

I. COMMON SERVICE PROVISIONS

1.0 Definitions

- 1.0a Actual Energy Withdrawals:** Energy withdrawals which are either: (1) measured with a revenue-quality real-time meter; (2) assessed (in the case of LSEs serving retail customers where withdrawals are not measured by revenue-quality real-time meters) on the basis provided for in a Transmission Owner's retail access program; or (3) calculated (in the case of wholesale customers where withdrawals are not measured by revenue-quality real-time meters), until such time as revenue-quality real-time metering is available on a basis agreed upon by the unmetered wholesale customers.
- 1.0b Affiliate:** With respect to a person or entity, any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust or unincorporated organization, directly or indirectly controlling, controlled by, or under common control with, such person or entity. The term "control" shall mean the possession, directly or indirectly, of the power to direct the management or policies of a person or an entity. A voting interest of ten percent or more shall create a rebuttable presumption of control.
- 1.1 Ancillary Services:** Those services that are necessary to support the transmission of Capacity and Energy from resources to Loads while maintaining reliable operation of the NYS Transmission System in accordance with Good Utility Practice.
- 1.2 Annual Transmission Costs:** The total annual cost of the Transmission System for purposes of Network Integration and Point-to-Point Transmission Services shall be the amount specified in Attachment H until amended by the Transmission Owners or modified by the Commission.
- 1.2a Annual Transmission Revenue Requirement:** The total annual cost for each Transmission Owner (other than LIPA) to provide transmission service subject to review and acceptance by FERC or other authority.

- 1.3 Application:** A request by an Eligible Customer for Transmission Service pursuant to the provisions of this Tariff.
- 1.3a Automatic Generation Control (“AGC”):** The automatic regulation of the power output of electric generating facilities within a prescribed range in response to a change in system frequency, or tie-line loading, to maintain system frequency or scheduled interchange with other areas within predetermined limits.
- 1.3b Availability:** A measure of time that a generating facility, transmission line or other facility is or was capable of providing service, whether or not it actually is in-service.
- 1.3c Available Generating Capacity:** Generating Capacity that is on line to serve Load and/or provide Ancillary Services, or is capable of initiating start-up for the purpose of serving Transmission Customers or providing Ancillary Services, within thirty (30) minutes.
- 1.3d Available Transfer Capability (“ATC”):** A measure of the Transfer Capability remaining in the physical transmission network for further commercial activity over and above already committed uses. ATC is defined as the Total Transfer Capability, less Transmission Reliability Margin, less the sum of existing transmission commitments, (which includes retail customer service) less the Capacity Benefit Margin. The amount reserved to support existing transmission commitments is defined in the Existing Transmission Agreements and Existing Transmission Capacity for Native Load in Attachment L.
- 1.3d1 Back-Up Operation:** See 10A.0 *infra*.
- 1.3e Balance Market Evaluation (“BME”):** An evaluation performed for the hour in which the dispatch occurs. The BME begins ninety (90) minutes before the beginning of the hour in which dispatch occurs. Based upon the Day-Ahead commitment and updated Load forecasts and Generator schedules, BME will assess new Bids for the Locational Based Market Pricing (“LBMP”) Markets and requests for new Bilateral Transaction schedules for the Dispatch Hour to which the SCUC applies. BME will redispatch Internal Generators, schedule External Generators, schedule new Bilateral Transactions, if feasible, update Desired Net

2000, 90 FERC ¶ 61,352 (2000).

Interchanges, if needed, and Reduce or Curtail Bilateral Transactions with non-Firm and Firm Transmission Service as needed for the Dispatch Hour for which the SCUC applies.

- 1.3f Base Point Signals:** Electronic signals sent from the ISO and ultimately received by Generators specifying the scheduled MW output for the Generator. Security Constrained Dispatch (“SCD”) Base Point Signals are typically sent to Generators on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators on a nominal six (6) second basis.
- 1.3g Bid/Post System:** An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post Locational Based Marginal Prices and schedules.
- 1.3h Bid:** Offer to purchase and/or sell Energy, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.
- 1.3i Bid Price:** The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.
- 1.3j Bid Production Cost:** Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running cost and Minimum Generation and Start-Up Bid).
- 1.3k Bilateral Transaction:** A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the ISO Administered Markets.
- 1.3l Board of Directors (“Board”):** The governing body of the ISO which is comprised of ten (10) persons (Directors) that are unaffiliated with any Market Participants, as described in the ISO Agreement.

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- 1.3m Business Issues Committee:** A standing committee of the ISO created pursuant to the ISO Agreement to establish rules related to business issues and provide a forum for discussion of those rules and issues.
- 1.3n Capability Period:** Six-month periods which are established as follows: (1) from May 1 through October 31 of each year (“Summer Capability Period”); and (2) from November 1 of each year through April 30 of the following year (“Winter Capability Period”); or such other periods as may be determined by the Operating Committee of the ISO. A Summer Capability Period followed by a Winter Capability Period shall be referred to as a “Capability Year”. Each Capability Period shall consist of On-Peak and Off-Peak periods.
- 1.3o Capacity:** The capability to generate or transmit electrical power, measured in megawatts (“MW”).
- 1.3p Capacity Benefit Margin (“CBM”):** That amount of Total Transfer Capability reserved by the ISO on the NYS Transmission System to ensure access to generation from interconnected systems to meet generation reliability requirements.
- 1.3q Centralized Transmission Congestion Contracts (“TCC”) Auction (“Auction”):** The process by which TCCs are released for sale for the Centralized TCC Auction Period, through a bidding process administered by the ISO or an auctioneer.
- 1.3r Centralized TCC Auction Period (“Auction Period”):** The period equal to one or more whole Capability Periods, determined by the ISO, for which the award of TCCs in the Auction is valid.
- 1.3s Class A Unit:** A Generator or Dispatchable Load that participates in nominal five-minute SCD dispatch.
- 1.3t Class B Unit:** A Generator or Dispatchable Load that is not participating in the nominal five-minute SCD dispatch, but offers to provide spinning reserves to the ISO.

- 1.3u Code or Conduct:** The rules, procedures and restrictions concerning the conduct of the ISO directors and employees, contained in Attachment F to the ISO Open Access Transmission Tariff.
- 1.4 Commission (“FERC”):** The Federal Energy Regulatory Commission, or any successor agency.
- 1.5 Completed Application:** An Application that satisfies all of the information and other requirements of the Tariff.
- 1.5a Confidential Information:** Information and/or data which has been designated by a Transmission Customer to be proprietary and confidential, provided that such designation is consistent with the ISO Procedures and this Tariff, including the attached Code of Conduct.
- 1.5b Congestion:** A characteristic of the transmission system produced by a constraint on the optimum economic operation of the power system, such that the marginal price of Energy to serve the next increment of Load, exclusive of losses, at different locations on the Transmission System is unequal.
- 1.5c Congestion Component:** The component of the LBMP measured at a location or the Transmission Usage Charge between two locations that is attributable to the cost of transmission Congestion.
- 1.5d Congestion Rent:** The opportunity costs of transmission Constraints on the NYS Transmission System. Congestion Rents are collected by the ISO from Loads through its facilitation of LBMP Market Transactions and the collection of Transmission Usage Charges from Bilateral Transactions.
- 1.5e Congestion Rent Shortfall:** A condition in which the Congestion Rent revenue collected by the ISO in the Day-Ahead Market for Energy is less than the amount of Congestion Rent revenue in the Day-Ahead Market for Energy that the ISO is obligated under the Tariff to pay out to the Primary Holders of TCCs.
- 1.5f Constraint:** An upper or lower limit placed on a variable or set of variables that are used by the ISO in its SCUC, BME or SCD programs to control and/or

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facilitate the operation of the NYS Transmission System.

- 1.5g Contingency:** An actual or potential unexpected failure or outage of a system component, such as a Generator, transmission line, circuit breaker, switch or other electrical element. A Contingency also may include multiple components, which are related by situations leading to simultaneous component outages.
- 1.5h Contract Establishment Date:** The date, listed in Attachment L, on which the listed existing agreements which are the source of Grandfathered Rights and Grandfathered TCCs were executed.
- 1.6 Control Area:** An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:
- (1) match, at all times, the power output of the Generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s);
 - (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
 - (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
 - (4) provide sufficient generating capacity to maintain Operating Reserves in accordance with Good Utility Practice.
- 1.7 Curtailment or Curtail:** A reduction in Firm or non-Firm Transmission Service in response to a transmission capacity shortage as a result of system reliability conditions.
- 1.7a Customer:** An entity which has complied with the requirements contained in the ISO Services Tariff, including having signed a Service Agreement, and is qualified to utilize the Market Services and the Control Area Services provided by the ISO under the ISO Services Tariff; provided, however, that a party taking services under the ISO Services Tariff pursuant to an unsigned Service Agreement filed with the Commission by the ISO shall be deemed a Customer.

- 1.7b Day-Ahead:** Nominally, the twenty-four (24) hour period directly preceding the Dispatch Day, except when this period may be extended by the ISO to accommodate weekends and holidays.
- 1.7c Day-Ahead LBMP:** The LBMPs calculated based upon the ISO's Day-Ahead Security Constrained Unit Commitment process.
- 1.7d Day-Ahead Market:** The ISO Administered Market in which Capacity, Energy and/or Ancillary Services are scheduled and sold Day-Ahead consisting of the Day-Ahead scheduling process, price calculations and Settlements.
- 1.7e Decremental Bid:** A monotonically increasing bid curve provided by an entity engaged in a Bilateral Transaction to indicate the LBMP below which that entity is willing to reduce its Generator's output or have its Transmission Service curtailed, and purchase Energy in the LBMP Markets. If Decremental Bids are not voluntarily provided by such entities, the ISO will enter a default Decremental Bid.
- 1.8 Delivering Party:** The entity supplying Capacity and Energy to be transmitted at Point(s) of Receipt.
- 1.8a Demand Side Resources:** Resources that result in the reduction of a Load in a responsive and measurable manner and within time limits established in the ISO Procedures.
- 1.8b Dependable Maximum Net Capability ("DMNC"):** The sustained maximum net output of a Generator, as demonstrated by the performance of a test or through actual operation, averaged over a continuous time period as defined in the ISO Procedures.
- 1.9 Designated Agent:** Any entity that performs actions or functions on behalf of the Transmission Owner, an Eligible Customer, or the Transmission Customer required under the Tariff.
- 1.9a Desired Net Interchange ("DNI"):** A mechanism used to set and maintain the desired Energy interchange (or transfer) between two Control Areas; it is

scheduled ahead of time and can be changed only manually in real-time.

- 1.10 Direct Assignment Facilities:** Facilities or portions of facilities that are constructed by the Transmission Owner(s) for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.
- 1.10a Direct Sale:** The sale of TCCs directly to a buyer by the Primary Owner through a non-discriminatory auditable sale conducted on the ISO's OASIS, in compliance with the requirements and restrictions set forth in Commission Orders 888 et seq. and 889 et seq.
- 1.10b Dispatchable:** A Generator or Load that is capable of responding to real-time control from the ISO.
- 1.10c Dispatch Day:** The twenty-four (24) hour period commencing at the beginning of each day (0000 hour).
- 1.10d Dispute Resolution Administrator ("DRA"):** An individual hired by the ISO to administer the Dispute Resolution Process established in the ISO Tariffs and ISO Agreement.
- 1.10e Dispute Resolution Process ("DRP"):** The procedures: (1) described in the ISO Tariffs and the ISO Agreement that are used to resolve disputes between Market Participants and the ISO involving services provided under the ISO Tariffs (excluding applications for rate changes or other changes to the ISO Tariffs or rules relating to such services); and (2) described in the ISO/NYSRC Agreement that are used to resolve disputes between the ISO and NYSRC involving the implementation and/or application of the Reliability Rules.
- 1.11 Eligible Customer:** (i) Any electric utility (including the Transmission Owner and any power marketer), Federal power marketing agency, or any person generating Energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission

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service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Owner, is an Eligible Customer under the Tariff.

- 1.11a Emergency:** Any abnormal system condition that requires immediate automatic or manual action to prevent or limit loss of transmission facilities or Generators that could adversely affect the reliability of an electric system.
- 1.11b Emergency State:** The state that the NYS Power System is in when an abnormal condition occurs that requires automatic or immediate, manual action to prevent or limit loss of the NYS Transmission System or Generators that could adversely affect the reliability of the NYS Power System.
- 1.11c Energy (“MWh”):** A quantity of electricity that is Bid, produced, purchased, consumed, sold, or transmitted over a period of time, and measured or calculated in megawatt hours.
- 1.11d Excess Congestion Rents:** Congestion revenues in the Day-Ahead Market for Energy collected by the ISO that are in excess of its Day-Ahead payment obligations. Excess Congestion Rents may arise if Congestion occurs in the Day- Ahead Market for Energy and if the Day-Ahead Transfer Capability of the Transmission System is not exhausted by the set of TCCs and Grandfathered Rights that have been allocated at the completion of the last Centralized TCC Auction.
- 1.11e Existing Transmission Agreement (“ETA”):** An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, as defined in this Tariff.
- 1.11f Existing Transmission Capacity for Native Load:** Transmission capacity identified on a Transmission Owner’s transmission system to serve the Native

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Load Customers of the current Transmission Owners (as of the filing date of the original ISO Tariff-January 31, 1997) for the purposes of allocating revenues from the sale of TCCs related to that capacity. This includes transmission capacity required: (1) to deliver the output from generating facilities located out of a Transmission Owner's Transmission District; (2) to deliver power purchased under power supply contracts; and (3) to deliver power purchased under third party agreements (*i.e.*, Non-Utility Generators). Existing Transmission Capacity for Native Load is listed in Attachment L, Table 3, "Existing Transmission Capacity Reservations for Native Load Table."

- 1.11g Exports:** A Bilateral Transaction or purchases from the LBMP Market where the Energy is delivered to an NYCA interconnection with another Control Area.
- 1.11h External:** An entity (*e.g.*, Supplier, Transmission Customer) or facility (*e.g.*, Generator, Interface) located outside the Control Area being referenced or between two or more Control Areas. Where a specific Control Area is not referenced, the NYCA is the intended reference.
- 1.11i External Transactions:** Purchases, sales or exchanges of Energy, Capacity or Ancillary Services for which either the Point of Injection ("POI") or Point of Withdrawal ("POW") or both are located outside the NYCA (*i.e.*, Exports, Imports or Wheels Through).
- 1.11j Federal Power Act ("FPA"):** The Federal Power Act, as may be amended from time-to-time (See 16 U.S.C. § 796 et seq.)
- 1.12 Facilities Study:** An engineering study conducted by the ISO and/or a Transmission Owner to determine the required modifications to the Transmission Owner's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested facilities.
- 1.13 Firm Point-To-Point Transmission Service:** Transmission Service under this Tariff that is scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff. Firm Point-To-Point Transmission Service is service for which the Transmission Customer has agreed to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion

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associated with its Firm Point-To-Point Transmission Service by acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

- 1.13a Firm Transmission Service:** Transmission Service requested by a Transmission Customer willing to pay Congestion Rent.
- 1.13b First Settlement:** The process of establishing binding financial commitments on the part of Customers participating in the Day-Ahead Market based on Day-Ahead LBMP.
- 1.13c Generator:** A facility capable of supplying Energy, Capacity and/or Ancillary Services that is accessible to the NYCA or the Energy, Capacity and/or Ancillary Services from such facilities.
- 1.13d Generator Classes:** The type of Generator (e.g., nuclear, gas turbine, fossil, hydro) which is used by the ISO to determine criteria that must be met for that Generator to qualify as a source of Installed Capacity.
- 1.14 Good Utility Practice:** Any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region.
- 1.14a Government Bonds:** Tax-exempt bonds issued by the New York Power Authority pursuant to Section 103 and related provisions of the Internal Revenue Code. 26 U.S.C. § 103.
- 1.14b Grandfathered Rights:** The transmission rights associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; (3) Third Party Transmission Wheeling Agreements

("TWA") where the party entitled to exercise the transmission rights associated with such Agreements, has chosen, as provided for in the Tariff, to retain those rights rather than to convert them to TCCs; and (4) Existing Transmission Capacity for Native Load, Attachment L, Table 3. Upon the expiration or termination of Grandfathered Rights, the associated transmission capacity is converted to Residual Transmission Capacity.

- 1.14c Grandfathered TCCs:** The TCCs associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; (3) Third Party TWAs where the party entitled to exercise the transmission rights associated with such agreements, has chosen, as provided for in the Tariff, to convert those rights to TCCs; and (4) Existing Transmission Capacity for Native Load, Table 3 on Attachment L.
- 1.14d Hour-Ahead Bid:** A Bid submitted at least ninety (90) minutes before the dispatch hour to which it applies.
- 1.14e Imports:** Transmission Service originating within another Control Area and wheeling into the NYCA.
- 1.14f Imputed Revenue:** The Congestion Rents that owners of Grandfathered Rights do not have to pay due to their own use of those Grandfathered Rights.
- 1.14g Inadvertent Energy Accounting:** The accounting performed to track and reconcile the difference between net actual Energy interchange and scheduled Energy interchange of a Control Area with adjacent Control Areas.
- 1.14h Incremental Bid:** A monotonically increasing Bid curve with a finite number of break points (currently six break points), that indicates an entity's willingness to supply Energy at certain prices to the ISO Administered LBMP Markets.
- 1.14i Incremental TCC:** A set of point-to-point Transmission Congestion Contract(s) allocated to the Transmission Customer or Transmission Owner that is paying for a Network Upgrade or Direct Assignment Facilities. Incremental TCCs are point-to-point TCCs that derive from the increase or decrease in Interface Total

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Transfer Capability resulting from the Network Upgrade or Direct Assignment Facilities.

- 1.14j Independent System Operator, Inc. (“ISO”):** The New York Independent System Operator, a not-for-profit corporation established pursuant to the ISO Agreement.
- 1.14k Independent System Operator Agreement (“ISO Agreement”):** The agreement that establishes the New York ISO.
- 1.14l Independent System Operator/New York State Reliability Council (“ISO/NYSRC Agreement”):** The agreement between the ISO and the New York State Reliability Council governing the relationship between the two organizations.
- 1.14m Independent System Operator/Transmission Owner Agreement (“ISO/TO”):** The agreement that establishes the terms and conditions under which the Transmission Owners transferred to the ISO Operational Control over designated transmission facilities.
- 1.14n Installed Capacity:** A Generator or Load facility that complies with the requirements in the Reliability Rules and is capable of supplying and/or reducing the demand for Energy in the NYCA for the purpose of ensuring that sufficient Energy and Capacity are available to meet the Reliability Rules. The Installed Capacity requirement, established by the NYSRC, includes a margin of reserve in accordance with the Reliability Rules.
- 1.14o Interconnection or Interconnection Points (“IP”):** The point(s) at which the NYCA connects with a distribution system or adjacent Control Area. The IP may be a single tie line or several tie lines that are operated in parallel.
- 1.14p Interface:** A defined set of transmission facilities that separate Load Zones and that separate the NYCA from adjacent Control Areas.
- 1.14q Interface MW - Mile Methodology:** The procedure used to allocate Residual TCCs, revenues from the sale of certain TCCs, and Excess Congestion Rents,

between the Transmission Owners as described in Attachment N.

- 1.14r Internal:** An entity (e.g., Supplier, Transmission Customer) or facility (e.g., Generator, Interface) located within the Control Area being referenced. Where a specific Control Area is not referenced, internal means the NYCA.
- 1.14s Internal Transactions:** Purchases, sales or exchanges of Energy, Capacity or Ancillary Services where the Generator and Load are located within the NYCA.
- 1.14t Interruptible Load Resources:** A Load that is obligated under a contract to be interrupted when required by the ISO. Such a Load must demonstrate that it is capable of quantifiable reduction in consumption in response to the ISO's instructions.
- 1.15 Interruption:** A reduction in non-Firm Transmission service due to economic reasons pursuant to Section 14.7.
- 1.15a Investor-Owned Transmission Owners :** At the present time these include: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.
- 1.15b ISO Administered Markets:** The Day-Ahead Market and the Real-Time Market (collectively the LBMP Markets) and any other market administered by the ISO.
- 1.15c ISO Market Power Monitoring Program:** The monitoring program approved by the Commission and administered by the ISO designed to monitor the possible exercise of market power in ISO Administered Markets.
- 1.15d ISO OATT (the "Tariff"):** The ISO Open Access Transmission Tariff.
- 1.15e ISO Procedures:** The procedures adopted by the ISO in order to fulfill its responsibilities under the ISO OATT, the ISO Services Tariff and the ISO Related Agreements.

