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.

1.3e **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 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

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 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.

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 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 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.

1.14f 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 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 Agreement"): 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.

1.17b 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.

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 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 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

(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 customer that has purchased the TCC in the Centralized TCC Auction, and that has not resold in that same Auction; (2) a customer that has purchased the TCC in a Direct Sale with another 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 Owner or Primary Holder of each TCC, depending upon which entity placed it in the Auction.

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.

1.39b 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).

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

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.

1.44a Third Party Transmission Wheeling Agreements ("Third Party TWAs"): A Transmission Wheeling Agreement, as amended, 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

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 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

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 Customer for generating Energy and providing Capacity and Ancillary Services under the 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 will receive payments from the ISO Clearing Account on the payment date. Residual 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).

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 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 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 twelve (12) 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

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.

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 Investment Recovery Charge ("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 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

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.

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.

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

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

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.

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.

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 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.

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 hourly and daily basis under Schedule 8.

14.6 Schedules 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 or 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-frm transactions to incur incidental real-time Congestion Rents due to inter-Control Area Curtailment procedures.

15.0 Service Availability

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 Schedule 9 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

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 or 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 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

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 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

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 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 Service." Retail Transmission Service

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 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

- 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;
- Carrying costs on ISO assets, capital requirements (including working capital) and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance expenses;
- Costs that the ISO incurs as a result of bad debt, including finance charges; and
- 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 generating facilities for satisfying Local Reliability Rules, the associated charge shall apply only to Transmission Customers serving Load in the Load Zone(s) where the rule is applied.

B. Costs associated with the start-up and formation of the ISO, including without limitation, the following:

- the transfer of any property, including real, personal, and intellectual property, other assets and other rights and obligations;
- items such as computer software development and licensing costs and computer hardware costs; and
- costs related to regulatory filings.

These costs will be amortized over a ten-year period, and Rate Schedule 1 will include an amortized amount of the costs, inclusive of financing costs.

Subject to the above, where costs or expenses or receipts are incurred on a basis other than a monthly basis, the ISO shall use reasonable judgment consistent with commonly accepted accounting practices to develop the monthly components. The sum of the costs identified above shall be adjusted by the Residual Adjustment.

5. 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 4. 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

SCHEDULE 2

REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

In order to maintain transmission voltages on the NYS Transmission System within acceptable limits, generation facilities under the control of the ISO are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service ("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 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.

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 hourly 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 hourly 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.

The ISO shall calculate the payment hourly and bill each Transmission Customer or LSE monthly.

3.0 Self-Supply

All Voltage Support Service shall be purchased from the ISO.

ATTACHMENT C

METHODOLOGY TO ASSESS AVAILABLE TRANSFER CAPABILITY

The ISO will assess Available Transfer Capability ("ATC") when developing the Day-Ahead and Hour-Ahead schedules and dispatching the NYS Power System in real-time.

Transfer Capability of the transmission network is limited by physical and electrical characteristics of the system including thermal, equipment loading, voltage and stability considerations. Transfer capability is evaluated based on base system loading and an assessment of critical contingencies on the Transmission System. The critical contingencies will be defined as appropriate using guidelines set forth in ISO Procedures. Determination of ATC will require, in all cases, that base system conditions be identified and modeled for the period being analyzed. These conditions will include projected customer Demand, anticipated Transmission System facility availability, accepted Energy Transactions for the NYCA, and information about neighboring regions that affect the Transfer Capability of the NYCA.

The ISO's calculation of Transfer Capability will be consistent with NERC principles. These calculations will be performed by the ISO through the performances of SCUC, SCD, and the BME.

The following Sections describe SCUC, SCD, and BME.

