

ATTACHMENT F
NEW YORK INDEPENDENT SYSTEM OPERATOR
CODE OF CONDUCT

1.0 INTRODUCTION

This Code of Conduct shall apply to the ISO's Directors, Officers, and Employees (collectively, "ISO Employees") and provides policies, rules and procedures to be followed in carrying out the ISO's responsibilities. The provisions relating to covered contractors and consultants are set forth in Section 12 below.

The ISO Employees shall take all reasonable actions within their authority under the ISO Tariffs and Agreements¹ necessary to:

- (1) comply with all laws including, without limitation, the following: federal and state environmental laws; Federal Power Act, FERC Rules and Regulations, FERC Order Nos. 888 et. seq. and 889 et seq.; 18 C.F.R. Sections 37.1-37.4; federal securities

¹ The "ISO Tariffs and Agreements" consist of the ISO OATT, the ISO Services Tariff, the ISO Agreement, the NYSRC Agreement, the ISO/NYSRC Agreement, and the ISO/TO Agreement. The term "ISO Tariffs" consists of the ISO OATT and the ISO Services Tariff.

laws; and copyright, trademark and patent laws;

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- (2) provide Transmission Service pursuant to the ISO Open Access Transmission Tariff (“OATT”), acting as the Responsible Party,² as defined in Order Nos. 889 et. seq. for all Transmission Owners that are signatories to the ISO Agreement and operate the OASIS in accordance with Section 2.0, below;
- (3) refrain from Energy Transactions in accordance with Section 3.0, below;
- (4) treat commercially sensitive, proprietary, or regulated information as Confidential Information in accordance with Section 4.0, below;
- (5) protect the integrity of ISO Records³ in accordance with Section 6.0, below;
- (6) protect the ISO’s assets including property, facilities, equipment and supplies in accordance with Section 11.0, below; and

² The term “Responsible ~~Part~~Party” as defined in Order No. 889 means the Transmission Owner or an agent to whom the Transmission Owner has delegated the responsibility of meeting the requirements of 18 C.F.R. §37 concerning the operation of the OASIS.

³ ISO Records consist of all documents submitted to, or generated by, the ISO that pertain to ISO business. Examples of ISO Records include, without limitation, requests for Transmission and Ancillary Services, service agreements, system impact studies and facilities studies developed by the Transmission Owners and forwarded to the ISO, audit records, and ISO annual reports.

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Confidential Information pursuant to a request under this paragraph. After the Confidential Information has been provided to the FERC or its staff, the ISO shall immediately notify any affected Market Participant(s) when it becomes aware that a request for disclosure of such confidential information has been received by the FERC or its staff, or a decision to disclose such confidential information has been made by the FERC, at which time the ISO and the affected Market Participant(s) may respond before such information would be made public, pursuant to the FERC's rules and regulations that may provide for privileged treatment of information provided to the FERC or its staff.

The ISO shall establish procedures for handling Confidential Information that minimize the possibility of intentional or accidental improper disclosure.

4A.0 INSIDER TRADING

This Section defines insider trading, explain the duties of ISO Employees and describes behavior that is prohibited under securities laws.

4A.1 Insider Information:

Federal laws prohibit the purchase or sale of any publicly traded security by a person in possession of important information about the security or its issuer that is not publicly known. These laws have special significance to the ISO because ISO Employees routinely learn of Confidential Information about Market Participants and others. This circumstance creates two

duties for all ISO Employees: (1) a duty not to trade while in possession of “material, nonpublic information,” also known as “inside information” or “insider information,” as defined below, and (2) a duty not to communicate such information to anyone outside of the ISO, also known as “tipping.” It has been and remains the policy of the ISO that there be scrupulous compliance with each of these duties.

Material: Much of the information obtained about Market Participants and any of their Affiliates may be material information under the law. Information is material if a reasonable investor would consider it important in determining whether to buy or sell the securities of the company involved. The information may be either positive or negative. If the information would affect the price of the stock, it is material. If the information makes you or anyone else think about wanting to buy or sell the stock, that is probably the best indication that it is material. Some examples of information that could be considered material are key personnel changes, earnings information, fines or assessments that the ISO imposes on the company, and Confidential Information (as described in Section 4.0) including information relating to future generation capacity. If in doubt, one should assume that any information which could have any significance to an investor is material and not purchase or sell or allow anyone else to purchase or sell the securities in question until such information has been made public.

Nonpublic: Information that has not been disclosed to the public generally is nonpublic. To show that information is public, one should be able to point to some evidence that it is widely disseminated. Information would generally be deemed widely disseminated if it has been disclosed, for example, in the Dow Jones broad tape; news wire services such as AP or Reuters; radio or television; newspapers or magazines; the OASIS; or widely circulated public disclosure documents filed with the federal Securities and Exchange Commission (“SEC”), such as prospectuses or proxies.

