SCHEDULE 1

SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

This service is required to schedule the purchase, sale and movement of power through, out of, within, or into the NYCA. This service can be provided only by the ISO. The Transmission Customer must purchase this service from the ISO. The ISO Services Charge for Scheduling, System Control and Dispatch Service and any rebillings associated therewith are set forth below.

1. Parties to Which Charges Apply

The ISO shall charge, and Transmission Customers taking service under the ISO OATT, only, shall pay an "ISO Services Charge" as calculated in Section 2.B of this Rate Schedule on all Transmission Services provided pursuant to Parts II, III and IV to this Tariff, provided that Transmission Customers who are retail access customers who are being served by an LSE shall not pay this charge to the ISO; the LSE shall pay these charges. Transmission Customers taking service under both the ISO OATT and the ISO Services Tariff shall pay the applicable ISO Services Charge as calculated (i) in Sections 3.A through C of Rate Schedule 1 of the ISO Services Tariff, and (ii) in Sections 2.B.3 and 2.B.4 of this Rate Schedule.

2. Billing Units and Calculation of Rates

The ISO shall charge each Transmission Customer based on the product of: (i) the ISO Services Charge rate for Scheduling, System Control and Dispatch Service; and (ii) the

Transmission Customer's applicable injection billing units and/or withdrawal billing units for the month as described in Section 2A.

A. Billing Units

For the ISO Services Charge calculated under Section 2.B.1 of this Rate Schedule, the Transmission Customer's injection billing units shall be based on Actual Energy Injections (for all internal injections) or Scheduled Energy Injections (for all Import Energy injections) in the New York Control Area, including injections for wheelthroughs. The Transmission Customer's withdrawal billing units shall be based on its Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly

Energy schedules for all Wheels Through and Exports. For the ISO Services Charge calculated pursuant to Sections 2.B.2, 2.B.3, and 2.B.4 of this Rate Schedule, the Transmission Customer's billing units shall be based on the Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly Energy schedules for all Wheels Through and Exports. To the extent Schedule 1 charges are associated with meeting the reliability needs of a local system, the billing units for such charges will be based on the Actual Energy Withdrawals in the sub-zone(s) where the Resource needed to meet the reliability need is located. To the extent Schedule 1 charges are associated with payments made for supplemental payments and Demand Reduction Incentive payments to Demand Reduction Providers, the billing units of such charges shall be based on Actual Energy Withdrawals to supply Load in the NYCA according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to service Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch Service shall consist of six components and shall be recovered on a monthly basis (except for section 2.B.5 which shall be billed quarterly) in accordance with the following processes:

1. ISO Annual Budget and FERC Regulatory Fees Component

a. The responsibility for the sum of (a) those costs listed in Section 3.A of this Rate Schedule that are included in the ISO's annual budget and (b) the ISO's FERC regulatory fees, shall be allocated 20% to all injection billing units and 80% to all withdrawal billing units. The current 80%/20% cost allocation shall remain unchanged through at least December 31, 2011 and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 80%/20% cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the 80%/20% cost allocation on a going forward basis:

(i) A vote of the Management Committee will be taken in the third calendar quarter of 2010 on whether a new study should be conducted during late-2010 and 2011 to allow modification of the 80%/20% cost allocation, if warranted by the results of the study, to
be implemented by January 1, 2012. A positive vote by 58% of the Management Committee will be

required to go forward with the study, but there will no longer be a "material change" standard as was historically applied to the determination of whether a study should be conducted.

(ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the 80%/20% cost allocation between withdrawal billing units and injection billing units shall be extended through at least December 31, 2012. In the third calendar quarter of 2011, a vote will be taken on whether a new study should be conducted during late-2011 and 2012 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2013. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.

(iii) If the Management Committee vote in the third calendar quarter of 2011 discussed in (ii) above determines that a study should not be conducted, the current 80%/20% cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage allocation between withdrawal billing units and injection billing units. If the Management Committee vote in the third calendar

quarter of 2011 discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study gets performed unless 58% of the Management Committee votes not to commission the study) that was applied to the Management Committee vote in the third calendar quarter of 2011 discussed in (ii) above.

