

ATTACHMENT II

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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.

1.49f Wholesale Transmission Services Charges ("WTSC"):

Those charges calculated pursuant to Attachment H of the OATT, incurred or declared overdue by a Transmission Owner pursuant to Section VII.B of Attachment W, after the effective date of these revisions; provided, however, that these provisions will not apply to pre-petition bankruptcy debts for a company that is currently in bankruptcy..

1.49g WTSC Component:

A component of the Operating Requirement, calculated in accordance with Article III.B(v) of Attachment W of this OATT.

B. Calculation. The Operating Requirement shall be equal to the sum of (i) the Energy and Ancillary Services Component; (ii) the UCAP Component; (iii) the TCC Component; ~~and~~ (iv) the Bid Component and (v) WTSC Component, where:

(i) **Energy Component.** The Energy and Ancillary Services Component shall be equal to:

(a) For Transmission Customers without a prepayment agreement, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 50$$

- or -

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days}}{10} \times 50$$

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Prior to participation in any ISO-administered TCC auction, a Transmission Customer shall be required to have bidding authorization in amount equal to or greater than the sum of: (i) an amount equal to all positive bids to be submitted in the auction to purchase TCCs and (ii) an amount equal to the absolute value of all negative offer prices to be submitted for sales of TCCs. Prior to participation in an ISO-administered UCAP auction, a Transmission Customer shall be required to have bidding authorization in amount equal to or greater than all bids to purchase UCAP. A Transmission Customer shall not be permitted to submit bids in an ISO-administered auction for TCCs or UCAP in excess of its bidding authorization.

(v) WTSC Component. The WTSC Component shall be equal to the greater of

either:

Greatest Amount Owed for WTSC During
Any Single Month in the Prior Equivalent Capability Period x 50
Days in Basis Month

or –


Total Charges Incurred for WTSC for Previous Thirty (30) Days x 50
30

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C. **Prepayment Agreement.** Subject to the ISO's credit analysis and approval, a Transmission Customer may execute a prepayment agreement with the ISO, in the form provided in Appendix W-1, pursuant to which the Transmission Customer may reduce its Energy and Ancillary Services Component, as provided in Section III.B.(i) of this Attachment W, by agreeing to make weekly prepayments in amounts to be determined by the ISO for all purchases of Energy and Ancillary Services. A Transmission Customer may prepay for services at any time, but prepayment shall reduce the Transmission Customer's Operating Requirement only if it is made pursuant to a prepayment agreement.



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- (ii) The starting point for the ISO's Credit Assessment of a municipal electric system shall be one million (\$1,000,000) dollars~~million~~, without regard for its tangible net worth. At its request, a municipal electric system may submit to a tangible net worth test to determine its starting point, in lieu of a one million (\$1,000,000) dollar~~million~~ starting point. Municipal electric systems that operate through a joint action agency or a similar municipal affiliation agreement may aggregate the Unsecured Credit starting point of one million (\$1,000,000) dollars per member such that the joint action agency will have an Unsecured Credit starting point equal to the total of the Unsecured Credit starting points of each individual member. Each such agency will qualify for such aggregated Unsecured Credit starting point treatment subject to the ISO's review of the particular affiliation agreement and the ISO's review of documentation submitted by the agency to demonstrate that it has been formed under the pertinent sections of the New York State Municipal Law.

as described above by 4:00 p.m. on the next business day, the ISO may immediately suspend the Virtual Transaction Customer's authorization to engage in Virtual Transactions until payment or additional collateral is provided as required by this Article V.

