Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct, issued by the Commission on April 24, 1996, in Docket No. RM95-9-000, as modified on rehearing, or upon appeal. (See FERC Stats. & Regs. [Regs. Preambles 1991-1996] ¶ 31,035 (1996) ("Order No. 889"), on reh'g, III FERC Stats. & Regs. ¶ 31,049 (1997) ("Order No. 889-A"), on reh'g, 81 FERC ¶ 61,253 (1997) ("Order No. 889-B")).

2.135 Out-of-Merit Generation

Generators producing at a different level of output than they would produce in a dispatch

to meet Load which was not security constrained. Out-of-Merit Generation occurs to maintain system reliability or to provide Ancillary Services.

2.136 Performance Index

An index, described in ISO Procedures, that tracks a Generator's response to AGC signals from the ISO.

2.137 Performance Tracking System

A system designed to provide quantitative comparisons of actual values versus expected and forecasted values for Generators and Loads. This system will be used by the ISO to measure compliance with criteria associated with the provision of Regulation and Frequency Response Service.

2.138 Point to Point Transmission Service

The reservation and transmission of Capacity and Energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Part II of the Tariff.

2.139 Point(s) of Injection ("POI" or "Point of Receipt")

The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the ISO by the delivering party under the ISO OATT or the ISO Services Tariff. The Point(s) of Injection shall be specified in the Service Agreement.

2.140 Point(s) of Withdrawal ("POW" or "Point of Delivery")

The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the receiving party under the ISO OATT or the ISO Services Tariff. The Point(s) of Withdrawal shall be specified in the Service Agreement.

2.141 Pool Control Error ("PCE")

The difference between the actual and scheduled interchange with other Control Areas, adjusted for frequency bias.

2.142 Post Contingency

Conditions existing on a system immediately following a Contingency.

2.143 Power Exchange ("PE")

A commercial entity meeting the requirements for service under the ISO OATT or the ISO Services Tariff that facilitates the purchase and/or sale of Energy, Capacity and/or Ancillary Services in a New York Wholesale Market. A PE may transact with the ISO on its own behalf or as an agent for others.

2.144 Power Factor

The ratio of real power to apparent power (the product of volts and amperes, expressed in megavolt-amperes, MVA).

2.145 Power Factor Criteria

Criteria to be established by the ISO to monitor a Load's use of Reactive Power.

2.146 Power Flow

A simulation which determines the Energy flows on the NYS Transmission System and adjacent transmission systems.

2.147 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 it 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; or (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 Transmission Customer. The ISO settles Day-Ahead Congestion Rents pursuant to Attachments M and N to the ISO OATT with the Primary Holder of each TCC.

2.148 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 of the ISO OATT) or the Transmission Owner that acquired the TCC through the ISO's allocation of Residual TCCs (in accordance with Attachments K and M to the ISO OATT). The ISO distributes Centralized TCC

Auction revenues to Primary Owners or Primary Holders who released the TCCs into the Auction (in accordance with Attachments K and M to the ISO OATT).

2.149 Proxy Generator Bus

A Generator bus located outside the NYCA that is selected by the ISO to represent a typical bus in an adjacent Control Area and for which LBMP prices are calculated.

2.150 PSC

The Public Service Commission of the State of New York or any successor agency thereto.

2.151 PSL

The New York Public Service Law, Public Service Law § 1 et seq. (McKinney 1989 & Supp. 1997-98).

2.152 Reactive Power (MVAr)

The product of voltage and the out-of-phase component of alternating current. Reactive Power, usually measured in MVAr, is produced by capacitors (synchronous condensers) and over-excited Generators and absorbed by reactors or under-excited Generators and other inductive devices including the inductive portion of Loads.

2.153 Real Power Losses

The loss of Energy, resulting from transporting power over the NYS Transmission System, between the Point of Injection and Point of Withdrawal of that Energy.

2.154 Real-Time LBMP

The LBMPs established through the ISO Administered Real-Time Market.

2.155 Real-Time Market

The ISO Administered Market resulting from the operation of the Security Constrained Dispatch ("SCD").

2.156 Reduction or Reduce

The partial or complete reduction in Non-Firm Transmission Service as a result of transmission Congestion (either anticipated or actual).

2.157 Reference Bus

The location on the NYS Transmission System relative to which all mathematical quantities, including Shift Factors and penalty factors relating to physical operation, will be calculated. The NYPA Marcy 345 kV transmission substation is designated as the Reference Bus.

2.158 Reliability Rules

Those rules, standards, procedures and protocols developed and promulgated by the NYSRC, including Local Reliability Rules, in accordance with NERC, NPCC, FERC, PSC and NRC standards, rules and regulations and other criteria and pursuant to the NYSRC Agreement.

2.159 Required System Capability

Generation capability required to meet an LSE's peak Load plus Installed Capacity Reserve obligation as defined in the Reliability Rules.

2.159a Residual Adjustment

The ISO's collections from Loads and Transmission Customers, less its payment to generating facilities, less Congestion Rents and Excess Congestion Rents, and Primary Holders of TCCs as defined in Schedule 1.

2.160 Residual TCCs

TCCs converted from Residual Transmission Capacity (as defined in the ISO OATT), each designated from a Point of Injection to a Point of Withdrawal. Residual TCCs are: (1) estimated prior to the Centralized TCC Auction, and allocated among the Transmission Owners utilizing the Interface MW-Mile Methodology; (2) determined during the Centralized TCC Auction that are in addition to the amount estimated before the Auction, and are not allocated but are offered for sale in the Auction; and (3) determined after each Grandfathered TCC and Grandfathered Right expires and the associated Capacity is released to the ISO for sale and is not allocated but is offered for sale in the Auction. The Auction revenues and Excess Congestion Rent revenues associated with Residual TCCs that are not allocated to Transmission Owners by the ISO shall be allocated utilizing the Interface MW-Mile Methodology (See Attachments K and M to the ISO OATT).

2.160a Residual Transmission Capacity ("RTC")

The transmission capacity determined by the ISO before, during and after the Centralized TCC Auction which is conceptually equal to the following:

RTC = TTC - TRM - CBM - GTR - GTCC - ETCNL

RTC is Residual Transmission Capacity. The TCCs associated with RTC cannot be accurately determined until the Centralized TCC Auction is conducted.

TTC is the Total Transfer Capability that can only be determined after the RTC is known.

GTR is the transmission capacity associated with Grandfathered Rights.

GTCC is the transmission capacity associated with Grandfathered TCCs.

ETCNL is the transmission capacity associated with Existing Transmission Capacity for Native Load.

TRM is the Transmission Reliability Margin.

CBM is the Capacity Benefit Margin.

2.161 Safe Operations

Actions which avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.

2.162 SCUC

Security Constrained Unit Commitment, described in Section 4.9 of the Tariff.

2.163 [NOT USED]

2.163a Secondary Holders

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.

2.164 Second Settlement

The process of: (1) identifying differences between Energy production, Energy consumption or NYS Transmission System usage scheduled in a First Settlement and actual production, consumption, or 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.

2.165 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.

2.166 Security Constrained Dispatch ("SCD")

The allocation of Load to Generators by the ISO through the operation of a computer algorithm which continuously calculates individual Generator loading at minimum Bid cost, balancing Load and scheduled interchange with Generation while meeting all Reliability Rules and Generator performance Constraints consistent with the terms of the ISO Services Tariff

2.167 Security Coordinator

An entity that provides the security assessment and Emergency operations coordination for a group of Control Areas. A Security Coordinator must not participate in the wholesale or retail merchant functions.

2.168 Self-Supply

The provision of certain Ancillary Services, or the provision of Energy to replace Marginal Losses by a Transmission Customer using either the Transmission Customer's own Generators or generation obtained from an entity other than the ISO.

2.169 Service Agreement

The agreement, in the form of Attachment A to the Tariff, and any amendments or supplements thereto entered into by a Customer and the ISO of service under the Tariff, or any unexecuted Service Agreement, amendments or supplements thereto, that the ISO unilaterally

files with the Commission.

2.170 Service Commencement Date

The date that the ISO begins to provide service pursuant to the terms of a Service Agreement, or in accordance with the Tariff.

2.171 Settlement

The process of determining the charges to be paid to, or by, a Transmission Customer to satisfy its obligations.

2.172 Shift Factor ("SF")

A ratio, calculated by the ISO, that compares the change in power flow through a transmission facility resulting from the incremental injection and withdrawal of power on the NYS Transmission System.

2.172a Special Case Resource

Loads capable of being interrupted upon demand, and distributed generators, rated 100 kW or higher, that are not visible to the ISO's Market Information System and that are subject to special rules, set forth in Section 5.12.8(a) of this Tariff and related ISO Procedures, in order to facilitate their participation in the Installed Capacity market as Installed Capacity Suppliers.

2.173 Storm Watch

Actual or anticipated severe weather conditions under which region-specific portions of

the NYS Transmission System are operated in a more conservative manner by reducing transmission transfer limits.

2.174 Strandable Costs

Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or Transmission Service suppliers.

2.175 Stranded Investment Recovery Charge

A charge established by a Transmission Owner to recover Strandable Costs.

2.176 Supplemental Resource Evaluation ("SRE")

A determination of the least cost selection of additional Generators, which are to be committed, to meet changed conditions that may cause the original system dispatch to be inadequate to meet Load and/or reliability requirements.

2.177 Supplier

A Party that is supplying the Capacity, Energy and/or associated Ancillary Services to be made available under the ISO OATT or the ISO Services Tariff, including Generators and Demand Side Resources that satisfy all applicable ISO requirements.

2.177a System Resource

A portfolio of Installed Capacity provided by Generators located in a single ISO-defined Locality, the remainder of the NYCA, or any single External Control Area, that is owned by or under the control of a single entity and that is made available, in whole or in part, to the ISO. System Resources may be External or Internal to the NYCA.

2.178 Third Party Transmission Wheeling Agreements ("Third Party TWAs")

A Transmission Wheeling Agreement, as amended, between Transmission Owner or between a Transmission Owner and an entity that is not a Transmission Owner associated with the purchase (or sale) of Energy, Capacity, and/or Ancillary Services for the benefit of an entity that is not a Transmission Owner. These agreements are listed in Table 1 of Attachment L to the ISO OATT.

2.179 Total Transfer Capability ("TTC")

The amount of electric power that can be transferred over the interconnected transmission network in a reliable manner**.**

2.180 Transaction

The purchase and/or sale of Energy or Capacity, or the sale of Ancillary Services.

2.181 Transfer Capability

The measure of the ability of interconnected electrical systems to reliably move or

transfer power from one area to another over all transmission facilities (or paths) between those areas under specified system conditions.

2.182 Transmission Congestion Contract ("TCCs")

The right to collect or obligation to pay Congestion Rents in the Day-Ahead Market for Energy associated with a single MW of transmission between a specified POI and POW. TCCs are financial instruments that enable Energy buyers and sellers to hedge fluctuations in the price of transmission.

2.183 Transmission Customer

Any entity (or its designated agent) that receives Transmission Service pursuant to a Service Agreement and the terms of the ISO OATT.

2.184 Transmission District

The geographic area served by the Investor-Owned Transmission Owners and LIPA, as well as the customers directly interconnected with the transmission facilities of the Power Authority of the State of New York.

2.185 Transmission Facilities Under ISO Operational Control

The transmission facilities of the Transmission Owners listed in Appendix A-1 of the ISO/TO Agreement, "Listing of Transmission Facilities Under ISO Operational Control," that are subject to the Operational Control of the ISO. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.

2.186 Transmission Facilities Requiring ISO Notification

The transmission facilities of the Transmission Owners listed in Appendix A-2 of the ISO/TO Agreement, ("Listing of Transmission Facilities Requiring ISO Notification") whose status of operation must be provided to the ISO by the Transmission Owners (for the purposes stated in the ISO Tariffs and in accordance with the ISO Tariffs and ISO/TO Agreement) prior to the Transmission Owners making operational changes to the state of these facilities. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.

2.186a Transmission Facility Agreement

The agreements listed in Attachment L, Table 2 of the ISO OATT governing the use of specific or designated transmission facilities charges all, or a portion, of the costs to install, own, operate, or maintain said transmission facilities, to the customer under the agreement. These agreements may or may not have provisions to provide Transmission Service utilizing said transmission facilities.

2.186b Transmission Fund ("T-Fund")

The mechanism used under the current NYPP Agreement to compensate the Member Systems for providing Transmission Service for economy Energy Transactions over their transmission systems. Each Member System is allocated a share of the economy Energy savings in dollars assigned to the fund that is based on the ratio of their investment in transmission

facilities to the sum of investments in transmission and generation facilities.

2.187 Transmission Owner

The public utility or authority (or its designated agent) that owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff.

2.188 Transmission Owner's Monthly Transmission System Peak

The maximum hourly firm usage as measured in megawatts ("MW") of the Transmission

m in a calendar month.

2.189 Transmission Reliability Margin ("TRM")

The amount of TTC reserved by the ISO to ensure the interconnected transmission network is secure under a reasonable range of uncertainties in system conditions.

2.190 Transmission Service

Point-To-Point Network Integration or Retail Access Transmission Service provided under the ISO OATT.

2.191 Transmission Service Charge ("TSC")

A charge designed to ensure recovery of the embedded cost of a Transmission Owner's transmission system.

2.192 Transmission System

The facilities operated by the ISO that are used to provide Transmission Services under the ISO OATT.

2.193 Transmission Usage Charge ("TUC")

Payments made by the Transmission Customer to cover the cost of Marginal Losses and, during periods of time when the transmission system is constrained, the marginal cost of Congestion. The TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in $/MWh); and (2) the scheduled or delivered Energy (in MWh).

2.194 Transmission Wheeling Agreement ("TWA")

The Agreements listed in Table 1 of Attachment L to the ISO OATT governing the use of specific or designated transmission facilities that are owned, controlled or operated by an entity for the transmission of Energy in interstate commerce.

2.195 Wheels Through

Transmission Service, originating in another Control Area, that is wheeled through the NYCA to another Control Area.

2.196 Wholesale Market

The sum of purchases and sales of Energy and Capacity for resale along with Ancillary Services needed to maintain reliability and power quality at the transmission level coordinated

together through the ISO and Power Exchanges. A party who purchases Energy, Capacity or Ancillary Services in the Wholesale Market to serve its own Load is considered to be a participant in the Wholesale Market.

Sheet Nos. 75 through 80 are reserved for future use.

ARTICLE 3

TERM AND EFFECTIVENESS

3.1 Effectiveness

The ISO Services Tariff shall become effective on the latest of: (i) Commission approval of: (a) the ISO OATT, (b) the ISO Services Tariff, (c) the ISO Agreement, (d) the NYSRC Agreement, (e) the ISO/NYSRC Agreement, and (f) the ISO/TO Agreement (collectively, the "ISO Tariffs" and "ISO Related Agreements"); (ii) the date on which both the Commission and the PSC grant all necessary approvals to the Transmission Owners to transfer Operational Control of any facilities to the ISO or otherwise dispose of any of their property, including, without limitation, those approvals required under Section 70 of the New York Public Service Law ("PSL") and Section 203 of the Federal Power Act ("FPA"); (iii) the last date that any other approval or authorization is received, to the extent such additional approval or authorization is necessary; (iv) execution of the ISO Related Agreements; or (v) such later date specified by the Commission.

3.2 Term and Termination

The ISO Services Tariff shall remain in effect until: (i) canceled by the ISO upon sixty (60) days prior written notice in accordance with applicable Commission regulations; or (ii) the effective date of any law, order, rule, regulation, or determination of a body of competent

jurisdiction requiring termination or a material modification of the ISO Services Tariff and/or the Service Agreements executed pursuant to the terms of the Tariff (See Attachment A) that would be inconsistent with any material term or provision of the ISO/TO Agreement. Any Customer may withdraw from the Tariff on thirty (30) days prior notice to the ISO; provided, however, that an LSE is required to be a Customer and comply with applicable requirements of the Tariff as long as it continues to serve Load in the NYCA.

3.3 Regulations

The ISO Services Tariff and any related Service Agreement are made subject to all applicable federal, state and local laws, regulations and orders.