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- 1.15f ISO Related Agreements:** Collectively, the ISO Agreement, the NYSRC Agreement, the ISO/NYSRC Agreement and the ISO/TO Agreement.
- 1.15g ISO Services Tariff:** The ISO Market Administration and Control Area Services Tariff.
- 1.15h ISO Tariffs:** The ISO OATT and the ISO Services Tariff, collectively.
- 1.15i LBMP Markets:** A term that collectively refers to both the Real-Time Market and the Day-Ahead Market.
- 1.15j LIPA Tax-Exempt Bonds:** Obligations of the Long Island Power Authority, the interest in which is not included in gross income under the Internal Revenue Code.
- 1.15k Load:** A term that refers to either a consumer of Energy or the amount of Energy (MWh) or demand (MW) consumed by certain consumers.
- 1.16 Load Ratio Share:** The ratio of an LSE's Load to Load within the NYCA during a specified time period.
- 1.16a Load Serving Entity ("LSE"):** An entity, including a municipal electric system and an electric cooperative, authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers located within the NYCA, including an entity that takes service directly from the ISO to supply its own load in the NYCA.
- 1.17 Load Shedding:** The systematic reduction of system demand by temporarily decreasing Load in response to Transmission System or area Capacity shortages, system instability, or voltage control considerations under Part III of the Tariff.
- 1.17a Load Zone:** One (1) of eleven (11) geographical areas located within the NYCA that is bounded by one (1) or more of the fourteen (14) New York State Interfaces. During the implementation of the LBMP Markets, all Loads located within the

same Load Zone pay the same Day-Ahead LBMP and the same Real-Time LBMP for Energy purchased in those markets.

- 1.17b Local Furnishing Bonds:** Tax-exempt bonds issued by a Transmissions Owner under an agreement between the Transmission Owner and the New York State Energy Research and Development Authority (“NYSERDA”), or its successor, or by a Transmission Owner itself, and pursuant to Section 142(f) of the Internal Revenue Code, 26 U.S.C. § 142(f).
- 1.17c Locality:** A single LBMP Load Zone or set of adjacent LBMP Load Zones within one Transmission District, and within which a minimum level of Installed Capacity must be maintained.
- 1.17d Local Reliability Rule:** A Reliability Rule established by a Transmission Owner and adopted by the NYSRC to meet specific reliability concerns in limited areas of the NYCA, including without limitation, special requirements and conditions that apply to nuclear plants and special requirements applicable to the New York City metropolitan area.
- 1.17e Locational Based Marginal Pricing (“LBMP”):** A pricing methodology under which the price of Energy at each location in the NYS Transmission System is equivalent to the cost to supply the next increment of Load at that location (i.e., the short-run marginal cost). The short-run marginal cost takes Generation Bid Prices and the physical aspects of the NYS Transmission System into account. The short-run marginal cost also considers the impact of Out-of-Merit Generation (as measured by its Bid Price) resulting from the Congestion and Marginal Losses occurring on the NYS Transmission System which are associated with supplying an increment of Load. The term LBMP also means the price of Energy bought or sold in the LBMP Markets at a specific location.
- 1.17f Locational Installed Capacity Requirement:** A determination by the ISO of that portion of the state-wide Installed Capacity requirement that must be electrically located within a Locality in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

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- 1.18 Long-Term Firm Point-To-Point Transmission Service:** Firm Point-to-Point Service, the price of which is fixed for a long term by a Transmission Customer acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.
- 1.18a Lost Opportunity Cost:** The foregone profit associated with the provision of Ancillary Services, which is equal to the product of: (1) the difference between (a) the Energy that a Generator could have sold at the specific LBMP and (b) the Energy sold as a result of reducing the Generator's output to provide an Ancillary Service under the direction of the ISO; and (2) the LBMP existing at the time the Generator was instructed to provide the Ancillary Service, less the Generator's Energy bid for the same MW segment.
- 1.18b Major Emergency State:** An Emergency accompanied by abnormal frequency, abnormal voltage and/or equipment overloads that create a serious risk that the reliability of the NYS Power System could be adversely affected.
- 1.18c Manual Dispatch:** A dispatch of the NYS Transmission System performed by the ISO when the ISO's SCD is unavailable.
- 1.18d Marginal Losses:** The NYS Transmission System Real Power Losses associated with each additional MWh of consumption by Load, or each additional MWh transmitted under a Bilateral Transaction as measured at the Points of Withdrawal.
- 1.18e Marginal Losses Component:** The component of LBMP at a bus that accounts for the Marginal Losses, as measured between that bus and the Reference Bus.
- 1.18f Market Participant:** An entity, excluding the ISO, that produces, transmits, sells, and/or purchases for resale Capacity, Energy and Ancillary Services in the Wholesale Market. Market Participants include: Transmission Customers under the ISO OATT, Customers under the ISO Services Tariff, Power Exchanges, Transmission Owners, Primary Holders, LSEs, Suppliers and their designated agents. Market Participants also include entities buying or selling TCCs.
- 1.18g Market Services:** Services provided by the ISO under the ISO Services Tariff related to the ISO Administered Markets for Energy, Capacity and Ancillary

2000, 90 FERC ¶ 61,352 (2000).

Services.

- 1.18h Member Systems:** The eight Transmission Owners that comprise the membership of the New York Power Pool.
- 1.18i Minimum Generation and Start-Up Bid:** The payment required by a Supplier to bring a Generator to and operate at its minimum safe and stable operating level.
- 1.18j Modified Wheeling Agreements (“MWA”):** A Transmission Agreement in existence, as amended, between Transmission Owners, that is associated with existing Generators or power supply contracts, that will be modified effective upon LBMP implementation. The terms and conditions of the MWA will remain the same as the original agreement, except as noted in the ISO OATT.
- 1.19 Native Load Customers:** The wholesale and retail power customers of the Transmission Owners on whose behalf the Transmission Owners, by statute, franchise, regulatory requirement, or contract, have undertaken an obligation to construct and operate the Transmission Owners’ systems to meet the reliable electric needs of such customers.
- 1.19a NERC:** The North American Electric Reliability Council.
- 1.19b NERC Transaction Priorities:** The reservation and scheduling priority applied to a Transaction under the NERC Transmission Loading Relief Procedure.
- 1.20 Network Customer:** An entity receiving Transmission Service pursuant to the terms of the ISO’s Network Integration Transmission Service under Part III of the Tariff.
- 1.21 Network Integration Transmission Service:** The Transmission Service provided under Part III of the Tariff.
- 1.22 Network Load:** The Load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer’s Network Load shall include all Load served by the output of any Network Resources designated by the Network Customer. A Network Customer

2000, 90 FERC ¶ 61,352 (2000).

may elect to designate less than its total Load as Network Load but may not designate only part of the Load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular Load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated Load.

- 1.23 Network Operating Agreement:** An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff. For Eligible Customers that take service under the ISO Services Tariff, that Tariff shall function as their Network Operating Agreement.
- 1.24 Network Operating Committee:** The ISO Operating Committee will serve this function.
- 1.25 Network Resource:** Any generating resource that provides Installed Capacity to the NYCA designated under the Network Integration Transmission Service provisions of the Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.
- 1.26 Network Upgrades:** Modifications or additions to transmission facilities that are integrated with and support the Transmission Owner's overall Transmission System for the general benefit of all users of such Transmission System.
- 1.26a Network Upgrade Agreement:** An agreement entered into between a Transmission Customer and a Transmission Owner that identifies the rights and obligations of each party with respect to the Network Upgrade, as described in this Tariff.
- 1.26b New York Control Area ("NYCA"):** The Control Area that is under the control of the ISO which includes transmission facilities listed in the ISO/TO Agreement Appendices A-1 and A-2, as amended from time-to-time, and Generation located

The
entire New York State electric transmission system, which includes: (1) the
Transmission Facilities Under ISO Operational Control; (2) the Transmission Facilities
Requiring ISO Notification; and (3) all remaining transmission facilities within the
NYCA.

- 1.27 Non-Firm Point-To-Point Transmission Service:** Point-To-Point Transmission
Service under the Tariff for which a Transmission Customer is not willing to pay
Congestion. Such service is available absent Constraints under Part II of this Tariff.
Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for
individual one-hour periods not to exceed twenty-four (24) consecutive hours.

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- 1.27a Non-Utility Generator (“NUG,” “Independent Power Producer” or “IPP”):** Any entity that owns or operates an electric generating facility that is not included in an electric utility’s rate base. This term includes, but is not limited to, cogenerators and small power producers and all other non-utility electricity producers, such as exempt wholesale generators that sell electricity.
- 1.27b Normal State:** The condition that the NYS Power System is in when the Transmission Facilities Under ISO Operational Control are operated within the parameters listed for Normal State in the Reliability Rules. These parameters include, but are not limited to, thermal, voltage, stability, frequency, operating reserve and Pool Control Error limitations.
- 1.27c Notification:** Informing the ISO of all changes in status of the Transmission Facilities Requiring ISO Notification. Notification includes the Transmission Owners informing the ISO of all changes in the status of the designated transmission facilities.
- 1.27d Nuclear Regulatory Commission (“NRC”):** Nuclear Regulatory Commission, or any successor thereto.
- 1.27e NYPA:** The Power Authority of the State of New York.
- 1.27f NYPA Transmission Adjustment Charge (“NTAC”):** A surcharge on all Energy Transactions designed to recover the Annual Transmission Revenue Requirement of NYPA which cannot be recovered through its TSC, TCCs, or other transmission revenues, including, but not limited to, its ETA revenues. This charge will be assessed to all Load statewide, as well as Transmission Customers in Wheels Through and Exports.
- 1.27g Off-Dispatch:** A Dispatchable Generator or Load that is not capable of responding to computer-issued ISO instructions but is capable of responding to ISO orders relayed by telephone.
- 1.27h Off-Peak:** The hours between 11:00 p.m. and 7:00 a.m., prevailing Eastern Time, Monday through Friday, and all day Saturday and Sunday, and NERC-defined holidays, or as otherwise decided by ISO.

2000, 90 FERC ¶ 61,352 (2000).

- 1.27i On-Dispatch:** A dispatchable Generator or Load that is capable of responding to computer-issued ISO instructions.
- 1.27j On-Peak:** The hours between 7:00 a.m. and 11:00 p.m. inclusive, prevailing Eastern Time, Monday through Friday, except for NERC-defined holidays, or as otherwise decided by the ISO.
- 1.28 Open Access Same-Time Information System (“OASIS”):** The information system and standards of conduct contained in Part 37 of the Commission’s regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.
- 1.28a Operating Capacity:** Capacity that is readily converted to Energy and is measured in MW.
- 1.28b Operating Committee:** A standing committee of the ISO created pursuant to the ISO Agreement, which coordinates operations, develops procedures, evaluates proposed system expansions and acts as a liaison to the NYSRC.
- 1.28c Operating Reserves:** Generator Capacity that is available to supply Energy, or Interruptible Load Resources that are available to Curtail Energy usage, in the event of Contingency conditions, which meet the requirements of the ISO. Operating Reserves include spinning reserves, non-synchronized 10-minute reserves, and thirty-minute reserves.
- 1.28d Operating Study Power Flow:** A Power Flow analysis that is performed at least once before each Capability Period that is used to determine each Interface Transfer Capability for the Capability Period (See Attachment M).
- 1.28e Operational Control:** Directing the operation of the Transmission Facilities Under ISO Operational Control to maintain these facilities in a reliable state, as defined by the Reliability Rules. The ISO shall approve operational decisions concerning these facilities, made by each Transmission Owner before the Transmission Owner implements those decisions. In accordance with ISO Procedures, the ISO shall direct each Transmission Owner to take certain actions to restore the system to the Normal State. Operational Control includes security

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_____, III FERC Stats.
& Regs. ¶ 31,049 (1997) (“Order No. 889-A”), on reh’g, 81 FERC ¶ 61,253 (1997)
 (“Order No. 889-B”).

1.28i Out-of-Merit Generation: Generators producing at a different level of output than they would produce in a dispatch to meet Load which was not security constrained. Out-of-Merit Generation occurs to maintain system reliability or to provide Ancillary Services.

1.29 Part I: Tariff Sections 1A through 12 pertaining to Definitions and Common Service Provisions.

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- 1.30 Part II:** Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.
- 1.31 Part III:** Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.
- 1.31a Part IV:** Tariff Sections 36 through 37 pertaining to Retail Access Service.
- 1.32 Party or Parties:** The ISO and the Transmission Customer receiving service under the Tariff.
- 1.32a Performance Tracking System:** A system designed to provide quantitative comparisons of actual values versus expected and forecasted values for Generators and Loads (See Rate Schedule 3 of the ISO Services Tariff). This system will be used by the ISO to measure compliance with criteria associated with the provision of Regulation and Frequency Response Service.
- 1.33 Point(s) of Delivery:** Point(s) on the NYS Transmission System where Capacity and Energy transmitted by the ISO will be made available to the Receiving Party under Part II of the Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Firm Point-To-Point Transmission Service. (Same as Point of Withdrawal.)
- 1.33a Point(s) of Injection (“POI”):** The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the ISO by the Delivering Party under the ISO OATT or the ISO Services Tariff. The Point(s) of Injection shall be specified in the Service Agreement. (Same as Point of Receipt.)
- 1.34 Point(s) of Receipt:** Point(s) of interconnection on the NYS Transmission System where Capacity and Energy will be made available to the ISO by the Delivering Party under Part II of the Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Firm Point-To-Point Transmission Service. (Same as Point of Injection.)

- 1.34a Point(s) of Withdrawal (“POW”):** The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the Receiving Party under the ISO OATT or the ISO Services Tariff. The Point(s) of Withdrawal shall be specified in the Service Agreement. (Same as Point of Delivery).
- 1.35 Point-to-Point Transmission Service:** The reservation and transmission of Capacity and Energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Part II of the Tariff.
- 1.35a Pool Control Error (“PCE”):** The difference between the actual and scheduled interchange with other Control Areas, adjusted for frequency bias.
- 1.35b Post Contingency:** Conditions existing on a system immediately following a Contingency.
- 1.35c Power Exchange (“PE”):** A commercial entity meeting the requirements for service under the ISO OATT or the ISO Services Tariff that facilitates the purchase and/or sale of Energy, Capacity and/or Ancillary Services in the New York Wholesale Market. A PE may transact with the ISO on its own behalf or as an agent for others.
- 1.35d Power Factor:** The ratio of real power to apparent power (the product of volts and amperes, expressed in megavolt-amperes, MVA).
- 1.35e Power Factor Criteria:** Criteria to be established by the ISO to monitor a Load’s use of Reactive Power.
- 1.35f Power Flow:** A simulation which determines the Energy flows on the NYS Transmission System and adjacent transmission systems.
- 1.35g Proxy Generator Bus:** A Generator bus located outside the NYCA that is selected by the ISO to represent a typical bus in an adjacent Control Area and for which LBMP prices are calculated.

- 1.35h PSC:** The Public Service Commission of the State of New York or any successor agency thereto.
- 1.35i PSL:** The New York Public Service Law, N.Y. Pub. Serv. Law § 1 et seq. (McKinney 1989 & Supp. 1997-98).
- 1.36 Power Purchaser:** The entity that is purchasing the Capacity and Energy to be transmitted under the Tariff.
- 1.36a Primary Holder:** A Primary Holder of each TCC is the Primary Owner of that TCC or the party that purchased that TCC at the close of the Centralized TCC Auction. With respect to each TCC, a Primary Holder must be: (1) a Transmission Customer that has purchased the TCC in the Centralized TCC Auction, and that has not resold in that same Auction; (2) a Transmission Customer that has purchased the TCC in a Direct Sale with another Transmission Customer; (3) the Primary Owner who has retained the TCC; (4) Primary Owners of the TCC that allocated the TCC to certain customers or sold it in the Secondary Market or sold through a Direct Sale to an entity other than a customer. The ISO settles Day-Ahead Congestion Rents pursuant to Attachments M and N with the Primary Holder of each TCC.
- 1.36b Primary Owner:** The Primary Owner of each TCC is the Transmission Owner or other Transmission Customer that has acquired the TCC through conversion of rights under an Existing Transmission Agreement to Grandfathered TCCs (in accordance with Attachment K) or the Transmission Owner that acquired the TCC through the ISO's allocation of Residual TCCs (in accordance with Attachments K and M). The ISO distributes Centralized TCC Auction revenues to Primary Owners or Primary Holders who released the TCCs into the Auction (in accordance with Attachments K and M).
- 1.36c Reactive Power (MVar):** The product of voltage and the out-of-phase component of alternating current. Reactive Power, usually measured in MVar, is produced by capacitors (synchronous condensers) and over-excited Generators and absorbed by reactors or under-excited Generators and other inductive devices including the inductive portion of Loads.

- 1.36d Real Power Losses:** The loss of Energy, resulting from transporting power over the NYS Transmission System, between the Point of Injection and Point of Withdrawal of that Energy.
- 1.36e Real-Time LBMP:** The LBMPs established through the ISO Administered Real-Time Market.
- 1.36f Real-Time Market:** The ISO Administered Market resulting from the operation of the Security Constrained Dispatch (“SCD”).
- 1.37 Receiving Party:** The entity receiving the Capacity and Energy transmitted by the ISO to Point(s) of Delivery.
- 1.37a Reduction or Reduce:** The partial or complete reduction in non-Firm Transmission Service as a result of transmission Congestion (either anticipated or actual).
- 1.37b Reference Bus:** The location on the NYS Transmission System relative to which all mathematical quantities, including Shift Factors and penalty factors relating to physical operation, will be calculated. The NYPA Marcy 345 kV transmission substation is designated as the Reference Bus.
- 1.38 Regional Transmission Group (RTG):** A voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.
- 1.38a Reliability Rules:** Those rules, standards, procedures and protocols developed and promulgated by the NYSRC, including Local Reliability Rules, in accordance with NERC, NPCC, FERC, PSC and NRC standards, rules and regulations, and other criteria and pursuant to the NYSRC Agreement.
- 1.38b Required System Capability:** Generation capability required to meet an LSE’s peak Load plus Installed Capacity reserve obligation as defined in the Reliability Rules.

1.39 Reserved Capacity: The maximum amount of Capacity and Energy that the ISO agrees to transmit for the Transmission Customer over the NYS Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of the Tariff. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

1.39a Residual Adjustment: The ISO's collections from Loads and Transmission Customers, less its payment to generating facilities, less Congestion Rents and Excess Congestion Rents, and Primary Holders of TCCs as defined in Schedule 1.

1.39b Residual Transmission Capacity ("RTC"): The transmission capacity determined by the ISO before, during and after the Centralized TCC Auction which is conceptually equal to the following:

$$RTC = TTC - TRM - CBM - GTR - GTCC - ETCNL$$

RTC is Residual Transmission Capacity. The TCCs associated with RTC cannot be accurately determined until the Centralized TCC Auction is conducted.

TTC is the Total Transfer Capability that can only be determined after the RTC is known.

GTR is the transmission capacity associated with Grandfathered Rights.

GTCC is the transmission capacity associated with Grandfathered TCCs.

ETCNL is the transmission capacity associated with Existing Transmission Capacity for Native Load.

TRM is the Transmission Reliability Margin.

CBM is the Capacity Benefit Margin.

1.39c Residual TCCs: TCCs converted from RTC, each designated from a Point of Injection to a Point of Withdrawal. Residual TCCs are: (1) estimated prior to the Centralized TCC Auction, and allocated among the Transmission Owners utilizing the Interface MW-Mile Methodology; (2) determined during the Centralized TCC Auction that are in addition to the amount estimated before the Auction, and are not allocated but are offered for sale in the Auction; and (3) determined after each Grandfathered TCC and Grandfathered Right expires and the associated capacity is released to the ISO for sale and is not allocated but is offered for sale in the Auction. The Auction revenues and Excess Congestion Rent revenues associated with Residual TCCs that are not allocated to Transmission Owners by the ISO shall be allocated utilizing the Interface MW-Mile Methodology (See Attachments M and N).

2000, 90 FERC ¶ 61,352 (2000).

- 1.39d Safe Operations:** Actions which avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.
- 1.39e SCUC:** Security Constrained Unit Commitment, described in Attachment C of the Tariff.
- 1.39f Second Contingency Design and Operation:** The planning, design and operation of a power system such that the loss of any two (2) facilities will not result in a service interruption to either native load customers or contracted firm Transmission Customers. Second Contingency Design and Operation criteria do not include the simultaneous loss of two (2) facilities, but rather consider the loss of one (1) facility and the restoration of the system to within acceptable operating parameters, prior to the loss of a second facility. These criteria apply to thermal, voltage and stability limits and are generally equal to or more stringent than NYPP, NPCC and NERC criteria.
- 1.39g Second Settlement:** The process of: (1) identifying differences between Energy production, Energy consumption or NYS Transmission System usage scheduled in a First Settlement, and the actual production, consumption, or NYS Transmission System usage during the Dispatch Day; and (2) assigning financial responsibility for those differences to the appropriate Customers and Market Participants. Charges for Energy supplied (to replace Generation deficiencies or unscheduled consumption), and payments for Energy consumed (to absorb consumption deficiencies or excess Energy supply) or changes in transmission usage will be based on the Real-Time LBMPs.
- 1.39h Secondary Holder:** Entities that: (1) purchase TCCs in the Secondary Market; (2) purchase TCCs in a Direct Sale from a Transmission Owner and have not been certified as a Primary Holder by the ISO; or (3) receive an allocation of Native Load TCCs from a Transmission Owner (See Attachment M). A Transmission Customer purchasing TCCs in a Direct Sale may qualify as a Primary Holder with respect to those TCCs purchased in that Direct Sale.
- 1.39i Secondary Market:** A market in which Primary and Secondary Holders sell TCCs by mechanisms other than through the Centralized TCC Auction or by Direct Sale. Buyers of TCCs in the Secondary Market shall neither pay nor receive Congestion Rents directly to or from the ISO.

