1.21 Cooperatively Owned Electric System.

A cooperatively owned electric system that owns or controls distribution facilities and provides electric service in accordance with the Rural Electric Corporation Law, and is located within the New York Control Area.

1.22 Curtailment or Curtail.

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

1.23 Customer.

An entity taking services under the ISO Services Tariff.

1.24 Day-Ahead.

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

1.25 Day-Ahead Market.

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

1.25a 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.)

1.25b 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.

1.26 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.

1.27 Dispatch Day.

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

1.28 Dispute Resolution Administrator ("DRA").

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

1.29 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.

1.29a 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.

1.29b Distributed Generator Owner.

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

1.30 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.

1.31 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.

1.37 Federal Power Act ("FPA").

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

1.38 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.

1.39 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.

1.40 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

1.47 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.

1.48 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.

1.49 Interface.

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

1.50 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.

1.51 ISO Administered Markets.

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

1.52 ISO OATT.

The ISO Open Access Transmission Tariff**.**

1.68 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.

1.69 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.

1.70 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.

1.71 Market Power Monitoring Program.

The program approved by the Commission and implemented by the ISO that is intended to review and analyze data with respect to the possible exercise of market power in an ISO Administered Market.

1.72 Market Services.

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

entity satisfies the requirements for participation in the sector (and subsector, if applicable) in which such person or entity wishes to participate and (ii) signing the Agreement. Upon receipt of such certification, the ISO shall notify all Parties of the receipt of the certification and the contents thereof. A Party to this Agreement may participate in the governance of the ISO. There will be a $5,000 annual fee for each Party, except that: Small Consumers shall be subject to a reasonable fee established by the ISO Board; Demand Response Providers with 40 MW or less of resources and Distributed Generators with 2 MW or less of resources shall be subject to an annual fee of $1,000 for the year 2004, an annual fee of $2,000 for the year 2005, an annual fee of $3,000 for the year 2006 and an annual fee of $5,000 for the year 2007 and for every subsequent year thereafter; and not-for-profit organizations that are Environmental Parties and not-for-profit organizations that represent Small Consumers shall pay a $100 annual fee. The annual fees for Parties may be revised by the ISO Board with the concurrence of the Management Committee. Non-Market Participants also may become Parties to this Agreement and participate in the governance of the ISO. The ISO Board shall permit the following types of organizations or groups to participate in the governance of the ISO as Non-Market Participants:

(a) Organizations that represent Small Consumers, including governmental agencies, with experience in electric utility regulatory or electricity-related matters in New York State, that in whole or in part advocate on behalf of Small Consumers in New York State, and governmental agencies that act as retail Load aggregators primarily for Small Consumers; provided that no such organization or agency may be an Affiliate of a Transmission Owner, a Generator, Other Supplier, Public Power Party or Environmental Party, regardless of where located.

(b) Environmental organizations that are non-profit corporations, partnerships, associations or other non-profit entities having the primary purpose of protecting the environment, with experience in electric utility regulatory or electricity-related matters in New York State; provided that no such entity may be an Affiliate of a

Management Committee also shall make provisions for attendance at Committee meetings by representatives of the Commission and the PSC. Such representatives may participate fully in Committee proceedings on a non-voting basis. Any Party on the Management Committee and the ISO representative may appeal a Committee action to the ISO Board. An executive session of the Management Committee may be called at the discretion of the chairperson, or upon a vote of the members of the Committee representing fifty-eight (58) percent of the total votes cast.

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 entity shall vote.