

January 16, 2007

By Hand

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

New York Independent System Operator, Inc.'s
Proposed Tariff Revisions Regarding Recovery of NERC Fees,
Request for Waiver of 60-Day Notice Period and Request for Expedited Treatment

Dear Ms. Salas:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed revisions to its Open Access Transmission Tariff ("OATT") to provide specific language regarding the NYISO's recovery of the operating costs from its Load Serving Entities ("LSEs") for the National Electric Reliability Corporation ("NERC"). Those costs also include the operating costs of the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC-CBRE") (together, the "NERC Charges").

The NYISO is also revising the definition of "NERC" in both the OATT and in the NYISO Market Administration and Control Area Services Tariff ("Services Tariff").

In order to allow the NYISO to issue invoices to its LSEs and collect the NERC charges for the payment due to NERC on April 1, 2007, the NYISO requests that the Commission: (i) shorten the comment period for this filing to fourteen days; (ii) waive for good cause shown the 60-day prior notice requirement to permit a March 1, 2007 effective date; and (iii) issue an order accepting the proposed tariff amendments by March 1, 2007.

The NYISO is also proposing to delete sections of the OATT that are no longer applicable.

I. List of Documents Submitted

The NYISO submits the following documents:

1. this filing letter;
2. a clean version of the proposed revisions to the OATT (Attachment I);

¹ 16 U.S.C. § 824d (2004).

3. a redlined version of the proposed revisions to the OATT (Attachment II);
4. a clean version of the proposed revision to the Services Tariff (Attachment III); and
5. a redlined version of the proposed revision to the Services Tariff (Attachment IV).

II. Background

By order issued October 24, 2006, the Commission conditionally accepted the 2007 NERC Budget and allowed NERC to contract with an ISO for collection purposes.² On January 9, 2007, the NYISO contracted with NERC by executing a Billing Services Agreement under which the NYISO will provide billing services to collect NERC Charges from LSEs in the New York Control Area ("NYCA") pursuant to the conditions imposed by the Commission.

III. Description of Proposed Tariff Revisions

The NYISO makes this filing for the purpose of facilitating the billing and collection of NERC Charges to advance the Commission's policies on ERO billing and collections.³ The NYISO's collection of these charges spares NERC the burden of separately billing dozens of LSEs and separately keeping track of each LSEs' load ratio share upon which the NERC Charges are allocated.

The proposed tariff revisions create an additional category under Schedule 1 of the NYISO's OATT to specifically identify the NERC Charges and the method used to allocate and collect those charges. The NERC Charges will be recovered from LSEs in the NYCA on a quarterly basis and will be based on Actual Energy Withdrawals to supply Load in the NYCA.⁴ The proposed tariff provisions provide that the load metering data used to establish the load ratio shares will depend on the month in which the customer invoice is issued. The NYISO is in the process of making improvements regarding when metering data is finalized, and the tariff

² *North American Electric Reliability Corp.*, 117 FERC ¶61,091 at P. 136 (2006).

³ *Id.* at PP 125-136; *North American Electric Reliability Corp.*, 116 FERC ¶61,062 ("ERO Certification Order"), *order on reh'g*, 117 FERC ¶ 61,126 (2006); *appeal docketed sub nom. Alcoa v. FERC*, No. 06-1426 (D.C. Cir. Dec. 29, 2006). *See also, Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶31,204 (2006), *order on reh'g*, Order No. 672-A, FERC Stats. & Regs. ¶31,212 (2006) ("Order on Rehearing").