1.0 Security Constrained Unit Commitment ("SCUC")

The ISO shall develop an SCUC schedule using a computer algorithm which simultaneously minimizes the total Bid Production cost of: (i) supplying power to satisfy all accepted purchaser's Bids to buy Energy from the Day-Ahead Market; (ii) providing

TABLE 1 - WHOLESALE TSC CALCULATION INFORMATION

Transmission Owner	**Revenue Requirement (RR)**	**Scheduling System Control and Dispatch Costs (CCC)**	**Annual Billing Units (BU) MWh**	**Rate $/MWh**
Central Hudson Gas & Electric Corp.	$16,579,405	$1,309,980	4,477,402	$3.995
Consolidated Edison Co. of NY, Inc.	$393,400,000	$22,000,000	45,270,896	$9.1759
LIPA	$76,392,503	$2,175,823	16,618,532	$4.7278
New York Electric & Gas Corporation	$117,237,729	$1,633,000	14,869,877	$7.9941
Niagara Mohawk Power Corporation	$185,075,999	$4.539,625	33,009,615	$5.7443
Orange and Rockland Utilities, Inc.	$33,578,482	$1,288,426	4,729,281	$7.3726
Rochester Gas and Electric Corporation	$24,645,000	$720,578	6,288,774	$4.0723

5.0 Summary of TSC Calcuations

Central Hudson Gas & Electric Corporation

The Annual Transmission Revenue Requirement is based on CHG&E's settlement with FERC in Open Access Tariff Docket No. OA96-14, plus the inclusion of non-firm 1995 FERC Form 1 revenues of $709,987 (which under LBMP are a function of the congestion credits outlined in the TSC formula). the annual Scheduling, System Control and Dispatch Costs include only CHG&E control center costs based on the settlement with FERC. The Billing Units, based on the 1995 FERC Form 1, page 401, line 22, column b, include Native Load Energy use. This TSC does

the sale of Grandfathered TCCs associated with ETAs, if the expenses for these ETAs are included in NYPA's Revenue Requirement.

Revenue from TCCs associated with Residual Transmission Capacity includes payments for Residual TCCs that the Transmission Providers sell through the Centralized TCC Auction and the allocation of revenue for other TCCs sold through the Centralized TCC Auction (per the Interface MW-Mile Methodology described in Attachment K).

SR_1 shall be updated prior to the start of each month based on actual data for the calendar month prior to the month in which the adjustment is made (i.e. January actual data will be used in February to calculate the NTAC effective in March). SR_I for a month in which a Direct Sale is applicable shall equal the total nominal revenue that NYPA will receive under each applicable TCC sold in a Direct Sale divided by the duration of the TCC (in months).

SR_2 shall equal the Auction revenue that NYPA receives divided equally among the months covered by the Centralized TCC Auction. SR_2 shall be adjusted after each Centralized TCC Auction, and the revised SR_2 shall be effective at the start of each Capability Period;

ECR= NYPA's revenues (expressed as a positive value) or cost (expressed as a negative value) from the allocation of Excess Congestion Rents or NYPA's expenses from

the allocation of Congestion Rent Shortfall that exceeds the amount of Excess Congestion Rents (See Attachment K). The computation of ECR is exclusive of any Congestion payments or Rents included in the CRN term;

CRN= Monthly Day-Ahead Congestion Rents in excess of those required to offset Congestion paid by NYPA's SENY governmental customers associated with the NYPA OATT Niagara/St. Lawrence Service reservations, net of the Initial Cost.

IR = A. The amount that NYPA will credit to its RR assessed to the SENY Load on account of the foregoing NYPA Niagara/St. Lawrence OATT reservations for SENY governmental customers. Such annual revenues will be computed as the product ("Initial Cost") of NYPA's current OATT system rate of $2.23 per kilowatt per month and the 600 MW of TCCs (or the amount of TCCs reduced by Paragraph C below). In the event NYPA sells these TCCs (or any part thereof), all revenues from these sales will offset the NTAC and the Initial Cost will be concomitantly reduced to reflect the net amount of Niagara/St. Lawrence OATT Reservations, if any, retained by NYPA for the SENY Load. The parties hereby agree that the revenue offset to NTAC will be the greater of the actual sale price obtained by NYPA for the TCCs sold or that computed at the applicable system rate in accordance with Paragraph B below;

B. The system rate of $2.23 per kilowatt per month will be benchmarked to the RR for NYPA transmission initially accepted by FERC ("Base Period RR") for the

III. TRANSMISSION SERVICE CURTAILMENT

1.0 ISO's General Responsibilities

The ISO shall evaluate requests for transmission service submitted in the Day-Ahead scheduling process using Security Constrained Unit Commitment ("SCUC"), and will subsequently establish a Day-Ahead schedule. During the Dispatch Day, the ISO shall use the Balancing Market Evaluation (BME) to establish schedules for each hour of dispatch in that day.