3.4 Access to Complete and Accurate Data

Customers under the Tariff shall provide to the ISO such information and data as the ISO reasonably deems necessary in order to perform its functions and fulfill its responsibilities under the Tariff and in accordance with the ISO Market Power Monitoring Program. Such information will be provided on a timely basis and in the formats prescribed in the ISO Procedures. The ISO shall establish metering specifications and standards for all metering that is used as a data source by the ISO (See Article 13). Customers shall install and maintain such metering at their own expense and deliver data to the ISO without charge.

3.5 ISO Procedures

The ISO shall develop, and modify as appropriate, procedures for the efficient and non-discriminatory operation of the ISO Administered Markets and for the safe and reliable operation of the NYCA in accordance with the terms and conditions of the Tariff. All such procedures must be consistent with Good Utility Practice. Whenever requested by the ISO, each LSE shall provide the ISO with a forecast of the Loads for which it is responsible for the particular time period designated by the ISO. Customers shall inform the ISO, in accordance with the ISO Procedures, of the Availability of Generators within the NYCA subject to a Customer's control by Energy contract, ownership or otherwise. Additionally, the Transmission Owners will provide megawatt, megavar, voltage readings, transmission system data (facility ratings and impedance data), and maintenance schedules for all Transmission Facilities Under ISO Operational Control. For Transmission Facilities Requiring ISO Notification, the Transmission Owners shall inform the ISO of all changes in the status of the designated transmission facilities. Suppliers will provide data on Generator status and output including maintenance schedules, Generator scheduled return dates (inclusive of return to service from maintenance, forced outages or partial unit outages that resulted in a significant reduction in a generating unit's ability to produce Energy in any hour), and Generator machine data, in accordance with the ISO Procedures. These data shall also include Generator

Incremental/Decremental Bids, operating limits, response rates, megawatt, megavar, and voltage readings.

3.6 Survival

Upon termination, expiration or cancellation of the ISO Services Tariff or any related Service Agreement, in accordance with their terms, the provisions of the Tariff, and any Service Agreement, shall remain in effect to the extent necessary to permit the conclusion of: (i) transactions previously initiated by the ISO hereunder; and (ii) billing, payment and accounting with respect to all matters arising hereunder or pursuant to a Service Agreement. Additionally, any provisions of the ISO Services Tariff or a Service Agreement which expressly survive termination or cancellation of the ISO Services Agreement or Service Tariff shall remain in effect in accordance with those provisions.

Sheet No. 85 is reserved for future use.

ARTICLE 4

MARKET SERVICES: RIGHTS AND OBLIGATIONS

4.1 Market Services

Market Services include all services and functions performed by the ISO under this Tariff related to the sale and purchase of Energy or Capacity, and the payment to Suppliers who provide Ancillary Services in the ISO Administered Markets.

4.2 Independent System Operator Authority

The ISO shall provide all Market Services in accordance with the terms of the ISO Services Tariff and the ISO Related Agreements. The ISO shall be the sole point of Application for all Market Services provided in the NYCA. 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 take service as a Customer under the Tariff.

4.3 Informational and Reporting Requirements

The ISO shall operate and maintain an OASIS, including a Bid/Post System that will facilitate the posting of Bids to supply Energy and Ancillary Services by Suppliers for use by the ISO and the posting of Locational Based Marginal Prices ("LBMP") and schedules for accepted Bids for Energy and Ancillary Services. The Bid/Post System will be used to post schedules for Bilateral Transactions. The Bid Post System also will provide historical data regarding Energy

and Capacity market clearing prices in addition to Congestion Costs.

4.4 Scheduling Prerequisites

Each Customer shall be subject to a minimum Transaction size of one (1) megawatt ("MW") between each Point of Injection and Point of Withdrawal in any given hour. Each Transaction must be scheduled in whole megawatts.

4.5 Communication Requirements for Market Services

Customers may utilize a variety of communications facilities to access the ISO's OASIS and Bid/Post System, including but not limited to, conventional Internet service providers, wide area networks such as NERC net, and dedicated communications circuits. Customers shall arrange for and maintain all communications facilities for the purpose of communication of commercial data to the ISO. Each Customer shall be the customer of record for the telecommunications facilities and services its uses and shall assume all duties and responsibilities associated with the procurement, installation and maintenance of the subject equipment and software.

4.6 Load Forecasts, Bids and Bilateral Schedules

By 5 a.m., on the day prior to the Dispatch Day: (i) All LSEs serving Load in the NYCA shall provide the ISO with Day-Ahead and seven (7) day Load forecasts; and (ii) LSEs and

Suppliers who participate in the Day-Ahead Market shall provide the ISO with:

1. Bids to supply Energy and/or Ancillary Services from Generators;

2. Requests for Bilateral Transaction schedules; and

3. Bids to purchase Energy in the Day-Ahead Market.

In general, the information provided to the ISO shall include the following:

Load Forecasts - The Load forecast shall indicate the predicted level of Load in MW by Point of Withdrawal for each hour of the following seven (7) days.

Bids to Supply Energy and/or Ancillary Services from Suppliers - Bids from Suppliers shall identify the Capacity, in MW, available for commitment in the Day-Ahead Market (for every hour of the Dispatch Day) and the price(s) at which the Supplier will voluntarily enter into dispatch commitments. The Bids shall identify the resource as Dispatchable (On-Dispatch or Off-Dispatch) or non-Dispatchable and will identify the Ancillary Services that are available from the resource. The Bids may separately identify Minimum Generation and Start-Up Bids and variable Energy price Bids.

Bilateral Transaction Schedules - Bilateral Transaction schedules shall identify hourly Transaction quantities (in MW) by Point of Injection and Point of Withdrawal and provide other information (as described in Attachment D).

Bids to Purchase Energy in the Day-Ahead Market - Each purchaser shall submit Bids indicating the hourly quantity of Energy, in MW, that it will purchase from the Day-Ahead Market for each hour of the following Dispatch Day. These Bids shall indicate the quantities to be purchased by Point of Withdrawal. The Bids may identify prices at which the purchaser will voluntarily Curtail the Transaction.

4.7 ISO Responsibility to Establish a State-wide Load Forecast

By 6 a.m., on the day prior to the Dispatch Day, the ISO will verify the Individual Load forecasts from the LSEs. Should the ISO determine that Individual Load forecasts are inconsistent with the ISO's forecast, the ISO will evaluate the discrepancies between them. By 8 a.m., the ISO will develop and publish its statewide Load forecast on the OASIS. The ISO will use this forecast to perform the SCUC for the Dispatch Day.

4.8 Customer Responsibilities

All purchasers in the Day-Ahead or Real-Time Markets who withdraw Energy within the NYCA or at an NYCA Interconnection with another Control Area must obtain Transmission Service under the ISO OATT.

All LSEs serving Load in the NYCA must comply with the Installed Capacity requirements set forth in Article 5 of the ISO Services Tariff.

All Customers taking service under the ISO Services Tariff must pay the Market Administration and Control Area Services Charge, as specified in Rate Schedule 1.

All Customers shall comply with all applicable federal, state and local laws, regulations and orders.

4.9 Security Constrained Unit Commitment ("SCUC")

Subject to ISO Procedures and Good Utility Practice, the ISO will develop a SCUC schedule over the Dispatch Day using a computer algorithm which simultaneously minimizes the total Bid Production Cost of: (i) supplying power to satisfy accepted purchasers' 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 Bilateral Transaction schedules submitted Day-Ahead. The schedule will include commitment of sufficient Generators and/or Interruptible Load to provide for the safe and reliable operation of the NYS Power System. In cases in which the sum of all Bilateral Schedules and all Day-Ahead Market purchases to serve Load within the NYCA in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load, the ISO will commit resources in addition to the reserves it normally maintains to enable it to respond to contingencies. The purpose of these additional resources is to ensure that sufficient Capacity is available to the ISO in real-time to enable it to meet its Load forecast (including associated Ancillary Services). In addition to all Reliability Rules, the ISO shall consider the following information when developing the SCUC schedule: (i) Load forecasts provided to the ISO and adjusted as required by the ISO; (ii) Ancillary Service

requirements as determined by the ISO; (iii) Bilateral Transaction schedules; (iv) price Bids and operating Constraints submitted for Generator or Demand Side Resources; (v) price Bids for Ancillary Services; (vi) 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 SCUC schedule shall list the twenty-four (24) hourly injections for: (a) each Generator or Demand Side Resource 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 Bids, Energy, and Incremental Bids and Decremental Bids received by the ISO.

The ISO will select the least cost mix of Ancillary Services and Energy Suppliers. The ISO may substitute higher quality Ancillary Services (i.e., shorter response time) for lower quality Ancillary Services when doing so would result in an overall least cost solution. For example, 10-Minute Non-Synchronized Reserve may be substituted for 30-Minute Reserve if doing so would reduce the total cost of providing Energy and Ancillary Services.

4.10 Reliability Forecast

In the SCUC program, system operation shall be optimized based on Bids over the Dispatch Day. However, to preserve system reliability, the ISO must ensure that there will be

sufficient resources available to meet forecasted Load and reserve requirements over the seven (7)-day period that begins with the next Dispatch Day. The ISO will perform a Supplemental Resource Evaluation ("SRE") for days two (2) through seven (7) of the commitment cycle. If it is determined that a long start-up time Generator is needed for reliability, the ISO shall accept a Bid from the Generator and the Generator will begin its start-up sequence. During each day of the start-up sequence, the ISO will perform an SRE to determine if long start-up time Generators will still be needed as previously forecasted. If the Generator is still needed, it will continue to accrue start-up cost payments on a linear basis. If at any time it is determined that the Generator will not be needed as previously forecasted, the ISO shall order the Generator to abort its start-up sequence, and its start-up payment entitlement will cease at that point.

The ISO will commit to long start-up time Generators to preserve reliability. However, the ISO will not commit resources with long start-up times to reduce the cost of meeting Loads that it expects to occur in days following the next Dispatch Day. Supplemental payments to these Generators, if necessary, will be determined pursuant to the provisions of Attachment C and will be recovered by the ISO under Rate Schedule 1 of the ISO OATT.

The ISO shall perform the SRE as follows: (1) The ISO shall develop a forecast of daily system peak Load for days two (2) through seven (7) in this seven (7)-day period (using LSE forecast data, where appropriate) and add the appropriate reserve margin; (2) the ISO shall then

forecast its available Generators for the day in question by summing the Operating Capacity for all Generators currently in operation that are available for the commitment cycle, the Operating Capacity of all other Generators capable of starting on subsequent days to be available on the day in question, and an estimate of the net Imports from External Bilateral Transactions; (3) if the forecasted peak Load plus reserves exceeds the ISO's forecast of available Generators for the day in question, then the ISO shall commit additional Generators capable of starting prior to the day in question (e.g., start-up period of two (2) days when looking at day three (3)) to assure system reliability; (4) in choosing among Generators with comparable start-up periods, the ISO shall schedule Generators to minimize Minimum Generation and Start-Up Bid costs of meeting forecasted peak Load plus Ancillary Services consistent with the Reliability Rules; (5) in determining the appropriate reserve margin for days two (2) through seven (7), the ISO will supplement the normal reserve requirements to allow for forced outages of the short start-up period units (e.g., gas turbines) assumed to be operating at maximum output in the unit commitment analysis for reliability.

The bidding requirements and the Bid tables in Attachment D indicate that Energy Bids are to be provided for days one (1) through seven (7). Energy Bids are binding for day one (1) only for units in operation or with start-up periods less than one (1) day. Minimum generation cost Bids for Generators with start-up periods greater than one (1) day will be binding only for

units that are committed by the ISO and only for the first day in which those units could produce Energy given their start-up periods. For example, minimum generation cost Bids for a Generator with a start-up period of two (2) days would be binding only for day three (3) because, if that unit begins to start up at any time during day one (1), it would begin to produce Energy forty-eight (48) hours later on day three (3). Similarly, the minimum generation cost Bids for a Generator with a start-up period of three (3) days would be binding only for day four (4).

4.11 Post the Day-Ahead Schedule

By 11 a.m. on the day prior to the Dispatch Day, the ISO shall close the Day-Ahead scheduling process and post on the Bid/Post System the Day-Ahead schedule for each entity that submits a Bid or Bilateral Transaction schedule. Schedules for Energy consumption and Generator output shall be considered proprietary, with the posting only visible to the appropriate scheduling Customer and Transmission Owners subject to the applicable Code of Conduct (See Attachment F to the ISO OATT). The ISO will post on the OASIS the statewide aggregate resources (Day-Ahead Energy schedules and total operating capability forecast) and Load (Day-Ahead scheduled and forecast) for each Load Zone, and the Day-Ahead LBMP prices (including the Congestion Component and the Marginal Losses Component) for each Load Zone in each hour of the upcoming Dispatch Day. The ISO shall conduct the Day-Ahead Settlement based upon the Day-Ahead schedule determined in accordance with this Section. The ISO will

provide the Transmission Owner with the Load forecast (for seven (7) days) as well as the ISO security evaluation data to enable local area reliability to be assessed. A Transmission Owner may request commitment of additional Generators (including specific output level(s)) if it determines that additional generation is needed to ensure local area reliability in accordance with the Local Reliability Rules. The ISO will use SRE to fulfill a Transmission Owner's request for additional units. Any requests by Transmission Owners to commit generators not otherwise committed by the ISO in the Day-Ahead Market will be posted upon receipt on OASIS.

4.12 Commitment for Local Reliability

Generating units committed by the ISO for service to ensure local reliability will recover startup and minimum generation costs not recovered in the Dispatch Day. Payment for such costs shall be determined pursuant to the provisions of Attachment C. With the exception of Storm Watch, such payments shall be recovered by the ISO from the local customers for whose benefit the Generation was committed in accordance with Rate Schedule 1 of the ISO OATT. Payments made by the ISO to those Generators shall be in accordance with Attachment C.

4.13 In-Day Scheduling Changes

After the Day-Ahead schedule is published, the ISO shall evaluate any events, including, but not limited to, the loss of significant Generators or transmission facilities that may cause the

system dispatch to be inadequate to meet the requirements established in the Reliability Rules.

The ISO shall modify, as necessary, the Day-Ahead commitment schedules via SRE to achieve a reliable next-day schedule while minimizing total Bid Production Cost over the remainder of the day to meet Load scheduled Day-Ahead. The ISO may use the following resources in order to prevent or address an Emergency: (i) Bids submitted to the ISO that were not previously accepted but were designated by the bidder as continuing to be available; (ii) new Bids from all Suppliers, including neighboring systems; and (iii) cancellation of/or rescheduling of transmission facility maintenance outages when possible. Actions taken by the ISO in performing supplemental commitments will not change any financial commitments that resulted from the Day-Ahead SCUC.

The ISO will not recall Energy produced by a Generator serving External Load if that Generator is not providing Installed Capacity (and has not indicated that it wishes to qualify as a provider of Installed Capacity) in the NYCA, except that any transaction may be Curtailed in response to the invocation of Transmission Loading Relief procedures by the ISO or by operators of other Control Areas. Energy from non-Installed Capacity providers in New York which is being sold outside the NYCA could be purchased by the ISO, pursuant to ISO Procedures, should an emergency exist in the NYCA.

4.14 Balancing Market Evaluation (Hour-Ahead)

After the Day-Ahead schedule is published, and up to ninety (90) minutes prior to each dispatch hour, Customers may: (i) submit additional Bids to the ISO for Energy from (a) Generators or other resources that are Dispatchable within five (5) minutes and that can be included in, and respond to, the ISO's SCD program and (b) Generators or other resources that provide fixed block Energy (non-Dispatchable) Bids available for the next hour; (ii) lower their Bid Price for Energy from Generators committed by the ISO in the Day-Ahead Market; (iii) change their Bid Price for additional Energy from Generators that were committed by the ISO in the Day-Ahead Market; (iv) propose new Bilateral Transactions; and (v) submit Bids to purchase Energy from the Real-Time Market. The Bids submitted up to ninety (90) minutes before the dispatch hour shall be referred to as Hour-Ahead Bids. The ISO will use the Balancing Market Evaluation ("BME") to determine which Transactions, including External Transactions affecting the NYCA, are permitted in each hour. The ISO shall use the BME ninety (90) minutes before each dispatch hour to determine schedules for the Real-Time Market and Bilateral Transactions including Exports, Imports and Wheels Through. In developing these schedules, the BME will consider updated Load forecasts and evaluate the impact on reliability of the proposed schedules and commitments. The BME will adjust firm Bilateral Transaction schedules based on Incremental Bids and Decremental Bids and all Generator schedules, based

on their Bids, to maintain reliability. The BME will not determine any prices but will schedule on a least total Bid Production Cost basis. Minimum run-time Constraints will be honored by BME only until midnight of the Dispatch Day.

