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FILE NO: 55430.000043

BY HAND DELIVERY

January 9, 2007

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: New York Independent System Operator, Inc.'s
Proposed Tariff Revisions Regarding Customer Prepayment Program

Dear Ms. Salas:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. (“NYISO”) respectfully submits proposed revisions to its Open Access Transmission Tariff (“OATT”) and its Market Administration and Control Area Services Tariff (“Services Tariff”). The proposed revisions amount to refinements of the NYISO’s prepayment program pursuant to which customers may prepay for estimated purchases of energy and ancillary services in lieu of providing collateral that would otherwise be required to meet the creditworthiness requirements established in Attachment W of the OATT and Attachment K of the Services Tariff.

The proposed revisions will reduce credit risk to NYISO without unduly burdening prepayment customers by: (i) requiring that weekly prepayments be made on the first business day of the week, rather than the last; (ii) reducing the applicable cure period should a customer fail to make a prepayment when required; and (iii) modifying the calculation used to determine the reduced amount of collateral that must be provided by a prepayment customer. These proposed revisions will benefit NYISO customers by maintaining a prepayment program that provides greater access to the markets for smaller customers while at the same time reducing risks to NYISO presented by the current prepayment program. The NYISO developed these proposed provisions with substantial input from stakeholders through its shared governance process and they enjoy widespread stakeholder support.

I. Documents Submitted

1. This letter;
2. Clean tariff sheets from the OATT incorporating the proposed revisions (“Attachment I”);

¹ 16 U.S.C. § 824d.



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3. Blacklined tariff sheets reflecting the same (“Attachment II”).
4. Clean tariff sheets from the Services Tariff incorporating the proposed revisions (“Attachment III”).
5. Blacklined tariff sheets reflecting the same (“Attachment IV”).

II. Communications and Correspondence

Communications regarding this filing should be directed to:

Robert E. Fernandez, General Counsel and Secretary
Elaine D. Robinson, Director of Regulatory Affairs
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandez@nyiso.com
erobinson@nyiso.com

Ted J. Murphy
Hunton & Williams LLP
1900 K Street, NW
Suite 1200
Washington, DC 20006-1109
Tel: (202) 955-1500
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tmurphy@hunton.com

Kevin W. Jones²
Hunton & Williams
951 East Byrd Street
Richmond, VA 23219
Tel: (804) 788-8731
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kjones@hunton.com

III. Background

The NYISO tariffs establish the credit requirements for customers participating in the NYISO-administered markets.³ One method by which customers may meet certain of those requirements is by entering into a prepayment agreement (“Prepayment Agreement”) with NYISO pursuant to which the customer agrees to prepay for its estimated purchases of energy and ancillary services on a weekly basis. By entering into a Prepayment Agreement, a customer

² The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2004) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, Virginia.

³ The bulk of the NYISO’s customer credit requirements are established in Attachment W of the OATT and Attachment K of the Services Tariff.

can reduce the collateral that it would otherwise be required to provide to the NYISO. While this program has enabled the NYISO to lower the credit requirements for prepayment customers, certain features of the program expose the NYISO to unnecessary credit risk. The NYISO is making this filing to refine the prepayment program in a manner that will preserve its benefits for prepayment customers while eliminating the unnecessary credit risk that exists under the program today.

These proposed revisions were developed by NYISO staff with substantial input from stakeholders through the Credit Policy Task Force and the Scheduling & Pricing Working Group, stakeholder groups that report to the NYISO's Business Issues Committee. These provisions are relatively simple yet important improvements to the current prepayment program that enjoy widespread stakeholder support. The proposed revisions to the NYISO's tariffs were passed by a unanimous vote of the NYISO's Management Committee, with abstentions.

IV. Description of Proposed Revisions

Under the current prepayment program, a customer may enter into a Prepayment Agreement pursuant to which it agrees to prepay an amount estimated by the NYISO to equal the customer's energy and ancillary services purchases during the next week.⁴ In accordance with the Prepayment Agreement, the customer's prepayment is due on the last business day of each week for estimated purchases to be made during the coming week.⁵ In the event that a customer fails to make a prepayment when required, the NYISO may terminate the Prepayment Agreement immediately upon notice to the customer and demand collateral in the full amount otherwise required by the NYISO tariffs.⁶ The NYISO may then terminate service to the customer after three (3) business days if the customer fails to comply with the NYISO's demand for collateral.⁷

If the NYISO terminates a participating customer's Prepayment Agreement as a result of the customer failing to make its prepayment when due on the last business day of the week, the period within which the customer must satisfy the NYISO's ordinary credit requirements does

⁴ The form of the Prepayment Agreement is contained in Appendix W-1 of Attachment W of the OATT and Appendix K-1 of Attachment K of the Services Tariff.

