

**Proposed Changes to the ISO Agreement
Regarding the Membership of
Demand Response Providers and Distributed Generators**

**Management Committee Meeting
February 4, 2004**

1.26 Demand Response Provider

An entity that does not own Demand Side Resources but is qualified pursuant to ISO Procedures to submit aggregated bids for Demand Side Resources into ISO demand response programs (e.g., the Emergency Demand Response Program, Special Case Resource Program, Day-Ahead Demand Response Program.)

1.27 Demand Side Resources

Resources located in the NYCA that are capable of reducing demand in a responsive, measurable and verifiable manner within time limits, and that are qualified to participate in competitive Energy markets pursuant to the ISO Tariffs and the ISO Procedures.

1.268 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.

1.279 Dispatch Day.

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

1.2830 Dispute Resolution Administrator ("DRA").

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

1.2931 Dispute Resolution Process ("DRP").

The procedures: (1) described in the ISO Tariffs and 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.

1.32 Distributed Generator

A facility, existing or under construction, for the generation of electricity that is or will be connected at the distribution level, typically located on the End-Use Consumer's side of the consumption meter, and usually located at or near the intended place of use for at least some of the facility's output.

1.33 Distributed Generator Owner

An entity that owns, or leases with rights equivalent to ownership, a Distributed Generator.

1.3034 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.

1.3435 End-Use Consumer.

A Party that is (i) a Large Consumer, (ii) a Small Consumer, (iii) an organization that represents Small Consumers, (iv) a governmental agency that advocates on behalf of Small Consumers, or (v) a governmental agency that acts as a retail Load aggregator primarily for Small Consumers; or (vi) a Large Energy Using Governmental Agency; provided, however that an End-Use Consumer may not be an Affiliate of a Transmission Owner, Generator, Other Supplier, Public Power Party or Environmental Party regardless of where located.

1.3236 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.

1.3337 Energy Service Company ("ESCO").

A Load Serving Entity (other than an entity supplying its own Load), a retail load aggregator or a provider of comprehensive energy services, serving customers in New York State.

1.3438 Environmental Party.

An environmental organization that is certified by the ISO Board as a Non-Market Participant and is a Party to the ISO Agreement.

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1.3539 Existing Transmission Agreement (“ETA”).

An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, that was executed and was in effect on the date that the ISO commenced operations, including amendments and superseding issues thereof (including service agreements) under individual Transmission Owners open access tariffs (provided that the Points of Injection (“POI”) and Points of Withdrawal (“POW”) and contract amounts do not change). Existing Transmission Agreements are either Transmission Wheeling Agreements or Transmission Facility Agreements, and are listed in the ISO OATT.

1.3640 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).

1.3741 Federal Power Act (“FPA”).

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

1.381.42 Generator

A facility, **other than a Distributed Generator or Demand Response Provider,** that:

- (a) is located in the NYCA, or
- (b) is supplying capacity to the NYCA, or
- (c) for the purposes of ISO governance, has filed an application for siting approval pursuant to Article X of the New York State Public Service Law, or other applicable law, which is deemed complete by the Article X Board or other such agency. An entity that qualifies under subsection (c) will retain its status until the entity’s application is denied or withdrawn.

1.3943 Generator Owner.

A Party that owns, or leases with rights equivalent to ownership, a Generator. Purchasing all or a portion of the output of a Generator shall not be sufficient to qualify a Party for participation in the Generation Owner sector for purposes of ISO governance.

1.4044 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.

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1.4145 Government Bonds.

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

1.4246 Independent System Operator (“ISO”).

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

1.4347 Independent System Operator Agreement (“ISO Agreement” or “Agreement”).

The agreement that establishes the New York ISO.

1.4448 Independent System Operator/New York State Reliability Council Agreement (“ISO/NYSRC Agreement”).

The agreement between the ISO and the NYSRC governing the relationship between the two organizations.

1.4549 Independent System Operator/Transmission Owner Agreement (“ISO/TO Agreement”).

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

1.4650 Industrial Consumer.

An End-Use Consumer that takes service under a Transmission Owner’s industrial rate classification or is eligible to do so but takes service pursuant to a special contract.

~~1.47~~1.51 Installed Capacity

A Generator, **Distributed Generator, Demand Response Provider**, or Load facility that complies with the requirements in the Reliability Rules and is capable of supplying and/or reducing the demand for Energy in the NYCA for the purpose of ensuring that sufficient Energy and Capacity are available to meet the Reliability Rules. The Installed Capacity requirement, established by the NYSRC, includes a margin of reserve in accordance with the Reliability Rules.

1.4852 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.

1.4953 Interface.

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

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1.5054 Investor-Owned Transmission Owners.

A Transmission Owner that is owned by private investors. 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.

1.5155 ISO Administered Markets.

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

1.5256 ISO OATT.

The ISO Open Access Transmission Tariff.