If required by SCD, the ISO shall Curtail transmission service during dispatch as described in this attachment.

2.0 Use of Decremental Bids to Dispatch Internal Generators

When dispatching Generators taking service under this Tariff to match changing conditions, the ISO shall treat Decremental Bids and Incremental Bids simultaneously and identically as follows: (i) a generating facility selling energy in the LBMP Market may be dispatched downward if the LBMP at the Point of Receipt falls below the generating facility's Incremental Bid; (ii) a Generator serving a transaction scheduled under this Tariff may be dispatched downward if the LBMP at the Generators's Point of Receipt falls below Decremental Bid for the Generator; (iii) a Supplier's Generator may be dispatched upward if the LBMP at the Generator's Point of Receipt rises above the Decremental or Incremental Bid for the Generator regardless of whether the Generator is supplying Energy to the LBMP Market or supporting a transaction scheduled under this Tariff.

6.0 Scheduling Transmission Service for External Transactions

The amount of Firm Transmission Service scheduled Day-Ahead for Bilateral Transactions which designate External Generators to supply Imports or Internal Generators to supply Exports will be equal to the amount of Energy scheduled to be consumed under those Transactions Day-Ahead. The amount of Firm Transmission Service scheduled in the BME for Bilateral Transactions which designate External Generators to supply Imports or Internal Generators to supply Exports will be equal to the amount of Energy scheduled to be consumed under those Transactions in the BME. The DNI between the NYCA and adjoining Control Areas will be adjusted as necessary to reflect the effects of any Curtailments of Import or Export Transactions resulting from the actions of operators of these Control Areas, but the amount of Transmission Service scheduled for those Transactions will remain unchanged. However, any Curtailment or Reductions of schedules for Export Transactions directed by the ISO will cause both the DNI and the scheduled amount of Transmission Service to change.

The ISO shall use Decremental Bids supplied by Transmission Customers using External Generators to supply Wheels-Through to determine the amount of Energy those Generators are scheduled Day-Ahead to produce in each hour. This in turn will determine the Firm Transmission Service scheduled Day-Ahead to support those Transactions. The ISO shall also use Decremental Bids supplied by Transmission Customers using External Generators to supply Wheels-Through to determine the amount of Energy these Generators are scheduled to produce in the BME, which, in turn, will determine the Transmission Service scheduled in the BME to support those Transactions.

The amount of Transmission Service scheduled hour-ahead in the BME for transactions supplied by one of the following Generators shall retroactively be set equal to that Generator's actual output in each SCD interval:

(i) Generators providing Energy under existing contracts (including PURPA contracts in which the power purchaser does not control the operation of the supply source but would be responsible for penalties for being off-schedule);

(ii) Existing topping turbine Generators and extraction turbine Generators producing electric Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) and/or topping or extraction turbine Generators utilized in replacing or repowering existing steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units; and

(iii) Existing intermittent (i.e., non-schedulable) renewable resource Generators within the NYCA, plus up to an additional 50 MW of such Generators;

This procedure shall not apply at times when the Generator supplying that transaction has been scheduled to provide Regulation or Operating Reserves.

for that municipal or cooperative.

2.3 Other TWAs Between Transmission Owners

Commencing with LBMP implementation, certain TWAs between the Transmission Owners will be terminated. These TWAs are listed in Attachment L, Table 1, where the "Treatment" column is denoted as "Terminated."

2.4 Transmission Facilities Agreements

Existing TFAs containing no provisions for transmission service require no modifications. These agreements are listed in Attachment L, Table 2.

TFAs that contain provisions for transmission service are listed in Attachment L, Table 1, where the "Treatment" column is denoted as "Facility Agmt - MWA." These TFAs will remain in effect in accordance with their terms and conditions, including any provision governing modification or termination, except that customers under these agreements may elect Grandfathered Rights or may convert their rights to Grandfathered TCCs.