⁵ Attachment W, Appendix W-1 at ¶ 3; Attachment K, Appendix K-1 at ¶ 3.

⁶ Attachment W, Appendix W-1 at ¶ 6; Attachment K, Appendix K-1 at ¶ 6.

⁷ The NYISO tariffs provide that a customer shall have three (3) business days to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements. OATT, Section 7.3(B); Services Tariff, § 7.5(B).

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not begin to run until the next business day (at the start of the following business week). Meanwhile, the customer will continue to incur charges for energy and ancillary services throughout the weekend, thereby exposing the NYISO to unnecessary risk of bad debt losses. To address this risk, NYISO proposes to make the following revisions to its tariffs:

- Paragraph 3 of the Form of Customer Prepayment Agreement will be revised to provide that the customer shall make each prepayment not later than 4:00 p.m on the first business of day of each week, rather than the last;
- Section 7.3(B) of the OATT and Section 7.5(B) of the Services Tariff will be revised to establish that a customer shall have one (1) business day, rather than three (3) business days, to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement; and
- Section III(B)(i)(b) of Attachments W and K will be revised to provide that a prepayment customer's Energy Component shall be equal to the greater of (i) three (3) times the average daily Basis Amount for Energy and Ancillary Services for the prior Equivalent Capability Period or (ii) three (3) times the average daily charges incurred for energy and ancillary services for the previous ten days.

These minor changes will serve to reduce the NYISO's credit exposure, while at the same time preserving the prepayment program for the benefit of NYISO customers.⁸ Each of the proposed revisions are reflected in the clean and blacklined versions of the OATT and Services Tariff attached to this letter.

V. Proposed Effective Date

The NYISO respectfully requests that these provisions become effective on March 10, 2007, sixty (60) days from the date of this filing.

VI. Service

The NYISO is electronically serving a copy of this filing on the official representative of each of its customers, on each participant on its Market Participant committees, and on the New

⁸ In addition to the substantive revisions described above, the NYISO is submitting proposed revisions to update the contact information indicated in the form of Prepayment Agreement contained in Attachment W of the OATT and Attachment K of the Services Tariff.



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York State Public Service Commission, and by first-class mail on the electric utility regulatory agencies of New Jersey and Pennsylvania.

VII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff revisions identified in this filing.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ted J. Murphy".

Ted J. Murphy
Counsel for the
New York Independent System Operator, Inc.

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

ATTACHMENT I

7.3 Customer Default

A. A Transmission Customer shall be in default, upon written notice from the ISO, in the event that: (i) the Transmission Customer fails to timely make a payment due to the ISO, regardless of whether such payment obligation is in dispute, or (ii) the Transmission Customer fails to comply with the ISO's creditworthiness requirements. In the event of a billing dispute between the ISO and the Transmission Customer, the ISO will continue to provide service under the Service Agreement as long as the Transmission Customer continues to make all payments.

B. A Transmission Customer shall have two (2) business days to cure a default resulting from its failure to timely make a payment due to the ISO. A Transmission Customer shall have three (3) business days to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements; *provided, however*, that a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

C. Upon an event of default and expiration of the relevant cure period, the ISO may terminate service to a Transmission Customer immediately upon notice to the Commission. In addition, in the event of a default, the ISO may pursue other remedies available hereunder or pursuant to law or in equity, including initiating debt collection procedures on behalf of the ISO Clearing Account. The process for declaring and recovering bad debt losses is set forth in Attachment U to this OATT.

- (b) For Transmission Customers with a prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 3$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 3$$

- (c) For new Transmission Customers, the ISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services for use in the appropriate formula above equal to: $EPL \times 720 \times (AEP \times 1.1)$ where: EPL = estimated peak Load for the Capability Period

AEP = average Energy price during the Prior Equivalent Capability Period

- (ii) **UCAP Component.** The UCAP Component shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the ISO-administered markets.