VII. Financial Assurance for Wholesale Transmission Service Charges

A. Application of Security. In the event a Transmission Owner declares a certain WTSC overdue and satisfies the requirements specified in Section VII.B below, the NYISO shall reimburse the Transmission Owner for part or all of the unpaid amount. To the extent that a Market Participant's Unsecured Credit does not satisfy the Market Participant's Operating Requirement, the NYISO will collect and hold collateral calculated pursuant to the WTSC Component of the Operating Requirement to secure payments owed by Transmission Customers to Transmission Owners. Any security held by the ISO for a Transmission Customer in excess of the amount collected pursuant to the WTSC Component of the Operating Requirement shall be

available to secure WTSC only to the extent the ISO determines that such collateral will not be necessary to secure any payment obligations to the ISO, including true-up payments and other anticipated invoice adjustments. The ISO shall have access to any collateral collected pursuant to the WTSC Component of the Operating Requirement only to the extent that the ISO determines such collateral is not necessary to secure WTSC payment obligations to Transmission Owners.

B. **Prerequisites to NYISO Action.** The following conditions must be fully satisfied before the NYISO takes action to address a WTSC nonpayment:

- (i) The WTSC payment must be at least ten (10) days overdue, as measured from the due date on the invoice sent to the Transmission Customer by the Transmission Owner;
- (ii) The Transmission Owner must have issued a late notice and demand letter to the Transmission Customer specifying both the amount and period by which the WTSC payment is overdue;
- (iii) The Transmission Owner must have made an additional, informal attempt to collect the overdue WTSC payment from the Transmission Customer which may be, without limitation, a telephone call or meeting with appropriate personnel (the method of such additional informal attempt shall be at the Transmission Owner's discretion); and

(iv) The Transmission Owner must provide to the ISO, by certified mail or other verifiable delivery method, a copy of the initial invoice sent to the Transmission Customer, a copy of the late notice and demand letter with proof of receipt by the Transmission Customer, an indemnification of the ISO regarding the liabilities discussed in Section VII.D below, a request that the NYISO draw upon available collateral to satisfy the default, and a sworn statement by an officer of the Transmission Owner stating: (a) that the WTSC payment is due and owing, (b) the period by which the WTSC payment is overdue, and (c) a recitation of the Transmission Owner's collection efforts (including the additional, informal attempt to collect the debt).

C. NYISO Action. On the first business day after the ISO has received the notice that satisfies the requirements listed in Section VII.B(iv) above, the ISO: (i) shall send a final demand for payment of the WTSC to the Transmission Customer within two (2) business days; (ii) shall initiate a draw upon available collateral for the benefit of the affected Transmission Owner if the WTSC due is not paid within two (2) business days of the letter, and (iii) may begin termination proceedings in accordance with the ISO tariffs.

D. Transmission Owner Indemnification to the NYISO. As a prerequisite for NYISO action listed in Section VII.C above, the Transmission Owner will

indemnify and hold the ISO harmless against liability arising out of the use of security to satisfy a WTSC nonpayment, any proceeding to terminate service, or termination of service to a customer except to the extent the dispute arises out of the ISO's reporting to the Transmission Owner of whether the underlying wheelthrough, internal wheel or export transaction(s) actually occurred and the details of the transaction.

VIII. Material Adverse Change.

The amount of Unsecured Credit granted to a Transmission Customer, if any, and the amount of the Transmission Customer's Operating Requirement shall be subject to change, at the discretion of the ISO, in the event that there is a material adverse change affecting the risk of nonpayment by the Transmission Customer.

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and the ISO shall pursue available remedies for customer defaults under the ISO Tariffs. All funds held by the ISO relative to the defaulting Transmission Customer (e.g., working capital, collateral, etc.) shall be set aside pending determination of ISO's counsel and/or the appropriate bankruptcy courts as to the appropriate disposition of such funds.

2.0 NOTICE TO MARKET PARTICIPANTS

The ISO shall notify Market Participants of the declaration of a bad debt loss under Section 1.0 of this Attachment U by a posting to the ISO website and to the Market Participant subscriber e-mail lists. Such notification shall identify the defaulting Transmission Customer, the dollar amount of the unpaid balance, the applicable month of services for which Settlement invoice obligations remain unpaid and are still owing to the ISO, and the future billing month(s) in which the ISO will recover the bad debt loss through a Rate Schedule 1 charge.