4.15 ISO Real-Time Dispatch

The ISO shall dispatch the NYS Power System consistent with the Bids that are submitted by Suppliers and accepted by the ISO, while satisfying the actual system Load. The ISO shall use Day-Ahead and Hour-Ahead Bids and shall accommodate Bilateral Transaction schedules and schedule changes to the maximum extent possible consistent with reliability and the Decremental Bids of Bilateral Transaction parties. The ISO shall run a SCD nominally every five (5) minutes to minimize the total Bid Production Costs of meeting the system Load and maintaining scheduled interchanges with adjacent Control Areas over the next SCD interval. Bid Production Costs, for this purpose, will be calculated using accepted Day-Ahead and Hour-Ahead Bids submitted into the Real-Time Market. This dispatch may cause the schedules of Generators providing Energy under Bilateral Transaction schedules to be modified, depending upon the Decremental Bids submitted (or assigned) in association with these schedules.

4.16 Day-Ahead LBMP Market Transactions

The ISO shall calculate the Day-Ahead LBMPs for each Load Zone and at each Generator bus as described in Attachment B. Each Supplier that bids a Generator into the ISO Day-Ahead Market and is scheduled in the SCUC to sell Energy in the Day-Ahead Market will be paid the product of: (a) the Day-Ahead hourly LBMP at the applicable Generator bus; and (b) the hourly Energy schedule. Each LSE that bids into the ISO Day-Ahead Market and has a schedule accepted by the ISO to purchase Energy in the Day-Ahead Market will pay the product of: (a) the Day-Ahead hourly Zonal LBMP at each Point of Withdrawal; and (b) the scheduled Energy at each Point of Withdrawal. The ISO shall publish the Day-Ahead Settlement Load Zone LBMPs for each hour in the scheduling horizon (nominally twenty-four (24) hours). The ISO shall then close the Day-Ahead Settlement.

4.17 Real-Time LBMPs

The ISO shall calculate Real-Time LBMPs at each Generator bus based on data generated by the SCD program and for each Load Zone in accordance with the procedures set forth in Attachment B.

4.18 Real-Time Market Settlement

Transmission Customers taking service under the Tariff, shall be subject to the Real-Time Market Settlement. All withdrawals and injections not scheduled on a Day-Ahead

basis, including Real-Time deviations from any Bilateral Transaction schedules, shall be subject to the Real-Time Market Settlement. Transmission Customers not taking service under this Tariff shall be subject to balancing charges as provided for under the ISO OATT. Settlements with External Suppliers or External Loads will be based upon hourly scheduled withdrawals or injections. (Real-Time Market Settlements for injections by resources supplying Regulation service follow the rules which are described in Rate Schedule 3.)

For the purposes of this section, the scheduled output of each of the following Generators in each SCD interval shall retroactively be set equal to its actual output in that SCD interval:

(i) Generators providing Energy under existing contracts (including PURPA contracts) in which the power purchaser does not control the operation of the supply source but would be responsible for penalties for being off-schedule, with the exception of Generators under existing must-take PURPA contracts who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO load modifiers under the ISO-administered markets;

(ii) Existing topping turbine Generators and extraction turbine Generators producing electric Energy resulting from the supply of steam to the district

steam system located in New York City (LBMP Zone J) and/or topping or extraction turbine Generators utilized in replacing or repowering existing steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units; and

(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 to a Generator at times when it has been scheduled to provide Regulation or Operating Reserves.

A. Settlement When Actual Energy Withdrawals Exceed Scheduled Energy Withdrawals

When the Actual Energy Withdrawals by a Customer over an SCD interval exceed the Energy withdrawals scheduled over that SCD interval, the ISO shall charge the Real-Time LBMP for Energy equal to the product of: (a) the Real-Time LBMP calculated in that SCD interval for each applicable Load Zone; and (b) the difference between the Actual Energy Withdrawals and the scheduled Energy withdrawals at that Load Zone.

B. Settlement When Actual Energy Injections are Less Than Scheduled Energy Injections

When the actual Energy injections from a Generator over an SCD interval is less than the Energy injections scheduled over that SCD interval, the Supplier shall pay for the Energy imbalance in a charge equal to the product of: (a) the Real-Time LBMP calculated in that SCD interval for the applicable Generator bus; and (b) the difference between the scheduled Energy injections and the lesser of: (i) the actual Energy injections at that bus; or (ii) the SCD Base Point Signals sent to the Supplier in that SCD interval.

C. Settlement When Actual Energy Withdrawals are Less Than Scheduled Energy Withdrawals

When a Customer's Actual Energy Withdrawals over an SCD interval are less than its Energy withdrawals scheduled Day-Ahead over that SCD interval, the Customer shall be paid the product of: (a) the Real-Time LBMP calculated in that SCD interval for each applicable Load Zone; and (b) the difference between the scheduled Energy withdrawals and the Actual Energy Withdrawals at that Load Zone.

D. Settlement When Actual Energy Injections Exceed Scheduled Energy Injections

When actual Energy injections from a Generator over an SCD interval exceeds the Energy injections scheduled the Supplier shall be paid the product of: (1) the

Real-Time LBMP calculated in that SCD interval for the applicable Generator bus and the difference between the scheduled Energy injections and the actual Energy injections up to the SCD Base Point Signals sent to that Supplier by the ISO; unless payment that the Supplier would receive for such injections would be negative (i.e., unless the LBMP calculated in that SCD interval at the applicable Generator's bus is negative). Suppliers shall not be compensated for Energy in excess of the SCD Base Point Signals communicated by the ISO except when the ISO initiates a reserve pick-up, as provided for in the ISO Procedures, or a Transmission Owner initiates a reserve pick-up in accordance with a Reliability Rule, including a Local Reliability Rule. When there is no reserve pick-up or when there is a reserve pick-up but a Supplier is not located in the area affected by the reserve pick-up, that Supplier shall not be compensated for Energy in excess of the SCD Base Point Signal. The Supplier shall be paid based on the product of: (1) the Real-Time LBMP in that SCD interval for the applicable Generator bus; and (2) the difference between (a) the lesser of (i) the actual Energy injection or (ii) the SCD Base Point Signals sent to the Supplier in that interval, and (b) the scheduled Energy injection. When there is a reserve pick-up and a Supplier is located in the area affected by the pick-up, and the Supplier was either scheduled to operate as a result of the BME or subsequently was directed to operate by the ISO, that Supplier shall be paid based on the

product of: (1) the Real-Time LBMP calculated in that SCD Interval for the applicable Generator bus; and (2) the actual Energy injection minus the Energy injection scheduled Day-Ahead. Generators will not be compensated for Energy produced during their start-up sequence.

4.19 Payments to Suppliers for Regulation Service ("Regulation Service")

Suppliers of Regulation Service shall receive an Availability payment that is calculated as the product of: (a) the Regulation Market Clearing Price for regulating Capacity; (b) the time in hours or fraction thereof the Supplier is providing Regulation Service; and (c) the regulating Capacity in MW. The methodologies for determining the Regulation Market Clearing Price are set forth in Rate Schedule 3.

4.20 Payments to Suppliers of Reactive Supply and Voltage Support Service ("Voltage

Suppliers of Voltage Support Service shall receive a Voltage Support Service payment in accordance with the criteria and formula in Rate Schedule 2.

4.21 Payments to Generators for Operating Reserves

Suppliers of each type of Operating Reserve will receive Availability payments for each MW of reserve that they provide as requested by the ISO, pursuant to Rate Schedule 4. Availability payments shall be determined separately for each of the three categories of Operating Reserves: spinning reserve, 10-minute non-synchronized reserve and 30-minute

reserve. The ISO shall pay Suppliers of each category an Availability payment calculated as the product of: (a) the market clearing price for the applicable reserve; and (b) the MW to be provided by the Suppliers, as selected by the ISO, in the associated reserve category.

Additionally, Class A Units providing spinning reserves shall receive a payment whenever the ISO restricts the output of a Generator for the purpose of creating spinning reserve. The payment that any such provider receives in each SCD interval shall be calculated as the product of: (a) the MW of out-of-merit output reduction as dispatched by the ISO to provide spinning reserves, in that SCD interval; and (b) the maximum Lost Opportunity Cost incurred by any Generator providing spinning reserves in that SCD interval.

Additionally, providers of Operating Reserves shall receive a payment for Energy when the ISO requests Energy under a reserve activation. The Energy payment shall be calculated as the product of: (a) the Energy provided; and (b) the Real-Time Market LBMP.

4.22 Payments to Generators for Black Start Capability

Black Start Capability providers shall receive a payment for Black Start Capability as set forth in Rate Schedule 5.

4.23 Payments for Start-up and Minimum Generation Bids

The ISO shall determine, on a daily basis, if any Generator committed by the ISO in the Day-Ahead Market will not recover its Minimum Generation and Start-Up and Energy Bid Price through Day-Ahead LBMP and Day-Ahead Ancillary Services revenues. If a Generator's

Minimum Generation and Start-Up Bid plus its net Energy Bid Price over the twenty-four (24) hour day exceeds its Day-Ahead LBMP revenue over the twenty-four (24) hour day, its Day-Ahead LBMP revenue may be augmented by a supplemental payment. However, the amount of the shortfall will be compared to the margin that the Generator receives from being scheduled to provide Ancillary Services that it can provide only if scheduled to operate. The Generator's Ancillary Service margin is equal to the revenue it would have received for providing these Ancillary Services prior to any reductions based on a failure to provide these services less its Bid to provide these services, if any. If, and only to the extent that, the shortfall exceeds these Ancillary Service margins, the Generator will receive a payment pursuant to the provisions of Attachment C. This process will be repeated separately for Dispatch-Day operation. Generators not committed by the ISO to operate in a given Dispatch Day, but which continue to operate due to minimum run time Constraints, shall not receive such a supplemental payment.

Each Generator committed by the ISO in the Real-Time Market whose Real-Time LBMP payments for Energy produced are less than its Minimum Generation and Start-Up Bids to produce that Energy will be compensated by the ISO for the shortfall, in accordance with Attachment C. The ISO shall recover any supplemental payments to Generators through the Rate Schedule 1 charge under the ISO OATT.

Sheet Nos. 107 through 110 are reserved for future use.

ARTICLE 5

CONTROL AREA SERVICES: RIGHTS AND OBLIGATIONS

5.1 Control Area Services

The ISO will provide Control Area Services in accordance with the standards and criteria of NERC and NPCC and the NYSRC Reliability Rules and Good Utility Practice. The Control Area Services provided by the ISO include, but are not limited to, the following:

(a) Developing and implementing procedures to maintain the reliability of NYS Power System;

(b) Coordinating operations with other Control Area operators;

(c) Arranging for reserve sharing agreements with other ISOs and other Control Areas to enhance reliability during abnormal operating conditions;

(d) Coordinating the outage schedules for generating units within the NYCA to maintain system reliability;

(e) Committing adequate generation resources to ensure the reliability of the NYS Power System;

(f) Taking command and control of the NYCA resources during Emergency conditions and coordinating operations with Transmission Owners;

(g) Maintaining and Operating a central control center and performing the functions of the NERC security control center for the NYCA under Emergency operating conditions;

(h) Defining the Installed Capacity requirements for LSEs, inclusive of individual customers taking services directly from the ISO, within the NYCA;

(i) Determining Locational Installed Capacity requirements for LSEs to ensure the reliable operation of the NYCA;

(j) Administering of an Installed Capacity Market;

(k) Training the operating personnel of the ISO and Transmission Owner control rooms; and

(l) Administering the mandatory NERC reliability compliance process.

5.2 Independent System Operator Authority

The ISO will act as the Control Area operator, as defined by NERC, for the NYCA. The ISO will provide all Control Area Services in the NYCA. Control Area Services provided by the ISO will be in accordance with the terms of the ISO Services Tariff, the Reliability Rules, the ISO Related Agreements and Good Utility Practice. The ISO will interact with other Control Area operators as required to effect External Transactions pursuant to this Tariff and to ensure the effective and reliable coordination with the interconnected Control Areas. In acting as the Control Area operator, the ISO will be responsible for maintaining the safety and the short-term reliability of the NYCA and for the implementation of reliability standards promulgated by NERC and NPCC and for the Reliability Rules promulgated by the NYSRC. To be included within NYCA, a Market Participant must meet the requirements of Section 5.6. Each Market Participant that (1) withdraws Energy to supply Load within the NYCA; or (2) provides installed Capacity to an LSE serving Load within the NYCA, benefits from the Control Area Services provided by the ISO and from the reliability achieved as a result of ISO Control Area Services

and must take service as a Customer under the Tariff. A Market Participant that is not included within the NYCA may take service as a Customer under the Tariff, provided that it meets the requirements of Section 5.7.

5.3 Control Center Operation

The ISO will maintain and operate a control center in order to monitor the power flows on and across the NYCA, coordinate the flow of electricity within the NYCA, respond to Emergency situations, monitor power flows between the NYCA and neighboring Control Areas and maintain reliability.

5.3.1 Back-up Operation

The ISO shall develop Back-up Operation procedures that will carry out the intent and purposes of the ISO Services Tariff, to the extent practical, in circumstances under which the normal communications and computer systems of the ISO are not fully functional. Such procedures shall include testing requirements and training of the ISO staff, Transmission Owner staff, and Market Participants. If a communication or computer system malfunction results in the ISO's inability to operate the NYCA in accordance with the ISO Procedures or under approved testing procedures, the ISO will direct the Transmission Owners to assume the responsibility to operate their respective systems in accordance with Good Utility Practice to facilitate the operation of the NYCA in a safe and reliable manner ("Back-up Operation"). The Transmission Owners will

continue to operate their respective systems until such time that the ISO is ready to resume control. During Back-up Operation, the Transmission Owner control centers will operate to maintain the Desired Net Interchange ("DNI") within each Transmission District. Generator Bid curves will be provided by the ISO to the individual Transmission Owners in order to permit dispatch by the Transmission Owners subject to the Transmission Owner Code of Conduct. Normal Day-Ahead Market and Real-Time Market operations may be halted, if required.

5.3.2 Market Participant and Transmission Customer Obligations

During Back-up Operation, Transmission Customers and other Market Participants shall comply with any and all instructions and orders issued by the ISO or the Transmission Owners.

5.3.3 Billing and Settlement

In the event that Back-up Operation is implemented, the billing and Settlement procedures contained in this Tariff shall apply to the extent they can be implemented under the Back-up Operation procedures. The ISO will follow specific billing and Settlement procedures developed by the ISO for use under these circumstances. The ISO shall gather necessary information, manually reconstruct the billing information as soon as practical, and submit invoices to Customers. The ISO shall be under no obligation to

comply with the billing procedure time limits specified in Article 7. Neither the ISO nor the Owners shall be liable, under any circumstances, for any economic losses suffered by any Transmission Customer, other Market Participant, or third party, resulting from the implementation by the ISO of Back-up Operation, or from compliance with orders issued by the ISO or Transmission Owners that were necessary to operate the NYCA in a safe and reliable manner. Such orders may include, without limitation, instructions to Generation facilities to increase or decrease output, and instructions to Load to reduce or interrupt service.

5.4 Operation Under Adverse Conditions

The ISO shall operate the NYS Power System during Adverse Conditions, including, but not limited to, thunder storms, hurricanes, tornadoes, solar magnetic flares and threat of terrorist activities, in accordance with the Reliability Rules, inclusive of Local Reliability Rules and related PSC orders. Consistent with such Reliability Rules, the ISO shall maintain reliability of the NYS Power System by directing the adjustment of the Generator output levels and controllable transmission devices in certain areas of the system to reduce power flows across transmission lines vulnerable to outages due to these Adverse Conditions, thereby reducing the likelihood of major power system disturbances.