- 1.39j Security Constrained Dispatch (“SCD”):** The allocation of Load to Generators by the ISO through the operation of a computer algorithm which continuously calculates individual Generator loading at minimum Bid cost, balancing Load and scheduled interchange with Generation while meeting all Reliability Rules and Generator performance Constraints consistent with the terms of the ISO Services Tariff.
- 1.39k Security Coordinator:** An entity that provides the security assessment and Emergency operations coordination for a group of Control Areas. A Security Coordinator must not participate in the wholesale or retail merchant functions.
- 1.39l Self-Supply:** The provision of certain Ancillary Services, or the provision of Energy to replace Marginal Losses by a Transmission Customer using either the Transmission Customer’s own Generators or generation obtained from an entity other than the ISO.
- 1.40 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the ISO for service under the Tariff or any unexecuted Service Agreement, amendments on supplements thereto, that the ISO unilaterally files with the Commission.
- 1.41 Service Commencement Date:** The date the ISO begins to provide service pursuant to the terms of an executed Service Agreement, or the date the ISO begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.
- 1.41a Settlement:** The process of determining the charges to be paid to, or by a Transmission Customer to satisfy its obligations
- 1.41b Shift Factor (“SF”):** A ratio, calculated by the ISO, that compares the change in power flow through a transmission facility resulting from the incremental injection and withdrawal of power on the NYS Transmission System.
- 1.42 Short-Term Firm Point-To-Point Transmission Service:** Firm Point-to-Point Service, the price of which is fixed for a short term by a Transmission Customer acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

- 1.42a Storm Watch:** Actual or anticipated severe weather conditions under which region-specific portions of the NYS Transmission System are operated in a more conservative manner by reducing transmission transfer limits.
- 1.42b Strandable Costs:** Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or transmission service suppliers.
- 1.42c Stranded Investment Recovery Charge ("SIRC"):** A charge established by a Transmission Owner to recover Strandable Costs.
- 1.42d Supplier:** A Party that is supplying the Capacity, Energy and/or associated Ancillary Services to be made available under the ISO OATT or the ISO Services Tariff, including Generators and Demand Side Resources that satisfy all applicable ISO requirements.
- 1.42e Supplemental Resource Evaluation ("SRE"):** A determination of the least cost selection of additional Generators, which are to be committed loaded, to meet changed conditions that may cause the original system dispatch to be inadequate to meet Load and/or reliability requirements.
- 1.43 System Impact Study:** An assessment by the ISO of (i) the adequacy of the NYS Transmission System to accommodate a request to build facilities in order to create incremental transfer capability, resulting in incremental TCCs, in connection with a request for either Firm Point-To-Point Transmission Service or Network Integration Transmission Service; and (ii) the additional costs to be incurred in order to provide the incremental transfer capability.
- 1.44 Third Party Sale:** Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service.

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- 1.44a Third Party Transmission Wheeling Agreements (“Third Party TWAs”):** A Transmission Wheeling Agreement, as amended, between Transmission Owners or between a Transmission Owner and an entity that is not a Transmission Owner associated with the purchase (or sale) of Energy, Capacity, and/or Ancillary Services for the benefit of an entity that is not a Transmission Owner. These agreements are listed in Attachment L, Table 1A and 1B.
- 1.44b Total Transfer Capability (“TTC”):** The amount of electric power that can be transferred over the interconnected transmission network in a reliable manner.
- 1.44c Transaction:** The purchase and/or sale of Energy or Capacity, or the sale of Ancillary Services.
- 1.44d Transfer Capability:** The measure of the ability of interconnected electrical systems to reliably move or transfer power from one area to another over all transmission facilities (or paths) between those areas under specified system conditions.
- 1.44e Transmission Congestion Contracts (“TCCs”):** The right to collect or obligation to pay Congestion Rents in the Day-Ahead Market for Energy associated with a single MW of transmission between a specified POI and POW. TCCs are financial instruments that enable Energy buyers and sellers to hedge fluctuations in the price of transmission.
- 1.45 Transmission Customer:** Any Eligible Customer (or its designated agent) that (i) executes a Service Agreement, or (ii) requests in writing that the ISO file with the Commission a proposed unexecuted Service Agreement to receive Transmission Service under Part II, III and/or IV of the Tariff.
- 1.45a Transmission District:** The geographic area served by the Investor-Owned Transmission Owners and LIPA, as well as the customers directly interconnected with the transmission facilities of the Power Authority of the State of New York.
- 1.45b Transmission Facility Agreement:** The agreements listed in Attachment L, Table 2 of the ISO OATT governing the use of specific or designated transmission facilities charges all, or a portion, of the costs to install, own, operate, or maintain

said transmission facilities, to the customer under the agreement. These agreements may or may not have provisions to provide Transmission Service utilizing said transmission facilities.

- 1.45c Transmission Facilities Under ISO Operational Control:** The transmission facilities of the Transmission Owners listed in Appendix A-1 of the ISO/TO Agreement, (“Listing of Transmission Facilities Under ISO Operational Control,”) that are subject to the Operational Control of the ISO. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.
- 1.45d Transmission Facilities Requiring ISO Notification:** The transmission facilities of the Transmission Owners listed in Appendix A-2 of the ISO/TO Agreement, “Listing of Transmission Facilities Requiring ISO Notification,” whose status of operation must be provided to the ISO by the Transmission Owners (for the purposes stated in the ISO Tariffs and in accordance with the ISO OATT and ISO/TO Agreement) prior to the Transmission Owners making operational changes to the state of these facilities. This listing may be amended from time-to-time as specified in the ISO/TO Agreement.
- 1.45e Transmission Fund:** The mechanism used under the current NYPP Agreement to compensate the Member Systems for providing Transmission Service for economy Energy Transactions over their transmission systems. Each Member System is allocated a share of the economy Energy savings in dollars assigned to the fund that is based on the ratio of their investment in transmission facilities to the sum of investments in transmission and generation facilities.
- 1.46 Transmission Owner:** The public utility or authority (or its designated agent) that owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff.
- 1.47 Transmission Owner’s Monthly Transmission System Peak:** The maximum hourly firm usage as measured in megawatts (MW) of the Transmission Owner’s transmission system in a calendar month.
- 1.47a Transmission Plan:** A plan developed by the ISO staff with Transmission Owner’s support that is a compilation of transmission projects proposed by the

2000, 90 FERC ¶ 61,352 (2000).

Transmission Owners and others, that are found to meet all applicable criteria.

- 1.47b Transmission Reliability Margin (“TRM”):** The amount of TTC reserved by the ISO to ensure the interconnected transmission network is secure under a reasonable range of uncertainties in system conditions.
- 1.48 Transmission Service:** Point-To-Point, Network Integration or Retail Access Transmission Service provided under Parts II, III and IV of the Tariff.
- 1.48a Transmission Service Charge (“TSC”):** A charge designed to ensure recovery of the embedded cost of a Transmission Owner’s transmission system.
- 1.49 Transmission System:** The facilities operated by the ISO that are used to provide Transmission Services under Part II, Part III or Part IV of this Tariff.
- 1.49a Transmission Usage Charge (“TUC”):** Payments made by the Transmission Customer to cover the cost of Marginal Losses and, during periods of time when the transmission system is Constrained, the marginal cost of Congestion. The TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in \$/MWh); and (2) the scheduled or delivered Energy (in MWh).
- 1.49b Transmission Wheeling Agreement (“TWA”):** The agreements listed in Tables 1A and 1B of Attachment L to the ISO OATT governing the use of specific or designated transmission facilities that are owned, controlled or operated by an entity for the transmission of Energy in interstate commerce.
- 1.49c Voting Share:** The method used in the ISO Agreement to allocate voting rights among the members of the Management Committee. The formula for calculating a Party’s Voting Share is provided in the ISO Agreement.
- 1.49d Wheels Through:** Transmission Service, originating in another Control Area, that is wheeled through the NYCA to another Control Area.
- 1.49e Wholesale Market:** The sum of purchases and sales of Energy and Capacity for resale along with Ancillary Services needed to maintain reliability and power quality at the transmission level coordinated together through the ISO and Power

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Exchanges. A party who purchases Energy, Capacity or Ancillary Services in the Wholesale Market to serve its own Load is considered to be a participant in the Wholesale Market.

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New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 1

Original Sheet No. 56

Sheet Nos. 56 through 60 are reserved for future use.

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1A.0 TERM AND EFFECTIVENESS

1A.1 Effectiveness: This Tariff shall become effective on the latest of the following: (i) September 1, 1999; (ii) Commission approval of (a) this Tariff; (b) the ISO Services Tariff; (c) the ISO Agreement; (d) NYSRC Agreement; (e) the ISO/NYSRC Agreement; and (f) the ISO/TO Agreement (collectively, the “ISO Tariffs and ISO Related Agreements”); (iii) the date on which both the Commission and the PSC grant all necessary approvals to the Transmission Owners to transfer Operational Control of any facilities to the ISO or otherwise dispose of any of their property, including, without limitation, those approvals required under Section 70 of the New York Public Service Law (“PSL”) and Section 203 of the Federal Power Act (“FPA”); (iv) the last date that any other approval or authorization is received, to the extent such additional approval or authorization is necessary; (v) execution of the ISO Related Agreements; or (vi) such later date specified by the Commission.

1A.2 Term and Termination: This Tariff shall remain in effect until: (i) canceled by the ISO upon sixty (60) days prior written notice in accordance with applicable Commission regulations; or (ii) the effective date of, any law, order, rule, regulation, or determination of a body of competent jurisdiction requiring

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termination or a material modification of this Tariff and/or Service Agreements related to this Tariff that would be inconsistent with any term or provision of the ISO/TO Agreement. Any Transmission Customer may withdraw from this Tariff on thirty (30) days prior written notice to the ISO.

2.0 Initial Allocation and Renewal Procedures

2.1 Initial Allocation of Available Transmission Capability: Firm Transmission

Service under this Tariff is obtained when the Transmission Customer agrees to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion costs associated with its Firm Transmission Service through the purchase of a sufficient quantity of Transmission Congestion Contracts (“TCCs”) with receipt and delivery points corresponding to its Transmission Service. TCCs are solely financial instruments that do not establish any rights to, or the availability of, Transmission Service. For purposes of determining whether existing capability on the NYS Transmission System is adequate to accommodate a request for Firm Transmission Service under this Tariff, the ISO shall employ Security Constrained Unit Commitment (“SCUC”), Balancing Market Evaluation (“BME”), and Security Constrained Dispatch (“SCD”) programs in accordance with Attachment C. The availability of TCCs

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will be determined in the TCC Auction as described in Attachment M.

2.2 Reservation Priority For Existing Firm Service: Existing firm service customers (wholesale requirements and transmission-only, with a contract term of extending beyond the ISO implementation date), have the right to take Transmission Service from the ISO in accordance with the provisions of Attachment K. This transmission reservation priority is independent of whether the existing customer continues to purchase Capacity and Energy from a Transmission Owner or elects to purchase Capacity and Energy from another Supplier. At the end of the contract terms, all NYS Transmission System capacity associated with Grandfathered Rights and/or TCCs shall be offered for sale as TCCs in the next TCC auction facilitated by the ISO. The sale of these TCCs shall be governed by the provisions of Attachment M.

3.0 Ancillary Services

Ancillary Services are needed with Transmission Service to maintain reliability within and among the Control Areas affected by the Transmission Service. The ISO is required to provide, and the Transmission Customer is required to purchase, the following Ancillary Services: (i) Scheduling, System Control and Dispatch, (ii) Reactive Supply and Voltage Control from Generation Sources, (iii) Energy Imbalance and (iv) Black Start Service.

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The ISO is required to offer to provide the following Ancillary Services only to the Transmission Customers serving Load within the NYCA: (i) Regulation and Frequency Response, and (ii) Operating Reserves. The Transmission Customer serving Load within the NYCA is required to acquire these Ancillary Services, whether from the ISO, a third party, or by Self-Supply pursuant to Schedules 3 and 5. The Transmission Customer may not decline the ISO's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the ISO.

The ISO shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer.

The specific Ancillary Services, prices and/or compensation methods are described on the schedules that are attached to and made a part of this Tariff. Sections 3.1 through 3.6 below list the six Ancillary Services.

- 3.1 Scheduling, System Control and Dispatch Service:** The rates and/or methodology are described in Schedule 1.
- 3.2 Reactive Supply and Voltage Control from Generation Sources Service:** The rates and/or methodology are described in Schedule 2.
- 3.3 Regulation and Frequency Response Service:** The rates and/or methodology are described in Schedule 3.

3.4 Energy Imbalance Service: The rates and/or methodology are described in Schedule 4.

3.5 Operating Reserve Service: The rates and/or methodology are described in Schedule 5.

3.6 ISO Black Start Capability: The rates and/or methodology are described in Schedule 6.

4.0 Open-Access Same Time Information System (“OASIS”)

Terms and conditions regarding Open Access Same-Time Information System and Standards of Conduct are set forth in Part 37 of the Commission’s regulations (“Open Access Same-Time Information System and Standards of Conduct for Public Utilities”). The ISO will maintain an OASIS, including a Bid/Post System, for purposes of scheduling Transmission Service.

5.0 Local Furnishing Bonds and Other Tax Exempt Financing

5.1 Tax Exempt Financing Pursuant to Section 142(f) of the Internal Revenue

Code: This provision is applicable only to Transmission Owners that have financed facilities for the local furnishing of Energy with Local Furnishing Bonds, as described in Section 142(f) of the Internal Revenue Code (“Local Furnishing Bonds”).

Notwithstanding any other provision of this Tariff, neither the ISO nor the Transmission Owner shall be required to provide transmission service to any

Eligible Customer pursuant to this Tariff if the provision of such transmission service would jeopardize the tax-exempt status of any Local Furnishing Bond(s) used to finance the Transmission Owner's facilities.

5.1A Section 211 Order: The provision of transmission service under this Tariff shall also constitute provision of transmission service pursuant to an Order by the Commission under Section 211 of the FPA with respect to the transmission of electricity on Consolidated Edison's transmission system.

5.2 Alternative Procedures for Requesting Transmission Service:

- (i) If the Transmission Owner determines that the provision of transmission service requested by an Eligible Customer would jeopardize the tax-exempt status of any Local Furnishing Bond(s), the Transmission Owner shall advise the ISO within thirty (30) days of receipt of the Completed Application from an Eligible Customer requesting such service, or on the date on which this Tariff becomes effective, whichever is applicable.
- (ii) If the Eligible Customer thereafter renews its request for the same transmission service referred to in (i) by tendering an application under Section 211 of the FPA, the Transmission Owner, within ten (10) days of

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receiving a copy of the Section 211 application, will waive its rights to a request for service under Section 213(a) of the FPA and to the issuance of a proposed order under Section 211 of the FPA. The Commission, upon receipt of the Transmission Owner's waiver of its rights to a request for service under Section 213(a) of the FPA and to the issuance of a proposed order under Section 211 of the FPA, shall issue an order under Section 211 of the FPA. Upon issuance of the order under Section 211 of the FPA, the ISO and the Transmission Owner shall be required to provide the requested Transmission Service in accordance with the terms and conditions of this Tariff.

5.2A Tax Exempt Financing Pursuant to Section 103 and Related Provision of the

Internal Revenue Code: This provision is applicable only to NYPA which has financed transmission facilities with the proceeds of bonds issued pursuant to Section 103 and related provisions of the Internal Revenue Code ("Government Bonds").

Notwithstanding any other provision of this Tariff, neither the ISO nor NYPA shall be required to provide Transmission Service to any Eligible Customer pursuant to this Tariff if provision of such transmission service would result in loss of the tax-exempt status of any government bonds or impair NYPA's

ability to issue future tax-exempt obligations.

5.2B Transmission Service Effects on Use of Tax-Exempt Financing by LIPA: This provision is applicable only to LIPA Tax-Exempt Bonds. Notwithstanding any other provisions of this Tariff, neither the ISO nor LIPA shall be required to provide Transmission Service to any Eligible Customer pursuant to this Tariff if the provision of such Transmission Service would result in the loss of tax-exempt status of any of LIPA Tax-Exempt Bonds or impair the Long Island Power Authority's ability to issue future tax-exempt obligations.

5.2C Responsibility for Costs Associated With Loss of Tax-Exempt Status: If by virtue of an order issued by the Commission pursuant to Section 211 of the FPA, the ISO or a Transmission Owner is required to provide Transmission Service that would adversely affect the tax-exempt status of a Transmission Owner's Local Furnishing Bonds, Government Bonds, LIPA Tax-Exempt Bonds, or any other tax-exempt debt obligations then the Eligible Customer receiving such Transmission Service will compensate the Transmission Owner for all costs, if any, associated with the loss of tax-exempt status plus the costs of Transmission Service.

5.2D Use of LIPA's Facilities: Except for Transmission Service on the Northport-

Norwalk intertie, all parties seeking Transmission Service into and out of the Long Island Transmission District shall obtain pre-approval from LIPA before scheduling such Transactions with and through the ISO. LIPA will be the only party authorized to submit schedules to the ISO for transmission on the Northport-Norwalk intertie. LIPA shall electronically certify to the ISO pre-approved customers and Transactions. The ISO shall schedule all such pre-approved Transactions. If a Customer is not pre-approved and submits a schedule for such a transaction to the ISO, the ISO shall reject the schedule and advise the Customer that it must obtain LIPA approval. The ISO also shall adopt procedures for the Long Island Transmission District (which implement the provisions of this Section and Section 11.02 of the ISO Agreement) which the ISO shall implement on a nondiscriminatory basis.

6.0 Reciprocity

A Transmission Customer receiving Transmission Service under this Tariff agrees to provide comparable Transmission Service that it is capable of providing to each Transmission Owner on similar terms and conditions over facilities used for the transmission of Energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of Energy owned, controlled or operated by the Transmission Customer's corporate affiliates. A

Transmission Customer that is a member of a power pool or Regional Transmission Group also agrees to provide comparable transmission service to the members of such power pool and Regional Transmission Group on similar terms and conditions over facilities used for the transmission of Energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of Energy owned, controlled or operated by the Transmission Customer's corporate affiliates.

This reciprocity requirement applies not only to the Transmission Customer that obtains Transmission Service under this Tariff, but also to all parties to a Transaction that involves the use of Transmission Service under this Tariff, including the power seller, buyer and any intermediary, such as a power marketer. This reciprocity requirement also applies to any Eligible Customer that owns, controls or operates transmission facilities that uses an intermediary, such as a power marketer, to request Transmission Service under this Tariff. If the Transmission Customer does not own, control or operate transmission facilities, it must include in its Application a sworn statement of one of its duly authorized officers or other representatives that the purpose of its Application is not to assist an Eligible Customer to avoid the requirements of this provision.

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7.0 BILLING AND PAYMENT

7A.0 ISO Clearing Account

The ISO will provide accurate and verifiable Settlement and billing information to Transmission Customers. The ISO will establish an account (the ISO Clearing Account), and Transmission Customers will be directed to make payments into the ISO Clearing Account according to the Settlement information provided by the ISO. The ISO will make payments through the ISO Clearing Account to all entities owed money in accordance with the ISO OATT and the ISO Services Tariff.

The ISO Clearing Account established herein shall be opened and operated by the ISO as trustee in trust for ISO creditors and ISO debtors in accordance with this Tariff.

The account shall be maintained at a bank or other financial institution in New York as a trust account. Such account shall not be commingled with any other ISO accounts. The ISO will not take title to Energy, Capacity, Ancillary Services or TCCs. The ISO will inform each Transmission Customer or Primary Holder that purchases Transmission Services or Ancillary Services, or holds TCCs, in accordance with this Tariff, of the payments due according to the Day-Ahead and Real-Time Settlements. The payments due from the Transmission Customer or Primary Holder to the ISO for each service will be netted against the corresponding amounts due to the Transmission

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Customer for generating Energy and providing Capacity and Ancillary Services under the will receive payments from the ISO Clearing Account on the payment date. Residual provisions of the ISO Services Tariff and amounts due to Primary Holders. A Transmission Customer owing payments on net will make those payments to the ISO Clearing Account on the payment date. A Transmission Customer owed payments on net collections remaining in this account will consist of Excess Congestion Rents, excess congestion rents from the Real-Time Market, and residual losses. Excess Congestion Rents will be paid out of this account to the Transmission Owners in accordance with Attachment N. Excess congestion rents from the Real-Time Market will be applied to offset Scheduling, System Control and Dispatch Service costs (See Schedule 1). Residual losses will be calculated and applied in accordance with Attachment J and will be applied to offset Scheduling, System Control and Dispatch Service costs (See Schedule 1). Excess revenues from Energy Imbalance penalties will be calculated and applied in accordance with Schedule 4 and will be applied as an offset to Scheduling, Control and Dispatch Service costs (See Schedule 1).

7B.0 Billing and Charges

This Section applies to all Transmission Services except Transmission Service pursuant to Grandfathered Agreements listed in Attachment L. Charges applicable to

Grandfathered Agreements are described in Attachment K.