(iv) If, and when, the Management Committee determines a study shall be conducted:

(a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and

(b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (*e.g.*, categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

b. The rate to be applied to injection billing units shall be the quotient of 20% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units as described in Section 2.A of this Rate Schedule. The rate to be applied to withdrawal billing units shall be the quotient of 80% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 2.A of this Rate Schedule.

c. The rates derived in Section 2.B.1 of this Rate Schedule shall then be multiplied by each Transmission Customer's injection billing units and withdrawal billing units, as appropriate, for the month.

2. ISO Unbudgeted Cost Component

Except with respect to bad debt loss and working capital contribution costs, the responsibility for those costs listed in Section 3.A of this Rate Schedule that are neither (i) included in the ISO's annual budget, nor (ii) FERC-assessed regulatory fees, shall be allocated 100% to all withdrawal billing units. The rate to be applied to withdrawal billing units in each month shall be the quotient of the amount of these costs to be included in the month, as determined by the ISO, divided by the total estimated withdrawal billing units for the month, as described in Section 2.A of this Rate Schedule. This rate shall then be multiplied by each Transmission Customer's withdrawal billing units for the month. The responsibility for costs associated with bad debt losses and working capital contributions shall be allocated pursuant to Attachments U and V to this Tariff, respectively.

3. Non-ISO Facilities Payments Component

a. The monthly payments the ISO makes to owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System shall be recovered based on withdrawal billing units. Currently, the ISO makes payments to Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC and to Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system. The charges to be applied to withdrawal billing units for Transmission Customers, other than those taking service under Part IV of the OATT to supply Station Power as third party providers, shall be the product of (A) the sum of the monthly bills for such facilities from: (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation, divided by the total number of hours in the month, and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to (ii) the sum of all ISO Transmission Customers' withdrawal billing units for that hour (other than withdrawal billing units

for those taking services under Part IV of the OATT to supply Station Power as third party providers) as described in Section 2.A of this Rate Schedule. Charges to be paid by Transmission Customers for this service shall be aggregated to render a monthly charge.

b. Transmission Customers taking service under Part IV of the OATT to supply Station Power as third-party providers shall pay to the ISO a daily charge for this service equal to the product of (A) the sum of the daily bills for such facilities as described in subparagraph (a) above and (B) the ratio of the Transmission Customer's Station Power supplied under Part IV of the OATT for the day to the sum of all withdrawal billing units for the day.

c. The ISO shall credit charges paid for this service by Transmission Customers and LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for the day on a Load Ratio Share basis to Transmission Customers serving Load in the NYCA for the day.

4. Residual Adjustment and Bid Production Guarantees Component

a. The ISO shall calculate, and Transmission Customers, other than Transmission Customers taking service under Part IV of the OATT to supply Station Power as third party providers, shall pay an hourly charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to

(ii) the sum of all ISO Transmission Customers' withdrawal billing units for that hour as described in Section 2A of this Rate Schedule.

b. The ISO shall calculate, and each Transmission Customer taking service under Part IV of the OATT to supply Station Power as a third party provider shall pay a daily charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each day and (B) the ratio of (i) the withdrawal units of the Transmission Customer taking service under Part IV of the OATT to supply Station Power as a third party provider for that day to (ii) the sum of all ISO Transmission Customers' withdrawal billing units for that day as described in Section 2A of this Rate Schedule. The ISO shall credit revenue collected by application of this charge, on a Load ratio share basis, to all ISO Transmission Customers' withdrawal billing units as described in Section 2.2.A of this rate Schedule 1 summed for the day.

c. The ISO shall calculate, and each Transmission Customer shall pay, a daily charge equal to the product of (A) the bid production guarantee costs listed in Section 4.B of this Rate Schedule for each day and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that day as described in Section 2.A of this Rate Schedule to (ii) the sum of all ISO

Transmission Customers' withdrawal billing units for that day as described in Section 2A of this Rate Schedule, provided, however, that the costs of supplemental payments and Demand Reduction Incentive Payments made to Demand Reduction Providers shall be allocated to Transmission Customers according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production

Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

5. NERC and Related Dues, Fees and Other Charges Component

Dues, fees, and other charges: (i) of NERC for its service as the Electric Reliability Organization for the United States ("ERO") recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and (ii) of Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc., or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA, all of which dues, fees, and other charges shall be recovered quarterly. Such recovery shall be based on Actual Energy Withdrawals to supply Load in the NYCA, utilizing the load metering information for the most recent month for which actual load meter data are available for invoices issued through August 31, 2007 and utilizing finalized actual load metering data no longer subject to challenge for invoices issued on or after September 1, 2007. The metering information shall not be subject to correction or adjustment.