The ISO shall have the sole authority to declare that Adverse Conditions are imminent or present and invoke the appropriate operating procedure(s) affecting the NYS Power System in

response to those conditions. Activation of a procedure in compliance with a Local Reliability Rule shall involve a two (2) step process. The Transmission Owner directly involved with such Local Reliability Rule, such as Storm Watch, shall advise the ISO that Adverse Conditions are imminent or present and recommend to the ISO the activation of procedures in support of that Local Reliability Rule. Consistent with the Local Reliability Rule, the ISO shall declare the activation of the appropriate procedures.

The Transmission Owner and the ISO shall coordinate the implementation of the applicable procedures to the extent that Transmission Facilities Under ISO Operational Control are impacted. Records pertaining to the activation of such procedures and the response in accordance with those procedures shall be maintained and made available upon request.

The Real-Time LBMPs shall be based on adjusted Generator levels set in response to activation of these procedures. Revenue shortfalls may occur if the redispatch of the system Curtails Energy scheduled Day-Ahead and more expensive Energy is dispatched subsequent to the Day-Ahead Settlement. These revenue shortfalls shall be recovered by the ISO through the Rate Schedule 1 charge under the ISO OATT.

5.5 Major Emergency State

In the event of, or in order to prevent, a Major Emergency State, Customers shall comply with all ISO Procedures and Reliability Rules applicable to a Major Emergency State.

5.6 Requirements For Inclusion Within The New York Control Area

To be included within the NYCA an entity must meet the following requirements:

(a) Its facilities must be included within the NYCA.

(b) It must accept and comply with NYCA standards with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the ISO Procedures so that sufficient electrical equipment control capability, information and communication are available to the ISO for planning and operation of the NYCA.

(c) Its facilities must be able to respond to command and control instructions from the ISO.

(d) It must have compatible operational communication mechanisms, maintained at its expense, to interact with the ISO and for Internal requirements.

(e) It must ensure the continued compatibility of its local Energy management system, system monitoring and telecommunications systems to satisfy the technical requirements of interacting with the ISO as the ISO directs the operation of the NYCA.

5.7 Requirements For Entities Not Located Within The New York Control Area

In order for an entity that is not included within the NYCA to take services under the Tariff, it must be contained, in whole or in part, within a separate Control Area that meets all of the requirements for a Control Area defined by NERC, NPCC and any succeeding organizations. An entity that is contained in a Control Area other than the NYCA may take services under the ISO Services Tariff for the purpose of engaging in Control Area to Control Area Capacity and Energy Transactions with the ISO. In order for an entity not contained in the NYCA to take

services under the ISO Services Tariff, an inter-Control Area agreement between the Control Area in which the entity is located and the ISO, that satisfies the reasonable requirements of both Control Area operators, must be in place.

5.8 Communication and Metering Requirements for Control Area Services

The ISO shall arrange for and maintain reliable communications and metering facilities between the ISO and the Transmission Owners in the NYCA and the Control Area operators of all neighboring interconnected Control Areas. Such facilities may consist of data circuits, voice lines, meters and other facilities deemed necessary by the ISO to maintain reliable communication links for the sole purpose of transmitting operations and reliability data and instructions. The ISO shall be responsible for the specification, installation and maintenance of the required facilities according to ISO Procedures. The costs incurred by the ISO to establish communications facilities between the ISO and a Security Coordinators of a neighboring Control Area shall be borne by the Control Area that requested the establishment of the communications facilities unless a different arrangement is agreed to by both Control Areas. The total cost of the communications facilities between the ISO and the Transmission Owners and the portion of the cost of inter-Control Area communication facilities assigned to the ISO shall be collected from all Customers in accordance with Rate Schedule 1 of the ISO Services Tariff. Transmission Owners with communications requirements which exceed those required by the ISO shall

procure and maintain such additional facilities at their own expense.

Generators, Suppliers and Loads are required to exchange certain operating and reliability data with the ISO and the Transmission Owners' Control Centers in accordance with the ISO Agreement and the ISO/TO Agreement, applicable ISO operating and reliability requirements, and in conjunction with any requirements for interconnection with the Transmission Owner.

In addition, Suppliers wishing to participate in real-time dispatch or in the Regulation Service market must make provision to receive command and control information from the ISO. Those Generators or Suppliers currently providing this capability via a Transmission Owner may continue to do so. Those requiring installation of this capability must contract with the ISO or with the interconnected Transmission Owner and must comply with applicable ISO or Transmission Owner data and other technical requirements.

Suppliers with multiple units at a single location must maintain a consistent representation of the plant with the ISO with respect to aggregation of units for purposes of bidding. If an aggregate Bid is to be provided for a group of units and those units are participating in real-time dispatch or providing Regulation Service, then the ISO shall model those units as a group for purposes of dispatch, control and security modeling. The ISO will provide a single aggregate Base Point Signal and unit control error. If, however, the Supplier wishes to dispatch units individually, then it must configure both its bidding and data interfaces

accordingly. Each Supplier must initially specify the configuration of the plant for purposes of bidding aggregation and must then maintain bidding and data interfaces consistent with that configuration. Similar modeling, control and bidding Constraints apply to an LSE that bids Load that is Dispatchable by the ISO.

5.9 Installed Capacity- Transitional Implementation of Revised Installed Capacity Market Provisions

During the Capability Year ending April 30, 2001, the provisions of Sections 5.10 - 5.15 and of other relevant Sections of this Tariff shall govern Installed Capacity requirements in the NYCA. If a permanent Installed Capacity market design cannot be implemented in time for the 2001 Summer Capability Period, the ISO Board shall have the unilateral right to continue the provisions of Sections 5.10 - 5.15 of this Tariff in effect until such time as a permanent Installed Capacity market design is in place.

5.10 NYCA Installed Capacity Requirement

The Installed Capacity requirement is derived from the NYCA's Installed Reserve Margin, which is established each year by the NYSRC. The NYCA Installed Capacity requirement for the Capability Year beginning each May 1 will be established by multiplying the NYCA peak Load forecasted by the ISO by one plus the NYCA Installed Reserve Margin, expressed on a percentage basis. The ISO will calculate a NYCA peak Load each year by applying regional Load growth unit factors to the prior calendar year's Adjusted Actual Peak

Load. Regional Load growth factors shall be proposed by the Transmission Owners and reviewed by the ISO pursuant to procedures agreed to by all Market Participants which shall be described in the ISO Procedures. Disputes concerning the development of regional Load growth factors shall be resolved through the ISO's Dispute Resolution Procedures.

The ISO shall determine the amount of Installed Capacity that must be sited within the NYCA, and within each Locality, and the amount of Installed Capacity that may be procured from areas External to the NYCA, in a manner consistent with the Reliability Rules.

5.11 Requirements Applicable to LSEs

5.11.1 Allocation of the NYCA Installed Capacity Requirement to LSEs

Each Transmission Owner and each municipal electric utility will submit to the ISO, for its review pursuant to mutually agreed upon procedures which shall be described in the ISO Procedures, a weather-adjusted Capability Year peak Load forecast for its Transmission District. The ISO Procedures shall authorize the ISO to approve each Transmission Owner's forecasting methodology. Each Transmission District's peak Load forecast shall assume, as a starting point, the relevant Transmission District's Adjusted Actual Peak Load during the prior calendar year, and shall incorporate regional Load growth factors developed pursuant to Section 5.10 of this Tariff. Each Transmission Owner must also submit aggregate peak Load data, coincident with the

Transmission District peak, for all customers served by each LSE active within its Transmission District. The aggregate peak Load data may be derived from direct meters or Load profiles of the customers served. Each Transmission Owner shall be required to submit such forecasts and aggregate peak Load data, no later than February 15th each year, which shall reflect verified Load-shifting through December 31 of the previous year.

All aggregate peak Load data submitted by a Transmission Owner must be accompanied by documentation indicating that each affected LSE has been provided the data regarding the assignment of customers to the affected LSE. Any disputes between LSEs and Transmission Owners regarding such data or assignments shall be resolved pursuant to the ISO's Dispute Resolution Procedures, or the Transmission Owner's retail access procedures, as applicable

The ISO shall allocate the NYCA Installed Capacity requirement among all LSEs serving Load in the NYCA prior to the beginning of each Capability Year. Each LSE's Installed Capacity requirement will equal the product of: (i) the NYCA Installed Capacity requirement; and (ii) the peak Load of that LSE's customers in each Transmission District, coincident with the Transmission District peak, adjusted for applicable regional Load growth, divided by the sum of the forecasted peak Loads located in all

Transmission Districts.

The ISO shall calculate a preliminary Installed Capacity requirement estimate for each LSE, which will reflect documented Load-shifting adjustments through the end of February, and provide it to each LSE no later than March 22nd each year. Transmission Owners must submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting no later than March 7th each year. The ISO shall notify each LSE of its final Installed Capacity requirement on April 10th each year. Each LSE's final Installed Capacity requirement shall reflect documented Load-shifts as of April 1st that are scheduled to occur before May 1st. Transmission Owners must submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting no later than April 1 each year. In the event that there is a pending dispute regarding a Transmission Owner's forecast as of April 10th, the ISO shall nevertheless establish each LSE's final Installed Capacity requirement, subject to possible adjustments consistent with the ISO's Dispute Resolution Procedures.

Each month, as Transmission Owners report Customers gained and lost by LSEs through Load-shifting, the ISO will adjust the requirement for each LSE such that (a) the total Transmission District Installed Capacity requirement remains constant and (b) an individual LSE's requirement reflects the gains and losses. If an LSE loses a customer as a result of that customer leaving New York State, the Load-losing LSE shall be relieved

of its obligation to procure Installed Capacity to cover the Load associated with the departing customer as of the date that the customer's departure is accepted by the ISO and shall be free to sell any excess Installed Capacity. In addition, when a customer leaves New York State, the ISO will adjust each LSE's Installed Capacity requirement so that the total Transmission District Installed Capacity requirement remains constant.

5.11.2 LSE Obligations

Each LSE must procure Installed Capacity in an amount equal to its Installed Capacity requirement from any Installed Capacity Supplier through Bilateral Transactions and/or purchases in ISO-administered Installed Capacity auctions. Each LSE must demonstrate that it has obtained a sufficient amount of Installed Capacity prior to the beginning of each Obligation Procurement Period, and again prior to the beginning of each month. To satisfy this requirement, each LSE must submit completed Installed Capacity certification forms to the ISO by the date specified in the ISO Procedures, which shall be no later than ten (10) days prior to the beginning of an Obligation Procurement Period, and again during each month by the date specified in the ISO Procedures, which shall be no later than the twenty-fifth (25^{th}) day of each month within an Obligation Procurement Period. The ISO shall develop appropriate certification forms which shall, at a minimum, require LSEs to: (i) designate the total amount of Installed

Capacity they have procured; (ii) specify how much Installed Capacity is associated with resources located in each ISO-defined Locality, the remainder of the NYCA and each External Control Area; and (iii) identify any Installed Capacity Supplier from which they have procured Installed Capacity pursuant to Bilateral Transactions.

LSEs that fail to timely satisfy their Installed Capacity requirement, or that fail to make timely submissions of the required certification forms, shall be required to participate in a Deficiency Procurement Auction pursuant to Section 5.14.1 of this Tariff.

5.11.3 Load-Shifting Adjustments

The ISO shall account for Load-shifting among LSEs each month using the best available information provided to it and the affected LSEs by the individual Transmission Owners. The ISO shall, upon notice of Load-shifting by a Transmission Owner and verification by the relevant Load-losing LSE, increase the Load-gaining LSE's Installed Capacity requirement and decrease the Load-losing LSE's Installed Capacity requirement to reflect the Load-shifting. The Load-gaining LSE shall pay the Load-losing LSE a pro-rated portion of the Market-Clearing Price of Installed Capacity, as established at the most recent previous regular monthly Installed Capacity auction for that month that successfully cleared, or, in the event that no such clearing price exists, the Market-Clearing Prices in the Obligation Procurement Period Auction divided by six (6) for each day that the Load-gaining LSE serves the Load, until the first day of the month after the

next regular monthly Installed Capacity auction. The amount paid by a Load-gaining LSE shall be reduced by the Load-losing LSE's share of any rebate associated with the lost Load paid pursuant to Section 5.15 of this Tariff. By the time specified in the ISO Procedures, the Load-gaining LSE must procure sufficient Installed Capacity to meet its increased Installed Capacity requirement for the remainder of the Obligation Procurement Period, and the Load-losing LSE may sell Installed Capacity that it no longer needs to satisfy its Installed Capacity requirement.

By the seventh (7th) day of each month, each Transmission Owner shall report to the ISO and to each LSE serving Load in its Transmission District the updated, aggregated LSE Loads documented as of the end of the prior month. By the tenth (10th) day of the current month, the ISO shall provide each LSE with a revised Installed Capacity requirement for the following month, which shall reflect all documented Load-shifts as of the end of the current month. Any disputes among Market Participants concerning Load-shifting shall be resolved pursuant to the ISO's Dispute Resolution Procedures or the Transmission Owner's retail access procedures, as applicable. In the event of a pending dispute concerning a Load-shift, the ISO shall make its monthly Installed Capacity adjustments as if the Load-shift reported by the Transmission Owners had occurred, or if the dispute pertains to the timing of a Load-shift, as if the Load-shift occurred on the effective date reported by the Transmission Owner, but will retroactively

modify these allocations, as necessary, based on determinations made pursuant to the ISO's Dispute Resolution Procedures, or the Transmission Owner's retail access procedures, as applicable.

5.11.4 LSE Locational Capacity Requirements

The ISO will determine the Locational Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load, that shall be uniformly applicable to each LSE serving Load within a Locality. In establishing Locational Installed Capacity Requirements, the ISO will take into account all relevant considerations, including the total NYCA Installed Capacity requirement, the NYS Power System transmission Interface Transfer Capability, the Reliability Rules and any other FERC-approved Locational Installed Capacity Requirements.

Any Locational Installed Capacity Requirements operative at the commencement of ISO operations adopted by LIPA or under settlement agreements approved by the PSC shall continue in effect in accordance with their terms unless and until the ISO implements new or modified Locational Installed Capacity Requirements.

Each LSE will secure the required amount of Installed Capacity for the upcoming Obligation Procurement Period from resources consistent with the locational requirements established by the ISO. Installed Capacity associated with Generators

located in the New York City Locality that are subject to market mitigation measures may not be sold at a price greater than the locational price cap, except as explicitly provided in Sections 5.13.2, 5.13.3 and 5.14.1 of this Tariff.

In addition, any Customer that purchases Installed Capacity associated with any Generator that is subject to market mitigation measures in an ISO-administered auction may not resell that Installed Capacity in a subsequent auction for a price higher than the price it paid for it. The ISO shall inform Customers that purchase Installed Capacity in an ISO-administered auction of the number of MWs they have purchased that are subject to market mitigation measures.

The ISO shall have the right to audit all executed Installed Capacity contracts and related documentation of arrangements by an LSE to use its own Generation to meet its Locational Installed Capacity Requirements for an upcoming Obligation Procurement Period.