7B.1 Transmission Service Charge - General Applicability

The TSC charge is applied to all Actual Energy Withdrawals from the NYS Power System under Part II or Part III of this Tariff, except for withdrawals by a Transmission Owner to provide bundled retail service or scheduled withdrawals associated with grandfathered transactions as specified in Attachments K and L. The TSC charge also is applied to Transactions to destinations outside the NYCA (Export or Wheel-Through Transactions).

Subject to the foregoing, the TSC applies to all Actual Energy Withdrawals regardless of whether the withdrawals occur in conjunction with a Bilateral Transaction or through the purchase of Energy from an LBMP Market. The TSC is payable under this Section regardless of whether the withdrawal is scheduled under Part II or Part III of this Tariff. Customers buying Energy from a Transmission Owner as part of a bundled retail rate will pay a portion of the Transmission Owner's transmission revenue requirement as part of their retail rates. Sales to these customers will be included in the billing units used to calculate each Transmission Owner's TSC under this Tariff in accordance with Attachment H.

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Transmission Customers who are parties to grandfathered agreements specified in Attachment L will pay the applicable contract rate in those agreements. Revenues from these agreements will be credited against the Transmission Owners' individual revenue requirements in calculating the TSC.

- (i) **Payable to Transmission Owners:** The TSC will be payable to Transmission Owners, in the manner described below in the remainder of Section 7B.1.
- (ii) **Payable by Retail Access Customers:** Retail access customers or LSEs scheduling on their behalf will pay a TSC to their respective Transmission Owners under the provisions described in Part IV of this Tariff. The TSC is payable under Part IV (Retail Access Service) regardless of whether the LSE takes service under Part II (Point-to-Point Service) or Part III (Network Integration Service) of this Tariff.
- (iii) **Payable by LSEs Serving Non-Retail Access Load in NYCA:** LSEs serving NYCA Load that is not part of a retail access program, such as customers of municipal electric systems, will pay a TSC to the Transmission Owner in whose Transmission District the Load is located. The TSC shall apply to Actual Energy Withdrawals by the Load,

regardless of whether such withdrawals are associated with Transmission Service under Part II or Part III of this Tariff or purchases from an LBMP Market, whether the withdrawals are scheduled or unscheduled, and regardless of whether the withdrawals were made on the Load's behalf by the LSE or by another Transmission Customer.

- (iv) **Payable by Eligible Customers Scheduling Export or Wheel-Through Transactions:** Eligible Customers scheduling Transactions to destinations outside the NYCA (Export or Wheel-Through Transactions) are subject to a TSC as calculated in Attachment H. The ISO will perform the requisite calculation and inform the Transmission Customer the applicable Transmission Owner(s) of the TSC charge. The TSC will be payable by the Transmission Customer directly to the Transmission Owner(s).

7B.2 Transmission Usage Charge (TUC)

- (i) **Payable to the ISO:** Transmission Usage Charges include Congestion Rents and charges for Marginal Losses. They are payable directly to the ISO. Attachment J explains the calculation of the TUC.

- (ii) **Payable by Eligible Customers Scheduling Transmission Service:** All Transmission Customers scheduling Transmission Service under Part II or Part III of this Tariff shall pay the applicable TUC charge as calculated in the Attachment J hereto. Eligible Customers scheduling non-firm transactions under Part II will be subject to the Losses Component of the TUC only except as noted in Section 14.7 of this Tariff.
- (iii) **Payable by Transmission Owners Scheduling Bilateral Transactions on Behalf of Bundled Retail Customers:** Transmission Owners scheduling Transmission Service to supply bundled retail customers shall pay the applicable TUC charge.
- (iv) **Payable by Eligible Customers or Transmission Owners Scheduling Direct LBMP Purchases from the LBMP Market:** Any Transmission Customer, or Transmission Owner purchasing from the LBMP Market to supply bundled retail customers, will pay the Congestion Rent and Marginal Losses charge applicable to its location. These Congestion Rent and Marginal Losses charges will be included in the calculation of the LBMP charged by the ISO for the purchase of Energy from the LBMP Market.

7B.3 Ancillary Services

- (i) **Payable to the ISO:** All Ancillary Services charges are payable directly to the ISO.
- (ii) **Payable by LSEs:** All LSEs scheduling Transmission Service under Part II or Part III or purchases from the LMBP Market to supply Load in the NYCA shall pay Ancillary Services charges as described in Schedules 1 through 6. The charges will be assessed on the basis of all Actual Energy Withdrawals by the Load, regardless of whether such withdrawals are scheduled or unscheduled, and regardless of whether they are scheduled on the Load's behalf by the LSE or by another Transmission Customer. As explained in Schedule 1, in certain circumstances the Schedule 1 charge may vary depending upon the Transmission District in which the Load is located.
- (iii) **Payable by Customers Scheduling External Transactions:** Eligible Customers scheduling Export or Wheel-Through Transactions to destinations outside the NYCA, or purchases from the LBMP Market to serve Load outside the NYCA shall pay Ancillary Services charges under Schedules 1, 2, 4, and 5 of this Tariff. The charges will be assessed on the basis of all Scheduled Energy Withdrawals from the NYCA.

(iv) **Payable by Transmission Owners Serving Bundled Retail Customers:**

Transmission Owners scheduling Transmission Service or purchases from the LBMP Market to serve of bundled retail customers shall pay the ISO Ancillary Services charges as described in Schedules 1 to 6 based on Actual Energy Withdrawals.

7B.4 NYPA Transmission Adjustment Charge (NTAC)

(i) **Payable to the ISO:** NTAC charges are calculated in Attachment H. All NTAC charges are payable to the ISO.

(ii) **Payable by LSEs Serving Non-Retail Access Load in NYCA:** LSEs serving Load in the NYCA that is not part of a retail access program, such as municipal electric systems, shall pay an NTAC to the ISO. The NTAC will be based on all Actual Energy Withdrawals of Energy by the Load on whose behalf the LSE acts as scheduling agent, regardless of whether the transmission service was rendered on the Load's behalf by the LSE or by another Transmission Customer.

(iii) **Payable by Eligible Customers Scheduling Export or Wheel-Through Transactions:** Eligible Customers scheduling Export or Wheel-Through Transactions shall pay an NTAC based on their Transaction schedules.

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- (iv) **Payable by Transmission Owners Servicing Bundled Retail Load:** Each Transmission Owner shall pay an NTAC based on the sum of Actual Energy Withdrawals by bundled retail customers on whose behalf the Transmission Owner schedules Transactions under this Tariff.

7.1 Billing Procedures: The ISO shall issue bills and Settlement information in accordance with this Article and with the provisions of Section 7B of this Tariff, and customers shall make payments pursuant to those bills and Settlement statements, provided that billing with respect to customers participating in retail access programs shall be in accordance with Part IV of this Tariff.

- (i) **Invoices and Settlement:** Settlement and billing procedures for payments of the TSC by retail access customers or LSEs serving retail access customers in accordance with Part IV of this Tariff shall be separately issued, paid and collected in accordance with Part IV of this Tariff.

Settlement information and billing procedures for payments for TSCs for customers other than retail access customers and LSEs serving retail access customers shall be separately issued, paid and collected in accordance with the terms and conditions set forth in Attachment H in accordance with Part IV of this Tariff. Settlement and billing procedures

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for all charges other than TSCs shall be as set forth in this Section. Within a reasonable time after the first day of each month, the ISO shall submit an invoice to the Transmission Customer for the net amount owed by the Transmission Customer for each of the services furnished under this Tariff during the preceding month. Such invoices shall also show the net amount owed to the Transmission Customer by type of service. The ISO shall provide each Transmission Owner with information to facilitate TSC billing. Charges may be based in whole or in part on estimates. Any charges based on estimates shall be subject to true-up, including interest calculated from the first due date after the service was rendered in accordance with Section 7.2, in invoices subsequently issued by the ISO after the ISO has obtained the requisite actual information. The ISO may net any overpayment, including interest calculated from the date the overpayment was made in accordance with Section 7.2, by the Transmission Customer for past estimated charges against current amounts due from the Transmission Customer or, if the Transmission Customer has no outstanding amounts due, the ISO may pay to the Transmission Customer an amount equal to the overpayment. The ISO's invoices to

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Transmission Customers will be submitted only by electronic means via the ISO's Bid/Post System.

- (ii) **Payment by the Customer:** Invoices shall be paid by the Transmission Customer by the first Business Day after the 15th day of the month that the invoice is rendered by the ISO. All payments shall be made by wire transfer in immediately available funds payable to the ISO as trustee of the ISO Clearing Account.
- (iii) **Payments by the ISO:** The ISO shall pay all net monies owned to a Transmission Customer by the first Business Day after the 19th day of the month that the invoice is rendered by the ISO. All payments shall be made by wire transfer in immediately available funds payable to the Transmission customer by the ISO as trustee of the ISO Clearing Account.
- (iv) **Verification of Payments:** The ISO shall institute procedures to verify that all payments owed by Transmission Customers to the ISO Clearing Account have been paid in a timely manner. The ISO shall be responsible for ensuring that such payments are made within the prescribed period of time and for instituting collection procedures to collect those monies that have not been timely paid.

The ISO shall also institute procedures to

2000, 90 FERC ¶ 61,352 (2000).

ensure that monies owed to Transmission Customers are paid in a timely manner, and the ISO shall be responsible for ensuring that such payments are made.

7.2 Interest on Unpaid Balances: Interest on any unpaid amount whether owed to a customer or to the ISO as trustee of the ISO Clearing Account (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a (a) (2) (iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. Invoices shall be considered as having been paid on the date of receipt by the ISO.

If the ISO is unable to provide Settlement information on time due to the actions or inactions of, or caused by, the Transmission Customer, in addition to any other remedies the ISO may have at law or in equity, the Transmission Customer shall pay interest on amounts due, as calculated above, from the first day of the month following the month in which charges are accrued, to the time of payment of those charges.

7.2A Billing Disputes: Settlement information shall be subject to correction or adjustment for errors in arithmetic, computation or estimation, within twenty-four

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(24) months from the month in which service is rendered.

A Transmission Customer's right to challenge the accuracy of Settlement information is limited to twelve (12) months from the month in which the Settlement information is received. If a Transmission Customer wishes to challenge Settlement information for accuracy, the Transmission Customer shall first make payment in full, including any amounts in dispute. If the ISO determines that an overpayment has been made by the Transmission Customer, the ISO shall refund that overpayment, including interest calculated from the date the overpayment was made, in accordance with Section 7.2 to the Transmission Customer.

7.3 Customer Default: In the event the Transmission Customer fails for any reason to make payment to the ISO on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after the ISO notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, the ISO may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission approves such request. In addition, in the event of a default, the ISO may elect to institute debt

collection procedures on behalf of the ISO Clearing Account. In the event of a billing dispute between the ISO and the Transmission Customer, the ISO will continue to provide service under the Service Agreement as long as the Transmission Customer continues to make all payments. If the Transmission Customer fails to meet this requirement for continuation of service, then the ISO may provide notice to the Transmission Customer of its intention to suspend service on sixty (60) days prior notice.

7.3A Stranded Costs: The Transmission Owners other than NYPA may seek to recover stranded costs from the Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in Commission Order No. 888. However, the Transmission Owners must separately file any proposal to recover stranded costs under Section 205 of the FPA. This provision shall not supersede or otherwise affect a Transmission Owner's right to recover stranded costs under other authority. To the extent that LIPA's rates for service are established by LIPA's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s and are not subject to Commission and/or PSC jurisdiction, LIPA's recovery of stranded costs will not be subject to the foregoing requirements.

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Upon filing of a proposal to recover stranded costs under the FPA, the Transmission Owner shall immediately provide the ISO with a copy of the appropriate rate schedule which will be incorporated as a new Stranded Service and Point-to-Point Service Customers and remit the collected amounts to the applicable Transmission Owner(s). Any SIRC rate schedule developed by LIPA under this Tariff will be effective upon receipt by the ISO, subject to any applicable laws and orders.

8.0 Accounting for the Transmission Owner's Use of the Tariff

The Transmission Owners shall record the following amounts, as outlined below.

8.1 Transmission Revenue: Transmission Owner shall include in a separate operating revenue account or subaccount, the revenues it receives from Transmission Service when making Third-Party Sales under Part II of this Tariff.

8.2 Study Costs and Revenues: A Transmission Owner shall include in a separate transmission operating expense account or subaccount, costs properly chargeable to expense that are incurred by the Transmission Owner to perform any System Impact Study or Facilities Study to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including making

Third-Party Sales under this Tariff; and include in a separate operating revenue account or subaccount the revenues received by the Transmission Owner for a System Impact Study or Facilities Study performed when such amounts are separately stated and identified in the Transmission Customer's billing under this Tariff.

9.0 Regulatory Filings

Subject to Section 9A, nothing contained in the Tariff, any Service Agreement, or any Network Operating Agreement shall be construed as affecting in any way the right of the ISO, or any Transmission Owner, with respect to a change in its revenue requirement, to unilaterally make an application to the Commission, pursuant to Section 205 of the FPA, for a change in rates, terms and conditions, charges, classification of service, a Service Agreement or a Network Operating Agreement.

Subject to Section 9A, nothing contained in this Tariff or any Service Agreement shall be construed as affecting in any way the ability of any party receiving service under this Tariff to exercise its rights under the FPA and pursuant to the Commission's rules and regulations promulgated thereunder.

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9A.0 Tariff Modifications

Notwithstanding any other provision in this Tariff, this Tariff may be modified only as follows: any proposed amendment to this Tariff must be submitted to both the ISO Management Committee and the ISO Board; if both the ISO Board and the ISO Management Committee agree to an amendment of this Tariff, the ISO shall file the proposed amendment with the Commission pursuant to Section 205 of the FPA; if the ISO Board and the ISO Management Committee do not agree on a proposed amendment of this Tariff, this Tariff shall not be subject to change pursuant to Section 205 of the FPA. Nothing herein is intended to limit the rights of the ISO or any person under Section 206 of the FPA.

10.0 Force Majeure and Indemnification

10.1 Force Majeure: An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing. The ISO, each Transmission Owner and each Transmission Customer will not be considered in default as to any obligation under this Tariff if

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prevented from fulfilling the obligation due to an event of Force Majeure. However, a party whose performance under this Tariff is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Tariff.

10.2 Indemnification: The Transmission Customer shall at all times indemnify, defend, and save the ISO and each Transmission Owner harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the ISO's or the Transmission Owner's performance of its obligations under this Tariff on behalf of the Transmission Customer, except in cases of negligence or intentional wrongdoing by the ISO or the Transmission Owner. The ISO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the carrying out of its responsibilities under this Tariff. The proceeds from such insurance shall be used prior to the invocation by the ISO of its right to indemnification under this Section, through the Rate Schedule 1 charge. Except to the extent that indemnification of the ISO is required from a particular Transmission Customer

because of the acts or omissions of the Transmission Customer, indemnification of or by the ISO shall be effected through the Rate Schedule 1 charge.

10A.0 Back-up Operation

10A.1 Back-up Operation Procedures: The ISO shall develop Back-up Operation procedures that will carry out the intent and purposes of this Tariff to the extent practical, taking into consideration circumstances under which the normal communications or computer systems of the ISO are not fully functional. Such procedures shall include testing requirements and training for the ISO staff, Transmission Owner staff, and Market Participants. If communication or computer systems malfunctions result in the ISO's inability to operate the NYCA in accordance with the ISO's Procedures or under approved testing procedures, the ISO will direct the Transmission Owners to assume the responsibility to operate their respective systems in accordance with Good Utility Practice to facilitate the operation of the NYCA in a safe and reliable manner ("Back-up Operation"). The Transmission Owners will continue to operate their respective systems until such time that the ISO is ready to resume control. During Back-up Operation, the Transmission Owner control centers will operate to maintain the Desired Net Interchange ("DNI") within each Transmission District. Generator

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Bid curves will be provided by the ISO to the individual Transmission Owners in order to permit dispatch by the Transmission Owners subject to the Transmission Owner Code of Conduct. Normal Day-Ahead Market and Real-Time Market operations may be halted if required.

10A.2 Market Participant and Transmission Customer Obligations: During Back-up Operation, Transmission Customers and other Market Participants shall comply with any and all instructions and orders issued by the ISO or the Transmission Owners.

10A.3 Billing and Settlement: In the event that Back-up Operation is implemented, the billing and Settlement procedures contained in this Tariff shall apply only to the extent they can be implemented by the Back-up Operation procedures. The ISO will follow specific billing and Settlement procedures developed by the ISO for use under these circumstances. The ISO shall gather necessary information, manually reconstruct the billing information as soon as practical, and submit invoices to Transmission Customers. The ISO shall be under no obligation to comply with the billing procedure time limits specified in Section 7. Neither the ISO nor the Transmission Owners shall be liable, under any circumstances, for any economic losses suffered by any Transmission Customer, Market Participant,

or third party, resulting from the implementation by the ISO of Back-up Operation or compliance with orders issued by the ISO or Transmission Owners that were necessary to operate the NYCA in a safe and reliable manner. Such orders may include, without limitation, instructions to generation facilities to increase or decrease output, and instructions to Load to reduce or interrupt service.

10B.0 Emergency Notification: The ISO shall notify the Commission and the PSC when an Emergency State exists.

11.0 Creditworthiness

For the purpose of determining the ability of the Transmission Customer to meet its obligations related to service hereunder, the ISO shall require reasonable credit review procedures. This review shall be made in accordance with standard commercial practices. In addition, the ISO may require the Transmission Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under this Tariff, or an alternative form of security proposed by the Transmission Customer and acceptable to the ISO and consistent with commercial practices established by the Uniform Commercial Code that protects the ISO against the risk of non-payment.

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Any service hereunder may be terminated on sixty (60) days prior notice by the ISO prior to, or any time after, the commencement of the service if the Transmission Customer fails to, or can no longer, demonstrate its creditworthiness. Each Transmission Customer shall be responsible for providing the information specified in this Section. Each Transmission Customer will be considered creditworthy if: (i) the Transmission Customer's long-term unsecured debt securities are, and remain, rated a minimum of BBB or Baa2 by Standard & Poor's or Moody's, respectively; (ii) the Transmission Customer either prepays for service or provides an irrevocable standby letter of credit issued by a domestic or Canadian bank with a minimum A (Standard & Poor's or Dominion), or A2 (Moody's) long-term unsecured debt rating, for an amount equal to the estimated sum of charges pursuant to Section 7 for the highest three (3) individual months over rolling twelve-month periods; (iii) the Transmission Customer has, as determined by the ISO in its reasonable discretion, a qualified long-term payment history with the ISO or an individual Transmission Owner; or (iv) the Transmission Customer's parent company, in a form satisfactory to the ISO, guarantees responsibility for all financial obligation associated with services and responsibilities hereunder and such parent company conforms to the minimum ratings specified above.

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11A.0 List of Affiliates and/or Parent Company

A Customer taking service under the Tariff shall provide the ISO, upon application for service, with a list identifying its parent company as well as any Affiliates. The Customer shall notify the ISO within 30 days of the effective date of any change to the original list. Any Customer shall respond within 10 days, to a request by the ISO to update the list of Affiliates and/or parent company.

12.0 Dispute Resolution Procedures

12.1 Internal Dispute Resolution Procedures: Any dispute between a Transmission Customer and the ISO involving Transmission Service under the Tariff (excluding applications for rate changes or other changes to this Tariff, or to any Service Agreement entered into under this Tariff, which shall be presented directly to the Commission for resolution) or ISO Procedures shall be referred to a designated senior representative of the ISO and a senior representative of the Transmission Customer for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the parties may agree upon by mutual agreement, such dispute may be submitted to the Dispute Resolutions

Administrator (“DRA”). The party submitting the matter to the DRA shall include a written statement describing the nature of the dispute and the issues to be resolved.

Any subsequent mediation or arbitration process shall be limited to the issues presented for resolution. The DRA may submit disputes to non-binding mediation where the subject matter of the dispute involves the proposed change or modification of a rule, rate or an ISO Tariff provision. The DRA may submit disputes to binding arbitration which involve interpretation of a rule, rate or an ISO Tariff provision. Both the Mediator and the Arbitrator shall have the authorization to dismiss a dispute if: (i) the dispute did not arise under the ISO Tariff; or (ii) the claim is de minimis.

12.2 External Non-Binding Mediation and Arbitration Procedures: If the DRA refers the dispute to non-binding mediations, then the following procedure will be followed:

The DRA shall have ten (10) days from the date of such referral to distribute a list of ten (10) qualified mediators to the disputing parties. Absent the express written consent of all disputing parties, as to any particular individual, no person shall be eligible for selection as mediator who is a past or present officer, employee or consultant to any of the disputing parties, or of any entity related to

or affiliated with any of the disputing parties or is otherwise interested in the matter to be mediated. Any individual designated as mediator shall make known to the disputing parties any such disqualifying relationship and a new mediator shall be designated.

If the disputing parties cannot agree upon a mediator, the disputing parties shall take turns striking names from a list supplied by the DRA with a disputing party chosen by lot, first striking a name. The last remaining name to be stricken shall be designated as mediator. If that individual is unable or unwilling to serve, the individual last stricken shall be designated and the process repeated until an individual is selected that is able and willing to serve.

The disputing parties shall attempt in good faith to resolve their dispute in accordance with the schedule established by the mediator but in no event, may the schedule extend beyond ninety (90) days from the date of appointment of the mediator.