- (iii) **TCC Component.** The TCC Component shall be equal to the greater of either:

Issued by: Mark S. Lynch, President
Issued on: January 9, 2007

Effective: March 10, 2007

Appendix W-1

FORM OF CUSTOMER PREPAYMENT AGREEMENT

THIS PREPAYMENT AGREEMENT, effective as of **[date]** (“Prepayment Agreement”) is entered into by and between the New York Independent System Operator, Inc. (“NYISO”) and **[full legal name of customer]** (“Customer”). Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to those terms in the Open Access Transmission Tariff (“OATT”) or the Market Administration and Control Area Services Tariff (“Services Tariff”), as context requires.

1. **Prepayment to Reduce Operating Requirement.** Customer agrees to make a payment each week for purchases of Energy and Ancillary Services (“Prepayment”) in order to reduce the Energy and Ancillary Services Component of its Operating Requirement pursuant to Section III.B.(i) of Attachment W of the OATT and Section III.B.(i) of Attachment K of the Services Tariff.
2. **Prepayment Amount.** The amount of each Prepayment (“Prepayment Amount”) shall be the NYISO’s reasonable estimate, based on the charges incurred by Customer during the previous week, of the charges that Customer will incur during the next calendar week for purchases of Energy and Ancillary Services in the NYISO-administered markets. The initial Prepayment Amount is \$**[amount]**. NYISO shall inform Customer of any change in the Prepayment Amount not later than 11:00 A.M. EST on the last business day prior to the day on which the next Prepayment is due. Amounts owed to Customer by NYISO in regular monthly settlements shall not reduce or offset the Prepayment Amount.
3. **Manner of Payment.** Customer shall make each Prepayment not later than 4:00 P.M. EST on the first business day of the week by wire transfer to the account designated by NYISO.
4. **Supplemental Payment.** In the event that NYISO determines that a Prepayment is less than the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, Customer shall make a supplemental payment upon written demand by NYISO. NYISO shall specify in its demand the amount of the supplemental payment and the time for such payment to be made; *provided, however*, that the payment shall not be due sooner than 4:00 P.M. EST on the next business day.

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5. Overpayment. In the event that NYISO determines that a Prepayment exceeds the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, NYISO shall credit the difference toward Customer's next Prepayment and shall notify Customer of the revised Prepayment Amount.

6. Termination. Customer may terminate this Prepayment Agreement upon ten (10) days written notice to NYISO. NYISO may terminate this Prepayment Agreement immediately upon written notice to the Customer in the event that Customer fails to perform in strict accordance with the terms hereof. In addition, this Prepayment Agreement shall terminate upon any amendment of the OATT or the Services Tariff that eliminates the prepayment mechanism thereunder or requires material modification of this Prepayment Agreement.

7. Regular Monthly Settlements. Nothing in this Prepayment Agreement shall alter the obligation of Customer or NYISO to pay amounts owed in accordance with the NYISO's regular monthly settlement process pursuant to the terms of the OATT and the Services Tariff, which amounts shall be net of payments made pursuant to this Prepayment Agreement.

8. Interest. Customer shall not earn interest on its Prepayments. NYISO shall apply any interest actually earned on Prepayments to offset NYISO costs otherwise recovered through Schedule 1 of the OATT and Rate Schedule 1 of the Services Tariff.

9. Communications. All communications pursuant to this Prepayment Agreement shall be in writing, deemed effective when received, and delivered by hand with receipt of delivery, registered mail, or facsimile with confirmation of receipt to the following addresses:

NYISO:
Attn: Credit Manager
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Fax: (518) 356-7505

Customer:
Attn: _____

Fax: _____

ATTACHMENT II

7.3 Customer Default

A. A Transmission Customer shall be in default, upon written notice from the ISO, in the event that: (i) the Transmission Customer fails to timely make a payment due to the ISO, regardless of whether such payment obligation is in dispute, or (ii) the Transmission Customer fails to comply with the ISO's creditworthiness requirements. In the event of a billing dispute between the ISO and the Transmission Customer, the ISO will continue to provide service under the Service Agreement as long as the Transmission Customer continues to make all payments.

B. A Transmission Customer shall have two (2) business days to cure a default resulting from its failure to timely make a payment due to the ISO. A Transmission Customer shall have three (3) business days to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements; provided, however, that a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

C. Upon an event of default and expiration of the relevant cure period, the ISO may terminate service to a Transmission Customer immediately upon notice to the Commission. In addition, in the event of a default, the ISO may pursue other remedies available hereunder or pursuant to law or in equity, including initiating debt collection procedures on behalf of the ISO Clearing Account. The process for declaring and recovering bad debt losses is set forth in Attachment U to this OATT.