2.5 Existing Transmission Capacity for Native Load ("ETCNL")

Certain transmission capacity associated with the use of a Transmission Owner's own system to serve its own load will be designated as Existing Transmission Capacity for Native Load and shown on Table 3 of Attachment L. For purposes of the Auction of TCCs, the capacity shown on Table 3 of Attachment L will be available in the Auction. Prior to the Auction these TCCs will be subject to reduction as per section 3.0 of Attachment M.

The Transmission Owners shall release this capacity for sale to all Market Participants in

accordance with Attachment M.

Such Existing Transmission Capacity for Native Load shall not be increased above the megawatt (MW) amounts noted in Attachment L, Table 3, of the ISO Tariff.

3.0 Terms Applicable to Grandfathered Rights Under MWAs, TFAs, and Third Party TWAs.

3.1 Congestion Charges

Each ETA Customer that maintains Grandfathered Rights under an option listed in Section 2 above, retains the right to inject power at one specified bus and take power at another specified bus up to amounts reflected in Attachment L, Table 1, without having to pay the Congestion Component of the TUC, but only to the extent it schedules the injection and withdrawal Day-Ahead and is on schedule. If it does not schedule Energy Day-Ahead or inject or withdraw Energy, it will not receive (or pay) any Congestion Rents associated with the Transaction. If the customer under the MWA, TFA or Third Party TWA transmits Energy without scheduling it Day-Ahead or exceeds the amounts specified in Attachment L, Table 1, the customer will pay the real-time TUC for all Energy transmitted under the Transaction exceeding the Day-Ahead schedule or the number of MW of Grandfathered Rights. This TUC will include real-time Congestion Rents. If the ETA Customer schedules Day-Ahead and/or transacts for a portion of the Grandfathered Rights that are retained, it will not receive any compensation for the unused transmission capacity. The ETA Customer will not be permitted to resell or transfer these Grandfathered Rights unless permitted in the existing agreements, except as noted above.

conversion to Grandfathered TCCs, the ISO and Transmission Owner will deem the ETA Customer to have elected Grandfathered Rights.

4.2 MWAs and TFAs

Each MWA or TFA Customer shall continue to pay the Transmission Owner rates which shall be frozen at the contract rates that were in effect on the date this Tariff was originally filed at FERC (January 31, 1997), through the LBMP Transition Period or the termination date of the MWA or TFA, if earlier. After the LBMP Transition Period, rates under each MWA or TFA shall be based on embedded cost, and these embedded cost rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. The MWA or TFA Customer or its assignee shall pay the Transmission Owner directly for the Grandfathered TCCs.

Each MWA or TFA Customer that chooses Grandfathered TCCs, shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its Grandfathered TCCs, and will be subject to the service provisions of the ISO Tariff, including the duty to pay for (i) Congestion Rent; and (ii) Marginal Losses for use of the transmission system.

4.3 Third Party TWAs

Subject to Section 5, below, each Third Party TWA Customer will pay the Transmission Owner transmission charges in accordance with the terms and conditions of the Third Party TWA, including any provisions governing modification or termination. Third Party TWA Customers that convert the existing transmission rights to TCCs shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its TCCs, and will be subject to the service provisions of this Tariff, including the duty to pay for: (i) Congestion Rent; and (ii) Marginal Losses for use of

revenue deficiencies as follows: (a) for each specific bilateral transaction associated with an unmodified TWA, the ISO will calculate the marginal loss component "L" of the TUC; (b) the Transmission Owner will be responsible to the ISO for each marginal losses charge "L"; (c) the Transmission Owner will submit arrangements specified in each of its unmodified TWAs to the ISO including the amount of reimbursement "R" from the participant for the losses associated with each bilateral transaction; (d) the Transmission Owner will compute its losses revenue variances for each applicable unmodified TWA as its marginal losses charge "L" minus the amount of reimbursement "R" for the losses associated with the bilateral transaction; (e) the ISO will settle with each Transmission Owner for the sum total of its losses revenue variances; and (f) total losses revenue variances will reduce or increase the amount of the Residual Adjustment in Schedule 1 of this Tariff.