Notwithstanding any applicable provisions of this Tariff or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

6. Payments Made To Generators Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rule I-R3 and I-R5.

Amounts paid to Suppliers, pursuant to the Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5, shall be recovered from Load in the Transmission District of the Supplier being paid, other than Load scheduled by a Transmission Customer taking service under Part IV of the OATT to supply Station Power as a third party provider, on the basis of each LSE's contribution to the Load in the day the payment obligation is incurred.

3. ISO Costs

ISO costs to be recovered through the Rate Schedule 1 charge include:

A. Costs associated with the operation of the NYS Transmission System by the ISO and administration of this Tariff by the ISO, including without limitation, the following :

- Processing and implementing requests for transmission service including support of the ISO OASIS node;
- Coordination of transmission system operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;

- Billing associated with Transmission Service provided under this Tariff;
- Preparation of settlement statements;
- Rebilling which supports this service;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Dispute resolution;
- Record keeping and auditing;
- Training of ISO personnel;
- Development of new information, communication and control systems;
- Professional services;
- Working capital and carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance expenses, including costs incurred by the Board to procure credit insurance to protect against losses attributable to nonpayment by Customers;
- Any indemnification of or by the ISO pursuant to Section 10.2 of this Tariff;

- Costs that the ISO incurs as a result of bad debt, including finance charges;

- Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523- 011, OA97-470-010 and ER97-4234-008; and

- Regulatory fees.

- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

4. Residual Adjustment and Bid Production Guarantees

A. Residual Adjustment

The ISO's payments from Transmission Customers will not equal the ISO's payments to Suppliers. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises the Residual Adjustment, which will be an adjustment to the costs in Section 3A. The most significant components of the Residual Adjustment, which is calculated below, include:

- The greater revenue the ISO collects for Marginal Losses from Transmission Customers, in contrast to payments for losses remitted to generation facilities;

- Costs or savings associated with the ISO redispatch of Generators resulting from a change in Transfer Capability between the Day-Ahead schedule and the real-time dispatch;

- The cost resulting from inadvertent interchange (if unscheduled Energy flows out of the NYCA to other Control Areas), or the decrease in cost resulting from inadvertent interchange (if unscheduled Energy flows into the NYCA from other Control Areas) and associated payments in kind;

- Costs or revenues from Emergency Transactions with other Control Area operators;

- Cost or revenues from Special Test Transactions with other Control Area operators;

- Metering errors resulting in payments to or from Transmission Customers to be either higher or lower than they would have been in the absence of metering errors;

- Deviations between actual system Load and the five-minute ahead Load forecast used by SCD, resulting in either more or less Energy than is needed to meet Load;

- Energy provided by generation facilities in excess of the amounts requested by the ISO (through SCD Base Point Signals or AGC Base Point Signals);

- If generation facilities providing Regulation Service have actual output in excess of their AGC Base Point Signals, but the SCD Base Point Signals is higher than either, the real-time payments they receive for Energy produced will be based on the SCD Base Point Signals; and

- Transmission Customers serving Load in the NYCA will be billed based upon an estimated distribution of Loads to buses within each Load Zone. If the actual distribution of Load differs from this assumed distribution, the total amount collected from Transmission Customers could be either higher or lower than the amount that would have been collected if the actual distribution of Loads had been known.

- Settlements for losses revenue variances, as described in Attachment K of this Tariff, with Transmission Owners that pay marginal losses to the ISO for losses associated with modified TWAs (not converted to TCCs) while receiving losses payments from the participants in those TWAs other than marginal losses.

- Payments made to Generators that are redispatched pursuant to the Interregional Transmission Congestion Management Pilot Program, set forth in Section 5.1.1.-5.1.1.5.4 of the Services Tariff, to the extent such payments are not recovered by the ISO an Emergency Transaction with another Control Area.