3.0 RECOVERY OF BAD DEBT LOSSES

Whenever all or any portions of any Settlement invoices remain unpaid to the ISO after the invoice due date, the ISO, at its discretion, shall utilize the Working Capital Fund to maintain the liquidity of the New York wholesale energy markets and ensure that all Transmission Customers who are owed monies in their Settlement invoices under Section 7.1(iii) of this OATT are paid in full. The ISO shall not utilize the Working Capital Fund to satisfy WTSC non-payments.

After the ISO's Chief Financial Officer has declared a bad debt loss (other than a bad debt loss relating to WTSC), and notified Market Participants in accordance with this Attachment U, the ISO will ordinarily first seek to recover the amount of the bad debt loss by drawing upon the entire amount of collateral provided by the defaulting Customer. If the ISO were unable to promptly recover the full amount of the debt in this way, the ISO would ordinarily seek to recover the amount of the bad debt loss by drawing upon the defaulting Customer's contributions to the Working Capital Fund that is described in Attachment V. If the ISO were unable to promptly recover the full amount of the debt through this measure, it would then ordinarily make claims against any available loss protection insurance in accordance with the insurance's terms. The ISO may deviate from the sequence of steps above, or pursue alternative cost-recovery measures, if it determines that doing so would be more likely to minimize the size of, or avoid, a bad debt loss. In the case of a bad debt loss relating to WTSC, the ISO shall draw upon collateral pursuant to Section VII.A of Attachment W. Any remaining losses shall be allocated *pro rata* to all Customers, except to the extent that they have engaged in Virtual Transactions, pursuant to the following formula:

$$\text{Percentage of Loss to Be Paid by Customer} \quad \equiv \quad \frac{\text{CAR} + \text{CAP}}{\text{NYAR} + \text{NYAP}}$$

Where:

CAR = ~~Customer's gross accounts receivable, including WTSC gross accounts receivables, in the month of loss~~

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- CAP = Absolute value of Customer's gross accounts payable, including WTSC gross accounts payable, in the month of loss
- NYAR = ISO's gross accounts receivable plus the Transmission Owners' accounts receivables from WTSC, in the month of loss, excluding receivables that are attributable to Virtual Transactions
- NYAP = Absolute value of ISO's gross accounts payable plus the absolute value of the Transmission Owners' accounts payable from WTSC, in the month of loss, excluding payables that are attributable to Virtual Transactions.

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For purposes of this formula, the "month of loss" shall be the service month in which a bad debt loss occurred.

Bad Debt Losses that are attributable to Virtual Transactions shall be recovered pursuant to the allocation formula set forth in Attachment I of the Services Tariff.

Notwithstanding any recovery of unpaid WTSC through Rate Schedule 1, a Transmission Owner shall be required to pursue reasonable debt collections efforts and refund through Rate Schedule 1 any such WTSC ultimately collected.

Whenever practicable, the ISO shall recover this Rate Schedule 1 charge in the billing month after the month in which the bad debt loss is declared; provided, however, that the ISO may recover bad debt losses over several months if, in its discretion, the ISO determines such method of recovery to be a prudent course of action.

Customers that are subject to a Rate Schedule 1 charge for a bad debt loss will be assessed the outstanding balance owing to the ISO, as originally reflected in the defaulting Transmission Customer's invoice, including any accrued interest through the date of such invoice, but exclusive of any additional interest on the unpaid balance that accrued subsequent to the original due date. The ISO shall have the option to adjust Customers' shares of bad debt loss recovery costs, on a ratable basis, if necessary to fully recover a loss. The ISO shall not be required to determine the outcome of any insurance claim before allocating bad debt loss recovery costs to Customers. Any bad debt losses that are later recovered through insurance proceeds or from a defaulting Customer shall be allocated to all Customers previously charged for the loss according to the same allocation method originally used to collect the loss.