where:

γ^{Z}_{j} = LBMP for zone j,

$\gamma^{L,Z}_{j} = \sum_{I=1}^{n} W_i \gamma^{L}_{i}$ is the Marginal Losses Component of the LBMP for zone j;

$\gamma^{C,Z}_{j} = \sum W_i \gamma^{C}_{i}$ is the Congestion Component of the LBMP for zone j;

n = number of Load buses in zone j for which LBMPs are calculated; and

W_i = load weighting factor for bus i.

Until the ISO's software can compute LBMPs at Load buses, the zonal LBMPs will be a weighted average of the Generator bus LBMPs in the zone. The weightings will be pre-determined by the ISO.

5.0 LBMP Prices for External Locations

External Generators and Loads can bid into the LBMP Market or participate in Bilateral Transactions. External Generators may arrange Bilateral Transactions with Internal or External Loads and External Loads may arrange Bilateral Transactions with Internal Generators.

The Generator and Load locations for which LBMPs will be calculated will initially be limited to a pre-defined set of Proxy Generator Buses External to the NYCA. LBMPs will be calculated for each bus within this limited set. LBMPs for any Non-Competitive Proxy Generator Bus shall be calculated as specified below. The three components of LBMP will be calculated from the results of

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RM99-12-000, issued March 31, 2000, 90 FERC ¶ 61,352 (2000).

SCD, or, in the case of a Proxy Generator Bus, from the results of BME during periods in which (1) proposed economic transactions over the Interface between the NYCA and the Control Area in which that Proxy Generator Bus is located would exceed the Available Transfer Capability for that Interface, (2) proposed interchange schedule changes pertaining to the NYCA as a whole would exceed any Ramp Capacity limits in place for the NYCA as a whole, or (3) proposed interchange schedule changes pertaining to the Interface between the NYCA and the Control Area in which that Proxy Generator Bus is located would exceed any Ramp Capacity limit imposed by the ISO for that Interface.

Real-Time LBMPs for Non-Competitive Proxy Generator Busses

Real-Time LBMPs for a Non-Competitive Proxy Generator Bus shall be determined as follows. When (i) proposed Real-Time Market economic net import transactions into the NYCA from the Non-Competitive Proxy Generator Bus would exceed the Available Transfer Capability for the Interface between the NYCA and the Control Area in which the Non-Competitive Proxy Generator Bus is located, or (ii) proposed interchange schedule changes pertaining to increases in Real-Time Market net imports into the NYCA from the Non-Competitive Proxy Generator Bus would exceed any Ramp Capacity limit imposed by the ISO for the Interface between the NYCA and the Control Area in which the Non-Competitive Proxy Generator Bus is located, the Real-Time LBMP at the Non-Competitive Proxy Generator Bus will be the lower of **(i)** the Real-Time LBMP determined by SCD or **(ii) the higher of the BME–determined price at the proxy generator bus or** zero. When (i) proposed Real-Time Market economic net export transactions from the NYCA to the Non-Competitive Proxy Generator Bus would exceed the Available

Transfer Capability for the Interface between the NYCA and the Control Area in which the Non-Competitive Proxy Generator Bus is located, or (ii) proposed interchange schedule changes pertaining to increases in Real-Time Market net Exports from the NYCA to the Non-Competitive Proxy Generator Bus would exceed any Ramp Capacity limit imposed by the ISO for the Interface between the NYCA and the Control Area in which the Non-Competitive Proxy Generator Bus is located, the Real-Time LBMP at the external proxy bus will be the higher of **(i)** the Real-Time LBMP determined by SCD for the Non-Competitive Proxy Generator Bus or **(ii) the lower of the BME-determined price for the Non-Competitive Proxy Generator Bus or** the Day-Ahead LBMP determined by SCUC for the Non-Competitive Proxy Generator Bus. When proposed interchange schedule changes pertaining to the NYCA as a whole would exceed any Ramp Capacity limits in place for the NYCA as a whole, Real-Time LBMPs will be set pursuant to the immediately preceding paragraph.

The components of the Real-Time LBMP, created pursuant to these rules, are provided below:

When the Real-Time LBMP is zero;

Real-Time LBMP = $\text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY BUS}} - \text{Congestion}$

Where $\text{Congestion} = \text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY GENERATOR BUS}}$

When the Real-Time LBMP is the Day-Ahead LBMP

Real-Time LBMP = $\text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY GENERATOR BUS}} - \text{Congestion}$

Where $\text{Congestion} = \text{Energy}_{\text{BME REF BUS}} + \text{Losses}_{\text{BME PROXY GENERATOR BUS}}$ - Day-Ahead $\text{LBMP}_{\text{PROXY GENERATOR BUS}}$ as calculated by SCUC

6.0 The Marginal Losses Component of LBMP