

SCHEDULE 1

SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

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

1. Parties to Which Charges Apply

The ISO shall charge, and Transmission Customers shall pay, the Scheduling, System Control and Dispatch Service ("Rate Schedule 1") charge on all Transmission Services provided pursuant to Parts II, III and IV to this Tariff, provided that Transmission Customers who are retail access customers who are being served by an LSE shall not pay this charge to the ISO; the LSE shall pay this charge.

2. Billing Units and Calculation of Rates

The ISO shall charge each Transmission Customer based on the product of: (i) the Scheduling, System Control and Dispatch Service charge rates; and (ii) the customer's applicable billing units for the month.

A. Billing Units

The customer's billing units will be based on the Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly Energy schedules for all Wheels Through and Exports. To the extent Schedule 1 charges are associated with satisfying Local Reliability Rules, the billing units for such charges will be based on the Actual Energy Withdrawals in the sub-zone(s) where the Local Reliability Rules are applied.

Issued by: William J. Museler, President
Issued on: September 20, 2000

Effective: October 1, 2000

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

First Revised Sheet No. 143
Superseding Original Sheet No. 143

B. Computation of Rates

The Scheduling, System Control and Dispatch Service Charge shall consist of three components and shall be recovered on a monthly basis in accordance with the following processes:

1. The costs listed in Sections 3A and 3B of this Rate Schedule shall be estimated each month for the following month, shall be divided by the total estimated billing units as described in Section 2A of this Rate Schedule for the following month and shall be posted on the ISO's website prior to the start of the subject month. This rate is then multiplied by each customer's billing units for the subject month.

2. The ISO shall calculate, and each Transmission Customer shall pay, an hourly charge equal to the product of (A) the costs listed in Section 4A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's total billing units for that hour as described in Section 2A of this Rate Schedule to (ii) the sum of all ISO Transmission Customers' billing units for that hour as described in Section 2A of this Rate Schedule.

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

Customers' billing units for that day as described in Section 2A of this Rate Schedule.

Issued by: William J. Museler, President
Issued on: September 20, 2000

Effective: October 1, 2000

3. ISO Costs

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

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

- Processing and implementing requests for transmission service including support of the ISO OASIS node;
- Coordination of transmission system operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;
- Billing associated with Transmission Service provided under this Tariff;
- Preparation of Settlement statements;
- Rebilling which supports this service;

Issued on: September 20, 2000

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

Fourth Revised Sheet No. 144
Superseding Third Revised Sheet No. 144

- ! NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- ! Engineering services and operations planning;
- ! Data and voice communications network service coordination;
- ! Metering maintenance and calibration scheduling;
- ! Dispute resolution;
- ! Record keeping and auditing;
- ! Training of ISO personnel;
- ! Development of new information, communication and control systems;
- ! Professional services;
- ! Working capital and carrying costs on ISO assets, capital requirements and debts;
- ! Tax expenses, if any;
- ! Administrative and general expenses;
- ! Insurance expenses;
- ! Any indemnification of or by the ISO pursuant to Section 10.2 of this Tariff;
- ! Costs that the ISO incurs as a result of bad debt, including finance charges; and
- ! Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523-011,

OA97-470-010 and ER97-4234-008.

Issued by: William J. Museler, President
Issued on: September 20, 2000

Effective: October 1, 2000

B. Fifty percent of the costs associated with the start-up and formation of the ISO, equaling \$27.45 million, plus interest, less one-half of the start-up costs already collected by the ISO under the ISO OATT.

These costs will be amortized over a five-year period, from January 1, 2000 through December 31, 2004, and Rate Schedule 1 will include an amortized amount of the costs, inclusive of interest costs.

4. Residual Adjustment and Bid Production Guarantees

A. Residual Adjustment

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

- The greater revenue the ISO collects for Marginal Losses from Transmission Customers, in contrast to payments for losses remitted to generation facilities;
- Costs or savings associated with the ISO re-dispatch of Generators resulting from a change in Transfer Capability between the Day-Ahead schedule and the real-time dispatch;
- The cost resulting from inadvertent interchange (if unscheduled Energy

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

- Costs or revenues from Emergency Transactions with other Control Area operators;
- Metering errors resulting in payments to or from Transmission Customers to be either higher or lower than they would have been in the absence of metering errors;
- Deviations between actual system Load and the five-minute ahead Load forecast used by SCD, resulting in either more or less Energy than is needed to meet Load;
- Energy provided by generation facilities in excess of the amounts requested by the ISO (through SCD Base Point Signals or AGC Base Point Signals);
- If generation facilities providing Regulation Service have actual output in excess of their AGC Base Point Signals, but the SCD Base Point Signals is higher than either, the real-time payments they receive for Energy produced will be based on the SCD Base Point Signals; and
- Transmission Customers serving Load in the NYCA will be billed based upon an estimated distribution of Loads to buses within each Load Zone. If the actual distribution of Load differs from this assumed distribution, the total amount collected from Transmission Customers could be either higher or lower than the amount that would have been collected if the actual distribution of Loads had been known.
- Settlements for losses revenue variances, as described in Attachment K of this Tariff, with Transmission Owners that pay marginal losses to the ISO for losses associated with modified TWAs (not converted to TCCs) while receiving losses payments from the participants in those TWAs other than marginal losses.

The actual Residual Adjustment for each month shall be the sum of the hourly Residual Adjustments calculated as follows: (A) the ISO's receipts from Transmission Customers and Primary Holders of TCCs for services which equal the sum of: (i) payments for Energy

Issued by: William J. Museler, President
Issued on: September 18, 2000

Effective: September 1, 2000

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER99-4235-000, *et al.*, issued August 30, 2000, 92 FERC ¶ 61,180.

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

Original Sheet No. 147

scheduled in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments for Energy purchased in the Real-Time LBMP Market for that hour that was not scheduled Day-Ahead; (iii) payments for Energy by generating facilities that generated less Energy in the real-time dispatch for that hour than they were scheduled Day-Ahead to generate in that hour for the LBMP Market; (iv) TUC payments made in accordance with Parts II, III and IV of this Tariff that were scheduled in that hour in the Day-Ahead commitment; and (v) real-time TUC payments in accordance with Parts II, III and IV of this Tariff that were not scheduled in that hour in the Day-Ahead commitment; (B) less the ISO's payments to generation facilities, Transmission Owners and Primary Holders of TCCs equal to the sum of the following: (i) payments for Energy to generation facilities that were scheduled to operate in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments to generation facilities for Energy provided to the ISO in the real-time dispatch for that hour that those generation facilities were not scheduled to generate in that hour in the Day-Ahead commitment; (iii) payments for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in that hour; (iv) payments of the real-time TUC to Transmission Customers that reduced their schedules for that hour after the Day-Ahead commitment; (v) payments of Congestion Rents collected for that hour in

the Day-Ahead schedule to Primary Holders of TCCs; (vi) settlements with Transmission Owners for losses revenue variances; and (vii) Excess Congestion Rents collected in that hour.

Issued by: William J. Museler, President

Effective: September 1, 2000

Issued on: September 18, 2000

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER99-4235-000, *et al.*, issued August 30, 2000, 92 FERC ¶ 61,180.

B. Bid Production Guarantees

The ISO's costs also include the costs associated with differences between the amounts bid by generating facilities that have been committed and scheduled by the ISO to provide Energy and certain Ancillary Services, and the actual revenues received by these generating facilities for providing such Energy and Ancillary Services. Where the costs are incurred to compensate 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.

Issued by: William J. Museler, President
Issued on : September 20, 2000

Effective: October 1, 2000