

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.

1.13b.1 Fixed Block Unit: A unit that, due to operational characteristics, can only be dispatched in one of two states: either turned completely off, or turned on and run at a fixed capacity level.

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

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 and the impact of Fixed Block Units 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.

ATTACHMENT J

I. LBMP CALCULATION METHOD

The Locational Based Marginal Prices (“LBMPs”) for Generators and Loads will be based on the system marginal costs produced by either the Security Constrained Dispatch (“SCD”) program for Real-Time Market prices, or the Security Constrained Unit Commitment (“SCUC”) program for Day-Ahead Market prices. The marginal cost of a Fixed Block Unit may only set LBMP when some portion of its Energy is necessary to meet Load, displace higher cost Energy, or satisfy Operating Reserves requirements. The marginal cost of a Fixed Block Unit may not set LBMP at any other time. During periods when Fixed Block Units are precluded from setting LBMP, the marginal cost of the most economical unit backed down to accommodate a Fixed Block Unit shall set LBMP. System marginal costs will be utilized in an *ex post* computation to produce LBMP bus prices using the following equations.

The LBMP at bus i can be written as:

$$?_i = ?^R + ?^L_i - ?^C_i$$

Where:

$?_i$ = LBMP at bus i in \$/MWh

$?^R$ = the system marginal price at the Reference Bus

$?_i^L =$ Marginal Losses Component of the LBMP at bus i which is the marginal cost of losses at bus i relative to the Reference Bus

$?_i^C =$ Congestion Component of the LBMP at bus i which is the marginal cost of Congestion at bus i relative to the Reference Bus

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