Stage 2 ISO Services Tariff

Draft Proposed Modifications Regarding (1) ICAP Certification Forms Submission Requirements and Sanctions and (2) the Special Case Resources Program

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For Discussion at the January 17, 2002 ICAPWG Meeting

Article 5, ISO Services Tariff

5.11 Requirements Applicable to LSEs

5.11.1 Allocation of the NYCA Installed Capacity Requirement to LSEs

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5.11.2 LSE Obligations

Each LSE must procure Unforced Capacity, in an amount equal to its Unforced Capacity requirement, from any Installed Capacity Supplier through Bilateral Transactions and/or purchases in ISO-administered Installed Capacity auctions. Each LSE must demonstrate that it has obtained a sufficient amount of Unforced Capacity prior to the beginning of each Obligation Procurement Period. To satisfy this requirement, each LSE must submit completed Installed Capacity certification forms to the ISO by the date specified in the ISO Procedures. The Installed Capacity certification forms submitted by the LSEs shall be in the format and include all the information prescribed by the ISO Procedures.

LSEs that fail to timely satisfy their Unforced Capacity requirement, or that fail to make timely submissions of the required Installed Capacity certification forms, shall be required to participate in a Deficiency Procurement Auction pursuant to Section 5.14.1 of this Tariff.

5.11.3 Load-Shifting Adjustments

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5.11.4 LSE Locational Installed Capacity Requirements

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5.12 Requirements Applicable to Installed Capacity Suppliers

5.12.1 Installed Capacity Supplier Qualification Requirements

In order to qualify as an Installed Capacity Supplier in the NYCA, Energy Limited Resources, Generators, Installed Capacity Marketers, Interruptible Load Resources, Intermittent Power Resources, and System Resources rated 1 MW or greater, other than External System Resources and Control Area System Resources which have agreed to certain Curtailment conditions as set forth in the last paragraph of Section 5.12.1, below, and other than Special Case Resources, existing municipally-owned generation, Energy Limited Resources, and Intermittent Power Resources, to the extent those entities are subject to the requirements of Section 5.12.11

of this Tariff, shall:

(i) provide information reasonably requested by the ISO including the name and location of Generators, Interruptible Load Resources, and System Resources;

(ii) in accordance with the ISO Procedures, perform DMNC tests and submit the results to the ISO, or provide to the ISO appropriate historical production data;

(iii) abide by the ISO Generator maintenance coordination procedures;

(iv) provide the expected return date from any outages (including partial outages) to the ISO;

(v) in accordance with the ISO Procedures, provide documentation demonstrating that it will not use the same Unforced Capacity for more than one (1) buyer at the same time and, in the event that the Installed Capacity Supplier sells in the Capability Period Auction more Unforced Capacity that it is qualified to supply in any specific month, documentation that it has procured sufficient Unforced Capacity to cover this deficiency;

(vi) except for Installed Capacity Marketers and Interruptible Load Resources, Bid into the Day-Ahead Market, unless the Energy Limited Resource, Generator, or System Resource is unable to do so due to an outage as defined in the ISO Procedures or due to temperature related deratings. Generators may also enter into the MIS an upper operating limit that would define the operating limit under normal system conditions. The circumstances under which the ISO will direct a Generator to exceed its upper operating limit are described in the ISO Procedures;

(vii) if the Resource is an Interruptible Load Resource, it must commit that it will Bid, at the price at which it is willing to be interrupted, in the Day-Ahead Market, for both Energy and Operating Reserves;

(viii) provide Operating Data in accordance with Section 5.12.5 of this Tariff;

(ix) comply with the ISO Procedures;

(x) when the ISO issues a Supplemental Resource Evaluation request (an SRE), Bid into the in-day market unless the entity has a bid pending in the Hour-Ahead Market when the SRE request is made or is unable to bid in response to the SRE request due to an outage as defined in the ISO Procedures, or due to other operational issues, or due to temperature related deratings; and

(xi) Installed Capacity Suppliers located east of the central-east constraint shall Bid in the Day-Ahead and Real-Time Markets all Capacity available for supplying 10-Minute Non-Spinning Reserve (NSR) (unless the Generator is unable to meet its commitment because of an outage as defined in the ISO Procedures), except for the Generators described in subsections (a), (b), (c) and (d) below.