Although it is natural to “talk shop,” no Confidential Information should be given to outsiders; for this purpose “outsiders” include one’s immediate family (as defined in Section 7.0), relatives, friends and anyone else other than those working on the matter at the ISO. In general, ISO matters should not be discussed with any outside individuals. Particular care is necessary in discussing ISO matters in elevators, restaurants, taxicabs, trains, commercial aircraft and other public places where names and other scraps of information might be overheard. Care should also be taken not to expose nonpublic papers in such places or leave them lying around in conference rooms or other places even within the ISO.

4A.2 Penalties for Trading on Insider Information

It is against ISO policy and a violation of law to make use of insider information for personal advantage in securities trading or to disclose such information to an outsider. ISO

Employees who have any knowledge or insider trading activities or improper disclosure committed by other ISO Employees must immediately notify the ISO compliance officer (as described in Section 10.0) or his designee. ISO Employees who have engaged in insider trading or have provided insider information to outsiders will be terminated immediately. In addition, both the ISO and the ISO Employee may be subject to severe civil and criminal penalties as a result of insider trading by the ISO Employee or by an outsider who has received insider information from the ISO Employee.

5.0 TRAINING

The ISO shall develop procedures to train ISO Employees soon after their hiring or appointment on the Code of Conduct, and to assess the effectiveness of the Code of Conduct in preventing insider trading and conflicts of interest ~~soon after their hiring or appointment~~. All ISO Employees will receive annual training thereafter for as long they remain associated with the ISO. All personnel receiving this training shall sign a Compliance Certificate stating that they attended the training, understand the Code of Conduct, and will not violate it.

6.0 ISO RECORDS

The ISO shall develop and maintain procedures for the handling, safeguarding, use, storage and retention of ISO Records. The ISO shall require all ISO Records to be accurate.

7.0 CONFLICTS OF INTEREST

Certain contacts between the ISO Employees and Market Participants may constitute or appear to constitute a conflict of interest. Potential conflicts of interest and the ISO's ability to restrict actions and duties to avoid potential conflicts are discussed below.

ISO Policy on Divestiture of Financial Interests:

If an ISO Employee or his/her immediate family⁴ owns, controls or has the power to vote such Securities of Market Participants or their Affiliates, the ISO shall require the divestiture of those Securities within a reasonable time in accordance with the ISO's divestiture procedure set forth below unless material hardship would result. The ISO shall develop a procedure establishing the conditions under which a divestiture would result in material hardship.

If an ISO Employee or member of the ISO Employee's immediate family owns, controls or holds with the power to vote any prohibited Securities, divestiture must occur as follows: (1) as of the effective date of ISO OATT, divestiture of prohibited Securities must occur within six months; (2) new ISO Employees must divest prohibited Securities within six months of commencement of employment; (3) if ownership, control or the power to vote such Securities results from an entity becoming a Market Participant, divestiture must occur within six months of receipt of the ISO's list of prohibited Securities referencing such Securities; and (4) if ownership, control or the power to vote such Securities is as a result of a gift, inheritance, distribution of

⁴ Immediate family refers to spouse and minor children.

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representative of a Market Participant or any of its Affiliates shall be considered a conflict of interest.

Engaging in outside non-business activity that materially decreases the impartiality, judgment, or effectiveness of ISO Employees shall also be considered a conflict of interest.

8.0 ADDITIONAL CONTROLS

The ISO shall establish a periodic audit process to verify compliance with the Code of Conduct and determine whether conflicts of interest exist. Except where prohibited by law or judicial order, the ISO may request that ISO Employees complete an annual conflict of interest survey requiring disclosure of the ISO Employee's or immediate family member's interests in Market Participants or their Affiliates.

The ISO shall require, as a condition precedent to association, that ISO Employees who will have access to Confidential Information agree to reasonable restrictions on future employment following termination of the association.

9.0 TERMINATION OF ASSOCIATION

Upon termination of association with the ISO, an ISO Employee with access to Confidential Information shall not disclose the information to any person outside of the ISO, nor

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use Confidential Information in any manner for personal benefit or for the benefit of a third party.

10.0 VIOLATIONS OF THE CODE OF CONDUCT

Any ISO Employee who violates the Code of Conduct or fails to report a known violation may be subject to disciplinary action including suspension or termination of employment, unless such violation involves insider trading whereby such violation will result in the termination of employment. In addition, any current or former ISO Employee that violates the Code of Conduct may be required to provide restitution to the ISO for financial injury suffered by the ISO as a result of the violation.

The ISO shall assign the responsibility of reviewing compliance with the Code of Conduct to the ISO compliance officer (e.g., a senior staff member such as the ISO General Counsel) who will be responsible for interpreting the Code of Conduct; responding to questions regarding the Code of Conduct; advising the ISO Employees regarding potential conflicts of interest; overseeing the auditing process; and to follow-up on all suspected violations. The ISO compliance officer may designate one or more individuals to assist in carrying out these responsibilities. The ISO also shall establish a “hot-line” to provide a means to anonymously and confidentially report suspected violations over the telephone.