- (b) For Transmission Customers with a prepayment agreement, the ~~greater of either: result of a reasonable estimate of the net amount that the Transmission Customer owes the ISO as a result of true-ups to prior invoices minus the amount of a customer's average weekly prepayment, as may be adjusted by the NYISO from time to time.~~

$$\frac{\text{Basis Amount for Energy and Ancillary Services} \times 3}{\text{Days in Basis Month}}$$

~~- or -~~

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days} \times 3}{10}$$

- (c) For new Transmission Customers, the ISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services for use in the appropriate formula above equal to: $EPL \times 720 \times (AEP \times 1.1)$ where: EPL = estimated peak Load for the Capability Period
 AEP = average Energy price during the Prior Equivalent Capability Period
- (ii) **UCAP Component.** The UCAP Component shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the ISO-administered markets.
- (iii) **TCC Component.** The TCC Component shall be equal to the greater of either:

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1. **Prepayment to Reduce Operating Requirement.** Customer agrees to make a payment each week for purchases of Energy and Ancillary Services ("Prepayment") in order to reduce the Energy and Ancillary Services Component of its Operating Requirement pursuant to Section III.B.(i) of Attachment W of the OATT and Section III.B.(i) of Attachment K of the Services Tariff.

2. **Prepayment Amount.** The amount of each Prepayment ("Prepayment Amount") shall be the NYISO's reasonable estimate, based on the charges incurred by Customer during the previous week, of the charges that Customer will incur during the next calendar week for purchases of Energy and Ancillary Services in the NYISO-administered markets. The initial Prepayment Amount is \$**[amount]**. NYISO shall inform Customer of any change in the Prepayment Amount not later than 11:00 A.M. EST on the last business day prior to the day on which the next Prepayment is due. Amounts owed to Customer by NYISO in regular monthly settlements shall not reduce or offset the Prepayment Amount.

3. **Manner of Payment.** Customer shall make each Prepayment not later than 4:00 P.M. EST on the ~~last~~first business day of the week by wire transfer to the account designated by NYISO.

4. **Supplemental Payment.** In the event that NYISO determines that a Prepayment is less than the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, Customer shall make a supplemental payment upon written demand by NYISO. NYISO shall specify in its demand the amount of the supplemental payment and the time for such payment to be made; *provided, however*, that the payment shall not be due sooner than 4:00 P.M. EST on the next business day.

5. Overpayment. In the event that NYISO determines that a Prepayment exceeds the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, NYISO shall credit the difference toward Customer's next Prepayment and shall notify Customer of the revised Prepayment Amount.

6. Termination. Customer may terminate this Prepayment Agreement upon ten (10) days written notice to NYISO. NYISO may terminate this Prepayment Agreement immediately upon written notice to the Customer in the event that Customer fails to perform in strict accordance with the terms hereof. In addition, this Prepayment Agreement shall terminate upon any amendment of the OATT or the Services Tariff that eliminates the prepayment mechanism thereunder or requires material modification of this Prepayment Agreement.

7. Regular Monthly Settlements. Nothing in this Prepayment Agreement shall alter the obligation of Customer or NYISO to pay amounts owed in accordance with the NYISO's regular monthly settlement process pursuant to the terms of the OATT and the Services Tariff, which amounts shall be net of payments made pursuant to this Prepayment Agreement.

8. Interest. Customer shall not earn interest on its Prepayments. NYISO shall apply any interest actually earned on Prepayments to offset NYISO costs otherwise recovered through Schedule 1 of the OATT and Rate Schedule 1 of the Services Tariff.