(a) Generators providing Energy under contracts executed and effective on or before November 18, 1999 (including PURPA contracts) in which the power purchasers do not control the operation of the supply source but would be responsible for penalties for being off-schedule, with the exception of Generators under must-take PURPA contracts executed and effective on or before November 18, 1999, who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO Load modifiers under the ISO-administered markets;

(b) Existing topping turbine Generators and extraction turbine Generators producing Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) in operation on or before November 18, 1999, and/or topping or extraction turbine Generators used in replacing or repowering steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units;

(c) Existing Intermittent Power Resources in operation on or before November 18, 1999 within the NYCA, plus up to an additional 500 MW of such Generators; and

(d) Units that have demonstrated to the ISO that they are subject to environmental, contractual or other legal or physical requirements that would otherwise preclude them from providing 10-Minute NSR.

The ISO shall inform each potential Installed Capacity Supplier that is required to submit DMNC data of its approved DMNC ratings for the Summer Capability Period and the Winter Capability Period in accordance with the ISO Procedures.

Requirements to qualify as Installed Capacity Suppliers for External System Resources and Control Area System Resources located in External Control Areas that have agreed not to Curtail the Energy associated with such Installed Capacity or to afford it the same Curtailment priority that it affords its own Control Area Load shall be established in the ISO Procedures.

5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators, External System Resources, and Control Area System Resources may qualify as Installed Capacity Suppliers if they demonstrate that the Installed Capacity Equivalent of their Unforced Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads, or, in the alternative, if they demonstrate that the External Control Area will afford the NYCA Load the same curtailment priority that they afford their own Control Area Native Load Customers. The amount of Unforced Capacity that may be supplied by such entities qualifying pursuant to the alternative criteria may be reduced by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment.

LSEs with External Installed Capacity as of the effective date of this Tariff will be entitled to designate External Installed Capacity at the same NYCA Interface with another Control Area, in the same amounts in effect on the effective date of this Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 of Attachment L to the ISO OATT, these External Installed Capacity rights will continue without term and shall be allocated to the LSE's retail access customers in accordance with the LSE's retail access program on file with the PSC and subject to any necessary filings with the Commission. External Installed Capacity rights existing as of September 17, 1999 that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the relevant External Installed Capacity contract or until the relevant External Generator is retired.

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5.12.11 Special Case Resources, Municipally-Owned Generation, Energy Limited Resources and Intermittent Power Resources

5.12.11 (a) Special Case Resources

Special Case Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding, scheduling, and notification requirements set forth in Section 5.12.7 of this Tariff, if: (i) they are available to operate for a minimum of four (4) consecutive hours each day, at the direction of the ISO, except for those subject to operating limitations established by environmental permits, which will not be required to operate in excess of two (2) hours and which will be derated by the ISO pursuant to ISO Procedures to account for the Load serving equivalence of the hours actually available, following notice of the potential need to operate ~~twenty-four~~eighteen (~~24~~18) hours in advance, and a notification to operate two (2) hours ahead; and (ii) they were not operated as a Load modifier coincident with the peak upon which the Unforced Capacity requirement of the LSE that serves that customer is based, unless that

LSE's Unforced Capacity requirement is adjusted upwards to prevent double-counting. The ISO will have discretion, pursuant to ISO Procedures, to exempt distributed Generators that are incapable of starting in two (2) hours from the requirement to operate on two (2) hours notification. Distributed Generators and Loads capable of being interrupted upon demand, that are not available on certain hours or days will be derated by the ISO, pursuant to ISO Procedures, to reflect the Load serving equivalence of the hours they are actually available. Distributed Generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures set forth in the ISO Procedures. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with ISO Procedures.

Unforced Capacity supplied in a Bilateral Transaction by a Special Case Resource pursuant to this subsection may only be resold if the purchasing entity or the Installed Capacity Marketer has agreed to comply with the ISO notification requirements for Special Case Resources. LSEs and Installed Capacity Marketers may aggregate Special Case Resources and sell the Unforced Capacity associated with them in an ISO-administered auction if they comply with ISO notification requirements for Special Case Resources.

Transmission Owners that require assistance from distributed Generators larger than 100 kW and Loads capable of being interrupted upon demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section.

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5.12.12 Sanctions Applicable to Installed Capacity Suppliers and Transmission Owners

Pursuant to this Section, the ISO may impose financial sanctions on Installed Capacity Suppliers and Transmission Owners that fail to comply with certain provisions of this Tariff. The ISO shall notify Installed Capacity Suppliers and Transmission Owners prior to imposing any sanction and shall afford them a reasonable opportunity to demonstrate that they should not be sanctioned and/or to offer mitigating reasons why they should be subject to a lesser sanction. The ISO may impose a sanction lower than the maximum amounts allowed by this Section at its sole discretion. Installed Capacity Suppliers and Transmission Owners may challenge any sanction imposed by the ISO pursuant to the ISO Dispute Resolution Procedures.