1.5357 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 Agreement, and consistent with the Reliability Rules.

1.5458 ISO Related Agreements.

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

1.5559 ISO Services Tariff.

The ISO Market Administration and Control Area Services Tariff.

1.5660 ISO Tariffs.

The ISO OATT and the ISO Services Tariff, collectively.

1.5761 Large Consumer.

An Industrial Consumer or a Commercial Consumer, not under the Control of any federal, state or municipal government or government-owned agency, authority, corporation, or other similar entity, whose peak load in any month within the previous twelve months was two megawatts or more. Industrial and Commercial Consumers with common ownership of fifty percent or more may aggregate their usage in order to qualify to participate in ISO governance as Large Consumers.

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1.5761A Large Energy Using Governmental Agency.

A federal, state, or municipal government or government-owned agency, authority, corporation or other similar entity whose peak consumption for self use (*i.e.*, not as retail Load aggregators or for further sale) in any month within the previous twelve months was two megawatts or more.

1.5862 LBMP Markets.

A term that collectively refers to both the Real-Time Market and the Day-Ahead Market.

1.5963 LBMP Transition Period Payments (“LTPP”).

Fixed monthly payments, as detailed in Attachment K of the ISO OATT, made between or among the Investor-Owned Transmission Owners to mitigate transmission cost-shifting as the competitive market is introduced for Energy and transmission pricing.

1.6064 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.

1.6165 Load.

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

1.6266 Load Serving Entity (“LSE”).

Any entity, including a Municipal Electric System and a Cooperatively Owned Electric System, 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 from the ISO to supply its own Load within the NYCA; provided, however, that such entity has obtained all governmental authorizations necessary to serve Load in the NYCA.

1.6367 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.

1.6468 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).

1.6569 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.

1.6670 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.

1.6771 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.

1.6872 Locational Installed Capacity Requirement.

A determination by 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.

1.6973 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.

1.7074 Market Participant

An entity, excluding the ISO, that is a Transmission Customer under the ISO OATT, Customer under the ISO Services Tariff, Power Exchange, Transmission Owner, Primary Holder, LSE, Supplier, **Distributed Generator, Demand Response Provider**, and their designated agents. Market Participants also include entities buying or selling TCCs.

7.04 Sectors

Voting on the Management Committee shall be by sector. The Management Committee shall be comprised of five sectors: Generator Owners; Other Suppliers; Transmission Owners; End-Use

Consumers; and Public Power/Environmental Parties. A Party must, within thirty (30) days of the commencement of ISO operations or within thirty (30) days of becoming a Party and thereafter not later than the thirtieth day of November of each year, advise the President of the ISO, in writing, of the sector in which the Party is qualified to participate. If a Party is qualified to participate in more than one sector, it shall advise the ISO President, in writing, of the sector in which it chooses to vote; provided, however, that an Investor-Owned Transmission Owner must participate in the Transmission Owners sector, and a State Public Power Authority qualified to participate in the Public Power/Environmental Party sector must participate in that sector; and *provided further*, that a Party qualified to participate in the Large Energy Using Governmental Agency subsector of the End-Use Consumer sector or in the government agency subsector of the End-Use Consumer sector may not participate in the Large Consumer subsector of the End-Use Consumer sector. An ESCO, Municipal Electric System, Cooperatively Owned Electric System, Generator Owner, State Public Power Authority or Environmental Party may not participate in the End-Use Consumer sector. **Notwithstanding anything to the contrary in this Agreement, (i) a Demand Response Provider that is not a Transmission Owner shall be eligible to vote only in the Other Suppliers sector, and (ii) a Distributed Generator Owner shall be eligible to vote in the Other Suppliers sector; provided, however, that:**

(a) if the Distributed Generator is owned by an End-Use Consumer or an Affiliate thereof, and the primary purpose of the Distributed Generator is to supply electrical energy and capacity to that End-Use Consumer, then the Distributed Generator Owner shall participate in the End-Use Consumers sector; or

(b) if the Distributed Generator is owned by an entity that is not an Affiliate of an End-Use Consumer, and the primary purpose of the Distributed Generator is to sell electrical energy and capacity into the grid, then the Distributed Generator Owner shall participate in the Generator Owners sector.

In determining the primary purpose of a Distributed Generator under paragraphs (a) and (b) above, the ISO shall consider *inter alia*: (1) the size of the Distributed Generator relative to its host Load; (2) the intended use for which the Distributed Generator was constructed; (3) the historical use of the Distributed Generator; and (4) the location of the Distributed Generator.

Notwithstanding any other provision in this Agreement, and subject to challenge, if either a Distributed Generator Owner or a Demand Response Provider is an Affiliate of either a Generator Owner or an End-Use Consumer, the ISO shall determine the most appropriate sector in which the affiliated entity shall vote.