⁴ Terms used but not otherwise defined herein shall have the meanings ascribed to them in the NYISO's OATT. The NYISO included losses in the EIA-411 data provided to NERC, therefore, the NYCA share of the regional costs is correct. However, the NYISO will not strictly allocate NERC Charges based on Net Energy for Load due to the manner in which losses are billed in the NYCA. LSEs are not directly charged for losses; rather losses are paid for through one component of the charge for energy (*i.e.*, Locational Based Marginal Prices). Given this methodology to account for losses, specific loss values for each LSE are not captured or calculated in the NYISO settlement system for any time granularity and, therefore, are not available to be used in an allocation of the ERO charges. In addition, the NYISO notes that it will not be allocating any of the NERC Charges assigned to the NYCA to behind the meter generation. The NYISO does not have the data necessary to include behind the meter generation in the allocation. *But cf. ERO Certification Order* at P 170; *Order on Rehearing* at P53.

revisions proposed herein allow that improved metering data to be used as soon as possible.⁵ For customer invoices issued prior to September 1, 2007, the NYISO will utilize the load metering information for the most recent month for which actual load meter data are available. This is the four-month true-up which typically includes the vast majority of load shifts. For all invoices issued on or after September 1, 2007, the NYISO will use the finalized actual metering load data that is no longer subject to challenge. Given the quality of the metering data upon which load ratio shares will be calculated, the NYISO will not make subsequent corrections or adjustments. The NYISO notes that if NERC performed the billing, load-ratio shares would have been based on 2005 data and apparently would not have included any true-up.⁶

Under the Billing Services Agreement, NERC will provide the NYISO with the amount of NERC Charges due for the following calendar quarter.⁷ The NYISO will then calculate the load ratio shares for each LSE and include that charge on the LSE's monthly invoice. In performing this service, the Billing Services Agreement specifically relieves the NYISO of pursuing any nonpayment by LSEs. Moreover, the Billing Services Agreement does not require NYISO to hold a nonpaying LSE in Default under its OATT and provides that NERC indemnifies the NYISO against any and all issues that arise out of the Billing Services Agreement. This is consistent with the Commission's explanation of the limited facilitating role for Regional Entities in this matter.⁸ The NYISO simply remits to NERC the amounts that it collected from LSEs.⁹ Notwithstanding any applicable confidentiality provisions of the OATT or of the Services Tariff, the proposed tariff revisions do, however, provide that the NYISO may supply NERC with the name of any LSE failing to pay NERC Charges and the amount not paid.

As noted above, the operating costs of the NPCC-CBRE, the Regional Entity, are included as NERC Charges. Other non-statutory functions formerly performed by the Northeast Power Coordinating Council will continue to be performed by Northeast Power Coordinating Council, Inc. Charges to the NYISO for those functions will be recoverable pursuant to amended Section 3.A of Schedule 1.

⁵ Under the current settlement procedures, a customer's initial invoice is based upon estimates. A four-month true-up is then issued based upon revenue quality metering data, and subsequent true-up invoices are issued where loads can continue to shift over time until the invoice month is ultimately closed-out. Under the improved procedures, the metering data received at the six-month true-up is considered finalized and cannot be changed. As such, using the finalized data at the six-month true-up obviates the need for true-ups as a result of load shifts. The improved procedures were approved by the Commission in a letter-order issued on December 18, 2006, *New York Independent System Operator, Inc.*, Docket No. ER07-156-000.

⁶ *North American Electric Reliability Corp.*, 117 FERC ¶61,091 at P 150.

⁷ This notification will be provided at least 60 days in advance of when the funds are due to NERC to allow NYISO to invoice and collect the funds from LSEs prior to when payment is due to NERC.

⁸ See *ERO Certification Order* at P 172.

⁹ The Billing Services Agreement also provides that if an LSE makes a partial payment on its monthly invoice, all funds paid will first be used to satisfy other obligations to the NYISO, with any remaining funds applied to NERC Charges.

The NYISO is also proposing to amend the definition of NERC in both the OATT and the Services Tariff to reflect the change in NERC's name from the North American Electric Reliability Council to the North American Electric Reliability Corporation.

Finally, the NYISO is proposing to delete Sections 2.B.3 and 3 of the OATT because those sections refer to start-up and formation costs of the NYISO which have been fully recovered as of December 2004.