9. Communications. All communications pursuant to this Prepayment Agreement shall be in writing, deemed effective when received, and delivered by hand with receipt of delivery, registered mail, or facsimile with confirmation of receipt to the following addresses:

NYISO:
Attn: Credit Manager
New York Independent System Operator, Inc.
~~290 Washington Avenue Extension~~ 10 Krey Boulevard
~~Rensselaer, Albany, New York 12144~~ 203
Fax: (518) 356-~~750~~ 582

Customer:
Attn: _____

Fax: _____

Issued by: ~~William J. Museler~~ Mark S. Lynch, President
Issued on: ~~January 79, 2004~~ 79, 2004

Effective: ~~December 21~~ March 10, 2003

~~Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER03-552-004 and 005 and ER03-984-002 and 003, issued December 23, 2003, 105 FERC ¶ 61,340 (2003).~~

ATTACHMENT III

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

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

B. A Customer shall have two (2) business days to cure a Default resulting from its failure to timely make a payment due to the ISO. A Customer shall have three (3) business days to cure a Default resulting from its failure to comply with the ISO's creditworthiness requirements; *provided, however*, that a Customer shall have one (1) business day to cure a Default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

C. Upon an event of Default and expiration of any cure period, the ISO shall have the right to suspend and/or terminate the Service Agreement immediately upon notice to the Commission in addition to any and all other remedies available hereunder or pursuant to law or in equity.

- (b) For Customers with a prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 3$$

-or-

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 3$$

- (c) For new Customers, the ISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services for use in the appropriate formula above equal to: $EPL \times 720 \times (AEP \times 1.1)$
where: EPL = estimated peak Load for the Capability Period

AEP = average Energy price during the Prior Equivalent Capability Period

- (ii) **UCAP Component.** The UCAP Component shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the ISO-administered markets.

- (iii) **TCC Component.** The TCC Component shall be equal to the greater of either:

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1. **Prepayment to Reduce Operating Requirement.** Customer agrees to make a payment each week for purchases of Energy and Ancillary Services (“Prepayment”) in order to reduce the Energy and Ancillary Services Component of its Operating Requirement pursuant to Section III.B.(i) of Attachment W of the OATT and Section III.B.(i) of Attachment K of the Services Tariff.
2. **Prepayment Amount.** The amount of each Prepayment (“Prepayment Amount”) shall be the NYISO’s reasonable estimate, based on the charges incurred by Customer during the previous week, of the charges that Customer will incur during the next calendar week for purchases of Energy and Ancillary Services in the NYISO-administered markets. The initial Prepayment Amount is \$**[amount]**. NYISO shall inform Customer of any change in the Prepayment Amount not later than 11:00 A.M. EST on the last business day prior to the day on which the next Prepayment is due. Amounts owed to Customer by NYISO in regular monthly settlements shall not reduce or offset the Prepayment Amount.
3. **Manner of Payment.** Customer shall make each Prepayment not later than 4:00 P.M. EST on the first business day of the week by wire transfer to the account designated by NYISO.
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5. Overpayment. In the event that NYISO determines that a Prepayment exceeds the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, NYISO shall credit the difference toward Customer's next Prepayment and shall notify Customer of the revised Prepayment Amount.

6. Termination. Customer may terminate this Prepayment Agreement upon ten (10) days written notice to NYISO. NYISO may terminate this Prepayment Agreement immediately upon written notice to the Customer in the event that Customer fails to perform in strict accordance with the terms hereof. In addition, this Prepayment Agreement shall terminate upon any amendment of the OATT or the Services Tariff that eliminates the prepayment mechanism thereunder or requires material modification of this Prepayment Agreement.

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NYISO:
Attn: Credit Manager
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Fax: (518) 356-7505

Customer:
Attn: _____

Fax: _____

Issued by: Mark S. Lynch, President
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Effective: March 10, 2007

ATTACHMENT IV

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

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

B. A Customer shall have two (2) business days to cure a Default resulting from its failure to timely make a payment due to the ISO. A eCustomer shall have three (3) business days to cure a Default resulting from its failure to comply with the ISO's creditworthiness requirements; provided, however, that a Customer shall have one (1) business day to cure a Default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

C. Upon an event of Default and expiration of any cure period, the ISO shall have the right to suspend and/or terminate the Service Agreement immediately upon notice to the Commission in addition to any and all other remedies available hereunder or pursuant to law or in equity.

- (b) For ~~Transmission~~ Customers with a prepayment agreement, ~~the~~
~~result of a reasonable estimate of the net amount that the~~
~~Transmission Customer owes the ISO as a result of true-ups to~~
~~prior invoices minus the amount of a customer's average weekly~~
~~prepayment, as may be adjusted by the NYISO from time to~~
~~time~~ the greater of either: -

$$\frac{\text{Basis Amount for Energy and Ancillary Services} \times 3}{\text{Days in Basis Month}}$$

-or-

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days} \times 3}{10}$$

- (c) For new Customers, the ISO shall determine a substitute for the
Basis Amount for Energy and Ancillary Services for use in the
appropriate formula above equal to: $EPL \times 720 \times (AEP \times 1.1)$
where: EPL = estimated peak Load for the Capability Period
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Capability Period

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all amounts then-owed (billed and unbilled) for UCAP purchased in the
ISO-administered markets.