7.0 LBMP Transition Period and Payment

At the present time, the Member Systems do not have sufficient data to calculate the LTPP term of the TSC formula. This provision shall only become effective upon the filing of such data and the determination of the LTPP payments with the Commission. Prior to such filing, the LTPP will be set to zero.

A "LBMP Transition Period" shall be established under which the Investor-Owned Transmission Owners shall be subject to a schedule of fixed monthly transmission payments ("LBMP Transition Period Payments" or "LTPP"). These payments will occur for the period commencing with the start of the first Centralized TCC Auction and continuing for a period of five (5) years following implementation of both the Day-Ahead and Real-Time Markets. The formula for calculating the LTPP is shown below. The LTPP calculation is based upon the differences between

each Investor-Owned Transmission Owner's net transmission revenues and expenses under the current NYPP system and the proposed restructured NYPP system utilizing LBMP. The specific factors include: (1) the amount of transmission revenues/expenses eliminated through the termination of some TWAs including existing net Transmission Fund ("T-fund") distributions in effect under the current NYPP pricing mechanism; (2) estimated Congestion Rents to be paid under LBMP; (3) revenues received from the distribution of Excess Congestion Rents and the sale of TCCs; and (4) transmission revenues received from off-system sales. The LTPP to be paid or received by the Investor-Owned Transmission Owners during the LBMP Transition Period are designed to offset the net effect of these revenues and expenses.

The LTPP will be calculated once for the entire LBMP Transition Period within thirty (30) days after the initial Centralized TCC Auction. The sum of all LTPPs for the Investor-Owned Transmission Owners shall be zero.

The formula for the calculation of the LTPP for each Investor-Owned Transmission Owner is as follows:

$$\mathbf{LTPP=RTA+CR-SR_1-SR_2-CRR-ROS}$$

Where:

RTA = Net reduction in revenue resulting from the termination of existing transmission wheeling agreements, effective upon LBMP implementation;

CR = Estimated Congestion Rents to be incurred under LBMP;

$\mathbf{SR_1}$ = Revenues from the Direct Sale of Residual TCCs and Grandfathered

ATTACHMENT M

SALE OF TRANSMISSION

CONGESTION CONTRACTS ("TCCs")

1.0 Overview of the Sales of TCCs

TCCs will be made available through both (i) the Centralized TCC Auction ("Auction"), which will be conducted under the direction of the ISO; and (ii) Direct Sales by the Transmission Owners, which will be non-discriminatory, auditable sales conducted by Transmission Owners solely on the OASIS in compliance with the applicable requirements and restrictions set forth in Order No. 889 et. seq.

Before each Auction, the ISO shall ensure that all Grandfathered Rights and Grandfathered TCCs correspond to a simultaneously feasible security constrained Power Flow. This simultaneous feasibility test will include only those Residual TCCs that have been sold through prior Auctions or through a Direct Sale. Should infeasibility occur, the TCC Reservations shown in Table 1 will be reduced until feasibility is assured, as described in Section 3.0

After the establishment of a feasible set of Grandfathered Rights and Grandfathered TCCs, there will be an allocation of TCCs associated with any transmission capability that remains after Grandfathered Rights and Grandfathered TCCs have been taken into account. These Residual TCCs will be allocated to the Transmission Owners. Transmission Owners will be required to either sell these Residual TCCs through a Direct Sale on the OASIS prior to each Auction, or to sell them through each Auction. Each Transmission Owner may retain its Grandfathered TCCs except as noted in the next paragraph. If it sells those TCCs, it shall do so either through Direct Sales or through

ability to pay, as determined by the ISO (based upon an analysis of the buyer's creditworthiness).

Where a buyer electing to become a Primary Holder fails to meet the eligibility criteria or the above financial criteria (as determined by the ISO), or fails to provide information required by the ISO, the seller of the TCCs in the Direct Sale shall be the Primary Holder with respect to those TCCs. The ISO shall make all Settlements with Primary Holders.