The mediator may require the disputing parties to: (i) submit written statements of issue(s) and position(s); (ii) meet for discussions; (iii) provide expert testimony and exhibits; and (iv) comply with the mediation procedures designated by the DRA and/or the mediator.

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If the parties have not resolved the dispute within ninety (90) days of the date the mediator was appointed, then the mediator shall promptly provide the disputing parties and the DRA with a written, confidential, non-binding recommendation to resolve the dispute. The recommendation shall include an assessment by the mediator of the merits of the principal positions being advanced by each of the parties to the dispute. The parties to the dispute shall then meet in a good faith attempt to resolve the dispute in light of the mediator's recommendation. This recommendation shall be limited to resolving the specific issues presented for mediation.

If the parties are still unable to resolve the dispute, then: (i) any dispute not involving the proposed change or modification of a rule, rate, Service Agreement or a Tariff provision may be referred to the arbitration process described below; or (ii) any disputing party may resort to regulatory or judicial proceedings as provided under this Tariff; and (iii) the recommendation of the mediator, and any other statements made by any party during the mediation process, shall not be admissible for any purpose, in any subsequent proceeding.

Each party to the dispute will bear a pro rata portion of the costs associated with the time, expenses and other charges of the mediator. Each party shall bear

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its own costs, including attorney and expert fees.

If the DRA refers the dispute to arbitration, then the following procedure will apply:

The DRA shall have ten (10) days from the date of such decision to distribute a list of qualified arbitrators to the disputing parties. Absent the express written consent of all disputing parties as to any particular individual, no person shall be eligible for selection as an arbitrator that is a past or present officer, employee of or consultant to any of the disputing parties, or of an entity related to or affiliated with any of the disputing parties, or is otherwise interested in the matter to be arbitrated. Any individual designated as an arbitrator shall make known to the disputing parties any such disqualifying relationship a new arbitrator shall be designated.

If the disputing parties cannot agree upon an arbitrator, the disputing parties shall take turns striking names from a list of ten (10) qualified individuals supplied by the DRA with a disputing party chosen by lot first striking a name. The last remaining name not stricken shall be designated as the arbitrator. If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected that is

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able and willing to serve.

The scope of the arbitrator's decision shall be limited to the issues presented for arbitration. The arbitrator shall determine discovery procedures, intervention rights, how evidence shall be taken, what written submittals may be made, and other procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed, and the extent to which the credibility of witnesses is relevant to a resolution. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves propriety or Confidential Information, the arbitrator may issue an appropriate protective order which shall be complied with by all disputing parties. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

The arbitrator shall consider all issues underlying the dispute, and the arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information including the opinion of recognized technical bodies or experts. Disputing parties shall be afforded a reasonable opportunity to rebut any such

additional information.

12.3 Arbitration Decisions: Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Tariff and any Service Agreement entered into under this Tariff and shall have no power to modify or change any of the above in any manner. The decision of the arbitrator(s) shall be final and binding upon the parties, and judgment on the award may be entered in any court having jurisdiction under the following circumstances: (i) all parties agree that the decision will be binding; or (ii) the dispute involves a claim that a party owes another party a sum of money less than \$500,000. If the arbitrator concludes that no proposed award is consistent with this Tariff, the FPA and the Commission's then-applicable standards and policies, nor would address all issues in dispute, the arbitrator shall develop a compromise solution consistent with the terms of this Tariff. A written decision explaining the basis for the award shall be provided by the arbitrator to the parties and the DRA. No award shall be deemed to be precedential in any other arbitration related to a different dispute. Within one (1) year of the arbitral decision, a party may request that the Commission or

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any other federal, state, regulatory or judicial authority (in the State of New York) having jurisdiction over such matter vacate, modify or take such other action as may be appropriate with respect to any arbitration decision that is: (i) based upon an error of law; (ii) contrary to the statutes, rules or regulation administered by such authority; (iii) violative of Federal Arbitration Act or Administrative Dispute Resolution Act; (iv) based on conduct by an arbitrator that is violative of the Federal Arbitration Act of Administrative Dispute Resolution Act; or (v) involves a dispute in excess of \$500,000. The final decision of the arbitrator must be filed with the Commission if it affects jurisdictional rates, terms and conditions of service or facilities. Any arbitration decision that affects matters subject to the jurisdiction of the PSC under the New York State Public Service Law (“PSL”) may be filed with the PSC. The judgment of the arbitrator may be entered on award by any court in New York State having jurisdiction.

12.4 Costs: All costs associated with the time, expense and other charges of the arbitrators shall be borne by the unsuccessful party. Each party shall be responsible for its own costs incurred during the arbitration process including attorney and expert fees.

12.5 Rights Under The FPA: Nothing in this section shall restrict the rights of any party to file a complaint with the Commission under relevant provisions of the FPA.

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FERC Electric Tariff
Original Volume No. 1

Original Sheet Nos. 102 through 110

Sheet Nos. 102 through 110 are reserved for future use.

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II. POINT-TO-POINT TRANSMISSION SERVICE

Preamble

The ISO will provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the applicable terms and conditions of this Tariff over the transmission facilities of the parties to the ISO/TO Agreement. Point-To-Point Transmission Service is for the receipt of Capacity and Energy at designated Point(s) of Receipt and the transmission of such Capacity and Energy to designated Point(s) of Delivery. Firm Point-To-Point Transmission Service is service for which the Transmission Customer has agreed to pay the Congestion Rent associated with its service. Non-Firm Point-To-Point Transmission Service is service for which the Transmission Customer has not agreed to pay Congestion Rent. A Transmission Customer may fix the price of Day-Ahead Congestion Rent associated with its Firm Point-To-Point Transmission Service by acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

13.0 Nature of Firm Point-To-Point Transmission Service

13.1 Term: The minimum term of Firm Point-To-Point Transmission Service shall be one hour and the maximum term shall be specified in the Service Agreement.

13.2 Reservation Priority: All requests for Firm Point-to-Point Transmission Service will be deemed to have the same reservation priority. Firm Point-to-Point

Transmission Service will have the same priority as Network Service subject to Section 13.6. All Firm Point-to-Point Transmission Service will have priority over Non-Firm Point-to-Point Transmission Service under the Tariff.

13.3 Use of Firm Transmission Service by the Transmission Owner(s): The Transmission Owner will be subject to the rates, terms and conditions of Part II of the Tariff when making Third-Party Sales under (i) agreements executed on or after the effective date of ISO, or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Owners will maintain separate accounting, pursuant to Section 8, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

13.4 Service Agreements: The ISO shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when it submits a Completed Application for Firm Point-To-Point Transmission Service. Executed Service Agreements that contain the information required under this Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

13.5 Transmission Customer Obligation for Facility Additions or Redispatch Cost:

The ISO continuously redispatches all resources subject to its control in order to meet Load and to accommodate requests for a Firm Transmission Service through the use of SCUC and SCD. Firm Point-To-Point Transmission Customers are charged for these redispatch costs in accordance with Attachment J. Transmission Owner(s) will be obligated to expand or upgrade its Transmission System pursuant to the terms of Section 19. The Transmission Customer or Eligible Customer must agree to compensate the Transmission Owner(s) for any necessary transmission facility additions pursuant to Section 19.

13.6 Curtailment of Firm Transmission Service: In the event that a Curtailment on the NYS Transmission System, or a portion thereof, is required to maintain reliable operation of such system, Curtailments will be made on a non-discriminatory basis to the Transaction(s) that effectively relieve the Constraint. When applicable, the ISO will follow the Lake Erie Emergency Redispatch (“LEER”) Procedure filed on February 26, 1999, in Docket No. EL99-52-000 which is incorporated by reference herein. The LEER Procedure is intended to prevent the necessity of implementing the Curtailment procedures contained in the Commission and NERC tariffs and policies. If multiple

transactions require Curtailment, to the extent practicable and consistent with right to Curtail, in whole or in part, any Firm Transmission Service provided under this Tariff when, in the ISO's sole discretion, an Emergency or other unforeseen condition impairs or degrades the reliability of the NYS Power System. The ISO will notify all affected Transmission Customers in a timely manner of any scheduled Curtailments. If the ISO declares a Major Emergency State, Transmission Customers shall comply with all directions issued by the ISO concerning the avoidance, management, and alleviation of the Major Emergency and shall comply with all procedures concerning a Major Emergency set forth in the ISO Procedures and the Reliability Rules. If the ISO is required to Curtail Transmission Service as a result of a Transmission Loading Relief ("TLR") event, the ISO will perform such Curtailment in accordance with the TLR procedures filed by NERC which are incorporated by reference herein.

13.7 Classification of Firm Transmission Service:

- (i) The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of Section 22.1 or (2) request a modification of the Points of Receipt or Delivery on a firm basis

pursuant to the terms of Section 22.2.

- (ii) The Transmission Customer may purchase Transmission Service to make sales of Capacity and Energy from multiple generating units that are on the NYS Transmission System. For such a purchase of Transmission Service, the resources will be designated as multiple Points of Receipt, unless the multiple generating units are at the same generating plant in which case the units would be treated as a single Point of Receipt.
- (iii) The ISO shall provide firm deliveries of Capacity and Energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt shall be set forth in the Firm Point-To-Point Service schedule submitted by the Transmission Customer.

13.8 Scheduling of Firm Point-To-Point Transmission Service:

- (i) **In the Day-Ahead Market:** Schedules for the Transmission Customer's Firm Point-to-Point Transmission Service Day-Ahead must be submitted to the ISO no later than 5:00 a.m. of the day prior to commencement of the Dispatch Day. Schedules involving the use of LIPA's facilities shall be treated in accordance with Section 5.2D. Schedules submitted after 5:00 a.m. will not be accepted in the Day-Ahead schedule. Schedules of any

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Capacity and Energy that are to be delivered must be stated in increments of 1,000 KWh per hour between each Point of Receipt and corresponding Point of Delivery. Each Transmission Customer within the NYCA with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 KWh per hour, may consolidate its service requests at a common Point of Receipt into units of 1,000 KWh per hour for scheduling and billing purposes. The ISO will furnish to the Delivering Party's system operator, hour-to-hour schedules equal to those furnished by the Receiving Party and shall deliver the Capacity and Energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall notify the ISO prior to the close of the Real-Time Market, and the ISO shall have the right to adjust accordingly the schedule for Capacity and Energy to be received and to be delivered.

- (ii) **In the Real-Time Market:** Schedules for the Transmission Customer's Firm Point-to-Point Transmission Service in Real-Time, must be submitted to the ISO no later than ninety (90) minutes prior to the dispatch hour. Schedules involving the use of LIPA's facilities shall be treated in

accordance with Section 5.2D. Schedules submitted later than ninety (90) minutes prior to the dispatch hour shall not be accepted in the Real-Time schedule. Schedules of any Capacity and Energy that is to be delivered must be stated in increments of 1,000 KWh per hour between each Point of Receipt and corresponding Point of Delivery. The ISO will furnish to the Delivering Party's system operator, if applicable, hour-to-hour schedules equal to those furnished by the Receiving Party and shall deliver the Capacity and Energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall notify the ISO prior to the close of the Real-Time Market, and the ISO shall have the right to adjust accordingly the schedule for Capacity and Energy to be received and to be delivered.

14.0 Nature of Non-Firm Point-To-Point Transmission Service:

14.1 Term: The minimum term of Non-Firm Point-To-Point Transmission Service shall be one (1) hour and the maximum term shall be specified in the Service Agreement.

14.2 Reservation Priority: Non-Firm Point-to-Point Transmission Service shall be

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available when there is no Congestion between the Point(s) of Receipt and the Point(s) of Delivery for the Transaction. In all instances, Non-Firm Point-to-Point Transmission Service shall have a lower priority than Firm Point-to-Point Transmission Service and Network Service. Non-Firm Point-to-Point Transmission Service shall have an equal priority with Network Service from a secondary resource. A customer requesting non-firm Transmission Service that cannot be accommodated in the Day-Ahead Schedule because of Congestion may upgrade to Firm Point-to-Point Transmission Service up to ninety (90) minutes prior to a given hour by rescheduling the Transaction and agreeing to pay the real-time Congestion Rents associated with the Transaction.

14.3 Use of Non-Firm Point-To-Point Transmission Service by the Transmission

Owner: The Transmission Owners will be subject to the rates, terms and conditions of Part II of this Tariff when making Third-Party Sales under (i) agreements executed on or after the date this Tariff is effective or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Owners will maintain separate accounting, pursuant to Section 8, for any use of Non-Firm Point-To-Point Transmission Service to make Third-Party Sales.

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14.4 Service Agreements: The ISO shall offer a standard form Non-Firm Point-To-Point Transmission Service Agreement (Attachment B) to an Eligible Customer when it first submits a Completed Application for Non-Firm Point-To-Point Transmission Service pursuant to this Tariff. Executed Service Agreements that contain the information required under this Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

14.5 Classifications of Non-Firm Point-To-Point Transmission Service: Non-Firm Point-To-Point Transmission Service shall be offered under terms and conditions contained in Part II of this Tariff. The ISO undertakes no obligation under this Tariff to plan its Transmission System in order to have sufficient capacity for Non-Firm Point-To-Point Transmission Service. Parties requesting Non-Firm Point-To-Point Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of this Tariff. The ISO shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third-Party Sales by the Transmission Owner) exceeds its non-firm capacity reservation. Non-Firm Point-To-Point Transmission Service shall include transmission of Energy and Capacity on an

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hourly and daily basis under Schedule 8.

14.6 Scheduling of Non-Firm Point-To-Point Transmission Service:

- (i) **In the Day-Ahead Market:** Schedules for the Transmission Customer's Non-Firm Point-to-Point Transmission Service in the Day-Ahead must be submitted to the ISO no later than 5:00 a.m. of the day prior to commencement of service. Schedules involving the use of LIPA's facilities shall be treated in accordance with Section 5.2D. Schedules submitted after 5:00 a.m. will not be accepted in the Day-Ahead Schedule. Schedules of any Capacity and Energy that is to be delivered must be stated in increments of 1,000 kWh per hour between each Point of Receipt and corresponding Point of Delivery. Each Transmission Customer within the NYCA with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kWh per hour, may consolidate its schedules at a common Point of Receipt into units of 1,000 kWh per hour. The ISO will furnish to the Delivering Party's system operator, hour-to-hour advisory schedules equal to those furnished by the Receiving Party. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall notify the ISO

prior to the close of the Real-Time Market, and the ISO shall have the right to adjust accordingly the schedule for Capacity and Energy to be received and to be delivered.

- (ii) **In the Real-Time Market:** Schedules for the Transmission Customer's Non-Firm Point-to-Point Transmission Service in real-time must be submitted to the ISO no later than ninety (90) minutes prior to the hour. Schedules involving the use of LIPA's facilities shall be treated in accordance with Section 5.2D. Schedules submitted later than ninety (90) minutes prior to the dispatch hour shall not be accepted in the real-time schedule. Schedules of any Capacity and Energy that is to be delivered must be stated in increments of 1,000 KWh per hour between each Point of Receipt and corresponding Point of Delivery. The ISO will furnish to the Delivering Party's system operator, if applicable, hour-to-hour schedules equal to those furnished by the Receiving Party and shall deliver the Capacity and Energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify the ISO prior to the close of the Real-Time Market, and the ISO shall have the right to adjust accordingly the schedule for Capacity and Energy to be received and be delivered.

14.7 Curtailment or Interruption of Service: The ISO reserves the right to Curtail, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under the Tariff for reliability reasons when, an Emergency or other unforeseen condition threatens to impair or degrade the reliability of the NYS Transmission System. The ISO reserves the right to Interrupt, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under this Tariff for economic reasons if the NYS Transmission System experiences Congestion. Where required, Curtailments or Interruptions will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the Constraint, however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Point-to-Point Transmission Service and Network Integration Transmission Service. The ISO will provide advance notice of Curtailment or Interruption where such notice can be provided consistent with Good Utility Practice. The process of Curtailment of Non-Firm Point-To-Point Transmission Service for Imports, Exports, and Wheels Through may cause these non-firm transactions to incur incidental real-time Congestion Rents due to inter-Control Area Curtailment procedures.

15.0 Service Availability

15.1 General Conditions: The ISO will provide Firm and Non-Firm Point-To-Point

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Transmission Service over the transmission facilities of the parties to the ISO/TO Agreement, to any Transmission Customer that has met the requirements of Section 16.

15.2 Determination of Available Transmission Capability: The ISO continuously redispaches all resources subject to its control in order to meet Load and to accommodate requests for Firm Transmission Service through the use of SCUC and SCD. A description of the ISO's specific methodology for performing SCUC and SCD is contained in Attachment C of this Tariff. The ISO will post information regarding ATC and TTC availability on the OASIS

15.3 Initiating Service in the Absence of an Executed Service Agreement: If the ISO and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all terms and conditions of the Point-To-Point Service Agreement, ISO shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification directing the ISO to file, an unexecuted Point-To-Point Service Agreement containing terms and conditions deemed appropriate by the ISO for such requested Transmission Service. The ISO shall commence providing Transmission Service subject to the Transmission Customer agreeing to (i)

compensate the ISO in accordance with the terms and conditions of the unexecuted filed Service Agreement, subject to true-up at whatever rate the Commission ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of this Tariff.

15.4 Obligation to Provide Transmission Service that Requires Expansion or

Modification of the Transmission System: If a Transmission Customer requests that the NYS Transmission System be expanded or modified, the Transmission Owner(s), at the ISO's request, will use due diligence to expand or modify its applicable portion of the NYS Transmission System to increase Transfer Capability, provided the Transmission Customer agrees to compensate the applicable Transmission Owner(s) for such costs pursuant to the terms of Section 27. The Transmission Owner(s) will conform to Good Utility Practice in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that the Transmission Owner has the right to expand or modify.

15.5 Deferral of Service: Any increase in TCCs associated with new facilities is subject to completion of construction of those transmission facilities or upgrades.

15.6 Other Transmission Service Schedules: Eligible Customers receiving Transmission

Service under other agreements on file with the Commission may continue to receive Transmission Service under those agreements until such time as those agreements may be modified by the Commission. These agreements are listed in Attachment L.

15.7 Real Power Losses: Real Power Losses are associated with all Transmission

Service. The Transmission Customer is responsible for losses associated with all Transmission Service in accordance with Schedules 7-8 and as calculated in Attachment J.

16.0 Transmission Customer Responsibilities

16.1 Conditions Required of Transmission Customers: Point-To-Point Transmission

Service shall be provided by the ISO only if the following conditions are satisfied by the Transmission Customer:

- a. The Transmission Customer has pending a Completed Application for service;
- b. The Transmission Customer meets the creditworthiness criteria set forth in Section 11.0;
- c. The Transmission Customer provides an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under the Tariff in an amount calculated by the ISO.

- d. The Transmission Customer has arrangements in place for any other Transmission Service necessary to effect the delivery from the generating source to the ISO prior to the time when service under Part II of the Tariff commences;
- e. The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Part II of the Tariff, whether or not the Transmission Customer takes service; and
- f. The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Section 15.3; and
- g. The Transmission Customer has satisfied the communication requirements and the metering requirements established by the ISO.
- h. If the Point-to-Point Transmission Service involves the use of LIPA's transmission facilities, approval of such transactions has been granted pursuant to Section 5.2D.

16.2 Transmission Customer Responsibility for Third-Party Arrangements: Any

scheduling arrangements that may be required by other Control Areas shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by the ISO, notification to the ISO identifying such systems and authorizing them to schedule the Capacity and Energy to be transmitted by the ISO pursuant to Part II of this Tariff on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, the ISO will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without

limitation, providing any information or data required by such other Control Area consistent with Good Utility Practice.

17.0 Procedures for Arranging Firm Point-To-Point Transmission Service

17.1 Application: A request for Firm Point-To-Point Transmission Service must contain a written Application at least sixty (60) days in advance of the calendar month in which service is to commence. The ISO will consider a request for such firm service on shorter notice when feasible.

A Transmission Customer may fix the price of Congestion Costs associated with its service by acquiring sufficient TCCs with the same Point(s) of Receipt and Point(s) of Delivery as its Transmission Service. All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the ISO's OASIS. Prior to implementation of the ISO's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the ISO by telefax, or (ii) providing the information by telephone over the ISO's time recorded telephone line.

17.2 Completed Application: A Completed Application shall provide all of the information included in 18 CFR § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;

- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (iv) The location of the generating facility(ies) supplying the Capacity and Energy and the location of the Load ultimately served by the Capacity and Energy transmitted. The ISO will treat this information as confidential except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements. The ISO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations and the Code of Conduct in Attachment F;
- (v) A description of the supply characteristics of the Capacity and Energy to be delivered;
- (vi) An estimate of the Capacity and Energy expected to be delivered to the Receiving Party; and
- (vii) The Service Commencement Date and the term of the requested Transmission Service.

The ISO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations and the Code of Conduct in Attachment F.

17.3 Deposit: No deposit is required for service under this Tariff.

17.4 Notice of Deficient Application: If an Application fails to meet the requirements of this Tariff, the ISO shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. The ISO will attempt to remedy minor deficiencies in the Application through informal communications with the

2000, 90 FERC ¶ 61,352 (2000).