Any sanctions collected by the ISO pursuant to this Section will be applied to reduce the

Rate Schedule 1 charge under this Tariff.

5.12.12(a) Sanctions for Failing to Provide Required Information

If (i) an Installed Capacity Supplier fails to provide the information required by Subsections 5.12.1(i), (ii), (iii), (iv~~), (v~~), or (viii) of this Tariff in a timely fashion, or (ii) a Supplier of Unforced Capacity from External System Resources located in an External Control Area or from a Control Area System Resource that has agreed not to Curtail the Energy associated with such Installed Capacity, or to afford it the same Curtailment priority that it affords its own Control Area Load, fails to provide the information required for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction up to the higher of $500 or $5 per MW of Installed Capacity that the Generator, Interruptible Load Resource, System Resource, or Control Area System Resource in question is capable of providing. Starting on the tenth day that the required information is late, the ISO may impose a daily financial sanction up to the higher of $1000 or $10 per MW of ~~DMNC~~Installed Capacity Equivalent the Installed Capacity Supplier is qualified to supply.

If an Installed Capacity Supplier fails to provide the information required by Subsection 5.12.1(v) of this Tariff in a timely fashion, the ISO may take the following actions: On the first calendar day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of that first calendar day. Starting on the second calendar day that the required information is late, the ISO may impose a daily financial sanction of $1000 per MW of Installed Capacity Equivalent the Installed Capacity Supplier is qualified to supply.

If a TO a fails to provide the information required by Subsection 5.11.3 of this Tariff in a timely fashion, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the TO that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction up to $5,000 a day. Starting on the tenth day that required information is late, the ISO may impose a daily financial sanction up to $10,000.

5.12.12(b) Sanctions for Failing to Comply with Scheduling, Bidding, and Notification Requirements

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5.13 Installed Capacity Auctions

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5.14 Installed Capacity Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

5.14.1(a) Deficiency Procurement Auction

If an LSE violates Sections 5.11.2 or 5.11.3 of this Tariff by failing to procure sufficient Unforced Capacity to cover its Unforced Capacity requirement for an Obligation Procurement Period or by failing to timely submit its Installed Capacity certification form, the ISO shall procure sufficient Unforced Capacity to cover the remainder or the entirety, as applicable, of the LSE's Unforced Capacity requirement for that Obligation Procurement Period through Deficiency Procurement Auctions.

The ISO shall conduct a Deficiency Procurement Auction preceding the start of an Obligation Procurement Period; the exact date of the Deficiency Procurement Auction shall be established in the ISO Procedures. The Deficiency Procurement Auction will consist of two phases. Both phases of each Deficiency Procurement Auction shall be conducted on the same day. In each phase of each Deficiency Procurement Auction the ISO shall submit monthly deficiency bids on behalf of deficient LSEs at a level per MW determined by dividing the appropriate number specified in the following Table by six (6).

Deficiency Bids and Charges

The following deficiency bids and charges shall apply in implementing UCAP through April 30, 2002.

In-City New York City (LBMP Load Zone J)	**$82.06/kW of Unforced Capacity per Capability Period** (Equivalent to $75.00/kW of Installed Capacity per Capability Period)
Long Island (LBMP Load Zone K)	**$73.95/kW of Unforced Capacity per Capability Period** (Equivalent to $65.00/kW of Installed Capacity per Capability Period)
All Other LBMP Load Zones in the NYCA	**$62.91/kW of Unforced Capacity per Capability Period** (Equivalent to $57.50/kW of Installed Capacity per Capability Period)

Deficiency bids and charges for the period beginning May 1, 2002 and ending April 30, 2003 shall be determined as follows:

The deficiency bid and charge for the New York City Locality for this time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for the New York City Locality ($75.00/kW per Capability Period) by the ratio of the Locational Installed Capacity Requirement for the New York City Locality for this time period to the Locational Unforced Capacity Requirement for the New York City Locality for this time period.

The deficiency bid and charge for the Long Island Locality for this time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for the Long Island Locality ($70.00/kW per Capability Period) by the ratio of the Locational Installed Capacity Requirement for the Long Island Locality for this time period to the Locational Unforced Capacity Requirement for the Long Island Locality for this time period.