5.12 Requirements Applicable to Installed Capacity Suppliers

5.12.1 Installed Capacity Supplier Qualification Requirements

In order to qualify as an Installed Capacity Supplier in the NYCA, Energy Limited Resources, Generators, Installed Capacity Marketers, Interruptible Load Resources or System Resources rated 1 MW or greater, other than entities purchasing

Installed Capacity from External System Resources located in External Control Areas that have agreed to certain curtailment conditions (see below), and other than Special Case Resources which are subject to the information requirements of Section 5.12.8 of this Tariff, must: (i) provide information reasonably requested by the ISO including the name and location of Generators and Interruptible Load Resources; (ii) provide documentation to the ISO, of DMNC testing for the previous like Capability Period, or historical production data for the previous like Capability Period, no more than twelve (12) months old, except in the case of new Generators, or, in the case of Interruptible Load Resources, documentation of sustained disconnection for one (1) hour or longer that is no more than one (1) year old, in accordance with ISO Procedures; (iii) abide by the ISO Generator maintenance coordination procedures; (iv) provide the expected return date from any outages (including partial outages) to the ISO; (v) provide documentation demonstrating that it will not utilize the same Installed Capacity for more than one (1) buyer at the same time; (vi) if the resource is an Energy Limited Resource, Generator or System Resource it must commit that it will either schedule it in Day-Ahead Bilateral Transactions to supply Load within the NYCA or bid it into the Day-Ahead Energy Market, unless the Energy Limited Resource, Generator or System Resource is unable to do so due to a maintenance or forced outage or due to temperature related de-ratings; (vii)

if the resource is an Interruptible Load Resource, it must commit that it will bid, at the price at which it is willing to be interrupted, in the Day-Ahead Market, for both Energy and Operating Reserves; (viii) abide by ISO Procedures; and (ix) Installed Capacity Suppliers located east of the central-east constraint shall bid in the Day-Ahead and Real-Time Markets all capacity available for supplying Spinning Reserves or 10-Minute NSR (unless the Generator is unable to meet its commitment because of a scheduled or forced outage), except for the generators described in subsections (a), (b), and (c) below:

(a) Generators providing Energy under existing contracts (including PURPA contracts) in which the power purchasers do not control the operation of the supply source but would be responsible for penalties for being off-schedule, with the exception of Generators under existing must-take PURPA contracts who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO load modifiers under the ISO-administered markets;

(b) Existing topping turbine Generators and extraction turbine Generators producing electric Energy resulting from the supply of steam to the district

steam system located in New York City (LBMP Zone J) and/or topping or extraction turbine Generators utilized in replacing or repowering existing steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units; and

(c) Existing intermittent (i.e., non-schedulable) renewable resource Generators within the NYCA, plus up to an additional 50 MW of such Generators.

The ISO shall inform each potential Installed Capacity Supplier that is required to submit DMNC data of its approved DMNC ratings for the Summer Capability Period no later than February 15th, and for the Winter Capability Period no later than August 15th.

In the case of entities purchasing Installed Capacity from External System Resources located in External Control Areas that have agreed not to curtail the Energy associated with such Installed Capacity or to afford it the same curtailment priority that they afford their own Control Area Load, the requirements for certification as an Installed Capacity Supplier shall be established in the ISO Procedures.

5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators and entities purchasing from them may qualify as Installed Capacity Suppliers if they demonstrate that their Installed Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads.

Alternatively, an entity that purchases Installed Capacity from an External System Resource located in an External Control Area may qualify to sell Installed Capacity in the NYCA if it demonstrates that the External Control Area will afford NYCA Load the same curtailment priority that it affords its own Control Area Native Load. Installed Capacity supplied by such entities will be de-rated by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment.

LSEs with External Installed Capacity as of the effective date of the Tariff will be entitled to designate External Installed Capacity at the same NYCA Interface with another Control Area, in the same amounts in effect on the effective date of the Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 of Attachment L to the ISO OATT, these External Installed Capacity rights will continue without term and shall be allocated to the LSE's retail access customers in accordance with the LSE's retail access program on file with the PSC and subject to any necessary filings with the Commission. External

Installed Capacity rights existing as of September 17, 1999 that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the relevant External Installed Capacity contract or until the relevant External Generator is retired.

5.12.3 Installed Capacity Supplier Maintenance Scheduling Requirements

All Installed Capacity Suppliers, except for Interruptible Load Resources, External System Resources that are Control Areas and Special Case Resources, intending to supply Installed Capacity to the NYCA must submit a confidential notification to the ISO of their proposed outage schedules for the next three calendar years no later than July 1st of the current calendar year, except for the 2000-2001 Capability Year in which case the deadline for submission of proposed outage schedules will be February 29, 2000. Transmission Owners will be notified of these and subsequently revised outage schedules. Based upon a reliability assessment, if Operating Reserve deficiencies are projected to occur in certain weeks for the upcoming calendar year, the ISO will request voluntary maintenance re-scheduling. In the case of Generators actually supplying Installed Capacity to the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate. The re-scheduling process will be described in detail in the ISO Procedures.

A Supplier that intends to supply Installed Capacity in a given month that did not qualify as an Installed Capacity Supplier prior to the beginning of the Obligation Procurement Period must notify the ISO no later than the first day of the prior month so that it may be subject to forced re-scheduling of its proposed maintenance outages in order to qualify as an Installed Capacity Supplier.

Interruptible Load Resources shall notify the ISO at least thirty (30) days prior to the beginning of an Obligation Procurement Period of scheduled maintenance that would reduce their ability to interrupt. Interruptible Load Resources must also submit to the ISO, and, at the ISO's discretion, also submit to the local Transmission Owner, a written commitment that any scheduled maintenance that would reduce their ability to interrupt without reducing their Load a corresponding amount will only be conducted from November 1 through December 18.

In the case of an External System Resource located in an External Control Area, maintenance schedules for interconnections linking such External System Resources to the NYCA shall be coordinated by the External Control Area and the ISO.

5.12.4 Required Certification That Installed Capacity Has Not Been Resold

Each Installed Capacity Supplier must submit certification forms to the ISO, no later than the dates specified in the ISO Procedures demonstrating that the Installed

Capacity it has sold has not been sold elsewhere. The ISO shall develop appropriate certification forms.

5.12.5 Installed Capacity Sales

Installed Capacity Suppliers will be authorized to sell an amount of Installed Capacity in each month of an Obligation Procurement Period equal to the total of the seasonal DMNCs of its resources for the corresponding Capability Period. Installed Capacity may be sold in a six-month strip, or in monthly, or multi-monthly segments.

If an Energy Limited Resource's, Generator's, Installed Capacity Marketer's or System Resource's DMNC is determined to have increased during an Obligation Procurement Period, pursuant to testing procedures described in the ISO Procedures, the amount of Installed Capacity that it shall be authorized to sell during that Obligation Procurement Period shall also be increased on a prospective basis. If a Generator's 1999 Summer Capability Period DMNC rating was derated from its 1998 Summer Capability Period DMNC rating, the Generator may sell Installed Capacity up to the level demonstrated in 1998 for the entire 2000 Summer Capability Period based upon a temperature adjusted DMNC test that is performed and reported to the ISO between March 1 and March 24, 2000. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the 2000 Summer DMNC Test Period. Any shortfall between the amount of Installed Capacity sold by the Generator for

the 2000 Summer Capability Period and the amount verified during the 2000 Summer DMNC Test Period will be subject to deficiency charges pursuant to section 5.14.2 of this Tariff. The deficiency charges will be applied to no more than the difference between the Generator's 1999 summer period DMNC rating and the amount of Installed Capacity the Generator sold for the 2000 Summer Capability Period. If a new Generator enters service during an Obligation Procurement Period it may qualify as an Installed Capacity Supplier, pursuant to ISO Procedures, and sell Installed Capacity in the NYCA.

Furthermore, if a Generator's 1999-2000 Winter Capability Period DMNC rating was derated from its 1998-1999 Winter Capability Period DMNC rating, the Generator may sell Installed Capacity up to the level demonstrated in 1998-1999 for the entire 2000-2001 Winter Capability Period based upon a temperature adjusted DMNC test that is performed and reported to the ISO between September 1 and September 24, 2000. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the 2000-2001 Winter DMNC Test Period. Any shortfall between the amount of Installed Capacity sold by the Generator for the 2000-2001 Winter Capability Period and the amount verified during the 2000-2001 Winter DMNC Test Period will be subject to deficiency charges pursuant to section 5.14.2 of this Tariff. The deficiency charges will be applied to no more than the difference between the

Generator's 1999-2000 Winter Period DMNC rating and the amount of Installed Capacity the Generator sold for the 2000-2001 Winter Capability Period. If a new Generator enters service during an Obligation Procurement Period, it may qualify as an Installed Capacity Supplier, pursuant to ISO Procedures, and sell Installed Capacity in the NYCA.

Subsequent to the sale of Installed Capacity, each Installed Capacity Supplier must, except as noted in Section 5.12.8 of this Tariff, demonstrate that the amount of Energy which it schedules, bids, or declares to be unavailable on that day is not less than the amount of Installed Capacity that it sold for that day, rounded down to the nearest whole MW. If an entity other than the owner of an Energy Limited Resource, Generator, Interruptible Load Resource or System Resource that is providing Installed Capacity is responsible for bidding and scheduling it, the owner and that entity must designate which of them will be responsible for complying with the requirements of this paragraph. The designated bidding and scheduling entity will be subject to sanctions pursuant to Section 5.12.9(b) of this Tariff, if the bidding and scheduling requirements are violated.

5.12.6 System Resources Sales

An Installed Capacity Supplier offering to sell Installed Capacity associated with Internal System Resources must submit the DMNC testing data described in Section 5.12.1 for all of its Generators. The amount of Installed Capacity that a System

Resources Installed Capacity Supplier may offer will be determined pursuant to ISO Procedures. Installed Capacity Suppliers offering to sell System Resources may only aggregate resources on the basis of ISO-defined Localities, the remainder of the NYCA, or on an individual External Control Area basis, as per the ISO Procedures.

5.12.7 Recall Procedures

All Installed Capacity, whether associated with External or Internal Installed Capacity resources, that is not out on maintenance or a forced outage, or scheduled in the Day-Ahead Market may be used to supply Energy for use outside of the NYCA but will be subject to recall at any time by the ISO. Installed Capacity Suppliers that supply Energy outside of the NYCA must submit recall Bids defining the price at which the ISO may recall the Energy associated with the Installed Capacity they have sold to the NYCA. External Installed Capacity Suppliers that supply Energy for use outside of the NYCA must comply with the notice and information requirements set forth in the ISO Procedures.

The ISO will recall Energy, in accordance with ISO Procedures, to resolve shortages of total Operating Reserves, after exhausting all other available Energy Bids. When automated evaluation of recall Bids is available, and in the event that the ISO recalls Energy, it will do so on a least-cost Bid basis, taking into consideration recall Bids

and External Proxy Generator Bus prices consistent with the need to maintain the reliability of the New York State Transmission System.

If an Installed Capacity Supplier's Energy is recalled, it shall be paid the higher of its recall Bid or the Real-Time LBMP at the relevant Proxy Generator Bus. Recall Bids shall not set Real-Time or Day-Ahead LBMPs. Installed Capacity Suppliers must submit their recall Bids at the same time that they schedule External Transactions.

5.12.8 Special Case Resources and Other Installed Capacity Suppliers

5.12.8(a) Special Case Resources

Special Case Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding and scheduling requirements set forth in Section 5.12.5 of this Tariff, if: (i) they are available to operate for a minimum of four (4) hours each day, at the direction of the ISO, except for those subject to operating limitations established by environmental permits, which will not be required to operate in excess of two (2) hours and which will be derated by the ISO pursuant to ISO Procedures to account for the Load serving equivalence of the hours actually available, following notice of the potential need to operate twenty four (24) hours in advance, and a notification to operate two (2) hours ahead; and (ii) they were not operated as a Load modifier

coincident with the peak upon which the Installed Capacity requirement of the LSE that serves that customer is based, unless that LSE's Installed Capacity requirement is adjusted upwards to prevent double-counting. The ISO will have discretion, pursuant to ISO Procedures, to exempt distributed generators that are incapable of starting in two (2) hours from the requirement to operate on two (2) hours notification. Distributed generators and Loads capable of being interrupted upon demand that are not available on certain hours or days will be derated by the ISO, pursuant to ISO Procedures, to reflect the Load serving equivalence of the hours they are actually available. Distributed generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures, to be developed by the ISO, in consultation with interested Market Participants. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer.

Installed Capacity sold to an LSE by a Special Case Resource pursuant to this subsection may not be resold by that LSE.

Transmission Owners that require assistance from distributed generators larger than 100kW and Loads capable of being interrupted upon

demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section.

5.12.8(b) Existing Municipally-Owned Generation

During the 2000 Summer Obligation Procurement Period and the 2000-2001 Winter Obligation Procurement Period, a municipal utility that owns existing generation in excess of its Installed Capacity requirement, net of NYPA-provided capacity, may offer the excess capacity for sale as Installed Capacity provided that it is willing to operate the generation at the ISO's request, and provided that the Energy produced is deliverable to the New York State Power System. Such a municipal utility shall not be required to comply with the requirement of Section 5.12.5 of this Tariff that an Installed Capacity Supplier bid into the Energy market or enter into bilateral transactions. Municipal utilities shall, however, be required to submit their typical physical operating parameters, such as their start-up times, to the ISO. This subsection is only applicable to Generators that were in service or under construction as of December 31, 1999.

5.12.8(c) Energy Limited Resources

An Energy Limited Resource may qualify as an Installed Capacity Supplier if it bids into the Day-Ahead Market for twenty four (24) hours each day and if it is able to provide the Energy equivalent of the claimed Installed Capability for four (4) hours of Energy each day. After an Energy-Limited Resource has provided the Energy equivalent of the claimed Installed Capacity for four (4) hours, the ISO will avoid calling on it during those hours in which the ISO knows it will be recharging, or replacing depleted resources. Nevertheless, the ISO may call on Energy Limited Resources at any time during emergencies.

5.12.9 Sanctions Applicable to Installed Capacity Suppliers

Pursuant to this Section, the ISO may impose financial sanctions on Installed Capacity Suppliers that fail to comply with certain provisions of this Tariff. The ISO shall notify Installed Capacity Suppliers prior to imposing any sanction and shall afford them a reasonable opportunity to demonstrate that they should not be sanctioned and/or to offer mitigating reasons why they should be subject to a lesser sanction. The ISO may impose a sanction lower than the maximum amounts allowed by this Section at its sole discretion. Installed Capacity Suppliers may challenge any sanction imposed by the ISO pursuant to the ISO Dispute Resolution Procedures.

Any sanctions collected by the ISO pursuant to this Section will be applied to reduce the Rate Schedule 1 charge under this Tariff.

5.12.9(a) Sanctions for Failing to Provide Required Information

If an Installed Capacity Supplier fails to provide the information required by Sections 5.12.1(i) - 5.12.1(iv) of this Tariff in a timely fashion, or if a Supplier of Installed Capacity from External System Resources located in an External Control Area that has agreed not to curtail the Energy associated with such Installed Capacity, or to afford it the same curtailment priority that it affords its own Control Area Load, fails to provide the information required for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may take the following actions. On the first day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the next day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction of up to the higher of $500 or $5 per MW of Installed Capacity that the Generator, Interruptible Load Resource or System Resource in question is capable of providing. Starting on the tenth day that the required information is late, the ISO may impose a daily financial sanction up to the higher of $1000 or $10 per

MW of Installed Capacity that the Generator, Interruptible Load Resource or System Resource in question is capable of providing.

5.12.9(b) Sanctions for Failing to Comply with Scheduling and Bidding Requirements

On any day in which an Installed Capacity Supplier fails to comply with the scheduling and bidding requirements of Sections 5.12.1(vi) and (vii) of this Tariff, or in which a Supplier of Installed Capacity from External System Resources located in an External Control Area that has agreed not to curtail the Energy associated with such Installed Capacity, or to afford it the same curtailment priority that it affords its own Control Area Load, fails to comply with scheduling and bidding requirements for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may impose a financial sanction up to the product of a deficiency charge, calculated pursuant to the Table in Section 5.14.1 of this Tariff (pro-rated on a daily basis), and the maximum number of MWs that the Installed Capacity Supplier failed to schedule or bid in any hour in that day provided, however, that no financial sanction shall apply to any Installed Capacity Supplier who demonstrates that the Energy it schedules,

bids, or declares to be unavailable on any day is not less than the Installed Capacity that it sells for that day rounded down to the nearest whole MW.

In addition, if an Installed Capacity Supplier fails to comply with the scheduling and bidding requirements of Sections 5.12.1(vi) and (vii) of this Tariff, or if a Supplier of Installed Capacity from External System Resources located in an External Control Area that has agreed not to curtail the Energy associated with such Installed Capacity, or to afford it the same curtailment priority that it affords its own Control Area Load, fails to comply with the scheduling and bidding requirements for certification as an Installed Capacity Supplier established in the ISO Procedures during an hour in which the ISO recalls Energy associated with NYCA Installed Capacity Suppliers, the ISO may impose an additional financial sanction equal to the product of the number of MWs the Installed Capacity Supplier failed to schedule during that hour and the corresponding Real-Time LBMP at the applicable Proxy Generator Bus. An Installed Capacity Supplier that is subjected to the aforementioned sanction, and which has entered into an External Transaction, shall not be paid its recall Bid if the ISO recalls Energy associated with its Installed Capacity during the hour in which the aforementioned sanction is imposed.