Eligible Customer. If such efforts are unsuccessful, the ISO shall return the Application

17.5 Response to a Completed Application: Following receipt of a Completed Application for Firm Point-To-Point Transmission Service the ISO shall make a determination as to whether the NY Power System can support the requested service within the Constraint management and redispatch capabilities of the system. If the ISO concludes that such service is not possible, the ISO shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application. The Transmission Customer may request a System Impact Study pursuant to Section 19 at that time.

17.6 Execution of Service Agreement: If a System Impact Study is not requested and the service can be provided, the ISO shall notify the Eligible Customer as soon as practicable but no later than thirty (30) days after receipt of the Completed Application. Where a System Impact Study is requested, the provisions of Section 19 will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Section 15.3, within

2000, 90 FERC ¶ 61,352 (2000).

fifteen (15) days after it is tendered by the ISO will be deemed a withdrawal and termination of the Application. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

17.7 Extension for Commencement of Service.

[Reserved].

18.0 Procedures for Arranging Non-Firm Point-To-Point Transmission Service

18.1 Application: Eligible Customers seeking Non-Firm Point-To-Point Transmission Service must submit a Completed Application to the ISO. Applications should be submitted by entering the information listed below on the OASIS. Prior to implementation of the OASIS, a Completed Application may be submitted by (i) transmitting the required information to the ISO by telefax, or (ii) providing the information by telephone over the ISO's time recorded telephone line.

18.2 Completed Application: A Completed Application shall provide all of the information included in 18 CFR § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) The Point(s) of Receipt and the Point(s) of Delivery;

2000, 90 FERC ¶ 61,352 (2000).

- (iv) The maximum amount of Energy to be injected and/or withdrawn at each Point of Receipt and Point of Delivery; and
- (v) The proposed dates and hours for initiating and terminating Transmission Service hereunder.

In addition to the information specified above, when required to properly evaluate system conditions, the ISO also may ask the Transmission Customer to provide the following:

- (vi) The electrical location of the initial source of the power to be transmitted pursuant to the Transmission Customer's request for service; and
- (vii) The electrical location of the ultimate Load.

The ISO will treat this information in (vi) and (vii) as confidential at the request of the Transmission Customer except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to RTG transmission information sharing agreements.

The ISO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations and the ISO Code of Conduct in Attachment F.

18.3 Requests for Non-Firm Point-to-Point Transmission: Requests for daily service and hourly service shall be made by submitting a schedule to the ISO in accordance with Section 14.6. Such requests shall be accommodated when no Congestion is present.

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18.4 Determination of Available Transmission Capability Using Security

Constrained Unit Commitment (“SCUC”) and Security Constrained Dispatch

A description of the ISO’s specific methodology for performing SCUC and SCD is contained in Attachment C to this Tariff. The ISO continuously redispatches the resources subject to its control in order to meet Load and accommodate requests for Firm Transmission Service through the use of SCUC and SCD.

19.0 Additional Study Procedures For Firm Point-To-Point Transmission Service Requests

The FERC Order No. 888 provisions for initiating a transmission system expansion are contained in Section 19 and Sections 20 through 21.2. Additional ISO responsibilities for transmission system expansion are contained in Section 19A. Study procedures associated with new interconnections to the NYS Power System are contained in Section 19B. Section 19C addresses prioritization of network and point-to-point transmission expansion and interconnection studies. Nothing in this Tariff shall preclude the Transmission Owner from proposing and constructing transmission facilities in the public interest in accordance with all applicable regulatory requirements.

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19.1 Notice of Request for System Impact Study: Firm Transmission Service is available to an Eligible Customer, including a Transmission Owner, willing to pay Congestion Rent as described in this Tariff. A request for Firm Point-To-Point Transmission Service would not normally require a System Impact Study unless the Eligible Customer specifically requests that the ISO conduct such a study of facilities that could be constructed (for example, if the Eligible Customer requesting Firm Transmission Service determines that Congestion Rent or the cost of TCCs is too high and the customer is considering constructing new facilities to create incremental transfer capability resulting in incremental TCCs, or, if an Eligible Customer requests that transmission facilities be constructed to address reliability or other operational concerns) (a “Study Request”). After receiving a Study Request, the ISO shall, within thirty (30) days of receipt of a Study Request, tender a System Impact Study agreement pursuant to which the Eligible Customer shall agree to reimburse the ISO, for performing the required System Impact Study. The ISO shall coordinate with all affected Transmission Owners in performing the System Impact Study. A description of the ISO’s methodology for completing a System Impact Study is provided in

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Attachment D. Before a Study Request is evaluated, the Eligible Customer shall execute the System Impact Study agreement and return it to the ISO within fifteen (15) days. If the Eligible Customer elects not to execute the System Impact Study agreement, its Study Request shall be deemed withdrawn.

19.2 System Impact Study Agreement and Cost Reimbursement:

The System Impact Study agreement will clearly specify the ISO's estimate of the actual cost, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the ISO shall rely, to the extent reasonably practicable, on existing transmission planning studies including applicable studies submitted by the Eligible Customer. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's Study Request.

If, in response to multiple Eligible Customers requesting a similar study, a single System Impact Study is sufficient, the costs of that study shall be pro-rated among the Eligible Customers.

For System Impact Studies that a Transmission Owner or the ISO conducts on its own behalf, the Transmission Owner or ISO shall record the cost of the System Impact Studies pursuant to Section 8.

If a Transmission Owner, on behalf of the ISO, performs all or part of a System Impact Study, the ISO shall reimburse the Transmission Owner for any costs that the Transmission Owner incurred.

19.3 System Impact Study Procedures: Upon receipt of an executed System Impact Study agreement, the ISO will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify any additional Direct Assignment Facilities or Network Upgrades required to comply with a Eligible Customer's or Transmission Owner's request. In the event that the ISO is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. The ISO will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing

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studies for itself or a Transmission Owner. The ISO shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Study Request can be completed at no additional cost (e.g., if the ISO is currently studying requests to construct similar facilities).

19.4 Facilities Study Procedures: After a System Impact Study indicates that additions or upgrades to the Transmission System could be constructed in response to the Eligible Customer's Study Request, the Transmission Owner(s) whose facilities may be modified in performing the upgrade or addition shall, within thirty (30) days of the completion of the System Impact Study, tender to the Eligible Customer a Facilities Study agreement. The ISO shall cooperate with the affected Transmission Owner(s) in performing any subsequent Facilities Studies. In the Facilities Study agreement, the Eligible Customer shall agree to reimburse the Transmission Owner(s) for performing the required Facilities Study and the ISO for its associated costs. If the Eligible Customer wants the Transmission Owner(s) to undertake the Facilities Study, the Eligible Customer shall execute the Facilities Study agreement and return it to the Transmission Owner(s) within fifteen (15) days. Upon receipt of an executed Facilities Study agreement, the Transmission Owner(s) will use due diligence to complete the

required Facilities Study within a sixty (60) day period. If the Transmission Owner(s) are unable to complete the Facilities Study in the allotted time period, the Transmission Owner(s) shall notify the Eligible Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Eligible Customer, (ii) the Eligible Customer's appropriate share of the cost of any required Network Upgrades as determined pursuant to the provisions of Part II of this Tariff, and (iii) the time required to complete such construction. The Facilities Study shall contain a non-binding estimate as to the feasible TCCs resulting from the construction of the new facilities. After completion of the transmission upgrade and the first subsequent Centralized TCC Auction, the ISO shall determine the Incremental TCCs associated with the upgrade. The Incremental TCCs will be a set of point-to-point TCCs that derive from the increase or decrease in Total Transfer Capability, which includes, but is not limited to, the increase or decrease in the Total Transfer Capability across each affected Interface that is due to the transmission upgrade. If the Eligible Customer decides to proceed with the construction of the facilities described in the Facilities Study, the Eligible

Customer shall (1) enter into a construction contract with the Transmission Owner(s) whose system(s) will be directly modified, and with the entity that will construct the facilities under the supervision of the Transmission Owner(s) (if other than the Transmission Owner(s)), and guarantee to compensate the Transmission Owner(s) and constructing entity (if other than the Transmission Owner(s)) for all costs incurred associated with the construction, and (2) provide each Transmission Owner with a letter of credit or other reasonable form of security acceptable to the Transmission Owner equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. The construction contract shall contain terms and obligations of the Transmission Customer to pay for the facilities modifications or additions pursuant to the contract.

19.5 Facilities Study Modifications: Any change in design arising from inability to site or construct facilities as proposed will require development of a revised good faith estimate. New good faith estimates also will be required in the event of new statutory or regulatory requirements that are effective before the completion of construction or other circumstances beyond the control of the ISO or Transmission Owner that significantly affect the final cost of new facilities or

upgrades to be charged to the Transmission Customer pursuant to the provisions of Part II of this Tariff.

19.6 Due Diligence in Completing New Facilities: The Transmission Owner(s), in coordination with the ISO, shall use due diligence to add necessary facilities or upgrade their transmission systems within a reasonable time. The Transmission Owner(s) will not upgrade their existing or planned system if doing so would impair system reliability.

19.7 Partial Interim Service: If the ISO, in cooperation with the Transmission Owner(s), determines that it can satisfy a portion of the Eligible Customers request based on the existing transmission system configuration, the ISO will provide that information to the Eligible Customer. The awarding of such TCCs will be subject to the results of the TCC auction process.

19.8 Expedited Procedures for New Facilities: In lieu of the procedures set forth above, the Eligible Customer shall have the option to expedite the process by requesting the ISO to coordinate with the Transmission Owner(s) to tender at one time, together with the results of required studies, an “Expedited Request” pursuant to which the Eligible Customer would agree to compensate the Transmission Owner(s) and ISO for all costs incurred pursuant to the terms of this

Tariff. In order to exercise this option, the Eligible Customer shall request in writing an Expedited Request covering all of the above-specified items within thirty (30) days of receiving the results of the System Impact Study identifying needed facility additions or upgrades or costs incurred in order to address the Transmission Customer's request. While the Transmission Owner(s) agree to provide the Eligible Customer with their best estimate of the new facility costs and other charges that may be incurred, such estimate shall not be binding and the Eligible Customer must agree in writing to compensate the Transmission Owner(s) for all costs incurred pursuant to the provisions of this Tariff. The Eligible Customer shall execute and return such an Expedited Service Agreement within fifteen (15) days of its receipt or the Eligible Customer's request for service will cease to be a completed application and will be deemed terminated and withdrawn.

19A Development of Transmission Reinforcement Options

19A.1 At the request of the PSC, the ISO shall develop a limited number of illustrative transmission reinforcement options, and associated cost estimates, to increase transfer capability limits on interfaces identified by the PSC as having significant Congestion. Such reinforcement option results shall be made available to all customers or potential customers for the purpose of evaluating the economic

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costs and benefits of new facilities. Eligible Customers, including Transmission Owners, may then request a System Impact Study for a specific expansion project in accordance with Section 19.1 through 19.3. Development of the transmission reinforcement options will not reflect the impacts of alternatives that may be proposed by other Eligible Customers, including generation projects, which could increase or decrease transmission interface transfer capability or Congestion Rents or both. Cost estimates provided will be based on readily available data and shall in no way be binding on the ISO. The ISO will not charge the PSC for this service.

19A.2 Subject to the Eligible Customer's obligation to compensate the ISO, at the request of an Eligible Customer, the ISO will develop illustrative transmission reinforcement options as described in Section 19A.1 above. The Eligible Customer shall comply with the provisions of Sections 19.1 through 19.3 that require the customer to enter into a System Impact Study agreement and agree to compensate the ISO for all costs incurred to conduct the study.

19A.3 Requests to proceed with a system expansion shall be subject to the provisions of Sections 19.4 through 19.8, and Sections 20 through 22.

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19B Study Procedures For New Interconnections To The NYS Power System

19B.1 Request for Interconnection Study: Any Eligible Customer proposing to interconnect its Load or generation with the NYS Power System shall submit its Interconnection proposal to the ISO. The ISO, in cooperation with the Transmission Owner with whose system the Eligible Customer proposes to interconnect, shall perform a System Reliability Impact Study to determine whether the proposed Interconnection may degrade system reliability or adversely affect the operation of the NYS Power System. The study shall be conducted in accordance with the procedures specified in Section 19B.2. The Interconnection shall not proceed if the ISO concludes in the study that the proposed Interconnection may degrade system reliability or adversely affect the operation of the NYS Power System. If the proposal is rejected, the ISO shall provide in writing the reasons why the proposal was rejected.

19B.2 Study Procedures: Upon receipt of the Interconnection proposal and a written guarantee by the Eligible Customer to pay all costs incurred by the ISO and Transmission Owner(s) conducting the study, the ISO and Transmission Owner with whose system the Eligible Customer proposes to interconnect shall perform the study. The study shall address the following:

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- (i) An evaluation of the potential significant impacts of the new Interconnection on NYS Power System reliability, at a level of detail that reflects the magnitude of the impacts and the reasonable likelihood of their occurrence;
- (ii) An evaluation of impacts of the new Interconnection on system voltage, stability and thermal limitations, as prescribed in the Reliability Rules;
- (iii) An evaluation as to whether modifications to the NYS Power System would be required to maintain interface transfer capability or comply with the voltage, stability and thermal limitations, as prescribed in the Reliability Rules. The ISO will apply the criteria established by NERC, NPCC and the NYSRC;
- (iv) An evaluation of alternatives that would eliminate adverse reliability impacts, if any, resulting from the proposed Interconnection; and
- (v) An estimate of the increase or decrease in the Total Transfer Capability across each affected Interface.

19B.3 Interconnection Agreements: After receiving the approval of the proposed Interconnection, and after the Eligible Customer makes payment to the ISO and Transmission Owner for the cost of the study, the Eligible Customer may elect to continue with the Interconnection by entering into an Interconnection agreement

with the Transmission Owner with whose system the Eligible Customer proposes to interconnect.

19C Prioritizing Transmission and Interconnection Studies

For the purposes of determining the priority for: (i) Interconnection proposals submitted by an Eligible Customer, in writing, and currently pending with one or more Transmission Owner(s) prior to the effective date of this Tariff; (ii) transmission studies requested pursuant to the provisions of a Transmission Owner's Open Access Tariff prior to the date of ISO OATT Tariff implementation or transmission studies requested pursuant to Sections 19.4, 19.8 and 32.4 of this Tariff; (iii) transmission studies requested by Eligible Customers pursuant to Sections 19A.2 and 32A.2 of this Tariff; (iv) proposals submitted pursuant to Section 18.02 of the ISO Agreement; and (v) interconnection proposals submitted pursuant to 19B and 32B of this Tariff; the ISO shall give priority to each transmission study or Interconnection proposal on the basis of its date of submittal to the ISO or Transmission Owner. Before the effective date of this Tariff, the date of submittal of each transmission study or Interconnection proposal shall be determined by the application procedures of each Transmission Owner. New transmission studies or Interconnection proposals submitted after the effective date of this Tariff shall be subject to the same prioritization procedures, unless such procedures are modified by the ISO. In the event of different submission dates before one or more Transmission Owners or the ISO, the earliest

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submittal date shall be used for prioritization. The ISO may determine the priority of transmission studies under Section 18.03 of the ISO Agreement and studies requested by the PSC under Section 19A.1 of this Tariff according to procedures to be developed by the ISO.

20.0 Procedures if The Transmission Owner is Unable to Complete New Transmission Facilities for Firm Point-To-Point Transmission Service

20.1 Delays in Construction of New Facilities: If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, the Transmission Owner(s) constructing the facilities shall promptly notify the Transmission Customer. In such circumstances, the Transmission Owner(s) shall within thirty (30) days of notifying the Transmission Customer of such delays, convene a technical meeting with the Transmission Customer to evaluate the alternatives available to the Transmission Customer. The Transmission Owner also shall make available to the Transmission Customer studies and work papers related to the delay, including all information that is in the possession of the Transmission Owner(s) that is reasonably needed by the Transmission Customer to evaluate any alternatives.

20.2 Alternatives to the Original Facility Additions: When the review process of Section 20.1 determines that one or more alternatives exist to the originally

planned construction project, the Transmission Owner shall present such alternatives for consideration by the Transmission Customer. If, upon review of any alternatives, the Transmission Customer desires that one of the alternative facilities be constructed, it may request the Transmission Owner(s) to submit a revised construction contract between the Transmission Customer and the Transmission Owner(s) constructing the alternative facilities. In the event the Transmission Owner concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the Dispute Resolution Process under Section 12.0 or it may refer the dispute to the Commission for resolution.

20.3 Refund Obligation for Unfinished Facility Additions: If the Transmission Owner and the Transmission Customer mutually agree that no other reasonable alternatives exist, the obligation to provide the requested construction of additional facilities shall terminate. However, the Transmission Customer shall be responsible for all prudently incurred costs by the Transmission Owner(s) through the time construction was suspended.

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21.0 Provisions Relating to Transmission Construction and Services on the Systems of Other Utilities

21.1 Responsibility for Third-Party System Additions: The ISO and Transmission

Owner(s) shall not be responsible for making arrangements for any necessary engineering, permitting, and construction of transmission or distribution facilities on the system(s) of any other entity or for obtaining any regulatory approval for such facilities.

The ISO will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

21.2 Coordination of Third-Party System Additions: The Transmission Owner(s) shall

have the right to coordinate construction on its own system with the construction required by others. The Transmission Owner(s), after consultation with the Transmission Customer and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner. The Transmission Owner(s) shall notify the Transmission Customer in writing of the

basis for any decision to defer construction and the specific problems which must be resolved before it will initiate or resume construction of new facilities. Within sixty (60) days of receiving written notification by the Transmission Owner of its intent to defer construction pursuant to this section, the Transmission Customer may challenge the decision in accordance with the dispute resolution procedures pursuant to Section 12 or it may refer the dispute to the Commission for resolution.

22.0 Changes in Service Specifications

22.1 Modifications On a Non-Firm Basis: The Transmission Customer taking Firm Point-To-Point Transmission Service may request the ISO provide Transmission Service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement (“Secondary Receipt and Delivery Points”), in amounts not to exceed the quantities of its Firm Point-to-Point Transmission Service, without incurring an additional Non-Firm Point-To-Point Transmission Service charge or executing a new Service Agreement, subject to the following conditions. While there will be no additional charges for requesting service from a new receipt or to a new delivery point, the Transmission Customer shall be responsible for all charges applicable to the new secondary receipt or delivery

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point in place of the charges applicable to the original receipt or delivery point.

(a) Service provided over Secondary Receipt and Delivery Points will be non-firm only, on an as-available basis.

(b) The sum of all Firm and non-firm Point-To-Point Transmission Service provided to the Transmission Customer at any time pursuant to this Section shall not exceed the quantities or its Firm Point-to-Point Transmissions Service requested in the relevant Service Agreement under which such services are provided.

(c) The Transmission Customer shall retain its right to schedule Firm Point-To-Point Transmission Service at the Receipt and Delivery Points specified up to the quantities or its Firm Point-to-Point Transmission Service requested in the relevant Service Agreement.

(d) Service over Secondary Receipt and Delivery Points on a non-firm basis shall not require the filing of an Application for Non-Firm Point-To-Point Transmission Service under this Tariff. However, all other requirements of Part II of this Tariff (except as to transmission rates) shall apply to Transmission Service on a non-firm basis over Secondary Receipt and Delivery Points.

22.2 Modification On a Firm Basis: Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Section 17 hereof. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement.

23.0 Sale or Assignment of Transmission Service

23.1 Procedures for Assignment or Transfer of Service: Subject to Commission approval of any necessary filings, a Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to the Reseller shall not exceed the higher of (i) the original rate paid by the Reseller, (ii) the Transmission Owner's maximum rate on file at the time of the assignment, or (iii) the Reseller's opportunity cost capped at the Transmission Owner's cost of expansion. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement,

2000, 90 FERC ¶ 61,352 (2000).

the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. A Reseller should notify the ISO as soon as possible after any assignment or transfer of service occurs but in any event, notification must be provided prior to any provision of service to the Assignee. The Assignee will be subject to all terms and conditions of this Tariff. This section does not apply to the sale, resale or assignment of TCCs.

23.2 Limitations on Assignment or Transfer of Service: If the Assignee requests a change in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other specifications set forth in the original Service Agreement, the ISO will consent to such change subject to the provisions of this Tariff, provided that the change will not impair the operation and reliability of the NYCA. The Assignee shall compensate the ISO or Transmission Owner(s) for performing any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed change and any additional costs resulting from such change. The Reseller shall remain liable for the performance of all obligations under the Service Agreement, except as specifically agreed to by the parties

through an amendment to the Service Agreement. This Section does not apply to the sale, resale or assignment of TCCs.

23.3 Information on Assignment or Transfer of Service: Resellers may use the ISO's OASIS to post transmission capacity available for resale. Nothing in this Section shall apply to the sale, resale or assignment of TCCs.

24.0 Metering and Power Factor Correction at Receipt and Delivery Point(s)

24.1 Transmission Customer Obligations: Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the Capacity and Energy being transmitted under Part II of this Tariff and to communicate the information to the Transmission Owner and the ISO. Such equipment shall remain the property of the Transmission Customer.

24.2 Access to Metering Data: The ISO and Transmission Owner shall have access to metering data, which may reasonably be required to maintain reliability and to facilitate measurements and billing under the Service Agreement.