IV. Request for Shortened Comment Period, Waiver and Proposed Effective Date

The NYISO respectfully requests that the Commission: (i) shorten the comment period for this filing to fourteen days; (ii) waive for good cause shown the 60-day prior notice requirement to permit a March 1, 2007 effective date; and (iii) issue an order accepting the proposed tariff amendments by March 1, 2007.¹⁰

Good cause exists to shorten the comment period and to permit a March 1, 2007 effective date to allow the NYISO to quickly put in place a mechanism for collection of NERC Charges from LSEs in the NYCA and avoid the NYISO having to further advance NYISO-funds to assure timely payments to NERC. As discussed above, the NYISO executed a Billing Services Agreement with NERC on January 9, 2007. Under that agreement, the NYISO agreed to pay NERC \$529,720.89 to assure timely payment of NERC's first-quarter 2007 Charges. The NYISO made the payment to NERC on January 10, 2007 and will later collect the funds it advanced from its LSEs once the Commission approves the proposed amendments in this filing.¹¹ Without the requested waiver, the NYISO would have to either advance another approximately \$500,000.00 to cover the second-quarter 2007 NERC Charges due April 1, 2007 or NERC would not get funded. Having sound financial arrangements in place will allow NERC to focus on its reliability function.

The NYISO acted as quickly as possible under the circumstances to make the instant filing. The NYISO was unable to finalize the current tariff amendments until the Billing Services Agreement was executed. The proposed tariff revisions then needed to be reviewed and approved by the appropriate market participants before being filed with the Commission. The NYISO made the instant filing less than a week after approval of the tariff revisions by the appropriate market participants. Accordingly, the NYISO respectfully requests that the Commission allow these schedules to become effective March 1, 2007 and issue an order accepting the proposed tariff amendments by March 1, 2007.

¹⁰ Federal Power Act § 205(d), 16 U.S.C. 824d(d); 18 CFR § 35.3(a), 35.11.

¹¹ The Billing Services Agreement contains a provision where NERC will make the NYISO whole for any deficiency the NYISO may experience when ultimately collecting the funds from its LSEs.

V. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel and Secretary
Elaine D. Robinson, Director of Regulatory Affairs
Andrew S. Antinori, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
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VI. Service List

The NYISO is electronically serving a copy of this filing on all market participants, on each participant in its stakeholder committees, on the New York State Public Service Commission, and on the electric utility regulatory agencies of New Jersey and Pennsylvania. In addition, the complete filing has been posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one.

VII. Requisite Approvals

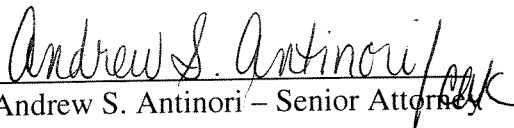
A motion to make this filing was approved at the Special Management Committee meeting on November 6, 2006 by unanimous vote, with abstentions. On November 21, 2006, the NYISO's Board of Directors approved a motion directing the NYISO to file the proposed tariff revisions approved by the Management Committee.

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VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission grant the waiver requested herein and accept the proposed tariff changes identified in this filing.

Respectfully submitted,


Andrew S. Antinori – Senior Attorney

cc: Shelton M. Cannon
Larry Gasteiger
Connie Caldwell
Michael A. Bardee
Kathleen E. Nieman
Dean Wight
Lance Hinrichs

Attachment I

Services.

- 1.18h Member Systems:** The eight Transmission Owners that comprise the membership of the New York Power Pool.
- 1.18i Minimum Generation Bid:** A Bid parameter that identifies the payment a Supplier requires to operate a Generator at its specific minimum operating level or to provide a Demand Side Resource's specified minimum quantity of Demand Reduction.
- 1.18j Minimum Generation Level:** For purposes of describing the eligibility of ten minute Resources to be committed by the Real Time Dispatch for pricing purposes pursuant to the Services Tariff, Section 4.4.3 (C), an upper bound, established by the ISO, on the physical minimum generation limits specified by ten minute Resources. Ten minute Resources with physical minimum generation limits that exceed this upper bound will not be committed by the Real Time Dispatch for pricing purposes. The ISO shall establish a Minimum Generation Level based on its evaluation of the extent to which it is meeting its reliability criteria including Control Performance. The Minimum Generation Level, in megawatts, and the ISO's rationale for that level, shall be made available through the ISO's website or comparable means.
- 1.18k Modified Wheeling Agreements ("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.
- 1.19 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.
- 1.19a NERC:** The North American Electric Reliability Council or, as applicable, the North American Electric Reliability Corporation.
- 1.19b NERC Transaction Priorities:** The reservation and scheduling priority applied to a Transaction under the NERC Transmission Loading Relief Procedure.