The deficiency bid and charge for all other LBMP Load Zones for this time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for these zones ($62.50/kW per Capability Period) by the ratio of the NYCA Installed Capacity Requirement for this time period to the NYCA Unforced Capacity Requirement for this time period.

Beginning May 1, 2003, these deficiency bids and charges will be based on three times the localized levelized embedded cost of gas turbines in the New York City Locality, the Long Island Locality, or elsewhere in the NYCA, respectively.

During the first phase of a Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of deficient LSEs located in the New York City Locality that are required to make locational Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement as translated to Unforced Capacity. The ISO shall solicit bids from qualified In-City Installed Capacity Suppliers, and from any other entity that owns excess In-City locational Unforced Capacity. LSEs that are awarded Unforced Capacity in the first phase of a Deficiency Procurement Auction shall pay to the ISO the lesser of the Market-Clearing Price of Unforced Capacity determined in that phase or the deficiency bid. The ISO shall pay Installed Capacity Suppliers that are selected to provide Unforced Capacity the Market-Clearing Price determined in that phase which can be no greater than the deficiency bid, except in the case of Unforced Capacity associated with In-City Generators that are subject to mitigation measures, which shall receive no greater than the mitigated price cap. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market

mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

In the second phase of each Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of all remaining deficient LSEs and shall solicit bids from all qualified Installed Capacity Suppliers, including Unforced Capacity associated with In-City Generators otherwise subject to mitigation measures that has not been sold, provided that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. Deficient LSEs that are awarded Unforced Capacity shall pay to the ISO the lesser of the applicable Market-Clearing Price of Unforced Capacity determined in that phase, or the deficiency bid. The ISO will use these deficiency payments to pay the applicable Market-Clearing Price determined in that phase of the Deficiency Procurement Auction, except as noted below, to Installed Capacity Suppliers that are selected to provide Unforced Capacity, including participating In-City Generators otherwise subject to market mitigation measures. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

5.14.1(b) Deficiency Charges Imposed

Any LSEs that are still deficient after the completion of a Deficiency Procurement Auction must pay a monthly deficiency charge to the ISO based on the deficiency charges set forth in the Table above, divided by six, and multiplied by the number of MWs by which they are deficient. The ISO will attempt to use these deficiency charges to procure Unforced Capacity from Installed Capacity Suppliers that are capable of supplying Unforced Capacity but that failed to qualify to supply it prior to the Deficiency Procurement Auction. The ISO shall not procure Unforced Capacity from previously qualified Installed Capacity Suppliers that withheld their Unforced Capacity. The ISO will not pay an Installed Capacity Supplier more than the applicable deficiency charge per MW of Unforced Capacity, or the applicable locational price cap per MW of Unforced Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Unforced Capacity. Any remaining monies collected by the ISO pursuant to this paragraph will be applied as specified in Section 5.14.3.

The ISO shall not reveal the number of MWs that LSEs are deficient prior to a Deficiency Procurement Auction.

5.14.2 Installed Capacity Supplier Deficiencies

In the event that the amount of Unforced Capacity that an Installed Capacity Supplier certifies in a given month is determined to be ~~less~~more than the amount that the Installed Capacity Supplier is authorized to supply for that month, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the appropriate Deficiency Procurement Auction or through post-Deficiency Procurement Auction Unforced Capacity purchases.

In the event that an Installed Capacity Supplier sells in the Capability Period Auction more Unforced Capacity than it is qualified to sell in any specific month due to a derating or other cause, the Installed Capacity Supplier shall be deemed deficient for that month. To cover this deficiency, the Installed Capacity Supplier shall purchase sufficient Unforced Capacity in the relevant Monthly Auction or through Bilateral Transactions, and certify to the ISO consistent with the ISO Procedures that it has covered such deficiency. If the Installed Capacity Supplier does not cover such deficiency or if it does not certify to the ISO in a timely manner, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the appropriate Deficiency Procurement Auction or through post-Deficiency Procurement Auction Unforced Capacity purchases to cover the deficiency.

In the event that an External Installed Capacity Supplier fails to deliver to the NYCA the Energy associated with the Unforced Capacity it supplied to the NYCA due to any reason related to transmission service or rights, the External Installed Capacity Supplier shall be deemed deficient. The amount of such deficiency will be measured by the number of days the External Installed Capacity Supplier is deemed deficient, from the day it ceases to deliver Energy, or the beginning of the month if it never delivered Energy, until the next day the External Installed Capacity Supplier delivers Energy to the NYCA, or the end of the Month, which ever comes first. A deficient External Installed Capacity Supplier shall be required to pay to the ISO a deficiency charge as set in section 5.14.1(a) of this Services Tariff, prorated for the number of days in the month that External Installed Capacity Supplier is deficient (i.e., deficiency charge / 6 months / number of days in month when deficiency occurred ∗ number of days deficient).