24.3 Power Factor: Unless otherwise agreed, the Transmission Customer is required to maintain a power factor within the same range as the Transmission Owner pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable.

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25.0 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). The Transmission Owner shall use Part II of this Tariff to make its Third-Party Sales. The Transmission Owner shall account for such use at the applicable Tariff rates, pursuant to Section 8.

The billing of these charges will be performed pursuant to Section 7.0 of this Tariff.

26.0 Stranded Cost Recovery

The Transmission Owners other than NYPA may seek to recover stranded costs from the Point-to-Point Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owners must separately file any proposal to recover stranded costs under Section 205 of the FPA. This provision shall not supersede or otherwise affect a Transmission Owner's right to recover stranded costs under other authority. To the extent that LIPA's rates for service are established by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s and are not subject to Commission and/or PSC jurisdiction, LIPA's recovery of stranded costs will not be subject to the foregoing requirements.

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Upon filing of a proposal to recover stranded costs under the FPA, the Transmission Owner shall immediately provide the ISO with a copy of the appropriate rate schedule which will be incorporated as a new SIRC rate schedule under this Tariff, subject to refund as may be required by the Commission. The ISO shall collect such SIRC from Network Service Customers and remit the collected amounts to the applicable Transmission Owner(s). Any SIRC rate schedule developed by LIPA under this Tariff will be effective upon receipt by the ISO, subject to any applicable laws and orders.

27.0 Compensation for New Facilities and Redispatch Costs

Whenever a System Impact Study performed by the ISO in connection with the provision of Firm Point-To-Point Transmission Service identifies the need for new facilities, the Transmission Customer shall be responsible for such costs to the extent consistent with Commission policy.

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New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 1

Original Sheet Nos. 155 through 160

Sheet Nos. 155 through 160 are reserved for future use.

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III. NETWORK INTEGRATION TRANSMISSION SERVICE

Preamble

The ISO will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in this Tariff and Service Agreement over the transmission facilities of the parties to the ISO/TO Agreement. Network Integration Transmission Service will be provided when the Network Customer agrees to pay the Congestion Rent associated with its requested service. The Network Customer may fix the price of its Network Integration Transmission Service by purchasing TCCs corresponding with designated Network Resources and its Network Load. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which the individual Transmission Owner utilizes their respective transmission systems to serve their Native Load Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy Energy purchases to its Network Load from non-designated resources on an as-available basis (i.e. when there is no Congestion) without additional charge. Transmission Service for sales to non-designated Loads will be provided pursuant to the applicable terms and conditions of Part II of this Tariff.

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28.0 Nature of Network Integration Transmission Service

28.1 Scope of Service: Network Integration Transmission Service is a Transmission Service that allows Network Customers to efficiently and economically utilize Network Resources (as well as other non-designated generation resources) to serve their Network Load located in the NYCA and any additional Load that may be designated pursuant to Section 31.3 of this Tariff. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Section 3.0.

28.2 Transmission Owner Responsibilities: Each Transmission Owner will plan, construct, operate and maintain their respective transmission systems in accordance with Good Utility Practice, in order to provide the Network Customer with Network Integration Transmission Service over the NYS Transmission System. The Transmission Owner, on behalf of its Native Load Customers, shall be required to designate resources and Loads in the same manner as any Network Customer under Part III of this Tariff. This information must be consistent with the information used by the ISO to calculate ATC. The Transmission Owners and the ISO shall include the Network Customer's Network Load in transmission system planning and shall, consistent with Good Utility Practice, endeavor to

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construct and place into service sufficient transmission capacity to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the Transmission Owner's delivery of its own generating and purchased resources to its Native Load Customers.

28.3 Network Integration Transmission Service: The ISO will provide Firm Transmission Service over the NYS Transmission System to the Network Customer for the delivery of Energy from its designated Network Resources to serve its Network Loads on a basis that is comparable to the Transmission Owner's use of the NYS Transmission System to reliably serve its Native Load Customers.

28.4 Secondary Service: The Network Customer may use the NYS Transmission System to deliver Energy to its Network Loads from resources that have not been designated as Network Resources. Such Energy shall be transmitted, on an as-available basis (i.e., when there is no Congestion between the non-Network Resource and the Network Load), at no additional charge.

28.5 Real Power Losses: Real Power Losses are associated with all Transmission Service. The Network Customer is responsible for losses associated with all

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Transmission Service in accordance with Schedule 9 and as calculated in Attachment J.

28.6 Restrictions on Use of Service: The Network Customer shall not use Network Integration Transmission Service for (i) sales of Capacity and Energy to non-designated Loads or (ii) direct or indirect provisions of this Transmission Service by the Network Customer to third parties. All Network Customers taking Network Integration Transmission Service shall use Point-To-Point Transmission Service under Part II of this Tariff for any Third-Party Sale which requires use of the NYS Transmission System.

29.0 Initiating Service

29.1 Condition Precedent for Receiving Service: Subject to the terms and conditions of Part III of this Tariff, the ISO will provide Network Integration Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under Part III of this Tariff; (ii) the Eligible Customer, ISO and the Transmission Owner(s) complete the technical arrangements set forth in Sections 29.3 and 29.4; (iii) the Eligible Customer executes a Service Agreement pursuant to Attachment D for service under Part III

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of this Tariff or requests in writing that the ISO file a proposed unexecuted Service Agreement with the Commission; (iv) the Eligible Customer executes a Network Operating Agreement with the ISO pursuant to Attachment G; and (v) if the Network Service involves the use of LIPA's, transmission facilities, approval of such transaction has occurred pursuant to Section 5.2D.

29.2 Application Procedures: An Eligible Customer requesting service under Part III of this Tariff must submit an Application to the ISO as far as possible in advance of the month in which service is to commence. Applications should be submitted by entering the information listed below on the ISO's OASIS. Prior to implementation of the ISO's OASIS, a Completed Application for Network Integration Transmission Service will be dated and time-stamped. Applications should be submitted by entering the information listed below on the ISO's OASIS. Prior to implementation of the ISO's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the ISO by telefax, or (ii) providing the information by telephone over the ISO's time recorded telephone line.

A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including, but not limited to, the following:

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- (i) The identity, address, telephone number and facsimile number of the party requesting service;
- (ii) A statement that the party requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) A description of the Network Load at each delivery point. This description should separately identify and provide the Eligible Customer's best estimate of the total Loads to be served at each transmission voltage level, and the Loads to be served from each Transmission Owner substation at the same transmission voltage level. The description should include a ten (10) year forecast of summer and winter Load and resource requirements beginning with the first year after the service is scheduled to commence;
- (iv) The amount and location of any interruptible Loads included in the Network Load. This shall include the summer and winter Capacity requirements for each interruptible Load (had such load not been interruptible), that portion of the Load subject to Interruption, the conditions under which an Interruption can be implemented and any limitations on the amount and frequency of Interruptions. An Eligible Customer should identify the amount of interruptible customer Load (if any) included in the 10-year Load forecast provided in response to (iii) above;
- (v) A description of Network Resources (current and 10-year projection), which shall include, for each Network Resource:
 - Unit size and amount of Capacity from unit to be designated as Network Resource
 - VAR capability (both leading and lagging) of all Generators
 - Operating restrictions
 - Any periods of restricted operations throughout the year
 - Maintenance schedules
 - Minimum loading level of unit
 - Normal operating level of unit
 - Minimum Generation and Start-Up Bid and variable Energy Bid information for redispatch computations
 - Arrangements governing sale and delivery of power to third parties from generating facilities located in the New York Control Area, where only a portion of unit output is designated as a Network

- Resource
- Description of purchased power designated as a Network Resource including source of supply, Control Area location, transmission arrangements and delivery point(s) to the NYS Transmission System;
- (vi) Description of Eligible Customer's transmission system:
- Load flow and stability data, such as real and reactive parts of the Load, lines, transformers, reactive devices and Load type, including normal and emergency ratings of all transmission equipment in a Load flow format compatible with that used by the ISO and the Transmission Owners
 - Operating restrictions needed for reliability
 - Operating guides employed by system operators
 - Contractual restrictions or committed uses of the Eligible Customer's transmission system, other than the Eligible Customer's Network Loads and Resources
 - Location of Network Resources described in subsection (v) above
 - Transmission system maps that include any proposed expansions or upgrades 10 year projection of system expansions or upgrades
 - Thermal ratings of Eligible Customer's Control Area ties with other Control Areas; and
- (vii) Service Commencement Date and the term of the requested Network Integration Transmission Service. The minimum term for Network Integration Transmission Service is one hour.

Unless the parties agree to a different time frame, the ISO must acknowledge the request within ten (10) days of receipt. The acknowledgment must include a date by which a response, including a Service Agreement, will be sent to the Eligible Customer.

If an Application fails to meet the requirements of this Section, the

2000, 90 FERC ¶ 61,352 (2000).

ISO shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, the ISO will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the ISO shall return the Application, without prejudice, to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this Section. The Eligible Customer will be assigned a new time-stamp consistent with the date of the new or revised Application. The ISO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations and the Code of Conduct in Attachment F.

29.3 Technical Arrangements to be Completed Prior to Commencement of Service:

Network Integration Transmission Service shall not commence until the ISO, Transmission Owners and the Network Customer, or a third party, have completed installation of all equipment specified under the Network Operating Agreement consistent with Good Utility Practice and any additional requirements reasonably and consistently imposed to ensure the reliable operation of the NYS Transmission System.

The ISO shall exercise reasonable efforts, in coordination

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with the Network Customer, to complete such arrangements as soon as practicable taking into consideration the Service Commencement Date.

29.4 Network Customer Facilities: The provision of Network Integration Transmission Service shall be conditioned upon the Network Customer's constructing, maintaining and operating the facilities on its side of each delivery point or interconnection necessary to reliably deliver capacity and Energy from the NYS Transmission System to the Network Customer. The Network Customer shall be solely responsible for constructing or installing all facilities on the Network Customer's side of each such delivery point or Interconnection. To the extent that a Network Customer is serving retail customers in a Transmission Owner's retail access program, the Network Customer shall procure retail distribution services in accordance with Part IV or this Tariff and the Transmission Owner's retail access tariff as filed with the PSC, or in the case of LIPA, as established under state law.

29.5 Filing of Service Agreement: The ISO will file Service Agreements with the Commission in compliance with applicable Commission regulations.

30.0 Network Resources

30.1 Designation of Network Resources: Network Resources shall include all

resources designated as Installed Capacity suppliers in the NYCA. Network Resources may not include resources, or any portion thereof, that are committed for sale to non-designated third party Load outside of the NYCA or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis. Any owned or purchased resources that were serving the Network Customer's Loads under firm agreements entered into on or before the Service Commencement Date shall also be designated as Network Resources until the Network Customer terminates the designation of such resources.

30.2 Designation of New Network Resources: The Network Customer may designate a new Network Resource by providing the ISO with as much advance notice as practicable. A designation of a new Network Resource must be made by a request for modification of service pursuant to an Application under Section 29.

30.3 Termination of Network Resources: The Network Customer may terminate the designation of all or part of a generating resource as a Network Resource at any time but should provide notification to the ISO as soon as reasonably practicable.

30.4 Operation of Network Resources: The Network Customer shall not operate its designated Network Resources located in the Network Customer's Control Area

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or NYCA such that the output of those facilities exceeds its designated Network Load, plus non-firm sales delivered pursuant to Part II of the Tariff, plus net sales of Energy through the LBMP Market established under the ISO Services Tariff, plus losses. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of the ISO to respond to an Emergency or other unforeseen condition which may impair or degrade the reliability of the NYS Transmission System.

30.5 Network Customer Redispatch Obligation: As a condition to receiving Network Integration Transmission Service, the Network Customer agrees to allow the ISO to redispatch its Network Resources. The redispatch of resources pursuant to this Section shall be on a least cost, non-discriminatory basis.

30.6 Transmission Arrangements for Network Resources Not Physically

Interconnected With The NYS Transmission System: The Network Customer shall be responsible for any arrangements necessary to deliver Capacity and Energy from a Network Resource not physically interconnected with the NYS Transmission System. The ISO will undertake reasonable efforts to assist the Network Customer in obtaining such arrangements, including without limitation,

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providing any information or data required by such other entity pursuant to Good Utility Practice.

30.7 Limitation on Designation of Network Resources: Network Resources must be directly interconnected with the NYCA or demonstrate that Firm Transmission Service has been obtained from the Network Resource to the NYCA boundary.

30.8 Use of Interface Capacity by the Network Customer: There is no limitation upon a Network Customer's use of the NYS Transmission System at any particular Interface with another transmission system to integrate Network Resources (or substitute economy purchases) with its Network Loads. However, a Network Customer's use of the total Interface capacity of the NYS Transmission System with other transmission systems may not exceed the Network Customer's Load.

30.9 Network Customer Owned Transmission Facilities: The Network Customer that owns existing transmission facilities that are integrated with the NYS Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. In order to receive such consideration the Network Customer must demonstrate that its transmission facilities are integrated

into the plans or operations of the ISO to serve its power and transmission customers.

For facilities constructed by the Network Customer subsequent to the Service

Commencement Date under Part III of this Tariff, the Network Customer shall receive

credit where such facilities are jointly planned and installed in

coordination with the Transmission Owners. Calculation of the credit shall be

addressed in either the Network Customer's Service Agreement or any other agreement

between the parties.

31.0 Designation of Network Load

31.1 Network Load: The Network Customer must designate the individual Network Loads on whose behalf the ISO will provide Network Integration Transmission Service. The Network Loads shall be specified in the Service Agreement.

31.2 New Network Loads Connected With the Transmission Owners: The Network Customer shall provide the ISO and the Transmission Owners with as much advance notice as reasonably practicable of the designation of new Network Load that will be added to the NYS Transmission System. A designation of new Network Load must be made through a modification of service pursuant to a new Application. The ISO and the Transmission Owners will use due diligence to install any transmission facilities required to interconnect a new Network Load

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designated by the Network Customer. The costs of new facilities required to interconnect a new Network Load shall be determined in accordance with the procedures provided in Section 32 and shall be charged to the Network Customer in accordance with Commission policies.

31.3 Network Load Not Physically Interconnected with the NYS Transmission

System: This Section applies to both initial designation pursuant to Section 31 and the subsequent addition of new Network Load not physically interconnected with the NYS Transmission System. To the extent that the Network Customer desires to obtain Transmission Service for a load outside the NYS Transmission System, the Network Customer shall exclude that entire Load from its Network Load and purchase Point-To-Point Transmission Service under Part II of this Tariff. To the extent that the Network Customer gives notice of its intent to add a new Network Load as part of its Network Load pursuant to this Section the request must be made through a modification of service pursuant to a new Application.

31.4 New Interconnection Points: To the extent the Network Customer desires to add a new Delivery Point or Interconnection point between the NYS Transmission

System and a Network Load, the Network Customer shall provide the ISO with as much advance notice as reasonably practicable.

31.5 Changes in Service Requests: Under no circumstances shall the Network Customer's decision to cancel or delay a requested change in Network Integration Transmission Service (e.g., the addition of a new Network Resource or designation of a new Network Load) in any way relieve the Network Customer of its obligation to pay the costs of transmission facilities constructed by a Transmission Owner and charged to the Network Customer as reflected in the Service Agreement. However, the ISO must treat any requested change in Network Integration Transmission Service in a non-discriminatory manner.

31.6 Annual Load and Resource Information Updates: The Network Customer shall provide the ISO with annual updates of Network Load and Network Resource forecasts consistent with those included in its Application for Network Integration Transmission Service under Part III of this Tariff. The Network Customer also shall provide the ISO with timely written notice of material changes in any other information provided in its Application relating to the Network Customer's Network Load, Network Resources, its transmission system

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or other aspects of its facilities or operations affecting the ISO's ability to provide reliable service.

32.0 Additional Study Procedures For Network Integration Transmission Service Requests

The FERC Order No. 888 provisions for initiating a Transmission System expansion are contained in this Section. Additional ISO responsibilities for Transmission System expansion are contained in Section 32A. Study procedures associated with new Interconnections to the NYS Power System are contained in Section 32B. Section 19C addresses prioritization of network and point-to-point transmission expansion and interconnection studies. Nothing in this Tariff shall preclude the Transmission Owners from proposing or constructing transmission facilities in the public interest in accordance with all applicable regulatory requirements.

32.1 Notice of Request for System Impact Study: Network Integration Transmission Service is available to an Eligible Customer, including a Transmission Owner, willing to pay Congestion Rent as described in this Tariff. A request for Network Integration Transmission Service would not normally require a System Impact Study unless the Eligible Customer specifically requests that the ISO conduct such a study of facilities that could be constructed (for example, if the Eligible

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Customer requesting Network Integration Transmission Service determines that Congestion Rent or the cost of TCCs is too high and that customer is considering constructing new facilities to create incremental transfer capability resulting in incremental TCCs, or, if an Eligible Customer requests that transmission facilities be constructed to address reliability or other operational concerns) (a “Study Request”). After receiving a Study Request , the ISO shall, within thirty (30) days of receipt of a Study Request, tender a System Impact Study agreement pursuant to which the Eligible Customer shall agree to reimburse the ISO for performing the required System Impact Study. The ISO shall coordinate with the affected Transmission Owners in performing the System Impact Study. A description of the ISO's methodology for completing a System Impact Study is provided in Attachment D. Before a Study Request is evaluated, the Eligible Customer shall execute the System Impact Study agreement and return it to the ISO within fifteen (15) days. If the Eligible Customer elects not to execute the System Impact Study agreement, its Study Request shall be deemed withdrawn.

32.2 System Impact Study Agreement and Cost Reimbursement:

The System Impact Study agreement will clearly specify the ISO's estimate of the actual cost, and time for completion of the System Impact Study.

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The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the ISO shall rely, to the extent reasonably practicable, on existing transmission planning studies including applicable studies submitted by the Eligible Customer. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's Study Request.

If, in response to multiple Eligible Customers requesting a study in relation to the same competitive solicitation; a single System Impact Study is sufficient for the ISO to accommodate the study requests, the costs of that study shall be pro-rated among the Eligible Customers.

For System Impact Studies that a Transmission Owner or the ISO conducts on its own behalf, the Transmission Owner or ISO shall record the cost of the System Impact Studies pursuant to Section 8.

If a Transmission Owner, on behalf of the ISO, performs all or part of a System Impact Study, the ISO shall reimburse the Transmission Owner for any costs that the Transmission Owner incurred.

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32.3 System Impact Study Procedures: Upon receipt of an executed System Impact Study agreement, the ISO will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify any additional Direct Assignment Facilities or Network Upgrades required to comply with an Eligible Customer's or Transmission Owner's request. In the event that the ISO is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. The ISO will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself or a Transmission Owner. The ISO shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Study Request can be completed at no additional cost (e.g., if the ISO is currently studying requests to construct similar facilities).

32.4 Facilities Study Procedures: After a System Impact Study indicates that additions or upgrades to the Transmission System could be constructed in

response to the Eligible Customer's Study Request, the Transmission Owner(s) whose facilities may be modified in performing the upgrade or addition, shall, within thirty (30) days of the completion of the System Impact Study, tender to the Eligible Customer a Facilities Study agreement. The ISO shall cooperate with the affected Transmission Owners in performing any subsequent Facilities Studies. In the Facilities Study agreement, the Eligible Customer shall agree to reimburse the Transmission Owner(s) for performing the required Facilities Study and the ISO for its associated costs. If the Eligible Customer wants the Transmission Owner(s) to undertake the Facilities Study, the Eligible Customer shall execute the Facilities Study agreement and return it to the Transmission Owner(s) within fifteen (15) days. Upon receipt of an executed Facilities Study agreement, the Transmission Owner(s) will use due diligence to complete the required Facilities Study within a sixty (60) day period. If the Transmission Owner(s) are unable to complete the Facilities Study in the allotted time period, the Transmission Owner(s) shall notify the Transmission Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study.

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When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Eligible Customer, (ii) the Eligible Customer's appropriate share of the cost of any required Network Upgrades, as determined pursuant to the provisions of Part III of this Tariff, and (iii) the time required to complete such construction. The Facilities Study shall contain a non-binding estimate as to the feasible TCCs resulting from the construction of the new facilities. After completion of the transmission upgrade and the first subsequent Centralized TCC Auction, the ISO shall determine the Incremental TCCs associated with the upgrade. The Incremental TCCs will be a set of point-to-point TCCs that derive from the increase or decrease in Total Transfer Capability, which includes, but is not limited to, the increase or decrease in the Total Transfer Capability across each affected Interface that is due to the transmission upgrade. If the Eligible Customer decides to proceed with the construction of the facilities described in the Facilities Study, the Eligible Customer shall (1) enter into a construction contract with the Transmission Owner(s) whose system(s) will be directly modified, and with the entity that will construct the facilities under the supervision of the Transmission Owner (if other

than the Transmission Owner(s)), and guarantee to compensate the Transmission Owner(s) and constructing entity (if other than the Transmission Owner(s)) for all costs incurred associated with the construction, and (2) provide each Transmission Owner with a letter of credit or other reasonable form of security acceptable to the Transmission Owner equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. The construction contract shall contain terms and obligations of the Transmission Customer to pay for the facilities modifications or addition pursuant to the contract.