B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch

Service shall consist of four components and shall be recovered on a monthly basis (except for section 2.B.5 which shall be billed quarterly) in accordance with the following processes:

1. ISO Annual Budget and FERC Regulatory Fees Component
 - a. The responsibility for the sum of (a) those costs listed in Section 3.A of this Rate Schedule that are included in the ISO's annual budget and (b) the ISO's FERC regulatory fees, shall be allocated 20% to all injection billing units and 80% to all withdrawal billing units. The 80%/20% allocation will be effective for a minimum of five years commencing January 1, 2005. This allocation methodology shall be reviewed during the fourth quarter of 2008 if significant market changes merit its review.
 - b. The rate to be applied to injection billing units shall be the quotient of 20% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units as described in Section 2.A of this Rate Schedule. The rate to be applied to withdrawal billing units shall be the quotient of 80% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 2.A of this Rate Schedule.

3. Reserved
4. Residual Adjustment and Bid Production Guarantees Component
 - a. The ISO shall calculate, and Transmission Customers, other than Transmission Customers taking service under Part IV of the OATT to supply Station Power as third party providers, shall pay an hourly charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to

Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

5. NERC and Related Dues, Fees and Other Charges Component

Dues, fees, and other charges: (i) of NERC for its service as the Electric Reliability Organization for the United States ("ERO") recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and (ii) of Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc., or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA, all of which dues, fees, and other charges shall be recovered quarterly. Such recovery shall be based on Actual Energy Withdrawals to supply Load in the NYCA, utilizing the load metering information for the most recent month for which actual load meter data are available for invoices issued through August 31, 2007 and utilizing finalized actual load metering data no longer subject to challenge for invoices issued on or after September 1, 2007. The metering information shall not be subject to correction or adjustment.

Notwithstanding any applicable provisions of this Tariff or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

3. ISO Costs

ISO costs to be recovered through the Rate Schedule 1 charge include:

A. Costs associated with the operation of the NYS Transmission System by the ISO and administration of this Tariff by the ISO, including without limitation, the following :

- Processing and implementing requests for transmission service including support of the ISO OASIS node;
- Coordination of transmission system operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;

- Costs that the ISO incurs as a result of bad debt, including finance charges;
- Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523- 011, OA97-470-010 and ER97-4234-008; and
- Regulatory fees.
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

4. Residual Adjustment and Bid Production Guarantees

A. Residual Adjustment

The ISO's payments from Transmission Customers will not equal the ISO's payments to Suppliers. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises the Residual Adjustment, which will be an adjustment to the costs in Section 3A. The most significant components of the Residual Adjustment, which is calculated below, include:

- The greater revenue the ISO collects for Marginal Losses from Transmission Customers, in contrast to payments for losses remitted to generation facilities;
- Costs or savings associated with the ISO redispatch of Generators resulting from a change in Transfer Capability between the Day-Ahead schedule and the real-time dispatch;

Attachment II

Services.