The actual Residual Adjustment for each month shall be the sum of the hourly Residual Adjustments calculated as follows: (A) the ISO's receipts from Transmission Customers and Primary Holders of TCCs for services which equal the sum of: (i) payments for Energy scheduled in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments for Energy purchased in the Real-Time LBMP Market for that hour that was not scheduled Day-Ahead; (iii) payments for Energy by generating facilities that generated less Energy in the real- time dispatch for that hour than they were scheduled Day-Ahead to generate in that hour for the LBMP Market; (iv) TUC payments made in accordance with Parts II, III and IV of this Tariff that were scheduled in that hour in the Day-Ahead commitment; and (v) real-time TUC payments in accordance with Parts II, III and IV of this Tariff that were not scheduled in that hour in the Day-Ahead commitment; (B) less the ISO's payments to generation facilities, Transmission Owners and Primary Holders of TCCs equal to the sum of the following: (i) payments for Energy to generation facilities that were scheduled to operate in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments to generation facilities for Energy provided to the ISO in the real-time dispatch for that hour that those generation facilities were not scheduled to generate in that hour in the Day-Ahead commitment; (iii) payments for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in that hour;

(iv) payments of the real-time TUC to Transmission Customers that reduced their schedules for that hour after the Day-Ahead commitment; (v) payments of Congestion Rents collected for that hour in the Day-Ahead schedule to Primary Holders of TCCs; (vi) settlements with Transmission Owners for losses revenue variances; and (vii) positive Net Congestion Rents collected in that hour.

B. Bid Production Guarantees

The ISO's costs also include the costs associated with differences between the amounts bid by generating facilities that have been committed and scheduled by the ISO to provide Energy and certain Ancillary Services, and the actual revenues received by these generating facilities for providing such Energy and Ancillary Services. Where the costs are incurred to compensate a Resource for meeting the reliability needs of a local system, the associated charge shall apply only to Transmission Customers serving Load in the Load Zone(s) or sub-zone where the Resource is located. The ISO's costs also include the costs associated with payments made for supplemental payments and Demand Reduction Incentive payments to Demand Reduction Providers.

Sheet Nos. 239 through 245 are reserved for future use.

SCHEDULE 2

CHARGES FOR VOLTAGE SUPPORT SERVICE

In order to maintain transmission voltages on the NYS Transmission System within acceptable limits, generation facilities under the control of the ISO, and Qualified Non-Generator Voltage Support Resources, are operated to produce (or absorb) reactive power. Thus, Voltage Support Service must be provided for each Transaction on the NYS Transmission System. The amount of Voltage Support Service that must be supplied with respect to the Transmission Customer's Transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the ISO.

Voltage Support Service is to be provided directly by the ISO. The methodologies that the ISO will use to obtain Voltage Support Service and the associated charges for such service are set forth below.

1.0 Responsibilities

The ISO shall coordinate the Voltage Support Service provided by generation facilities and Qualified Non-Generator Voltage Support Resources that qualify to provide such services as described in Section 1.1 of Rate Schedule 2 of the ISO

Services Tariff.

1.1 Wheels Through, Exports and Purchases from the LBMP Market

Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to an NYCA Interconnection with another Control Area shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 2.1 of this Rate Schedule.

1.2 Load-Serving Entities

LSEs serving Load in the NYCA shall purchase all Voltage Support Service from the ISO.

2.0 Payments

2.1 Payments made by Transmission Customers and LSEs

Transmission Customers shall pay the ISO for Voltage Support Service. The ISO shall compute the Voltage Support Service Rate based on forecast data using the following equation

$$Rate_{VSS} = \frac{\sum^{All} NYISO_{VSSPayments} + PYA_{VSS}}{Energy_{NYISO}}$$

Where:

$Rate_{VSS}$ = Voltage Support Service Rate

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RM99-12-000, issued March 31, 2000, 90 FERC ¶ 61,352 (2000).

$Energy_{NYISO}$ = The annual forecasted transmission usage for the year as projected by the ISO including Load within the NYCA, Exports and Wheels Through.

$\Sigma^{All} NYISO_{VSSPayments}$ = The sum of the projected ISO payments to generation facilities and Qualified Non-Generator Voltage Support Resources providing Voltage Support Service based on Sections 2.0(a), 2.0(b) and 2.0(c) of Rate Schedule 2 of the ISO Services Tariff.

PYA_{VSS} = Total of prior year payments to generation facilities and Qualified Non-Generator Voltage Support Resources supplying Voltage Support Service as defined in the ISO Services Tariff less the total of payments received by the ISO from Transmission Customers and LSEs in the prior year for Voltage Support Service (including all payments for penalties).

Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to a NYCA interconnection with another Control Area shall pay to the ISO a charge for this service equal to the rate as determined in Section 2.1 of this Rate Schedule multiplied by their Energy scheduled in the hour. LSEs shall pay to the ISO a charge for this service equal to the rate as determined in Section 2.1 of this Rate Schedule multiplied by the Energy consumed by the LSE's Load located in the NYCA in the hour

provided however LSEs taking service under Part IV of the OATT to supply Station Power as a third-party provider shall pay to the ISO a charge for this service equal to the rate as determined in Section 2.1 of this Rate Schedule multiplied by the LSE's Station Power provided under Part IV of the OATT. The ISO shall credit Revenue collected by application of this charge, on a Load ratio share basis, to Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to a NYCA interconnection with another Control Area in the day and LSEs serving New York Control Area Load in the day. For LSEs and all Wheels Through, Exports and Purchases from the LBMP Market for Energy delivered to a NYCA interconnection with another Control Area, the ISO shall calculate the payment hourly. The ISO shall bill each Transmission Customer or LSE monthly.

3.0 Self-Supply

All Voltage Support Service shall be purchased from the ISO.

Sheet No. 250 is reserved for future use.

SCHEDULE 3

CHARGES FOR REGULATION SERVICE

Regulation Service is necessary to provide for the continuous balance of resources (generation and interchange) with Load. Regulation Service is accomplished by committing on-line Generators whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in Load. The obligation to maintain this balance between Resources and Load lies with the ISO. The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements to satisfy its Regulation Service obligation. The charges for Regulation Service are set forth below.

1.0 Customer Obligations and Responsibilities

Transmission Customers and LSEs shall either purchase this service from the ISO,

Self-Supply or purchase this service from alternate Suppliers.

2.0 Charges to Transmission Customers

(a) For all Actual Energy Withdrawals for Load located in the NYCA, the LSE is considered the Transmission Customer taking service under Parts II, III and IV of this Tariff for purposes of this Rate Schedule and shall pay a charge for this service on all Transmission Service in accordance with this Tariff and purchases in the LBMP Markets in accordance with the ISO Services Tariff, when such service serves Load located in the NYCA.

(b) The ISO shall charge Transmission Customers and LSEs serving Load in the NYCA for Regulation and Frequency Response for each hour. The ISO shall charge Transmission Customers or LSEs taking service under Part IV of the ISO OATT to supply Station Power as third-party providers for Regulation and Frequency Response for each day. The charge shall be calculated as the Regulation and Frequency Response Rate, determined as an hourly or a daily rate as appropriate, multiplied by the LSE's or Transmission Customer's Load for the hour or by the Transmission Customers or LSEs withdrawals to provide Station Power as a third party provider for the day. The ISO shall calculate the Regulation and Frequency Response Rate, for an hour or for a day as appropriate, as follows:

$$Rate_{RFR} = \frac{\text{(Supplier Payment - Supplier Charge - Generator Charge)}}{Load_{NYCA}}$$

where: $Rate_{RFR}$ is the hourly or daily rate for Regulation and Frequency Response;

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, *et. al*., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

Supplier Payment is the aggregate of all Day-Ahead Market and Real-Time Market payments (including Regulation Revenue Adjustment Payments) made by the ISO to all Suppliers of this Regulation Service as described in Sections 4.0, 5.0, 6.0 and 7.0 of Rate Schedule 3 of the ISO Services Tariff for the hour or for the day;

Supplier Charge is the aggregate of: (i) charges paid by all Suppliers for poor Regulation Service performance, as described in Section 5.4 and, if its provisions are re-instituted, Section 8.0 of Rate Schedule 3 of the ISO Services Tariff; (ii) all real-time imbalance charges paid by Suppliers under Section 5.2(a) of that Rate Schedule; and (iii) all Regulation Revenue Adjustment Charges assessed pursuant to Section 6.0 of that Rate Schedule for the hour or for the day.

Generator Charge is the aggregate of charges paid by all Generators that do not provide Regulation Service and do not follow their RTD Base Points sufficiently accurately, as described in Rate Schedule 3-A of the ISO Services Tariff for the hour or for the day; and

$Load_{NYCA}$ is the total Load in the NYCA for the hour or for the day, as appropriate.

