

Attachment I: Northeast MOU General ICAP Principles

The following are the external ICAP provisions from the Northeast Memorandum of Understanding between PJM, New York and New England.

Considerations and Requirements for External ICAP Transactions

These general principles establish a common understanding for ICAP products transacted (purchase/sale) across Control Area boundaries for the ICAP markets established by the ISO, NYISO and PJM.

Planning Principles

- I. The minimum duration for the transaction must be the minimum duration required for a purchase by the market rules of the Operating Jurisdiction of the purchasing entity.
- II. The buyer/seller must demonstrate/verify to their appropriate Operating Jurisdictions that the ICAP resource is not committed to or sold to more than one Operating Jurisdiction.
- III. Delivery of the ICAP energy cannot be subject to frequent and routine curtailment due to transmission constraints. Therefore, to reasonably ensure deliverability when called upon, the following are required for ICAP recognition:
 - a) firm transmission service or equivalent delivery guarantee to the sink Operating Jurisdiction's border across restricted or congested external transmission. This means that curtailment for transmission security is done in accordance with the applicable tariffs on a comparable basis with other firm customers, including firm load (see Curtailment Principles for details).
 - b) deliverability within the sink Operating Jurisdiction must meet the requirements of that system and should be consistent with the deliverability requirements of internal generators.

Scheduling Principles

- I. When scheduled, the energy associated with the ICAP purchase must be backed by operating capacity. "Backed by operating capacity" will mean that the source Operating Jurisdiction is committing generating capacity to provide for the transaction. The source or any intervening Operating Jurisdictions cannot count the scheduled energy as operating reserve and cannot curtail the transaction as a result of loss of resource contingencies on their systems (except as allowed under Curtailment Principle I b and I c on the source system only).
- II. The energy associated with an ICAP contract must be schedulable on at least a daily basis provided any unit specific resource is not on a recognized outage.

- III. The ICAP and associated energy must be a bundled resource (i.e. the energy bids associated with a specified resource must be bid according to the sink Operating Jurisdictions market rules). This does not preclude a system ICAP contract provided:
- a) the ICAP and associated energy are from the same jurisdiction and same seller.
 - b) such a sale is allowed by the market rules of the source and sink jurisdictions.
 - c) all applicable requirements of the source, intermediate and sink Operating Jurisdictions are satisfied by the seller and buyer.

Current Day Call Principles

- I. When experiencing a capacity shortage, the sink Operating Jurisdiction has first call rights in accordance with their market requirements, to the energy that is being produced or could be produced by the ICAP resource, whether or not the energy had been previously scheduled by the buyer.
- II. The ICAP supplier is obligated to provide available energy in accordance with the sink Operating Jurisdiction's market rules

Curtailment Principles

- I. When a sink Operating Jurisdiction has exercised its rights to the capacity and energy associated with an ICAP transaction, the transaction can only be curtailed for the following conditions on the source and external intervening systems:
 - a) to correct or prevent a violation of voltage, stability, or thermal transmission limits / criteria in accordance with transmission tariffs for the level of transmission service associated with the ICAP contract.
 - b) for an ICAP contract that is resource specific, temporary unavailability of the resource on which the contract is based.
 - c) for a system contract (as allowed under Scheduling Principle IIIb), which is backed by all the resources in the source system, the capacity and energy may be curtailed by the source Operating Jurisdiction for capacity and energy shortage conditions on a pro-rata basis and concurrent with the shedding of source systems firm load.

This means the energy associated with an ICAP transaction cannot be curtailed as a result of, or to avoid the following conditions on the source or intervening Operating Jurisdictions system:

- a) capacity shortage conditions resulting in the implementation of voltage reduction and/or load shedding, except as provided for a system contract above.

- b) generator losses other than the identified source specific resource associated with the ICAP transaction.