During the Direct Sale process, the Transmission Owner shall have the sole discretion to accept or reject an offer to purchase TCCs. Each Transmission Owner shall develop and apply a non-discriminatory method for choosing the winning offers consistent with FERC Order No. 889, et seq., and may establish eligibility requirements that shall be no more stringent than those set forth in Section 11 in this Tariff. The Transmission Owner shall post information regarding the results of the Direct Sale on the ISO's OASIS, promptly after the Direct Sale is completed. The information shall include: (i) the amount of TCCs sold (in MW); (ii) the Point of Injection and Point of Withdrawal for each TCC sold; and (iii) the price paid for each TCC.

Primary Owners of Residual TCCs shall inform the ISO of all sales of those TCCs, including the identity of the buyers. Transmission Owners may offer to sell Residual TCCs for a period not extending beyond the end of the LBMP Transition Period, and Grandfathered TCCs for periods not extending beyond the termination date of those TCCs; however, these TCCs shall not be valid (i.e., the Day-Ahead Congestion Rent obligations of the holders of those TCCs shall not commence) until TCCs sold in the Initial Auction become valid. Payment for TCCs purchased in a Direct Sale shall be in accordance with the terms and conditions of the agreement between the buyer and seller.

Stage 2 of the Auction shall terminate: (i) if no Primary Owner of a Grandfathered or Residual TCC or purchaser of TCCs in an earlier round of the Auction offers to sell any TCCs in a round; (ii) if no TCCs are purchased or sold in two (2) consecutive rounds; or (iii) upon the satisfaction of other criteria defined by the ISO.

Primary Holders - The ISO shall make all Day-Ahead Congestion Rent Settlements with Primary Holders.

Transitional and Reconfiguration Auctions - All rules stated in this section for Stage 1 of an Initial or an End-State Auction shall also apply to Transitional and Reconfiguration Auctions. The scaling factor for the single round of a Transitional and Reconfiguration Auction shall be one, since all transfer capability other than that needed to support already-outstanding TCCs and Grandfathered Rights will be available to support TCCs sold in the Auction.

9.2 Responsibilities of the ISO

The ISO shall establish the Auction rules and procedures consistent with this Tariff. The ISO shall hire an auctioneer to conduct the commercial aspects of the Auction (except that the ISO shall not be required to hire an auctioneer for the Transitional Auction). The ISO shall work with the auctioneer to conduct the Optimal Power Flows in each round of the Auction, until such time as the ISO determines that the auctioneer has gained sufficient expertise to conduct those Optimal Power Flows without direct ISO involvement. The ISO will continue to verify that the Optimal Power Flows calculated independently by the auctioneer in each round of the Auction, correspond to a simultaneously feasible Power Flow as described in Section 9.7, herein. The ISO shall notify the Transmission Owners if: (1) the Optimal Power Flow results calculated by the

2.0 Distribution of Revenues from Sale of Grandfathered TCCs (excluding ETCNL) in the Centralized TCC Auction

The ISO shall distribute to each holder of a TCC selling that TCC in the Centralized TCC Auction the Market Clearing Price of that TCC in the round of the Centralized Auction in which that TCC was sold. In the event a Grandfathered TCC[1] is terminated by mutual agreement of the parties to the Grandfathered ETA prior to the conditions specified within Attachments K and L, then the ISO shall distribute the revenues from the sale of the newly created Residual TCCs, which correspond to the terminated Grandfathered TCCs, in the Centralized TCC Auction directly back to the Transmission Owner identified in Attachment L, until such time the conditions specified within Attachments K and L are met. Upon such time that the conditions within Attachments K and L are met, the ISO shall allocate the revenues from the sale of the newly created Residual TCCs, which

[1] These TCCs include TCCs, if any, associated with those rate schedules to which footnote 9 of Attachment L pertains, whether by mutual agreement or otherwise.