(c) In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services Tariff, exceed the payments made to Suppliers of this service (i) the ISO shall not assess a charge against any LSE, and (ii) the surplus will be applied to the following hour as an offset to subsequent payments.

(d) Charges to be paid by Transmission Customers for this service shall be aggregated to render a monthly charge. The ISO shall credit charges paid for Regulation and Frequency Response by Transmission Customers or LSEs taking service under Part IV of the ISO OATT to supply Station Power as third-party providers for the day on a Load ratio share basis to Transmission Customers and LSEs serving Load in the NYCA for the day.

Sheet Nos. 254 through 255 are reserved for future use.

SCHEDULE 5

CHARGES FOR OPERATING RESERVE SERVICE

The ISO must offer this service when Transmission Service is used to serve Load within the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements to satisfy its Operating Reserve obligation. The charges for Operating Reserve Service are set forth below. Operating Reserves requirements are defined by the ISO as is described in Rate Schedule 4 of the ISO Services Tariff, in accordance with the Reliability Rules and other applicable reliability standards. The ISO shall monitor the level of Operating Reserves utilizing the security monitoring program. Transmission Customers, Transmission Owners and Suppliers shall supply all data required for the proper operation of the security monitoring program.

The NYSRC shall be responsible for evaluating the adequacy of the criteria for

determining the required level of Operating Reserves and shall modify such criteria from time to time as required.

The ISO shall establish additional categories of Operating Reserves if necessary to ensure reliability.

1.0 General Requirements

The ISO shall select Operating Reserves Suppliers that are properly located electrically so that all Operating Reserves requirements, as defined in Rate Schedule 4 of the ISO Services Tariff are satisfied and so that transmission Constraints resulting from either the commitment or dispatch of Suppliers do not limit the ability to deliver Energy to Loads in the case of a Contingency. The ISO will ensure that Suppliers that are compensated for using Capacity to provide one Operating Reserve product are not simultaneously compensated for providing another Operating Reserve product, or Regulation Service, using the same Capacity (consistent with the additive nature of the market clearing price calculation formulae in Sections 5.1 and 6.1 of Rate Schedule 4 of this ISO Services Tariff).

2.0 Operating Reserves Charges

Each Transmission Customer engaging in an Export and each LSE shall pay an hourly charge equal to the product of (A) cost to the ISO of providing all Operating Reserves for a given hour; and (B) the ratio of (i) the LSE's hourly Load or the Transmission Customer's hourly scheduled Export to (ii) the sum of all Load in the NYCA and all scheduled Exports for a given hour. The cost to the ISO of providing Operating Reserves in each hour will equal the total amount that the ISO pays to procure Operating Reserves on behalf of the market in the Day-Ahead Market and the Real-Time Market, less payments collected from entities that are scheduled to provide less Operating Reserves in the Real-Time Market than in the Day-Ahead Market during that hour, under Rate Schedule 4 of the ISO Services Tariff. The ISO shall aggregate the hourly charges to produce a total charge for a given Dispatch Day.

Transmission Customers taking service under Part IV of the OATT to supply Station Power as third-party providers shall pay to the ISO a daily charge for this service equal to the product of (A) the cost to the ISO of providing all Operating Reserves for the day ~~less any~~

~~revenues from penalties collected during the day~~ and (B) the ratio of (i) the Transmission Customer's Station Power supplied under Part IV of the OATT for the day to (ii) the sum of all Load in the NYCA and all scheduled Exports for the day. The ISO shall credit the daily charges paid for Operating Reserves by Transmission Customers taking service under Part IV of the OATT to supply Station Power as third-party providers on a Load ratio share basis to the Load in the NYCA for that day and all scheduled Exports for the day.

3.0 Self-Supply

Transmission Customers, including LSEs, may provide for Self-Supply of Operating Reserve by placing generation facilities supplying any one of the Operating Reserves under ISO Operational Control. The generation facilities must meet ISO rules for acceptability. The amount that any such customer will be charged for Operating Reserves Services will be reduced by the market value of the services provided by the specified generation facilities as determined in the ISO Services Tariff. In addition, Transmission Customers, including LSEs, may enter into Day-Ahead bilateral financial transactions, *e.g.*, contracts-for-differences, in order to hedge against price volatility in the Operating Reserves markets.

Sheet Nos. 267 through 268 are reserved for future use.

