

PENDING BUSINESS RULE DESIGN CHANGES, DATA CORRECTIONS, AND FINAL BILL CHALLENGES
AS OF 8/16/2012

I. Business rule modifications and data corrections pending resolution

| DESCRIPTION | NET ESTIMATED IMPACT | PERIOD(S) AFFECTED | SERVICE CENTER TICKET XREF | BILLING ISSUE XREF | EXPOSURE | BENEFIT | Status |
|---|-----------------------------|---|----------------------------|---|---|--|---|
| Start-up costs for SRE'd units not properly being accounted for in calculation of RT BPCG charges after Generator Derate in first hour of SRE | \$594,000 | <ul style="list-style-type: none"> October 2008 forward | • | <ul style="list-style-type: none"> 405 | <ul style="list-style-type: none"> Transmission Customers: affected transmission customers may experience increased RT BPCG charges. | <ul style="list-style-type: none"> Generators: affected generators may experience increased RT BPCG credits. | <ul style="list-style-type: none"> Proper processing of start-up costs for SRE'd units is still being investigated. Deployment schedule is to be determined. Settlements performing manual review to identify start-up costs in need of correction prior to 4 month or initial invoice. |
| Units set OOM by Operator Intervention are paid LBMP for energy produced up to, but not in excess of, their basepoints. The tariff is silent on this issue. | Less than \$2,000 | <ul style="list-style-type: none"> October 2008 forward | • | <ul style="list-style-type: none"> 438 | <ul style="list-style-type: none"> De minimis | <ul style="list-style-type: none"> De minimis | <ul style="list-style-type: none"> Internal discussions are currently underway to determine the proper handling of this issue (Tariff modification vs. code modification). |
| Quick starting generators which are scheduled for Ancillary Services, but not energy, in the DAM are not receiving start up payments when turned on in RT unless they specifically submit a RT bid. | Less than \$100,000 to date | <ul style="list-style-type: none"> December 2010 forward | • | <ul style="list-style-type: none"> 443 | <ul style="list-style-type: none"> Transmission Customers: affected transmission customers may experience increased RT BPCG charges | <ul style="list-style-type: none"> Generators: affected generators may experience increased RT BPCG credits. | <ul style="list-style-type: none"> Necessary code changes are currently under investigation. Settlements will be corrected via BOOT or manual adjustment until the code fix is deployed. |
| When PTS adjustments are made directly to HIST, the resultant loss calculation changes are not integrated into the hourly numbers in MIS resulting in incorrect Sub-Zonal Load allocations. | N/A | <ul style="list-style-type: none"> May – July 2011 | • | <ul style="list-style-type: none"> 445 | • | • | <ul style="list-style-type: none"> Necessary code changes to prevent the issue from recurring are currently under investigation. A script is run to fix items as they come up. All corrections will show up on the invoices. |
| Settlements code allows Demand Response Providers to bid Self-Committed and still be eligible for DADRP settlements. This conflicts with the Tariff which requires ISO-Committed bidding. | De minimis | <ul style="list-style-type: none"> April 2011 forward | • | <ul style="list-style-type: none"> 448 | <ul style="list-style-type: none"> Generators: affected generators may experience decreased DADRP settlements | <ul style="list-style-type: none"> Transmission Customers: affected transmission customers may experience decreased DADRP credits | <ul style="list-style-type: none"> Necessary code changes to prevent the issue from occurring are anticipated for January deployment. Settlements will be corrected via manual adjustment as necessary until a code fix can be deployed. |
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II. Resolved business rule modifications and data corrections pending adjustment through the normal settlement cycle