The ISO shall submit a deficiency bid, calculated pursuant to Section 5.14.1 of this Tariff in the appropriate Deficiency Procurement Auction on behalf of a deficient Installed Capacity Supplier as if it were a deficient LSE. The deficient Installed Capacity Supplier shall be required to pay to the ISO the Market-Clearing Price of Unforced Capacity established in that Deficiency Procurement Auction.

If an Installed Capacity Supplier is found, at any point during a Capability Period, to have been deficient for that Capability Period, *e.g.*, when the amount of Unforced Capacity that it supplies is found to be less than the amount it was committed to supply, the Installed Capacity Supplier shall be retrospectively liable to pay the ISO the monthly deficiency charge, calculated

pursuant to Section 5.14.1 of this Tariff.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 will be applied as specified in Section 5.14.3.

5.14.3 Application of Deficiency Charges

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Attachment G

EMERGENCY DEMAND RESPONSE PROGRAM

I. EFFECTIVE DATE

The Emergency Demand Response Program shall become effective on May 1, 2001 and shall remain in effect until October 31, 2002. At the end of each Capability Period, the ISO will review the Emergency Demand Response Program's performance and will propose appropriate changes as necessary.

II. QUALIFICATION REQUIREMENTS FOR CURTAILMENT SERVICES PROVIDERS

Curtailment Services Providers must be Customers or, in the case of entities that would become Customers solely for the purpose of participating in the Emergency Demand Response Program, must become Limited Customers. The requirements for becoming a Limited Customer are set forth in the ISO Procedures.

Customers and Limited Customers seeking to become Curtailment Service Providers must: (i) comply with the registration requirements set forth in the ISO Procedures; and (ii) as discussed in ISO procedures, be capable of reducing at least 100 kW of NYCA Load in a single Load Zone within two hours of receiving notice of the ISO's activation of the Emergency Demand Response Program. The required Load reduction may be accomplished by Curtailing Load and/or by serving Load with a Local Generator. Curtailment Services Providers must also comply with the metering requirements set forth below in Section IX, and in the ISO Procedures.

III. RELATIONSHIP OF THE EMERGENCY DEMAND RESPONSE PROGRAM TO OTHER DEMAND SIDE RESPONSE MEASURES

The Emergency Demand Response Program is intended to complement other demand-side response programs developed by the ISO, the PSC and LSEs. Curtailment Service Providers are free to participate in other demand response programs, to the extent that those programs allow, except as noted in Section V below, provided, however that the NYISO will pay under only one program for each MWh of delivered load reduction. This restriction is not intended to limit payment for installed capacity otherwise available to Curtailment Service Providers.

IV. PROHIBITION ON THE DOUBLE SUBSCRIPTION OF LOAD

Curtailment Service Providers may not offer to reduce NYCA Load in the Emergency Demand Response Program that has already been subscribed by another Curtailment Service Provider.

V. ISO ACTIVATION OF THE EMERGENCY DEMAND RESPONSE PROGRAM

The ISO shall have discretion to activate the Emergency Demand Response Program in response to: (i) a Real-Time Locational or statewide Operating Reserve shortage or an ISO peak forecast of a locational or system-wide Operating Reserve shortage; or (ii) an ISO declared Major Emergency State. In the event that the ~~NYISO~~ISO instructs Special Case Resources to reduce their consumption of Energy, the ISO ~~will~~may activate the Emergency Demand Response Program. The ISO may use its discretion to call on the Emergency Demand Response Program to relieve NYCA or Zonal Emergencies. [The NYISO Staff proposes that any connection between the EDRP and SCR program cease after October 31, 2002, the end date for the EDRP. The NYISO further proposes the addition of language clarifying that SCRs must be prepared at any time during a Capability Period to be called to verify their commitment.]