5.13 Installed Capacity Auctions

5.13.1 General Auction Requirements

The ISO will administer Installed Capacity auctions to accommodate LSEs' and Installed Capacity Suppliers' efforts to enter into Installed Capacity transactions and to give LSEs an opportunity to satisfy their Installed Capacity requirements. The ISO shall conduct regular auctions, at the request of an LSE, at the times specified in this Section and the ISO Procedures.

Installed Capacity Suppliers, LSEs and Installed Capacity Marketers that are Customers under this Tariff will be allowed to participate in Installed Capacity auctions, provided that they satisfy the creditworthiness requirements set forth in Section 11.0 of the ISO OATT. Installed Capacity purchased in Installed Capacity auctions may not be sold to External Control Areas. Offers to sell and bids to purchase Installed Capacity shall be made in $/kW for the time period appropriate to the auction. The ISO shall impose no limits on bids or offers in any auction, except to the extent required by any applicable market mitigation measures.

Installed Capacity Suppliers that wish to participate in an ISO-administered auction must submit completed certification forms to the ISO no later than ten days prior to the beginning of an Installed Capacity auction in which they intend to offer Installed

Capacity, demonstrating that their Installed Capacity has not been committed to a Bilateral Transaction.

In-City Generators that are subject to FERC-approved market mitigation measures are required to offer to sell all such Installed Capacity into the ISO-administered Installed Capacity auctions. All other Installed Capacity Suppliers may offer to sell into the ISO-administered Installed Capacity auctions at their discretion.

The ISO Procedures shall specify the dates by which the ISO will post the results of Installed Capacity auctions. The ISO Procedures shall ensure that there are at least four business days between the time that auction results are posted and the dates that LSEs are required to demonstrate that they have procured sufficient Installed Capacity to cover their Installed Capacity requirements pursuant to Section 5.11.2 of this Tariff.

5.13.2 The Obligation Procurement Period Auction

An Obligation Procurement Period Auction will be conducted, at the request of an LSE, no later than thirty (30) days prior to the start of each Obligation Procurement Period in which Installed Capacity will be purchased and sold for the entire duration of the Obligation Procurement Period. The exact date of the Obligation Procurement Period Auction shall be established in the ISO Procedures. The Obligation Procurement Period Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and adjacent External Control Areas.

Each Obligation Procurement Period Auction shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity requirement; (ii) any other entity seeking to purchase In-City locational Installed Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Installed Capacity associated with qualified In-City Generators. In the first phase of the Obligation Procurement Period Auction, LSEs that are awarded Installed Capacity shall pay the Market-Clearing Price of Installed Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Installed Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All Installed Capacity Suppliers and LSEs may participate in the second phase of the Obligation Procurement Period Auction, except with respect to any Installed Capacity associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. LSEs awarded Installed Capacity in the second phase shall pay the applicable Market-Clearing Price determined in that phase. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Installed Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Installed Capacity associated with In-City Generators subject to market mitigation measures shall receive the lesser of the applicable Market-Clearing Price or the price it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 Summer Obligation Procurement Period and the 2000-2001 Winter Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and second phases of the Obligation Procurement Period Auction.

The results of the Obligation Procurement Period Auction will be made available to Market Participants at the time specified in the ISO Procedures which shall be prior to the start of the Monthly Installed Capacity Auctions held prior to the beginning of each Obligation Procurement Period.

5.13.3 Monthly Auctions

Monthly Auctions will be held, at the request of an LSE, no later than fifteen (15) days prior to the start of each Obligation Procurement Period, and, at the request of an LSE, no later than the fifteenth (15th) day of each month during an Obligation Procurement Period, during which Installed Capacity may be purchased and sold for any one or more remaining months in the Obligation Procurement Period. The exact dates of each Monthly Auction shall be established in the ISO Procedures. Each Monthly Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and all adjacent External Control Areas.

Each Monthly Auction held prior to the beginning of an Obligation Procurement Period shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirements; (ii) any other entity seeking to

purchase In-City locational Installed Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Installed Capacity associated with qualified In-City Generators. In the first phase of each Monthly Auction, LSEs that are awarded Installed Capacity shall pay the Market-Clearing Price of Installed Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Installed Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All Installed Capacity Suppliers and LSEs may participate in the second phase of each pre-Obligation Procurement Period Monthly Auction, except with respect to any Installed Capacity associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their

In-City Locational Installed Capacity Requirements. LSEs awarded Installed Capacity in the second phase shall pay the applicable Market-Clearing Price determined in that phase. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Installed Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Installed Capacity associated with In-City Generators subject to market mitigation measures shall receive the lesser of the applicable Market-Clearing Price or the price it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 Summer Obligation Procurement Period and the 2000-2001 Winter Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and second phases of the auction.

Monthly Auctions held during an Obligation Procurement Period shall be phased unless the ISO has established that all LSEs with Locational Installed Capacity Requirements located in the New York City Locality have satisfied their locational requirements. If the ISO establishes that these LSEs have not satisfied their Locational Installed Capacity Requirements, that Monthly Auction will be conducted as if it were being held prior to the beginning of an Obligation Procurement Period *(i.e.,* it shall

consist of two phases). If, however, the ISO establishes that LSEs have satisfied their Locational Installed Capacity Requirements, that Monthly Auction will not be phased and will be conducted as if it were the second phase of a pre-Obligation Procurement Period Monthly Auction.

The results of each Monthly Auction will be made available to Market Participants no later than thirteen (13) days prior to the beginning of the next month.

5.13.4 Detailed Installed Capacity Auction Description

Additional detail concerning the ISO's Installed Capacity auction procedures are provided in the ISO's detailed "Installed Capacity Auction Description," which is on file with the Commission.

5.14 Installed Capacity Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

If an LSE violates Sections 5.11.2, 5.11.3, or 5.11.4 of this Tariff by failing to procure sufficient Installed Capacity to cover its Installed Capacity requirement for an Obligation Procurement Period, or, as a result of Load-shifting, for any month within an Obligation Procurement Period, the ISO shall procure sufficient Installed Capacity to cover the remainder of the LSE's Installed Capacity requirement for that Obligation Procurement Period, or month, through Deficiency Procurement Auctions.

The ISO shall conduct the initial Deficiency Procurement Auction no later than the twenty third (23rd) day of the month immediately preceding the start of an Obligation Procurement Period. The exact date of the initial Deficiency Procurement Auction shall be established in the ISO Procedures. The initial Deficiency Procurement Auction will consist of six (6) separate two-phase monthly auctions. Both phases of each initial Deficiency Procurement Auction shall be conducted on the same day. In each phase of each initial Deficiency Procurement Auction the ISO shall submit deficiency bids on behalf of deficient LSEs at a level per MW determined by dividing the appropriate number specified in the following Table by six.

Deficiency Bids and Charges

LOCATION	INTERIM FIRST THREE YEARS AFTER ISO COMMENCES OPERATIONS	END-STATE AFTER THREE YEARS OF ISO OPERATIONS
In-City New York City (LBMP Load Zone J)	**$75/kW per** Obligation Procurement Period	**3 Times Localized Levelized Embedded Cost of GT**
Long Island (LBMP Load Zone K)	**Year 1: $60/kW per** Obligation Procurement Period **Year 2: $65/kW per** Obligation Procurement Period **Year 3: $70/kW per** Obligation Procurement Period	**3 Times Localized Levelized Embedded Cost of GT**
All Other LBMP Load Zones in the NYCA	**Year 1: $52.5/Kw per** Obligation Procurement Period **Year 2: $57.5** **Year 3: $62.5**	**3 Times Localized Levelized Embedded Cost of GT**

During the first phase of an initial Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of deficient LSEs located in the New York City Locality that are required to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirements. The ISO shall solicit bids from qualified In-City Generators, and from any other entity that owns excess In-City locational Installed Capacity. LSEs that are awarded Installed Capacity in the first phase auction shall pay to the ISO the lesser of the Market-Clearing Price of Installed Capacity determined in that phase or the deficiency bid. The ISO shall pay Installed Capacity Suppliers that are selected to provide Installed Capacity the Market-Clearing Price determined in that phase which can be no greater than the deficiency bid, except in the case of Installed Capacity associated with In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

In the second phase of each initial Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of all remaining deficient LSEs and shall solicit bids from all qualified Installed Capacity Suppliers, including Installed Capacity associated with In-City Generators otherwise subject to mitigation measures that has not been sold, provided that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. Deficient LSEs that are awarded Installed Capacity shall pay to the ISO the lesser of the applicable Market-Clearing Price of Installed Capacity determined in that phase, or the deficiency bid. The ISO will use these deficiency payments to pay the applicable Market-Clearing Price determined in that phase of Installed Capacity, except as noted below, to Installed Capacity Suppliers that are selected to provide Installed Capacity, including participating In-City Generators otherwise subject to market mitigation measures. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 Summer Obligation Procurement Period and 2000-2001 Winter Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and

second phases of the initial Deficiency Procurement Auction.

In addition to the initial Deficiency Procurement Auction, the ISO shall conduct a monthly Deficiency Procurement Auction no later than the twenty third (23rd) day of any month in which a Load-gaining LSE fails to procure Installed Capacity to cover new Load it has gained. The exact date of each monthly Deficiency Procurement Auction shall be established in the ISO Procedures. If In-City LSEs are required to participate in a monthly Deficiency Procurement Auction in order to satisfy their In-City Locational Installed Capacity Requirements, the auction will be conducted as if it were an initial Deficiency Procurement Auction *(i.e.,* it shall consist of two phases.) If In-City LSEs are not required to participate in a monthly Deficiency Procurement Auction in order to satisfy their In-City Locational Installed Capacity Requirements, the auction will not be phased but will instead be conducted as if it were the second phase of an initial Deficiency Procurement Auction.

Any LSEs that are still deficient after the completion of a Deficiency Procurement Auction must pay a monthly deficiency charge to the ISO based on the deficiency charges set forth in the Table above, divided by six, and multiplied by the number of MWs by which they are deficient. The ISO will attempt to use these deficiency charges

to procure Installed Capacity from Generators that are capable of selling Installed Capacity but that failed to qualify to sell it prior to the Deficiency Procurement Auction, *e.g.,* recently upgraded Generators, new Generators and existing Generators that were otherwise not able to qualify. The ISO shall not procure Installed Capacity from previously qualified Installed Capacity Suppliers that withheld their Installed Capacity. The ISO will not pay an Installed Capacity Supplier, more than the applicable deficiency charge per MW of Installed Capacity, or the applicable locational price cap per MW of Installed Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Installed Capacity. Any remaining monies collected by the ISO pursuant to this paragraph will be applied to reduce the Schedule 1 charge.

The ISO shall not reveal the number of MWs that LSEs are deficient prior to a Deficiency Procurement Auction.

5.14.2 Installed Capacity Supplier Deficiencies

In the event that the amount of Installed Capacity that an Installed Capacity Supplier is authorized to sell in a given month is determined to have been less than the amount that the Installed Capacity Supplier actually sold for that month, the ISO shall prospectively purchase Installed Capacity on behalf of that deficient Installed Capacity

Supplier in the appropriate Deficiency Procurement Auction.

The ISO shall submit a deficiency bid, calculated pursuant to Section 5.14.1 of this Tariff in the appropriate Deficiency Procurement Auction on behalf of a deficient Installed Capacity Supplier as if it were a deficient LSE. The deficient Installed Capacity Supplier shall be required to pay to the ISO the Market-Clearing Price of Installed Capacity established in that Deficiency Procurement Auction.

If an Installed Capacity Supplier is found, at any point during an Obligation Procurement Period, to have been deficient for any prior portion of that Obligation Procurement Period, *e.g.,* when the amount of Installed Capacity that it sells is found to be less than the amount it was authorized to sell, the Installed Capacity Supplier shall be retrospectively liable to pay the ISO the monthly deficiency charge, calculated pursuant to Section 5.14.1 of this Tariff.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 will be applied as specified in Section 5.14.3.

5.14.3 Application of Deficiency Charges

Any remaining monies collected by the ISO through deficiency charges pursuant to Section 5.14.1 but not used to procure Installed Capacity on behalf of deficient LSEs shall be applied as provided in this Section 5.14.3.

5.14.3(a) General Application of Deficiency Charges

Except as provided in Section 5.14.3(b), remaining monies will be applied to reduce the Rate Schedule 1 charge in the following month.

5.14.3(b) Temporary Targeted Installed Capacity Rebate

During any month in which an Installed Capacity deficiency exists in the New York City Locality during the 2000 Summer Capability Period, the ISO shall rebate, calculated on a monthly basis and to be paid after October 23, 2000, amounts above $8.75/kW but not exceeding $12.50/kW, paid by LSEs either to procure Installed Capacity in a regular Obligation Procurement Period Auction, or paid as a deficiency charge. When determining the amount paid by an LSE to procure Installed Capacity for any month, the ISO shall first consider the amount of any proportional rebate received by the LSE for the month as specified in Section 5.15. Any remaining monies collected by the ISO shall be applied to reduce the Rate Schedule 1 charge in the following month.

5.15 Payment and Allocation of Installed Capacity Auction Rebates

The ISO shall rebate to all LSEs with Locational Installed Capacity requirements in the New York City Locality any Excess Amount that remains after the completion of an auction. Such rebates shall be allocated among all New York City LSEs in proportion to their share of

the locational New York City Installed Capacity requirement, regardless of whether they actually took part in the first phase of the relevant auction. The ISO shall allocate such rebates among In-City LSEs on a monthly basis. Rebates shall include interest accrued between the time they were collected and the time that they are paid.

Sheet Nos. 163 through 180 are reserved for future use.

ARTICLE 6

CONFIDENTIALITY

6.1 Access to Confidential Information

The ISO may request, and the Customer shall provide, Confidential Information consistent with the disclosure requirements set forth in the ISO Services Tariff (as provided for below). The ISO shall use reasonable procedures to prevent the disclosure of Confidential Information and shall not publish, disclose or otherwise divulge Confidential Information to any person or entity without the prior written consent of the party supplying such Confidential Information, except as provided for under the ISO Market Power Monitoring Plan. The provisions of this Section shall not apply to any Confidential Information: (i) which was in the public domain at the time of disclosure hereunder; (ii) which thereafter passes into the public domain by acts other than the acts of the ISO; or (iii) that the ISO is required to make publicly available by the Commission, the PSC or other legal process, or for reliability purposes pursuant to Good Utility Practice.

A Customer may request that the ISO keep confidential from another entity Confidential Information that the other entity does not require to perform its obligations and duties hereunder. The Customer must state in writing that the information is to be treated as Confidential Information and the reasons for treating it as Confidential Information, otherwise information will be treated as non-Confidential Information.

6.2 Use of Confidential Information

The ISO shall use Confidential Information for the exclusive purpose of performing its obligations hereunder and under any Service Agreement. The ISO will treat this information in conformity with the standards of conduct contained in Part 37 of the Commission's Regulations and the Code of Conduct set forth in Attachment F to the ISO OATT.

6.3 Disclosure of Bid Information

Pursuant to Commission requirements, the ISO shall make public Bid information from the Energy, Capacity and Ancillary Services markets (but not the names of the bidders making these Bids) six-months after the Bids are submitted. The ISO shall post the data in a way that permits third parties to track each individual bidder's bids over time. Prior to such disclosure, Bid information submitted to the ISO by Market Participants shall be considered Confidential Information.

6.4 Survival

This Article 6 will survive the termination of the ISO Services Tariff and any associated Service Agreement.

Sheet Nos. 183 through 185 are reserved for future use.

ARTICLE 7

BILLING AND PAYMENT

7.1 ISO Clearing Account

The ISO will provide Settlement and Billing information to Customers. The ISO will establish an account (the "ISO Clearing Account"), and Customers will be directed to make payments into the ISO Clearing Account according to the Settlement information provided by the ISO. The ISO shall verify that Customers paying into the ISO Clearing Account have made the correct payments within the time period allotted for such payment. If a Customer fails to make a payment within the required time period or pays less than the amount due, the ISO shall take measures pursuant to Section 7.5. The ISO will make payments through the ISO Clearing Account to all entities owed money in accordance with the ISO OATT and the ISO Services Tariff.