| DESCRIPTION | NET ESTIMATED IMPACT | PERIOD(S) AFFECTED | SERVICE CENTER TICKET XREF | BILLING ISSUE XREF | EXPOSURE | BENEFIT | Status |
|--|---|------------------------|----------------------------|--------------------|---|--|--------------------------------------|
| When prices go negative, generators are being paid the lesser of actual generation or basepoint + 3 percent of their upper operating limit rather than their actual generation. This could result in overpayments when generators are overgenerating | \$154,000 for open Months | • March 2011 forward | • | • 446 | • Generators: affected generators may experience decreased Energy payments | • Transmission Customers: affected transmission customers may experience decreased Energy Residuals allocation | • A fix was deployed in June 2012. |
| Units turned on for SRE commitments may be mitigated based on the first point on the Startup curve regardless of the down time of the unit. | Less than \$100,000 for all open months | • October 2011 forward | • | • 452 | • Transmission Customers: affected transmission customers may experience increased RT BPCG charges. | • Generators: affected generators may experience increased RT BPCG settlements. | • A fix was deployed in July 2012. |
| Units turned on for SRE immediately preceding a DAM commitment may be receiving start up payments for both the SRE & DAM commitments. | \$10,000 for all open months | • October 2011 forward | • | • 453 | • Generators: affected generators may experience decreased RT BPCG settlements. | • Transmission Customers: affected transmission customers may experience decreased RT BPCG charges. | • A fix was deployed in August 2012. |
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III. Final Bill Challenges

| DESCRIPTION | NET ESTIMATED IMPACT | PERIOD(S) AFFECTED | SERVICE CENTER TICKET XREF | BILLING ISSUE XREF | EXPOSURE | BENEFIT | Status |
|-------------|----------------------|--------------------|----------------------------|--------------------|----------|---------|--------|
| | | • | | • | | | |

IV. Pending Approved DAC/Disputes

| DESCRIPTION | BILLING MONTH | EXPECTED INVOICE DATE | \$ AMOUNT | ALLOCATION BASIS |
|-------------|---------------|-----------------------|-----------|------------------|
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V. Pending FERC/Court Activity