VI. NOTIFICATION OF CURTAILMENT SERVICE PROVIDERS

The ISO shall attempt, whenever possible, to provide Curtailment Service Providers with day-ahead notice that it may activate the Emergency Demand Response Program. Providing day-ahead notice of possible activation does not commit the ISO to activate the Emergency Demand Response Program or to make payments. The ISO shall provide Curtailment Service Providers with at least two hours' notice of its activation of the Emergency Demand Response Program. The notice shall specify the time at which the ISO requests that demand reductions begin and shall, whenever possible, specify when the need for demand reductions will end. The ISO may call Curtailment Services Providers to provide Load reduction as soon as possible in the event of a Real-Time Locational or statewide Operating Reserve shortage or emergency.

Curtailment Service Providers shall designate a contact person to receive the ISO's notification.

VII. VOLUNTARINESS OF EMERGENCY DEMAND RESPONSE PROGRAM

Participation in the Emergency Demand Response Program shall be voluntary. The ISO shall not penalize Curtailment Service Providers that decline to take steps to reduce demand when the Emergency Demand Response Program is activated. Participation in the Emergency

Demand Response Program shall not expand or reduce a Local Generator's rights and obligations to buy or sell Energy into the wholesale Energy market.

~~VII~~VIII. METERING

Curtailment Service Providers shall provide sufficient hourly interval metering data, pursuant to ISO procedures, to allow verification of their demand reduction performance.

IX. VERIFICATION

Curtailment Service Providers shall verify their demand reduction performance by providing interval metering data to the ISO within 45 days of their participation in the Emergency Demand Response Program. If a Curtailment Service Provider fails to provide the data within the 45 day period the ISO shall have the right to refuse to pay for that Curtailment Service Provider's claimed demand reductions. All load reduction data are subject to audit by the NYISO and its market monitoring unit. If the ISO determines that it has made an erroneous payment to a Curtailment Service Provider it shall have the right to recover it either by reducing other payments to that Curtailment Service Provider or by any other lawful means. Disputes concerning such payments shall be resolved through the ISO's Dispute Resolution Procedures.

X. PAYMENT

The ISO shall pay Curtailment Service Providers that cause a verified reduction in demand in response to the activation of the Emergency Demand Response Program. If the ISO activates the Emergency Demand Response Program, it shall pay Curtailment Service Providers for four hours of demand reduction or for the period of time that the Emergency Demand Response Program is activated, whichever is greater.

If the ISO activates the Emergency Demand Response Program for more than four hours, each Curtailment Service Provider shall be paid the higher of $500/MWh, or the zonal Real-Time LBMP per MWh, of demand reduced, starting with the hour specified by the ISO as the starting time of the activation, or, in the event that the ISO specified that the demand reduction begin as soon as possible, starting with the hour that the Curtailment Service Provider began its response.

If the ISO activates the Emergency Demand Reduction Program for four hours or less, each Curtailment Service Provider shall be paid as if the Emergency Demand Response Program had been activated for four hours. Each Curtailment Service Provider that reduces demand shall be paid the higher of $500/MWh or the zonal Real-Time LBMP per MWh, of demand reduced, for the duration of the ISO activation of the Emergency Demand Response Program or two hours whichever is greater, starting with the hour specified by the ISO as the starting time of the

activation, or, in the event that the ISO specified that the demand reduction begin as soon as possible, starting with the hour that the Curtailment Service Provider began its response. Each Curtailment Service Provider shall be paid the zonal Real-Time LBMP per MWh of demand reduced for the remainder of the four hour minimum payment period, provided that a verified demand reduction was effectuated by the time specified in the ISO's notice.

XI. COST ALLOCATION

In the event that the ISO activates the Emergency Demand Response Program in response to a statewide Emergency, a Real-Time statewide Operating Reserve Shortage or peak forecast of a statewide Operating Reserve shortage, payments made to Curtailment Service Providers shall be recovered from all Transmission Customers on a statewide basis. The ISO shall calculate, and the Transmission Customer shall pay, the monthly charge equal to the product of (A) payments made to Curtailment Service Providers and (B) the ratio of (i) the customer's billing units for the month to (ii) the sum of all billing units during that month. Billing units shall be based on the Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly Energy schedules for all Wheel Throughs and Exports. To the extent that the ISO activates the Emergency Demand Response Program in response to an Emergency or a Real-Time Locational Operating Reserve shortage or a peak forecast of an Operating Reserve shortge in a particular zone or zones, including relief to meet a Local Reliability Rule within a Zone as requested by a Transmission Owner, the billing units for such charges will be based on the Actual Energy Withdrawals the affected zone(s) during the hours in which the Emergency Demand Response Program was activated.

LSEs shall also be required to pay the monthly charges calculated above for the Transmission Customers which the LSE serves as retail access customers.

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