

4.1.9 Incremental Cost Recovery for Units Responding to Local Reliability Rule I-R3 or I-R5

4.1.9.1 Eligibility for Cost Recovery

Generating units designated pursuant to the New York State Reliability Council's Local Reliability Rule I-R3 -- Loss of Generator Gas Supply (New York City) or I-R5 -- Loss of Generator Gas Supply (Long Island) as being required to burn an alternate fuel at designated minimum levels based on forecast Load levels in Load Zones J and K (for purposes of this section 4.1.9, "eEligible uUnits"), shall be eligible to recover ~~the variable operating~~ costs associated with burning the required alternate fuel pursuant to the provisions of this section 4.1.9. For purposes of this section 4.1.9, the periods of time for which ~~Consolidated Edison invokes~~ Local Reliability Rule I-R3 or ~~LIPA invokes Local Reliability Rule I-R5~~ is invoked and in which the eEligible uUnit burns its required alternate fuel, including that period of time required to move into and out of Rule I-R3 or I-R5 compliance, shall be referred to as the "Eligibility Period."

4.1.9.2 Variable Operating Cost Recovery

For Eligibility Periods, the eEligible uUnit shall recover ~~its variable operating~~ costs ~~associated that vary with burning the required~~ the amount of alternate fuel ~~if and to the extent that such~~ burned because Local Reliability Rule I-R3 or I-R5 was invoked ("variable operating costs") if: (i) such costs are not reflected in the reference level for that Eligible uUnit for the hours included in the Eligibility Period, pursuant to ISO procedures. ~~To be recoverable, variable operating costs associated with burning the required alternate fuel must be incurred during an Eligibility Period and must be incurred only because Local Reliability Rule I-R3 or I-R5 was invoked.~~

~~Rules for determining: (i) variable operating costs associated with burning the required~~

~~alternate fuel that would not have been incurred but for the requirement to burn the required~~
~~alternate fuel as established by Local Reliability Rules I-R3 and I-R5; and (ii) Procedures, and~~
(ii) the hour is one for which the commodity cost of the alternate fuel including taxes and
emission allowance costs is greater than the commodity cost for natural gas, including taxes and
emission allowance costs, as determined by the ISO. These relative commodity cost
determinations shall use the same indices used by the ISO to establish daily Reference Levels.
Variable operating costs shall include the commodity cost, associated taxes and emission
allowance costs, of the required alternate fuel burned during an Eligibility Period pursuant to
Rule I-R3 or I-R5.

4.1.9.3 Additional Cost Recovery

An eligible unit that seeks to recover costs incurred in connection with its compliance
with Rule I-R3 or I-R5, in addition to the commodity cost, associated taxes and emission
allowance cost recovery specified in Section 4.1.9.2, shall negotiate an Implementation
Agreement with the ISO. The eligible unit and the ISO shall consult with and consider the input
of the New York State Public Service Commission, and the Transmission Owner designated by
Rule I-R3 or I-R5. Such Implementation Agreements shall specify, among other terms and
conditions, the facilities (or portions of facilities) used to meet obligations under Rule I-R3 or I-
R5. The Implementation Agreement shall indicate the rate to be charged during the period of the
Implementation Agreement to recover such additional costs.

The Implementation Agreement may also include costs in addition to commodity cost,
associated taxes and emission allowance costs of the alternate fuel incurred in connection with
compliance with Rule I-R3 or I-R5 that vary with the amount of alternate fuel burned because I-
R3 or I-R5 was invoked. These variable costs shall be paid pursuant to section 4.1.9.2 as

variable operating costs so as to not duplicate payments.

Each such Implementation Agreement shall have a duration of one or more Capability Periods and shall commence at the beginning of a Capability Period unless another date is approved by the Commission. If the Eligible Unit and the ISO reach agreement on the terms and conditions of the Implementation Agreement, the ISO shall file it with the Commission for its review and acceptance.

In the event that the Eligible Unit and the ISO have not come to an agreement six months prior to the beginning of the Capability Period that the Implementation Agreement is intended to govern, then either one of them may request the assistance of the Commission's Dispute Resolution Service. If the Dispute Resolution Service agrees to provide its assistance the Eligible Unit and the ISO shall participate in whatever dispute resolution process the Dispute Resolution Service may recommend. The Commission's Dispute Resolution Service may include other stakeholders to the extent confidentiality protections are in place. If, however, there is no agreement four months prior to the beginning of the relevant Capability Period then the Eligible Unit and the ISO may each file an unexecuted Implementation Agreement for the Commission's review and acceptance.

In the event that any provisions of this Section 4.1.9 are modified prior to the termination date of any Commission-accepted Implementation Agreement, such Implementation Agreement will remain in full force and effect until it expires in accordance with its contractual terms and conditions.

Rules for establishing Eligibility Periods shall be specified in ISO Procedures.

4.1.9.4 Billing

Payments made by the ISO to the ~~e~~Eligible ~~u~~Unit to ~~reimburse the pay~~ variable operating costs ~~paid~~ and to pay the rate established by the Implementation Agreement pursuant to this section 4.1.9 shall be in addition to any LBMP, Ancillary Service or other revenues received as a result of the ~~e~~Eligible ~~u~~Unit's Day-Ahead or Real-Time dispatch for that day. Payment by the ISO of variable operating costs pursuant to Section 4.1.9.2 shall be based on the Eligibility Period, quantity of alternate fuel burned, and relative costs of alternate fuel compared to natural gas.

~~There shall be no recovery of costs pursuant to this section 4.1.9 for any hour for which the variable operating costs of the required alternate fuel that is being burned pursuant to Rule I-R3 or I-R5 is less than the variable operating costs for natural gas, as determined by the ISO.~~

Payment by the ISO of the rate established in the Implementation Agreement for costs incurred other than variable operating costs shall be made as part of the ISO billing cycle regardless of whether an alternate fuel is burned pursuant to I-R3 or I-R5 and regardless of the relative cost of the alternate fuel compared to natural gas reflected in reference levels.

4.1.9.5 Other Provisions

The ISO shall make available for the Transmission Owner in whose subzone the Generator is located: (i) the identity of Generators determined by the ISO to be eligible to recover the ~~variable operating~~ costs associated with burning the required alternate fuel pursuant to the provisions of this section 4.1.9; (ii) the start and stop hours for each claimed Eligibility Period; and (iii) the amount of ~~alternative~~ alternate fuel for which the Generator has sought to recover variable operating costs.