| FERC DOCKET # | DESCRIPTION OF ISSUE | STATUS | UPCOMING ACTIVITY |
|---------------|---|--|--|
| ER08-1281-000 | NYISO requests permanent tariff changes to preclude the scheduling of certain external transactions, for shortened notice and comment periods and for expedited Commission Action | The filing was made on October 31, 2008. FERC accepted the permanent tariff revisions on 11/17/08 effective 11/18/08. On 2/18/09, NYISO issued its 90 Day Report On Efforts to Develop Long-Term Solutions To Lake Erie Circulation and ISO/PJM Congestion Management Processes. The FERC staff report was released on 7/16/09. FERC has concluded that there was no market manipulation or tariff violations on the part of the market participants. FERC did determine there is a systemic pricing issue that impinges on NYISO, PJM and MISO customers. Compliance filing on Long-Term solutions submitted 1/12/2010. On 7/15/2010 FERC conditionally accepted the compliance filing, pending responses to a number of questions within 30 days. NYISO responded on 8/16/10. Further comments regarding Buy-Through of Congestion were filed on 10/14/10. On 12/30/2010 FERC issued an order establishing deadlines for the completion of various aspects of the Long Term solution. Additional comments and requests for rehearing have been filed. NYISO submitted a compliance filing on 2/27/2011. FERC accepted it on 6/30/2011. FERC granted the rehearing request on 7/5/11 and extended some of the deadlines established in the 12/30/10 order in accordance with those requested. On 8/29/11 NYISO filed a Regional Power Control Device Coordination Study at FERC. On 10/24/11 FERC accepted the study as an informational filing. On 12/22/11 NYISO filed a compliance filing. On 1/27/12 NYISO responded to the objection of one party by supporting the sufficiency and transparency of the proposed calculation. On 3/15/12 FERC rejected NYISO's filing and directed NYISO to make an additional compliance filing by 4/14/12. On 3/30/12 NYISO requested a Technical Conference and extension of time to file. Since then other parties have filed comments. On 4/16/2012 NYISO requested rehearing. On 5/8/2012 FERC granted NYISO request for extension. At this time the revised due date has not been specified. FERC granted NYISO's rehearing request on 5/15/2012. | The NYISO is working on meeting the deadlines outlined in the 12/30/10 order as amended. |
| EL09-26-000 | NYSEG petitions FERC for a Declaratory Order requiring the NYISO to rebill certain energy charges due to metering errors dating back to 1999. The incorrect charges total approximately \$20 million dollars. | The filing was made on December 23, 2008. Several parties filed responses to the filing. FERC held settlement conferences on 4/14/09 and 5/7/09. At the end of the May 7 conference, National Grid presented an offer of settlement. Settlement discussions continue. After another settlement conference on August 25, the parties reached an agreement in principle. On 9/21/09 the parties filed the settlement in which they agreed on most points but left it for FERC to decide whether or not to order a rebilling. Additionally, the parties requested that the docket be opened up for additional entities to respond. Several additional parties filed interventions. NYISO filed an initial brief supplying fact for consideration in regard to whether or not to order a rebilling. On 10/28/10, FERC rejected the request for a Declaratory Order stating that the correction of invoices was not appropriate. Additionally they rejected the proposed settlement agreement as moot. NYSEG requested rehearing on 11/24/2010. FERC granted the request on 12/27/2010. | The NYISO is waiting for FERC's ruling. |
| RM10-17-000 | FERC issued a Notice of Proposed Rulemaking regarding the compensation of Demand Response Providers. | The notice was issued on March 18, 2010. On 9/13/2010 FERC held a Technical Conference to further discuss the issues at hand. FERC issued the Final Rule Making (Order 745) on 3/15/2011 which required compliance filings to be submitted by 7/22/2011. On 7/19/2011, NYISO requested an extension of time to file the compliance filing until 8/19/11. On 7/22/2011 FERC granted the extension. On 8/19/2011 NYISO submitted its compliance filing which is tracked under docket ER11-4338 below. Multiple parties are disputing this Order in DC Circuit Court. | |
| ER11-4338-000 | NYISO filed Tariff Revisions pursuant to FERC order 745. | The filing was made on August 19, 2011. On 2/14/12, NYISO filed a request for timely action on our compliance filing. On 2/23/12 NYISO filed a request to defer the effective date of the tariff language due to a lack of direction from FERC and other software commitments already requiring development time this year. | The NYISO is waiting for FERC's ruling. |