- 1.18h Member Systems:** The eight Transmission Owners that comprise the membership of the New York Power Pool.
- 1.18i Minimum Generation Bid:** A Bid parameter that identifies the payment a Supplier requires to operate a Generator at its specific minimum operating level or to provide a Demand Side Resource's specified minimum quantity of Demand Reduction.
- 1.18j Minimum Generation Level:** For purposes of describing the eligibility of ten minute Resources to be committed by the Real Time Dispatch for pricing purposes pursuant to the Services Tariff, Section 4.4.3 (C), an upper bound, established by the ISO, on the physical minimum generation limits specified by ten minute Resources. Ten minute Resources with physical minimum generation limits that exceed this upper bound will not be committed by the Real Time Dispatch for pricing purposes. The ISO shall establish a Minimum Generation Level based on its evaluation of the extent to which it is meeting its reliability criteria including Control Performance. The Minimum Generation Level, in megawatts, and the ISO's rationale for that level, shall be made available through the ISO's website or comparable means.
- 1.18k Modified Wheeling Agreements ("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.
- 1.19 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.
- 1.19a NERC:** The North American Electric Reliability Council; or, as applicable, the North American Electric Reliability Corporation.
- 1.19b NERC Transaction Priorities:** The reservation and scheduling priority applied to a Transaction under the NERC Transmission Loading Relief Procedure.

B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch

Service shall consist of four components and shall be recovered on a monthly basis

(except for section 2.B.5 which shall be billed quarterly) in accordance with the

following processes:

1. ISO Annual Budget and FERC Regulatory Fees Component
 - a. The responsibility for the sum of (a) those costs listed in Section 3.A of this Rate Schedule that are included in the ISO's annual budget and (b) the ISO's FERC regulatory fees, shall be allocated 20% to all injection billing units and 80% to all withdrawal billing units. The 80%/20% allocation will be effective for a minimum of five years commencing January 1, 2005. This allocation methodology shall be reviewed during the fourth quarter of 2008 if significant market changes merit its review.
 - b. The rate to be applied to injection billing units shall be the quotient of 20% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units as described in Section 2.A of this Rate Schedule. The rate to be applied to withdrawal billing units shall be the quotient of 80% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 2.A of this Rate Schedule.

3. ~~ISO Start-Up and Formation Costs Component~~ Reserved

~~The costs listed in Section 3.B of this Rate Schedule shall be estimated each month for the following month, shall be divided by the total estimated withdrawal billing units as described in Section 2.A of this Rate Schedule for the following month and shall be posted on the ISO's website prior to the start of the subject month. This rate is then multiplied by each Transmission Customer's withdrawal billing units for the subject month.~~

4. Residual Adjustment and Bid Production Guarantees Component

- a. The ISO shall calculate, and Transmission Customers, other than Transmission Customers taking service under Part IV of the OATT to supply Station Power as third party providers, shall pay an hourly charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to

Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

5. NERC and Related Dues, Fees and Other Charges Component

Dues, fees, and other charges: (i) of NERC for its service as the Electric Reliability Organization for the United States ("ERO") recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and (ii) of Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc., or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA, all of which dues, fees, and other charges shall be recovered quarterly. Such recovery shall be based on Actual Energy Withdrawals to supply Load in the NYCA, utilizing the load metering information for the most recent month for which actual load meter data are available for invoices issued through August 31, 2007 and utilizing finalized actual load metering data no longer subject to challenge for invoices issued on or after September 1, 2007. The metering information shall not be subject to correction or adjustment.

Notwithstanding any applicable provisions of this Tariff or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

3. ISO Costs

ISO costs to be recovered through the Rate Schedule 1 charge include:

A. Costs associated with the operation of the NYS Transmission System by the ISO and administration of this Tariff by the ISO, including without limitation, the following :

- Processing and implementing requests for transmission service including support of the ISO OASIS node;
- Coordination of transmission system operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;

Issued by: Mark S. Lynch, President
Issued on: January 16, 2007

Effective: March 1, 2007

- Costs that the ISO incurs as a result of bad debt, including finance charges;
- Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523- 011, OA97-470-010 and ER97-4234-008; and
- Regulatory fees.

- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

~~B. Fifty percent of the costs associated with the start-up and formation of the ISO, equaling \$27.45 million, plus interest, less one half of the start-up costs already collected by the ISO under the ISO OATT.~~

~~These costs will be amortized over a five year period, from January 1, 2000 through December 31, 2004, and Rate Schedule 1 will include an amortized amount of the costs, inclusive of interest costs.~~

4. Residual Adjustment and Bid Production Guarantees

A. Residual Adjustment

The ISO's payments from Transmission Customers will not equal the ISO's payments to Suppliers. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises the Residual Adjustment, which will be an adjustment to the costs in Section 3A. The most significant components of the Residual Adjustment, which is calculated below, include:

- The greater revenue the ISO collects for Marginal Losses from Transmission Customers, in contrast to payments for losses remitted to generation facilities;
- Costs or savings associated with the ISO redispatch of Generators resulting from a change in Transfer Capability between the Day-Ahead schedule and the real-time dispatch;

Attachment III

2.108 NERC

The North American Electric Reliability Council or, as applicable, the North American Electric Reliability Corporation.

2.108a Net Auction Revenue

The total amount, in dollars, as calculated pursuant to Section 3.1 of Part V of Attachment B, remaining after collection of all charges and allocation of all payments associated with a round of a Centralized TCC Auction or a Reconfiguration Auction. Net Auction Revenue takes into account: (i) revenues from and payments for the award of TCCs in a Centralized TCC Auction or Reconfiguration Auction, (ii) payments to Transmission Owners releasing ETCNL, (iii) payments or charges to Primary Holders selling TCCs, (iv) payments to Transmission Owners releasing Original Residual TCCs, (v) O/R-t-S Auction Revenue Surplus Payments and U/D Auction Revenue Surplus Payments, and (vi) O/R-t-S Auction Revenue Shortfall Charges and U/D Auction Revenue Shortfall Charges. Net Auction Revenue may be positive or negative.

2.108b Net Congestion Rent

The total amount, in dollars, as calculated pursuant to Section 2.1 of Part V of Attachment B, remaining after collection of all Congestion-related charges and allocation of all Congestion-related payments associated with the Day-Ahead Market. Net Congestion Rent takes into account: (i) charges and payments for Congestion Rents, (ii) settlements with TCC Primary Holders, (iii) O/R-t-S Congestion Rent Shortfall Charges and U/D Congestion Rent Shortfall Charges, and (iv) O/R-t-S Congestion Rent Surplus Payments and U/D Congestion Rent Surplus Payments. Net Congestion Rent may be positive or negative.

Attachment IV

2.108 NERC

The North American Electric Reliability Council- or, as applicable, the North American Electric Reliability Corporation.

2.108a Net Auction Revenue

The total amount, in dollars, as calculated pursuant to Section 3.1 of Part V of Attachment B, remaining after collection of all charges and allocation of all payments associated with a round of a Centralized TCC Auction or a Reconfiguration Auction. Net Auction Revenue takes into account: (i) revenues from and payments for the award of TCCs in a Centralized TCC Auction or Reconfiguration Auction, (ii) payments to Transmission Owners releasing ETCNL, (iii) payments or charges to Primary Holders selling TCCs, (iv) payments to Transmission Owners releasing Original Residual TCCs, (v) O/R-t-S Auction Revenue Surplus Payments and U/D Auction Revenue Surplus Payments, and (vi) O/R-t-S Auction Revenue Shortfall Charges and U/D Auction Revenue Shortfall Charges. Net Auction Revenue may be positive or negative.

2.108b Net Congestion Rent

The total amount, in dollars, as calculated pursuant to Section 2.1 of Part V of Attachment B, remaining after collection of all Congestion-related charges and allocation of all Congestion-related payments associated with the Day-Ahead Market. Net Congestion Rent takes into account: (i) charges and payments for Congestion Rents, (ii) settlements with TCC Primary Holders, (iii) O/R-t-S Congestion Rent Shortfall Charges and U/D Congestion Rent Shortfall Charges, and (iv) O/R-t-S Congestion Rent Surplus Payments and U/D Congestion Rent Surplus Payments. Net Congestion Rent may be positive or negative.

Issued by: Mark S. Lynch, President
Issued on: ~~March 17~~ January 16, 20067

Effective: ~~May~~ March 1, 20067