32A Development of Transmission Reinforcement Options

32A.1 At the request of the PSC, the ISO shall develop a limited number of illustrative transmission reinforcement options, and associated cost estimates, to increase transfer capability limits on Interfaces identified by the PSC as having significant Congestion. Such reinforcement option results shall be made available to all Customers or potential Customers for the purpose of evaluating the economic costs and benefits of new facilities. Eligible Customers, including Transmission Owners, may then request a System Impact Study for a specific expansion project in accordance with Sections 32.1 through 32.3. Development of the transmission

reinforcement options will not reflect the impacts of alternatives that may be proposed by other Eligible Customers, including generation projects, which could increase or decrease transmission Interface Transfer Capability or Congestion Rents or both. Cost estimates provided will be based on readily available data and shall in no way be binding on the ISO. The ISO will not charge the PSC for this service.

32A.2 Subject to the Eligible Customer's obligation to compensate the ISO, at the request of an Eligible Customer, the ISO will develop illustrative transmission reinforcement options as described in Section 32A.1 above. The Eligible Customer shall comply with the provisions of Sections 32.1 through 32.3 that require the customer to enter into a System Impact Study agreement and agree to compensate the ISO for all costs incurred to conduct the study.

32A.3 Requests to proceed with a system expansion shall be subject to the provisions of Section 32.

32B Study Procedures For New Interconnections To The NYS Power System

32B.1 Request for Interconnection Study: Any Eligible Customer proposing to interconnect its Load or generation with the NYS Power System shall submit its Interconnection proposal to the ISO. The ISO, in cooperation with the

Transmission Owner with whose system the Eligible Customer proposes to interconnect, shall perform a system reliability impact study to determine whether the proposed Interconnection may degrade system reliability or adversely affect the operation of the NYS Power System. The study shall be conducted in accordance with the procedures specified in Section 32B.2. The Interconnection shall not proceed if the ISO concludes in the study that the proposed Interconnection may degrade system reliability or adversely affect the operation of the NYS Power System. If the proposal is rejected, the ISO shall provide in writing the reasons why the proposal was rejected.

32B.2 Study Procedures: Upon receipt of the Interconnection proposal and a written guarantee by the Eligible Customer to pay all costs incurred by the ISO and Transmission Owner(s) conducting the study, the ISO and Transmission Owner with whose system the Eligible Customer proposes to interconnect shall perform the study. The study shall address the following:

- (i) An evaluation of the potential significant impacts of the new Interconnection on NYS Power System reliability, at a level of detail that reflects the magnitude of the impacts and the reasonable likelihood of their occurrence;

- (ii) An evaluation of impacts of the new Interconnection on system voltage, stability and thermal limitations, as prescribed in the Reliability Rules;
- (iii) An evaluation as to whether modifications to the NYS Power System would be required to maintain Interface transfer capability or comply with the voltage, stability and thermal limitations, as prescribed in the Reliability Rules. The ISO will apply the criteria established by NERC, NPCC and the NYSRC;
- (iv) An evaluation of alternatives that would eliminate adverse reliability impacts, if any, resulting from the proposed Interconnection; and
- (v) An estimate of the increase or decrease in the Total Transfer Capability across each affected Interface.

32B.3 Interconnection Agreements: After receiving the approval of the proposed Interconnection, and after the Eligible Customer makes payment to the ISO and Transmission Owner for the cost of the study, the Eligible Customer may elect to continue with the Interconnection by entering into an Interconnection agreement with the Transmission Owner with whose system the Eligible Customer proposes to interconnect.

33.0 Load Shedding and Curtailments

33.1 Procedures: Prior to the Service Commencement Date, the ISO and the Network Customer shall establish Load Shedding and Curtailment procedures pursuant to the Network Operating Agreement with the objective of responding to contingencies on the NYS Transmission System. The parties will implement such programs during any period when the ISO determines that a system contingency exists and such procedures are necessary to alleviate such contingency. The ISO will notify all affected Network Customers in a timely manner of any scheduled Curtailment.

33.2 Transmission Constraints: During any period when the ISO determines that a transmission Constraint exists on the NYS Transmission System, and such Constraint may impair the reliability of the NYS Transmission System, the ISO generation resources on a least-cost basis in accordance with the provisions of Attachment J. When applicable, the ISO will follow the LEER Procedure, referenced in Section 13.6, which is incorporated by reference herein. The LEER Procedure is intended to prevent the necessity of implementing the curtailment procedures contained in the FERC and NERC tariffs and policies. If the ISO is required to Curtail Transmission Service as a result of a TLR event, the ISO will

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perform such Curtailment in accordance with the TLR Procedures filed by NERC in Docket No. EL 99-52-000 which is incorporated by reference herein. Any redispatch under this Section may not unduly discriminate between the Transmission Owner's use of the NYS Transmission System on behalf of its Native Load Customers and any Network Customer's use of the NYS Transmission System to serve its designated Network Load.

33.3 Cost Responsibility for Relieving Transmission Constraints: Whenever the ISO implements least-cost redispatch procedures in response to a transmission Constraint, all Transmission Customers and Network Customers will bear the costs of such redispatch in accordance with Attachment J.

33.4 Curtailments of Scheduled Deliveries: If a transmission Constraint on the NYS Transmission System cannot be relieved through the implementation of least-cost redispatch procedures and the ISO determines that it is necessary to Curtail scheduled deliveries, the parties shall Curtail such schedules in accordance with the Network Operating Agreement.

33.5 Allocation of Curtailments: The ISO shall, on a non-discriminatory basis, Curtail the Transaction(s) that effectively relieve the Constraint. However, to the

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extent practicable and consistent with Good Utility Practice, any Curtailment will be shared by the Transmission Owners and Network Customers in proportion to their respective Load Ratio Shares. The ISO shall not direct Network Customers to Curtail schedules to an extent greater than the ISO would Curtail the Transmission Owners' schedules under similar circumstances.

33.6 Load Shedding: To the extent that a system contingency exists on the NYS Transmission System and the ISO determines that it is necessary to shed load, the parties shall shed load in accordance with previously established procedures under the Network Operating Agreement.

33.7 System Reliability: Notwithstanding any other provisions of this Tariff, the ISO reserves the right, consistent with Good Utility Practice and on a not unduly discriminatory basis, to Curtail Network Integration Transmission Service without liability on the ISO's and/or Transmission Owner's part for the purpose of the Transmission Owners making necessary adjustments to, changes in, or repairs on their lines, substations and facilities, and in cases where the continuance of Network Integration Transmission Service would endanger persons or property. In the event of any adverse condition(s) or disturbance(s) on the NYS

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Transmission System or on any other system(s) directly or indirectly interconnected with the NYS Transmission System, the ISO, consistent with Good Utility Practice, also may Curtail Network Integration Transmission Service in order to (i) limit the extent or damage of the adverse condition(s) or disturbance(s), (ii) prevent damage to generating or transmission facilities, or (iii) expedite restoration of service. The ISO will give the Network Customer as much advance notice as is practicable in the event of such Curtailment. Any Curtailment of Network Integration Transmission Service will be not unduly discriminatory relative to the Transmission Owners' use of the NYS Transmission System on behalf of its Native Load Customers. The ISO shall specify the rate treatment and all related terms and conditions applicable in the event that the Network Customer fails to respond to established Load Shedding and Curtailment procedures.

34.0 Rates and Charges

Rates for Network Transmission Integration Service are provided for in Schedule 9 of this Tariff. The billing of these charges will be performed pursuant to Section 7 of this Tariff.

34.1 Monthly Demand Charge:

[Reserved]

34.2 Determination of Network Customer's Monthly Network Load:

[Reserved].

34.3 Determination of Transmission Owner's Monthly Transmission System Load:

[Reserved].

34.4 Redispatch Charge: The Network Customer shall pay redispatch costs in accordance with the provisions of Attachment J.

34.5 Stranded Cost Recovery: The Transmission Owners other than NYPA may seek to recover stranded costs from the Network Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owners must separately file any proposal to recover stranded costs under Section 205 of the FPA. This provision shall not supersede or otherwise affect a Transmission Owner's right to recover stranded costs under other authority. To the extent that LIPA's rates for service are established by Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s and are not subject to FERC and/or PSC jurisdiction, LIPA's recovery of stranded costs will not be subject to the foregoing requirements.

Upon filing of a proposal to recover stranded costs under the FPA, the Transmission Owner shall immediately provide the ISO with a copy of the appropriate rate schedule which will be incorporated as a new SIRC rate schedule under this Tariff, subject to refund as may be required by the Commission. The ISO shall collect such SIRC from Network Service Customers and remit the collected amounts to the applicable Transmission Owner(s). Any SIRC rate schedule developed by LIPA under this Tariff will be effective upon receipt by the ISO, subject to any applicable laws and orders.

35.0 Operating Arrangements

35.1 Operation Under The Network Operating Agreement: The Network Customer shall plan, construct, operate and maintain its facilities in accordance with Good Utility Practice and in conformance with the Network Operating Agreement.

35.2 Network Operating Agreement: The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of the Tariff shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the parties to (i) operate and maintain equipment

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necessary for integrating the Network Customer within the NYS Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between the ISO, Transmission Owners and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the NYS Transmission System, interchange schedules, unit outputs for redispatch required under Section 33, voltage schedules, loss factors and other real time data), (iii) use software programs required for data links and constraint dispatching, (iv) exchange data on forecasted Loads and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Part III of this Tariff, including scheduling protocols. The Network Operating Agreement will recognize that the Network Customer shall either (i) operate as a Control Area under applicable guidelines of the North American Electric Reliability Council (NERC) and the Northeast Power Coordinating Council (NPCC), (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the ISO, or (iii) satisfy its Control Area

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requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies NERC and the NPCC requirements. The ISO shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services to the extent that such arrangements comply with the provisions for Self-Supply of Ancillary Services as described in Schedules 3 and 5. For Network Customers that are also taking service under the ISO Services Tariff, the Service Agreement under that Tariff will function as the Network Operating Agreement. All other Network Customers will negotiate a Network Operating Agreement with the ISO. A list of requirements for such Network Operating Agreement is included in Attachment G.

35.3 Network Operating Committee: The ISO Operating Committee will serve as the Network Operating Committee and will coordinate operating criteria for the parties' respective responsibilities under the Network Operating Agreement. The Committee shall meet from time to time as need requires, but no less than once each calendar year.

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IV. SPECIAL PROVISIONS FOR RETAIL ACCESS

Preamble

All retail Transmission Service over the transmission facilities of the Parties to the ISO/TO Agreement shall be pursuant to this Section. This Section applies only to Eligible Customers taking service under retail access tariffs filed with the PSC and the Commission; or under otherwise lawfully established rates and terms of the following Transmission Owners (“Retail Access Tariffs”): Central Hudson, Consolidated Edison, LIPA, NYSEG, Niagara Mohawk, Orange and Rockland and RG&E. LSEs applying for service under this portion of this Tariff must certify to the ISO that they are participating as an LSE in one of the enumerated retail access programs.

The ISO will provide retail access services under this Tariff to Eligible Customers taking unbundled Transmission Service pursuant to a state requirement that a Transmission Owner offer the Transmission Service, or pursuant to a voluntary offer of such service by a Transmission Owner. Retail access customers are individual end-use customers eligible for retail access under the Transmission Owner’s retail access plans as filed with the PSC or, in the case of LIPA, established under State law, or pursuant to a voluntary offer of such service by a Transmission Owner. All retail access customers participating in the retail access programs of Central Hudson, Consolidated Edison, LIPA, NYSEG, Niagara Mohawk and Orange and Rockland are Eligible

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Customers under this Tariff. Retail access customers will take service under Part IV of this Tariff. All Sections of this Tariff apply to LSEs serving such customers. Eligible Customers, such as electric utilities, are not required to offer retail access to their customers as a condition of service under this Tariff. All retail access customers serving as their own LSE must take Transmission Service under either Part II or III of this Tariff in addition to taking service under Part IV. The common service provisions of Part I apply to retail access customers including LSEs.

36.0 Rights and Responsibilities of Eligible Customers and LSEs

36.1 Eligible Customers: Subject to Section 36.2, each Eligible Customer taking service under a retail access tariff of a Transmission Owner may, but need not, select an LSE to serve its needs for Energy and related services, according to the provisions of the applicable retail access tariff or retail access operating procedures. Such Eligible Customer must become a Transmission Customer under this Tariff. Each retail access customer shall be responsible for paying the retail Transmission Service Charge to the affected Transmission Owner, as provided for in the individual Transmission Owner's retail access tariffs. If an Eligible Customer selects an LSE to serve as its agent in procuring Transmission Service

from the ISO, that LSE shall be responsible for all Transmission Usage Charges and other charges associated with the Transmission Service received, and billed in accordance with Section 7 of this Tariff. If accommodated by the applicable retail access program, an Eligible Customer may become the customer of an LSE, with that LSE serving not as an agent, but as a Transmission Customer of the ISO who procures and resells Transmission Service to the Eligible Customer. Eligible Customers using the services of an LSE, either as an agent or a reseller of Transmission Service, need not individually enter into a Service Agreement with the ISO.

36.2 Load Serving Entities

A. General Requirements: LSEs (including Eligible Customers serving as their own LSE) shall be responsible for scheduling Transmission Service and providing forecasts and other information applicable to the Eligible Customers they serve or for whom they act as agents, as required by ISO Procedures. All LSEs must satisfy the ISO's requirements, including a requirement that LSEs schedule transactions in whole increments of 1 MW or greater in each hour at each Point of Receipt and each Point of Delivery. LSEs may provide this information

aggregated to reflect the combined requirements of the Eligible Customers they serve or for whom they act as agents, to the extent permitted by ISO Procedures. All LSEs must execute a Service Agreement with the ISO pursuant to this Tariff.

B. RG&E's Retail Access Plan: LSEs participating in RG&E's retail access program are considered Eligible Customers for purposes of service under this Tariff. Such LSEs will take service under all Parts of this Tariff and will pay a wholesale TSC to RG&E.

C. Retail Access Programs: Each LSE participating in one or more of the retail access programs of Central Hudson, Consolidated Edison, LIPA, NYSEG, Niagara Mohawk and Orange and Rockland will sign Service Agreements under this Tariff as both a Transmission Customer and as an agent for retail access customers. Each LSE participating in such programs will certify to the ISO that they are the duly authorized agent of the retail access customers they are representing and have met all relevant PSC and individual Transmission Owner criteria. Each LSE will be responsible for paying the Transmission Usage Charges, and all other charges due here under, except the retail access customer, not the LSE, will be responsible for paying the TSC to the affected Transmission Owner.

36.3 Transmission Service Charges: The TSC calculated under the terms of this Tariff may be collected by the Transmission Owners in one of the following ways: (a) for retail access customers participating in Central Hudson's, Consolidated Edison's, LIPA's, New York State Electric & Gas's, Niagara Mohawk Power Corporation's, or Orange and Rockland's retail access programs, the Transmission Owner may collect its TSC directly from each Customer in its service territory that takes service under its retail access tariffs, or (b) for retail access customers participating in the RG&E's retail access program, the Transmission Owner may collect its TSC directly from the LSEs serving Load in its service territory, commensurate with each LSE's utilization of its system. The rates charged for retail access Transmission Service and the terms and condition for such service shall be in accordance with the provisions of the Transmission Owner's retail access tariff. In addition, the manner in which these charges are collected and the billing procedures shall be determined by the Transmission Owner in accordance with its filed retail access tariff and retail access plans and procedures.

36.4 Settlement Procedures: Consistent with each Transmission Owner's retail

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access plan, the ISO shall initially utilize the services of the Transmission Owners to assist in the data collection and processing necessary to provide for financial Settlement for the services provided under this Tariff, consistent with the ISO's Settlement procedures. Any LSE whose Load is not adequately metered to allow the ISO to implement its Settlement procedures, will have its Load determined by the Transmission Owner in whose Load Zone it is located in accordance with the Transmission Owner's retail access plan on file with the PSC, or in the case of LIPA, its lawfully established rates and terms. The ISO shall use this data in developing its Settlement information and charges under this Part IV of this Tariff. The ISO's Settlement procedures shall be designed to coordinate with the retail access tariffs of each Transmission Owner, and shall accommodate the allocation of cost responsibility for unaccounted-for Energy, theft, and losses on delivery facilities not explicitly included in the ISO's loss calculation model among all LSEs serving Load pursuant to that Transmission Owner's retail access program.

37.0 The Individual Retail Access Plans

Each Transmission Owner reserves the right to unilaterally modify its retail access tariff subject to any necessary regulatory filing. Each Transmission Owner also reserves the right to

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unilaterally modify its retail transmission charges subject to any filing required to be made with the Commission pursuant to Section 205 of the FPA or in the case of LIPA, approval by the Long Island Power Authority's Board of Trustees. The ISO shall implement any tariff changes necessary to implement the changes to the retail transmission charge. Ongoing proceedings before the PSC may impact rates, terms and conditions for retail access programs covered under this Section.

A. Central Hudson

Customers taking part in Central Hudson's retail access program shall take service under Parts I and IV of this Tariff and under Central Hudson's PSC and FERC approved retail access tariff, FERC Rate Schedule No. ER 98-3602 as amended from time to time. Pursuant to Central Hudson's retail access tariff and this Tariff all retail access customers will receive a bill from Central Hudson for the transmission component of their retail access service. Such customers shall pay this bill directly to Central Hudson.

B. Consolidated Edison

Retail access customers participating in the Consolidated Edison's retail access plan shall take retail access service under Parts I and IV of this Tariff and under Consolidated Edison's PSC and FERC approved retail access tariff, Consolidated

Edison's Rate Schedule FERC No. 1, Attachments K and L and Consolidated Edison Company of New York, Inc. PSC No. 2 - Retail Access, as amended from time to time. Pursuant to Consolidated Edison's retail access tariff and this Tariff, retail access customers will receive a bill from Consolidated Edison for the transmission component of their retail access service. Such customers shall pay this bill to Consolidated Edison in accordance with the terms of Consolidated Edison's Rate Schedule FERC No. 1, Attachments K and L and Consolidated Edison Company of New York, Inc. PSC No. 2 - Retail Access, as amended from time to time.

C. LIPA

Retail access customers participating in the LIPA retail access plan shall receive retail Transmission Service pursuant to Parts I and IV of this Tariff and the "Long Island Choice" portions of approved "Long Island Power Authority Tariff For Electric

1 Transmission Service customers will be billed and shall pay for such service as part of their bundled retail delivery service rate pursuant to the Long Island Choice portion of the Long Island Power Authority Tariff for Electric Service.

D. NYSEG

Retail customers participating in NYSEG's retail access program, known as Customer Advantage, shall receive Transmission Service pursuant to Parts I and IV of this Tariff and pursuant to the provisions to NYSEG's retail access tariffs PSC Nos. 90, 115 and 118, as amended or their successors, that relate to its Customer Advantage Program. LSEs are referred to as "Energy Service Companies" retail access tariffs. ESCOs eligible to participate in NYSEG's Customer Advantage Program will act as agents for retail customers for the purpose of obtaining the necessary service under this Tariff when a retail customer contracts with the ESCO for Electric Power Supply pursuant to the Customer Advantage Program. Retail customers that are eligible to participate in NYSEG's Customer Advantage Program that meet the requirements of the ISO and NYSEG's retail access tariffs (referred to as "Self Supply Customers" or "SSCs" under the retail access tariffs) shall also be required to obtain the necessary service under this Tariff but solely for their own use. Retail customers participating in NYSEG's Program will be billed and shall pay for the Transmission Service Charge as part of their retail service rate pursuant to

the retail access tariffs.

NYSEG is currently a party to proceedings before the PSC, which could impact the terms and conditions of its Customer Advantage Program. It is the Company's intent to file changes to this Tariff as necessary and appropriate to reflect Orders issued by the PSC relating to the program.

E. Niagara Mohawk

Retail access is provided to Niagara Mohawk's customers through the company's PSC #207 tariff, Rule 39, as amended from time to time. Customers under this program will take retail Transmission Service under Parts I and IV of this Tariff. They will be billed by, and make payments directly to Niagara Mohawk for the applicable Transmission Service Charge.

F. Orange and Rockland

Retail access customers participating in the Orange and Rockland retail access plan shall take retail access service under Parts I and IV of this Tariff and under Orange and Rockland Utilities, Inc., FERC Electric Tariff, Volume No. 3, as amended from time to time. Pursuant to Orange and Rockland's PSC approved retail access tariff and this Tariff all retail access customers will receive a bill from Orange and

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Rockland for the transmission component of their retail service. Such customers shall pay this bill directly to Orange and Rockland in accordance with the terms of Orange and Rockland Utilities, Inc. FERC Electric Tariff, Volume No. 3, as amended from time to time.

G. Rochester Gas and Electric Corporation

Under Rochester Gas and Electric Corporation's retail access program, 10% of the Load became eligible to choose their own supplier of electricity on July 1, 1998. (PSC No. 15 - Electricity, Rochester Gas and Electric Corporation, Schedule for Electric Distribution Service.) Twenty percent of the Load will become eligible to participate in the choice program on July 1, 1999, while 50% of the Load may elect their supplier by July 1, 2000. All customers will be eligible to choose their supplier of electricity beginning July 1, 2001.

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