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THIS PREPAYMENT AGREEMENT, effective as of **[date]** (“Prepayment Agreement”) is entered into by and between the New York Independent System Operator, Inc. (“NYISO”) and **[full legal name of customer]** (“Customer”). Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to those terms in the Open Access Transmission Tariff (“OATT”) or the Market Administration and Control Area Services Tariff (“Services Tariff”), as context requires.

1. **Prepayment to Reduce Operating Requirement.** Customer agrees to make a payment each week for purchases of Energy and Ancillary Services (“Prepayment”) in order to reduce the Energy and Ancillary Services Component of its Operating Requirement pursuant to Section III.B.(i) of Attachment W of the OATT and Section III.B.(i) of Attachment K of the Services Tariff.

2. **Prepayment Amount.** The amount of each Prepayment (“Prepayment Amount”) shall be the NYISO’s reasonable estimate, based on the charges incurred by Customer during the previous week, of the charges that Customer will incur during the next calendar week for purchases of Energy and Ancillary Services in the NYISO-administered markets. The initial Prepayment Amount is \$**[amount]**. NYISO shall inform Customer of any change in the Prepayment Amount not later than 11:00 A.M. EST on the last business day prior to the day on which the next Prepayment is due. Amounts owed to Customer by NYISO in regular monthly settlements shall not reduce or offset the Prepayment Amount.

3. **Manner of Payment.** Customer shall make each Prepayment not later than 4:00 P.M. EST on the ~~first~~last business day of the week by wire transfer to the account designated by NYISO.

4. **Supplemental Payment.** In the event that NYISO determines that a Prepayment is less than the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, Customer shall make a supplemental payment upon written demand by NYISO. NYISO shall specify in its demand the amount of the supplemental payment and the time for such payment to be made; *provided, however,* that the payment shall not be due sooner than 4:00 P.M. EST on the next business day.

Issued by: ~~William J. Museler~~Mark S. Lynch, President
Issued on: ~~July 2~~January 9, 2004

Effective: ~~December 21~~March 10, 2003

~~Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER03-552-006, 007 and 008 and ER03-984-004, 005 and 006, issued June 2, 2004, 107 FERC ¶ 51,243 (2004).~~

5. Overpayment. In the event that NYISO determines that a Prepayment exceeds the charges incurred or estimated to be incurred by Customer for purchases of Energy and Ancillary Services in the week for which the Prepayment is made, NYISO shall credit the difference toward Customer's next Prepayment and shall notify Customer of the revised Prepayment Amount.
6. Termination. Customer may terminate this Prepayment Agreement upon ten (10) days written notice to NYISO. NYISO may terminate this Prepayment Agreement immediately upon written notice to the Customer in the event that Customer fails to perform in strict accordance with the terms hereof. In addition, this Prepayment Agreement shall terminate upon any amendment of the OATT or the Services Tariff that eliminates the prepayment mechanism thereunder or requires material modification of this Prepayment Agreement.
7. Regular Monthly Settlements. Nothing in this Prepayment Agreement shall alter the obligation of Customer or NYISO to pay amounts owed in accordance with the NYISO's regular monthly settlement process pursuant to the terms of the OATT and the Services Tariff, which amounts shall be net of payments made pursuant to this Prepayment Agreement.
8. Interest. Customer shall not earn interest on its Prepayments. NYISO shall apply any interest actually earned on Prepayments to offset NYISO costs otherwise recovered through Schedule 1 of the OATT and Rate Schedule 1 of the Services Tariff.
9. Communications. All communications pursuant to this Prepayment Agreement shall be in writing, deemed effective when received, and delivered by hand with receipt of delivery, registered mail, or facsimile with confirmation of receipt to the following addresses:

NYISO:
Attn: Credit Manager
New York Independent System Operator, Inc.
290 Washington Avenue Extension 10 Krey Boulevard
Rensselaer Albany, New York 12144203
Fax: (518) 356-750582

Customer:
Attn: _____

Fax: _____