The ISO Clearing Account established herein shall be opened and operated by the ISO as trustee in trust for ISO creditors and ISO debtors in accordance with this Tariff. The account shall be maintained at a bank or other financial institution in New York State as a trust account. Such account shall not be commingled with any other ISO accounts. The ISO will not take title to the funds held in the ISO Clearing Account. Nor will the ISO take title to any Energy, Capacity or Ancillary Services.

The ISO will inform each Customer that purchases Energy, Capacity, or Ancillary Services in the Day-Ahead and Real-Time Markets administered by the ISO of the payments due, according to the Day-Ahead and Real-Time Settlements. For each service provided for under the ISO Services Tariff, the payments due to the ISO shall be netted against the corresponding amounts due to the Customer for generating Energy and providing Capacity and Ancillary Services in the ISO Administered Markets.

A Customer owing payments on net will make those payments to the ISO Clearing Account on the payment date. A Customer owed payments on net will receive payments from the ISO Clearing Account on the payment date. Payments will be made by wire transfer unless other arrangements are made. The ISO will provide a detailed statement of such receipts or payments. Any residual collections remaining in this account related to services provided by the ISO under the ISO Services Tariff will be used to reduce the Rate Schedule 1 charge under the ISO Services Tariff.

7.2 Billing Procedures and Payments

A. Invoices and Settlement Information.

Payments for TSCs, Congestion and TCCs shall be issued in accordance with the Settlement and billing procedures under the ISO OATT. Charges may be based in whole or in part on estimates. Settlement information rendered hereunder shall be mailed to the Customer at the address contained in the Service Agreement.

Within a reasonable time after the first day of each month, the ISO shall submit an invoice to the Customer for the net amount owed by the Customer for each of the services furnished under the ISO OATT and the ISO Services Tariff during the preceding month. Such invoices shall also show the net amount owed to the Customer by type of service. Charges may be based in whole or in part on estimates. Any charges based on estimates shall be subject to true-up, including interest calculated from the first due date after the service was rendered in accordance with Section 7.3, in invoices subsequently issued by the ISO after the ISO has obtained the requisite actual information. The ISO may net any overpayment, including interest calculated from the date the overpayment was made in accordance with Section 7.3, by the Customer for past estimated charges against current amounts due from the Customer or, if the Customer has no outstanding amounts due, the ISO may pay to the Customer an amount equal to the overpayment. The ISO's invoices to Transmission Customers will be submitted only by electronic means via the ISO's Bid/Post System.

B. Payment by the Customer

Invoices shall be paid by the Customer by the first Business Day after the 15th day of the month that the invoice is rendered by the ISO. All payments shall be made by

wire transfer in immediately available funds payable to the ISO as trustee of the ISO Clearing Account.

C. Payments by the ISO

The ISO shall pay all net monies owed to a Customer by the First Business Day after the 19th day of the month that the invoice is rendered by the ISO. All payments shall be made by wire transfer in immediately available funds payable to the Customer by the ISO or trustee of the ISO Clearing Account.

D. Verification of Payments

The ISO shall institute procedures to verify that all payments owed by Customers to the ISO Clearing Account have been paid in a timely manner. The ISO shall be responsible for ensuring that such payments are made within the prescribed period of time and for instituting collection procedures to collect those monies that have not been timely paid. The ISO shall also institute procedures to ensure that monies owed to Customers are paid in a timely manner, and the ISO shall be responsible for ensuring that such payments are made.

7.3 Interest on Unpaid Balances

Interest on any unpaid amount whether owed to a Customer or to the ISO as trustee of the ISO Clearing Account (including amounts placed in escrow) shall be calculated in accordance

with the methodology specified for interest on refunds in the Commission's regulations at 18

5.19a (a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. Invoices shall be considered as having been paid on the date of receipt by the ISO.

If the ISO is unable to provide Settlement information on time due to the action or inaction of or caused by the Customer, in addition to any other remedies the ISO may have at law or in equity, the Customer shall pay interest on amounts due, as calculated above, from the first day of the month following the month in which charges are accrued to the time of payment of those charges.

7.4 Billing Dispute

Settlement information shall be subject to correction or adjustment for errors in arithmetic, computation or estimation twenty-four (24) months from the month in which service is rendered.

A Customer's right to challenge the accuracy of Settlement information is limited to twenty-four (24) months from the month in which service is rendered. If a Customer wishes to challenge Settlement information for accuracy, the Customer shall first make payment in full, including any amounts in dispute. If the ISO determines that an overpayment has been made by the Customer, the ISO shall refund the overpayment to the Customer, including interest

calculated from the date the overpayment was made in accordance with Section 7.3.

7.5 Customer Default

A. An event of default ("Default") shall occur in the event a Customer (the

(i) fail to provide adequate assurance of performance to the ISO within a period of five (5) business days of a demand for such assurance;

(ii) make an assignment or any general arrangement for the benefit of creditors;

(iii) default in a payment obligation to the ISO which is not cured within two (2) business days after receipt of written notice of such default provided by the ISO;

(iv) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a case, petition, proceeding, or cause of action under any bankruptcy or insolvency law or similar law for the protection of debtors or creditors, or have such a petition, case, proceeding or cause of action filed or commenced against it and such case, petition, proceeding or cause of action is not withdrawn or dismissed within thirty (30) days after such filing or commencement;

(v) otherwise become bankrupt or insolvent (however evidenced);

(vi) be unable or unwilling to pay its debts to third parties as they fall due;

(vii) otherwise become adjudicated a debtor in bankruptcy or insolvent (however evidenced);

(viii) be unable (or admits in writing its inability) generally to pay its debts as they become due;

(ix) be dissolved (other than pursuant to a consolidation, acquisition, amalgamation or merger);

(x) have a resolution passed for its winding-up official management or liquidation (other than pursuant to a consolidation, acquisition, amalgamation or merger);

(xi) seek or become subject to the appointment of an administrator, provisional liquidator, conservator, assignee, receiver, trustee, custodian or other similar entity or official for all or substantially all of its assets;

(xii) have a secured party take possession of all or substantially all of its assets or has a distress, levy, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is

not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;

(xiii) cause or subject to any event with respect to which, under the applicable laws of any jurisdiction, said event has an analogous effect to any of the events specified in clauses (iv) to (xii) (inclusive);

(xiv) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(xv) fail to perform any material covenant set forth in the Tariff or a Service Agreement (other than the events that are otherwise specifically covered in this Section as a separate Event of Default), and such failure is not excused by Force Majeure or cured within five (5) business days after written notice thereof to the Defaulting Party; or a party fails to, or can no longer, demonstrate its creditworthiness after five (5) days notice of a demand to demonstrate.

B. In the event of Default by a Customer, the ISO shall have the right to suspend performance of the Service Agreement with the Customer, terminate the Service Agreement, immediately upon notice to the Commission, or both, in addition to any and all other remedies available hereunder or pursuant to law or in equity.

C. By entering into Transactions under this Tariff, the Customer agrees that its Service Agreement and Transactions under this Tariff shall constitute a "forward contract" within the meaning of the United States Bankruptcy Code.

D. The ISO shall have the right to apply any amounts owed Customer pursuant to this Tariff against any amounts owed to the ISO by a Customer.

7.6 Survival

This Article 7 will survive the termination of the ISO Services Tariff and any associated Service Agreement.

Sheet Nos. 195 through 200 are reserved for future use.

ARTICLE 8

ELIGIBILITY FOR ISO SERVICES

In order to purchase or supply Energy or Capacity or to supply Ancillary Services in the ISO Administered Markets, Customers must satisfy the requirements of this Article.

8.1 Requirements Common to all Customers

A. Creditworthiness

All Customers shall satisfy the following requirements prior to entering into a Transaction with the ISO. For the purpose of determining the ability of the Customer to meet its obligations related to services hereunder, the ISO shall require compliance with reasonable credit review procedures in accordance with standard commercial practices. In addition, the ISO may require the Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under the ISO Services Tariff, or an alternative form of security proposed by the Customer and acceptable to the ISO and consistent with commercial practices established by the Uniform Commercial Code that protects the ISO against the risk of non-payment.

Any service may be terminated by the ISO prior to, or any time after, the commencement of the service if the Customer fails to, or can no longer, demonstrate its

creditworthiness. Each Customer shall be responsible for providing the information specified in this Section. Each Customer will be considered creditworthy if: (i) the Customer's long-term unsecured debt securities are, and remain, rated a minimum of BBB or Baa2 by Standard & Poor's or Moody's, respectively; (ii) the Customer either prepays for service or provides an irrevocable standby letter of credit issued by a domestic or Canadian bank with a minimum A (Standard & Poor's or Dominion), or A2 -term unsecured debt rating, for an amount equal to the estimated sum of the charges pursuant to Article 7 for the three (3) individual months when such charges would be greatest over rolling twelve-month periods; (iii) the Customer has, as determined by the ISO in its reasonable discretion, a qualified long-term payment history with the ISO or an individual Transmission Owner; or (iv) the Customer's parent company, in a form satisfactory to the ISO, guarantees the Customer's responsibility for all financial obligations associated with services and responsibilities hereunder and such parent company conforms to the minimum ratings specified above.

B. Completed Application and Minimum Technical Requirements

A Customer shall submit a Completed Application in accordance with Article 9 and shall receive ISO approval prior to obtaining any services under the ISO Services Tariff. A Customer also shall demonstrate to the ISO's reasonable satisfaction that it is

capable of performing all functions required by the ISO Services Tariff including operational communications, financial and Settlement requirements.

8.2 Additional Requirements Applicable to Suppliers

In addition to the requirements set forth in Section 8.1 above, Suppliers shall satisfy the communication requirements of Article 4 and the metering requirements of Article 13 prior to entering into a Transaction with the ISO.

8.3 Additional Requirements Applicable to LSEs

In addition to the requirements set forth in Section 8.1 above, each LSE shall satisfy the following requirements prior to taking services under the Tariff:

A. All requirements and conditions contained within an approved retail access plan in the service territory of the Transmission Owner in which the LSE's Load is located, which retail access plan has been approved by the PSC or other appropriate authority or, in the case of the LIPA, has been approved by the Trustees of the Long Island Power Authority.

B. All New York State application and license requirements, and any other authorization required by New York State to serve retail Load; and

C. The LSE must be: (a) aggregating or serving Load that is of an amount greater than or equal to one (1) MW in each hour as measured between a single Point of Injection

and a single Point of Withdrawal; or (b) making purchases from the ISO Administered Markets at a single bus of an amount greater than or equal to one (1) MW in each hour.

ARTICLE 9

APPLICATION AND REGISTRATION PROCEDURE

9.1 Application

Each Customer requesting to schedule, take or provide any services under the ISO Services Tariff must apply to the ISO in writing at least sixty (60) days in advance of the month in which service is to commence. The ISO will consider requests for such services on shorter notice when feasible. Service commencement will depend on the ISO's ability to accommodate the request. To apply, the Customer shall complete and deliver a Service Agreement (in the form of Attachment A) and an Application to the ISO.

9.2 Completed Application

A Completed Application shall provide all of the information reasonably required by the ISO to permit the ISO to perform its responsibilities under the ISO Services Tariff. A Customer taking or providing service under the Tariff shall provide the ISO, upon application for service, with a list identifying its parent company as well as any Affiliate. The Customer shall notify the ISO within 30 days of the effective date of any change to the original list. Any Customer shall notify the ISO within 30 days of the effective date of any change to the original list. Any

Customer shall respond within 10 days to a request by the ISO to update the list of Affiliates and/or parent company. The ISO shall treat the information provided in the Application as Confidential Information except to the extent that disclosure of the information is required by the ISO Services Tariff, by regulatory or judicial order or for reliability purposes pursuant to Good Utility Practice. The ISO also shall treat the information in conformity with the standards of conduct contained in Part 37 of the Commission's Regulations and the Code of Conduct set forth in Attachment F to the ISO OATT.

9.3 Approval of Application and/or Notice of Deficient Application

The ISO will promptly review the Application and may request additional information to determine whether the applicant meets the ISO's minimum financial and technical requirements. The ISO will notify the applicant within thirty (30) days of receipt of a Completed Application. If the ISO rejects an Application, the ISO shall provide a written explanation within fourteen (14) days of the rejection. The ISO will attempt to remedy minor deficiencies in the Application through informal communications with the applicant. If such efforts are unsuccessful, the ISO shall return the Application.

9.4 Filing of Service Agreement

The ISO will file Service Agreements with the Commission in compliance with applicable Commission regulations and the ISO Services Tariff.

ARTICLE 10

RECORDKEEPING AND AUDIT

The ISO and each Customer shall keep complete and accurate records of service taken or provided under the ISO Services Tariff including, but not limited to, meter readings (if any), dispatch logs, Bid data and other memoranda of Applications and service. Upon thirty (30) days prior written notice, and subject to the provisions in Article 6, the Customer, the ISO, the applicable Transmission Owner, the NYSRC, the Commission or the PSC shall have the right to inspect all records, meter readings and memoranda for the purpose of ascertaining the accuracy of all Settlement information prepared pursuant to Article 7 and in compliance with the provisions of the ISO Services Tariff and the Reliability Rules. These inspections shall be performed in a reasonable manner and so as to avoid disrupting the business of the party whose records are being inspected. The costs of all these inspections, including the costs of the party whose records are being inspected, shall be borne by the inspecting party, except that there shall be no charge to the PSC or the Commission for such inspections or for the costs associated with such inspections. Historical records shall be kept as follows: (i) Settlement information rendered under the ISO Services Tariff shall be maintained for at least twenty-four (24) months from the date that Settlement information is rendered; (ii) Applications under the ISO Services Tariff shall be maintained for twelve (12) months after the date of termination of the service or

twelve (12) months after the Application was rejected; and (iii) any other records associated with service under the ISO Services Tariff that are not listed above shall be maintained for twelve (12) months after the date of termination of the service.

ARTICLE 11

DISPUTE RESOLUTION PROCEDURES

11.1 Internal Dispute Resolution Procedures

Any dispute between or among Customers and/or the ISO involving service under the ISO Services Tariff (excluding applications for rate changes or other changes to the Tariff), ISO Procedures or to any Service Agreement entered into under the Tariff shall be presented directly to a senior representative of each party to the dispute for resolution on an informal basis as promptly as practicable.

If the designated representatives are unable to resolve the dispute within thirty (30) days by mutual agreement, the dispute may be submitted to the ISO's Dispute Resolution Administrator ("DRA"). The party submitting the matter to the DRA shall include a written statement describing the nature of the dispute and the issues to be resolved. Any subsequent mediation or arbitration process shall be limited to the issues presented for resolution.

The DRA may submit disputes to non-binding, mediation where the subject matter of the dispute involves the proposed change or modification of a rule, rate, Service Agreement or ISO

Services Tariff provision. The DRA may submit disputes to binding arbitration which involve interpretation of a rule, rate, Service Agreement or ISO Services Tariff provision. Both the mediator and the arbitrator shall have the authorization to dismiss a dispute if:

1. The dispute did not arise under the ISO Services Tariff; or

2. The claim is de minimis.

11.2 Non-Binding Mediation

If the DRA refers the dispute to non-binding mediation, then the following procedure will be followed:

The DRA shall have ten (10) days from the date of such referral to distribute a list of ten (10) qualified mediators to the disputing parties. Absent the express written consent of all disputing parties, as to any particular individual, no person shall be eligible for selection as mediator who is a past or present officer, employee or consultant to any of the disputing parties, or of any entity related to or Affiliated with any of the disputing parties or is otherwise interested in the matter to be mediated. Any individual designated as mediator shall make known to the disputing parties an such disqualifying relationship and a new mediator shall be designated.

If the disputing parties cannot agree upon a mediator, the disputing parties shall take turns striking names from a list supplied by the DRA with a disputing party chosen by lot, first striking a name. The last remaining name shall be designated as the mediator. If that individual

is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected that is able and willing to serve.

The disputing parties shall attempt in good faith to resolve their dispute in accordance with the schedule established by the mediator but in no event, may the schedule extend beyond ninety (90) days from the date of appointment of the mediator.