SCHEDULE 6

BLACK START AND SYSTEM RESTORATION SERVICES

Black Start and System Restoration Services are provided by key generation facilities that are capable of starting without an outside electrical supply and/or that are otherwise integral to the restoration of the system after an outage under the ISO's Black Start and System Restoration Services plan (the "ISO Plan") and/or an individual Transmission Owner's Black Start and System Restoration Services plan.

1.0 Requirements

The ISO shall develop and periodically review a Black Start and System Restoration Services plan for transmission facilities that are part of the ISO Plan. The ISO may amend this restoration plan to account for changes in system configuration if the ISO determines that additional Black Start and System Restoration Services are needed.

Transmission Customers, other than Transmission Customers taking service under Part IV of the OATT to supply Station Power as third party providers, shall pay a Black Start and System Restoration Services charge on all Transactions to supply Load in the NYCA (including Internal Wheels and Import Transactions) equal to the product of (a) the Transmission Customer's hourly Load Ratio Share and (b) the hourly embedded cost charge for Black Start and System Restoration Services (net of all payments forfeited due to a Generator's failure to pass a required test of its ability to provide Black Start and System Restoration Services).

The ISO shall charge Transmission Customers or LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for Black Start and System Restoration Services for each hour. The charge shall be calculated as the Black Start Rate, multiplied by the Transmission Customers or LSE withdrawals to provide Station Power as a third-party provider for the hour. The ISO shall calculate the Black Start Rate as the hourly embedded cost charge for Black Start and System Restoration Services divided by the total Load in the NYCA for the hour, including third-party Station Power Load.

The ISO shall credit charges paid for Black Start and System Restoration Services by Transmission Customers or LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for the hour on a Load Ratio share basis to Transmission Customers and LSEs serving Load in the NYCA for the hour. The credits will be aggregated and paid to Transmission Customers and LSEs monthly.

The full restoration of the NYS Power System will require additional Black Start and System Restoration Services from Generators, which are located in local Transmission Owner areas and which are not presently listed in the ISO Plan. Although the ISO Plan will restore a major portion of the NYS Power System, there are portions of the NYS Power System that will remain under Transmission Owner restoration control. Where the Transmission Owner's restoration plan requires additional local Black Start and System Restoration Services, the ISO will make payments for such local services directly to the Generators that provide them, under the terms of Section 2.0 of Rate Schedule 5 to the ISO Services Tariff, except with respect to Black Start and System Restoration Services payments that are subject to Section 3.1 of that Rate Schedule. The LSEs in those local Transmission Owner areas will be additionally charged for Black Start and System Restoration Services by the ISO using the formula set forth in the following paragraph, except with respect to Black Start and System Restoration Services changes that are subject to Section 3.2 of Rate Schedule 5 to the ISO Services Tariff. Generating facilities, which are obligated to provide Black Start and System Restoration Services as a result of divestiture contract agreements, will not receive ISO payments for that service if they are already compensated for such service as part of those divestiture contracts.

The charge for LSEs in Local Transmission Owner areas shall be equal to the product of (a) the Transmission Customer's hourly Load Ratio Share of Load requiring local Black Start and System Restoration Services, and (b) the hourly embedded cost
charge for providing local Black Start and System Restoration Services capability (net of all payments forfeited due to a local generation facilities failure to pass a Black Start and System Restoration Services capability test), described in ISO Services Tariff, Rate Schedule 5.

The ISO shall charge local Transmission Customers or LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for local Black Start and System Restoration Services for each hour. The charge shall be calculated as the Local Black Start Rate, multiplied by the local Transmission Customers or LSE withdrawals to provide Station Power as a third-party provider for the hour. The ISO shall calculate the Local Black Start Rate as the hourly embedded cost charge for local Black Start and System Restoration Services divided by the total Load in the local Transmission District for the hour, including third-party Station Power Load.

The ISO shall credit charges paid for local Black Start and System Restoration Services by Transmission Customers or LSEs taking service under Part IV of the OATT to supply Station Power as third-party providers for the hour on a Load Ratio share basis to Transmission Customers and LSEs serving Load in the local Transmission District for the hour. The credits will be aggregated and paid to the local Transmission Customers and LSEs monthly.

2.0 Self Supply

Transmission Customers may not Self-Supply this Black Start Capability Service.

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