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| RM10-13-000 | FERC issued a Notice of Proposed Rulemaking regarding credit issues which includes a proposed requirement to move to weekly invoicing by August 2011 | NYISO submitted comments on March 29, 2010. Others have also submitted comments. A technical conference was held on 5/11/10. Further comments are requested by 6/8/10. NYISO filed comments concerning some of the credit issues, but nothing on weekly invoicing. On 10/21/10 FERC issued a final ruling (Order 741) on the NOPR including the requirement that all ISOs move to weekly invoicing by October 2011. On 8/15/11 NYISO and others filed a request for an extension of time to submit filings regarding ability to offset market obligations in bankruptcy. On 9/13/11, FERC granted the extension to 1/31/12. NYISO filed tariff language under docket ER11-3949 below. On 1/9/12 ISO NE requested an extension of time to submit their compliance filing. On 1/13/12, NYISO and CAISO jointly filed for an extension of time to file certain additional compliance filing. On 1/24/12, FERC granted the extension of time to file until 4/30/12. NYISO filed revised Tariff language on 4/30/2012 which is tracked under docket ER11-3951 below. | |
| ER11-3949-000 | NYISO filed Tariff Revisions pursuant to FERC order 741 provisions including the establishment of weekly invoicing. | The filing was made on June 30, 2011. Additionally, an erratum was filed on 7/5/11. On 9/15/2011, FERC accepted the revisions partially contingent on their acceptance of the further filings required per RM10-13-000. | |
| ER11-3951-000 | NYISO filed Tariff Revisions pursuant to FERC order 741 provision requiring ISO/RTO's to take possession of transactions. | The filing was made on April 30, 2012. Multiple parties have commented on NYISO's proposal to become a central counterparty to all transactions. ISO/RTO's jointly filed a response on 5/29/12. On 8/6/2012, FERC accepted the filing effective 7/1/12 as requested. | |
| ER10-1359-000 | TC Ravenswood, LLC entered a rate filing with FERC to establish a rate for use in the Min Oil Burn program. This relates to docket EL10-70-000 | The filing occurred on May 27, 2010. NYISO submitted a protest on 7/2/10 and a supplement to it on 7/14/10. Others have also submitted comments/Protests. On 10/27/2010 FERC rejected the proposed rate filing. TC Ravenswood requested rehearing on 11/24/2010. NYISO offered comments on 12/9/2010. FERC granted that rehearing on 12/27/2010. On 2/6/12 TC Ravenswood requested FERC to rule on the issue up for rehearing. | The NYISO is waiting for FERC's ruling. |
| RM11-7-000 | FERC issued a Final Ruling regarding compensation for Frequency regulation which requires NYISO to move to a two part payment methodology by October 2012. | FERC issued Order 755 on October 20, 2011. The order requires NYISO to submit Tariff language within 120 days of the effective date of the ruling. Parties have commented and on 11/21/11 a rehearing was requested. On 12/19/2011 FERC granted the request. NYISO filed revised Tariff language on 4/30/2012 which is tracked under docket ER12-1653 below. | The NYISO is waiting for FERC's ruling. |
| ER12-1653-000 | NYISO filed Tariff Revisions pursuant to FERC order 755 | The filing was made on April 30, 2012. Multiple parties commented, arguing primarily about the possibility of \$0.00 movement bids. NYISO answered their concerns on 6/6/12 and stipulated that any changes would delay deployment. On 6/25/2012 parties responded requesting FERC to approve the current filing as is subject to additional changes per their previous arguments within 90 days of deployment. | The NYISO is waiting for FERC's ruling. |
| ER11-1844-000 | MISO filed Tariff Language proposing to allocate the costs of the ITC PARS to all benefiting control areas. | The filing occurred on December October 20, 2010. On 12/30/10 FERC ruled to accept the Tariff language subject to review by a "trial-type evidentiary hearing." FERC further ruled that the costs should be collected subject to refund. On 5/11/12 NYISO submitted testimony in the hearing. NYISO submitted additional testimony on 6/29/2012. Per the schedule of testimony filed on 7/30/2012, the hearing is scheduled for 8/13/12 – 8/24/12. | The NYISO is waiting for FERC's ruling. |
| EL12-38-000 | NYISO and NY Transmission Owners jointly filed a request for a declaratory order regarding the Order to pay for the ITC PARS. | The filing was made on February 28, 2012. NYISO requested that the order to pay subject to refund be set aside and that no payment would be due until the matter in ER11-1844 is fully resolved. This request was, in part, due to the lack of mechanism for allocating the cost to the market participants. On 5/22/12 FERC denied NYISO's request seeking a declaration that it does not have to pay the PARS-related charges until after the Commission makes a final determination following the conclusion of the hearing re: cost recovery for ITC PARS. On or about 6/12/12, the Management Committee authorized/recommended tariff revisions for consideration by NYISO BOD to recover MISO charges for the Michigan/Ontario PARS from NYISO's customers. NYISO BOD approved the revisions on 7/17/12. | |
| ER12-2260-000 | NYISO filed a Tariff Amendment to Rate Schedule 1 which would allow the recovery of charges associated with ITC's Bunce Creek PARS. | The filing was made on July 18, 2012. NYISO requested that the amendment be effective as of 4/5/2012 when the PARS entered service. | The NYISO is waiting for FERC's ruling. |
| ER12-2317-000 | NYISO filed, on behalf of the New York Power Authority, an amendment to the NYPA annual transmission revenue requirement in the NYISO Service Tariff. | The filing was made on July 27, 2012. | The NYISO is waiting for FERC's ruling. |