The mediator may require the disputing parties to:

1. submit written statements of issue(s) and position(s);
2. meet for discussions;
3. provide expert testimony and exhibits; and
4. comply with the mediation procedures designated by the DRA and/or the mediator.

If the parties have not resolved the dispute within ninety (90) days after the date the mediator was appointed, then the mediator shall promptly provide the disputing parties and the DRA with a written, confidential, non-binding recommendation to resolve the dispute. The recommendation shall include an assessment by the mediator of the merits of the principal positions being advanced by each of the parties to the dispute. The parties to the dispute shall then meet in a good faith attempt to resolve the dispute in light of the mediator's recommendation. This recommendation shall be limited to resolving the specific issues presented for mediation.

If the parties are still unable to resolve the dispute, then:

A. any dispute not involving a proposed change or modification of a rule, rate, Service Agreement or ISO Services Tariff provision may be referred to the arbitration process described below; or

B. any disputing party may resort to regulatory or judicial proceedings as provided for under the ISO Services Tariff; and

C. the recommendation of the mediator, and any other statements made by any party during the mediation process, shall not be admissible for any purpose, in any subsequent proceeding.

Each party to the dispute will bear a pro rata portion of the costs associated with the time, expenses and other charges of the mediator. Each party shall bear its own costs, including attorney and expert fees.

11.3 Arbitration

If the DRA refers the dispute to arbitration, then the following procedure will be followed:

The DRA shall have ten (10) days from the date of such decision to distribute a list of qualified arbitrators to the disputing parties. No person shall be eligible for selection as an arbitrator who is a past or present officer, employee of or consultant to any of the disputing

parties, or of an entity related to or affiliated with any of the disputing parties, or is otherwise interested in the matter to be arbitrated, except upon the express written consent of the parties. Any individual designated as an arbitrator shall make known to the disputing parties any such disqualifying relationship or interest and a new arbitrator shall be designated, unless express written consent is provided by each party.

If the disputing parties cannot agree upon an arbitrator, the disputing parties shall take turns striking names from a list of ten (10) qualified individuals supplied by the DRA. The party to first strike a name should be chosen by lot. The last-remaining name not stricken shall be designated as the arbitrator. If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected that is able and willing to serve.

The arbitrator shall have no power to modify or change any agreement, tariff or rule or otherwise create any additional rights or obligations for any party. The scope of the arbitrator's decision shall be limited to the issues presented for arbitration. The arbitrator shall determine discovery procedures, intervention rights, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed, and the extent to which the credibility of witnesses is relevant to a resolution. Each party to the dispute shall produce all evidence

determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves proprietary or Confidential Information, the arbitrator may issue an appropriate protective order which shall be complied with by all disputing parties. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

The arbitrator shall consider all issues underlying the dispute, and the arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information including the opinion of recognized technical bodies or experts. The parties shall be afforded a reasonable opportunity to rebut any such additional information.

Absent agreement to the contrary by all disputing parties, no person or entity that is not a party to the dispute shall be permitted to intervene. Within ninety (90) days of the appointment of the arbitrator, and after providing the parties with an opportunity to be heard, the arbitrator shall render a written decision, including findings of fact and the legal basis for the decision. The arbitrator will follow the Commercial Arbitration Rules of the American Arbitration Association.

Under the following circumstances, the decision of the arbitrator shall be final and binding upon the parties:

1. all parties agree that the decision will be binding; or

2. the dispute involves a claim that a party owes another party a sum of money less than $500,000.

If the arbitrator concludes that no proposed award is consistent with the ISO Services Tariff, the FPA and Commission's then-applicable standards and policies, or would address all issues in dispute, the arbitrator shall develop a compromise solution consistent with the terms of the ISO Services Tariff. A written decision explaining the basis for the award shall be provided by the arbitrator to the parties and the DRA. No award shall be deemed to be precedential in any other arbitration related to a different dispute.

All costs associated with the time, expenses and other charges of the arbitrators shall be borne by the unsuccessful party. Each party shall bear its own costs, including attorney and expert fees.

All arbitration decisions that affect matters subject to the jurisdiction of the Commission shall be filed with the Commission. Any arbitration decision that affects matters subject to the jurisdiction of the PSC under the PSL may be filed with the PSC. The judgment of the arbitrator may be entered on the award by any court in New York having jurisdiction. Within one (1) year of the arbitration decision, a party may request that the Commission or any other federal, state, regulatory or judicial authority (in the State of New York) having jurisdiction over such matter vacate, modify or take such other action as may be appropriate with respect to any arbitration

decision that is:

1. based upon an error of law;

2. contrary to the statutes, rules or regulations administered by such authority;

3. violative of the Federal Arbitration Act or Administrative Dispute Resolution Act;

4. based on conduct by an arbitrator that is violative of the Federal Arbitration Act or Administrative Dispute Resolution Act; or

5. involves a dispute in excess of $500,000.

Nothing in this Section shall restrict the rights of any party to file a complaint, rate or tariff or other contract change with tile Commission under the relevant provisions of the FPA. No arbitrator shall select an award which requires the transmission of electricity under circumstances where the Commission is precluded from ordering Transmission Services pursuant to FPA Section 212(h).

Sheet Nos. 215 through 220 are reserved for future use.

ARTICLE 12

LIABILITY AND INDEMNIFICATION

12.1 Force Majeure

The ISO, the NYSRC, the Transmission Owners and any Customer or Market Participant shall not be considered to be in default or breach under the ISO Services Tariff or a Service Agreement, and shall be excused from performance, or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of the ISO Services Tariff or a Service Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment, or by any other cause or causes beyond such party's reasonable control, including any Curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an Emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this Section shall relieve any entity of the obligation to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to

remove the condition that prevents performance, except the settlement of all labor disturbances shall be in the sole judgment of the affected party.

Nothing contained in this Section shall relieve a party to a Service Agreement of its obligations to pay all charges due under the Tariff, even if such charges would not have been due had the party claiming force majeure not experienced the force majeure.

12.2 Claims by Employees and Insurance

Each Transmission Owner, Customer, Market Participant and the ISO shall be solely responsible for and shall bear all of the costs of claims by its own employees, contractors, or agents arising under, and covered by, any workers' compensation law. Each of the parties shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Section.

12.3 Limitation on Liability

The ISO, Transmission Owners and NYSRC shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise, to any Customer, Market Participant, or any third party or other party for any damages whatsoever including, without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages resulting from any act or omission in any way associated with a Service Agreement or the ISO Services Tariff, except to the extent that the ISO, Transmission Owner or NYSRC is found liable

for gross negligence or intentional misconduct, in which case the ISO, Transmission Owner or NYSRC will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages. This Section, however, does not limit in any way the ISO's obligation to indemnify the Transmission Owners pursuant to the ISO/TO Agreement or any other agreement.

Nothing in the ISO Services Tariff, or any Service Agreement pursuant to the ISO Services Tariff, express or implied, is intended to confer on any person, other than the parties to a Service Agreement, any rights or remedies under or by reason of the ISO Services Tariff.

12.4 Indemnification

For the purpose of this Section, the terms Market Participant(s) and Customer(s) shall not include a Transmission Owner with respect to acts or omissions related in any way to the Transmission Owner's ownership or operation of its transmission facilities when such acts or omissions are either (1) pursuant to or consistent with ISO Procedures or direction or (2) in any way related to the Transmission Owner's or the ISO's performance under this Tariff.

Subject to the ISO's obligations to the Transmission Owners under the ISO/TO Agreement and the ISO Agreement, each Customer and Market Participant shall indemnify, save harmless and defend the ISO, the Transmission Owners and the NYSRC including their directors, members, managers, officers, employees, trustees, committee members and agents, or each of them (individually the "Indemnitee" or collectively the "Indemnitees") from and against

all claims, demands, losses, liabilities, judgments, damages, and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by the Indemnitees in any actions or proceedings between the Indemnitees and a third party, the Customer or Market Participant or any other party) arising out of or related to the Indemnitee's or the Customer's acts or omissions related in any way to performance under the ISO Services Tariff, a Service Agreement or an ISO Related Agreement, except to the extent that the Indemnitees are found liable for gross negligence or intentional misconduct.

The ISO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the carrying out of its responsibilities under this Tariff. The proceeds from such insurance shall be used prior to the invocation by the ISO of its right to indemnification under this Section through the Rate Schedule 1 charge. Except to the extent that indemnification of the ISO is required from a particular Market Participant or Customer because of the acts or omissions of that Market Participant or Customer, indemnification of or by the ISO shall be effected through the Rate Schedule 1 charge of the ISO OATT.

12.5 Other Remedies

Nothing in the ISO Services Tariff shall be construed as in any way to limit the Transmission Owner's rights and remedies, at law or in equity, with respect to a party in the event of an act or omission related to the ISO Services Tariff by such party.

12.6 Survival

The provisions of this Article 12, "Liability and Indemnification," shall survive termination or expiration of the ISO Services Tariff or any associated Service Agreement.

ARTICLE 13

METERING

13.1 General Requirements

Existing metering in the NYCA provides revenue-quality metering information among the currently designated electrical zones separated by the designated transmission Interfaces. In addition, sufficient metering information will be made available by the ISO to calculate Load for the individual Transmission Owners within each Load Zone. The ISO will require adequate metering for all Generators and Loads within the NYCA to ensure the reliable operation of the NYS Power System.

13.2 Requirements Pertaining to Customers

Customers shall provide to the ISO such information and data as the ISO reasonably deems necessary in order to perform its functions and fulfill its responsibilities under the ISO Services Tariff and in accordance with the ISO Market Power Monitoring Program. Such information will be provided on a timely basis and in the formats prescribed in the ISO Procedures. The ISO shall establish metering specifications and standards for all metering that is

used as a data source by the ISO. Customers shall install and maintain such metering at their own expense and deliver data to the ISO without charge.

A Customer taking service under the ISO Services Tariff will make available to the ISO metered data that meets ISO requirements by one of the following means: (i) direct transmission to the ISO; (ii) direct transmission to the ISO through Transmission Owner communications equipment, or (iii) indirectly through metering provided by the Transmission Owner in whose Load Zone it is located.

The Customer also shall provide its metered data to the Transmission Owner in whose Load Zone it is located, to the extent that the Transmission Owner determines that the metered data provided to the ISO is required for its system operation and planning functions, for the billing of services it provides to the Customer, or to perform calculations required as part of the ISO Settlement procedures.

Load Serving Entities

Any Load that is not directly metered, as described above, will have its Load determined by the Transmission Owner in whose Load Zone it is located in accordance with the Transmission Owner's retail access plan on file with the PSC or otherwise authorized.

Ancillary Service Suppliers

Suppliers shall ensure that adequate metering data is made available to the ISO as described above. Additionally, for operational purposes, metered data provided to the ISO must also simultaneously be provided to the Transmission Owner, which will handle such information in conformity with the OASIS standards of conduct as specified in Order No. 889.

Third Party Metering Services

Customers whose metering services are provided by third parties qualified under rules, regulations and procedures of applicable state regulatory authorities shall be responsible to ensure that all data described in this Section are satisfactorily made available to the ISO and applicable Transmission Owner(s) by those third parties.

Estimation of Metering

In the event of a meter malfunction or inadequate metering data, the ISO may use estimates to determine Customer's rights and responsibilities under the ISO Services Tariff.

ARTICLE 14

MISCELLANEOUS

14.1 Notices

Except as specified in the ISO Procedures, all written notices under the ISO Services Tariff shall be deemed as having been given: (i) when delivered in person; (ii) when sent by

United States registered or certified mall (return receipt requested), postage prepaid, or (iii) when sent by a reputable overnight courier to the other party at the address stated in the Service Agreement between the ISO and each Customer or at the last changed address given by the other party as hereinafter specified. Either party may, at any time, change its address for notification purposes by sending the other party written notice stating the change and setting forth the new address. The ISO shall adopt procedures for the provision of all notices and protocols required to implement the ISO Services Tariff.

14.2 Tax Exempt Financing Pursuant to Section 142 (f) of the Internal Revenue Code

This provision is applicable only to Transmission Owners that have financed facilities for the local furnishing of Energy with Local Furnishing Bonds as described in Section 142(f) of the Internal Revenue Code ("Local Furnishing Bonds"). Notwithstanding any other provision of the ISO Services Tariff, neither the ISO nor the Transmission Owner shall be required to take any action or provide any service if the taking of such action or provision of such service would result in loss of the tax-exempt status of any Local Furnishing Bonds. In the event a Transmission Owner is ordered to take an action on behalf of a Customer that results in the loss of tax-exempt status of any Local Furnishing Bonds, such Customer shall be obligated to pay to the Transmission Owner all costs associated with the loss of tax-exempt status of the Local Furnishing Bonds.

14.3 LIPA and NYPA Tax Exempt Obligations

This provision is applicable to LIPA and NYPA, which have financed transmission facilities with the proceeds of tax-exempt bonds issued pursuant to the Internal Revenue Code. Notwithstanding any other provision of the ISO OATT or the ISO Services Tariff, neither the ISO nor the Transmission Owner shall be required to provide Transmission Service to any Customer pursuant to an ISO Tariff if the provision of such Transmission Service would result in loss of tax-exempt status of the NYPA Tax Exempt Bonds or LIPA Tax Exempt Bonds or impair LIPA's or NYPA's ability to issue future tax-exempt obligations. If, by virtue of an order issued by the Commission pursuant to Section 211 of the FPA, the ISO or a Transmission Owner is required to provide Transmission Service that would adversely affect the tax-exempt status of the LIPA Tax Exempt Bonds or NYPA's Tax Exempt Bonds or any other tax-exempt debt obligations, then the Customer receiving such Transmission Service will compensate LIPA or NYPA for all costs, if any, associated with the loss of tax-exempt status plus the normal costs of Transmission Service.

14.4 Amendments

Nothing contained in the ISO Services Tariff or any Service Agreement shall be construed as affecting in any way the right of the ISO or a Transmission Owner under the ISO/TO Agreement to make application to the Commission for a change in: rates, terms,

conditions, charges, or classifications of service; the provision of Ancillary Services; a Service Agreement; or a rule or regulation, under the FPA and pursuant to the Commission's rules and regulations promulgated thereunder.

Nothing contained in the ISO Services Tariff of any Service Agreement shall be construed as affecting in any way the ability of any Transmission Customer or Transmission Owner to exercise its rights under the FPA including, but not limited to, the right to file a complaint under Section 206 of the FPA or any successor statute and pursuant to the Commission's rules and regulations promulgated thereunder.

Notwithstanding any other provision of the ISO Services Tariff, the ISO Services Tariff may be amended only in accordance with the ISO Agreement, the ISO/TO Agreement, and consistent with the requirements of the FPA and the Commission's rules and regulations promulgated thereunder.

14.5 Applicable Law and Forum

The ISO Services Tariff and any Service Agreement shall be governed by and construed in accordance with the law of the State of New York, except its conflict of law provisions. Customers irrevocably consent that any legal action or proceeding arising under or relating to the ISO Services Tariff or any Service Agreement shall be brought in any court of the State of New York or any federal court of the United States of America located in the State of New York.

Customers irrevocably waive any objection that they may now or in the future have to the designated courts in the State of New York as the proper and exclusive forum for any legal action or proceeding arising under or relating to the ISO Services Tariff or any Service Agreement.

14.6 Counterparts

Any Service Agreement entered into pursuant to the ISO Services Tariff may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

14.7 Waiver

No delay or omission in the exercise of any right under a Service Agreement or the ISO Services Tariff shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time-to-time and as often as may be deemed expedient. If any obligation or covenant under a Service Agreement or the ISO Services Tariff shall be breached and thereafter waived, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder or under a Service Agreement.

14.8 Assignment

Obligations under the ISO Services Tariff and any Service Agreement shall be binding on the successors and assigns of the Service Agreement. No assignment shall relieve the original

Customer from its obligations under the ISO Services Tariff or any Service Agreement.

14.9 Representations, Warranties & Covenants

A Service Agreement entered into under the ISO Services Tariff shall contain representations, warranties and covenants, as the parties deem appropriate and in accordance with the pro forma Service Agreement, regarding the Customer's ability to perform, and the enforceability of, the Service Agreement.

Sheet Nos. 233 through 250 are reserved for future use.