3.4 The IMWM(i) coefficient is calculated as follows:

$$IMWM(i) = \sum_{j=1}^{TCC} \sum_{k=1}^{10} \left[\left(\frac{mwmile_{ik}}{\sum_{m=1}^{TrO} mwmile_{mk}} \right) \cdot \left(\frac{CC_{jk}}{\sum_{n=1}^{TCC} \sum_{p=1}^{10} CC_{np}} \right) \right]$$

Where,

i	=	Transmission Owner for which the coefficent is calculated.
j,n	=	Index variables for TCCs.
k,p	=	Index variables for Interface.
m	=	An index variable for Transmission Owners.
TrO	=	Number of Transmission Owners.
TCC	=	Number of TCCs sold in the Centralized TCC Auction.
$mwmile_{ik}$	=	Total of the megawatts times miles of circuits in zones associated with Interface *k* for Transmission Owner *i*.
$mwmile_{mk}$	=	Total of the megawatts times miles of circuits in zones associated with Interface *k* for Transmission Owner *m*.
CC_{jk}	=	Congestion associated with a TCC *j* across Interface *k*.
CC_{np}	=	Congestion associated with a TCC *n* across Interface *p*.

The first term of the above equation shall be referred to as the MW-mile component and the second term of the above equation shall be referred to as the Congestion Component. When calculating the IMWM(i) coefficient for distribution of revenues from the Centralized TCC Auction, the ISO shall determine the Congestion Component across

Interfaces using the Power Flow used in the same Centralized TCC Auction in which the TCCs were sold.

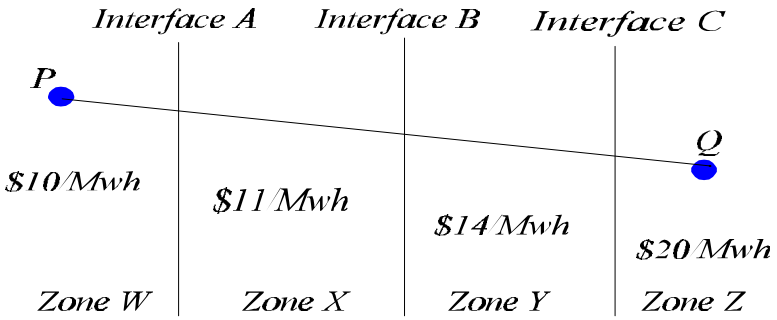
An exception to the above procedure, is that the MW-Mile component of the IMWM(i) coefficient associated with the Con Edison -LIPA Interface used to allocate Excess Congestion Rents or Congestion Rent Shortfalls shall be based on the firm contractual agreements among the parties that own transmission facilities on this Interface.

When calculating the IMWM(i) coefficient for distribution of Excess Congestion Rents, or Congestion Rent Shortfalls, the ISO shall replace the Congestion Component values with the Transmission Fund (T-fund) percentages in effect under the NYPP Agreement at the time the ISO Tariff becomes effective until the first Centralized TCC Auction.

3.5 If a Transmission Owner releases a Residual TCC or a MW of ETCNL for sale in a round of the Centralized Auction, and the market-clearing price for that TCC in that round is negative, the value of that TCC will not be included in the determination of payments to the Transmission Owners for Residual TCCs or ETCNL released into the Centralized TCC Auction. If the market-clearing price is negative for ETCNL and Residual TCCs, the value will be set to zero in the calculation of ETCNL and Residual TCC allocation. If the total value of the auction revenues available for payment to the Transmission Owners for Residual TCCs or ETCNL released into the Centralized TCC Auction is insufficient to fund payments at market-clearing prices, the total payments to each Transmission Owner will be reduced proportionately. This porportionate reduction would include a reduction in payments reflecting a proportionate reduction in the Auction value of Residual TCCs sold in a Direct Sale.

If the Congestion associated with a TCC across an Interface (in CC_{jk} Section 3.4) employed in the MW-Mile Methodology to allocate Excess Congestion Rents and Congestion Rent Shortfalls is negative, then the Congestion across that interface shall be set equal to zero for the purpose of applying the MW-Mile Methodology to the allocation of Excess Congestion Rents among the Transmission Owners.

3.6 Example of IMWM(i) Coefficient Calculation



GIVEN: Auctioned a single 100MW TCC From P TO Q
TCC REVENUES = $1000
THREE INTERFACES: A,B,C
FOUR ZONES: W,X,Y,Z