6.12 Schedule 12 - Rate Mechanism for the Recovery of the Highway Facilities Charge ("HFC")

6.12.1 Applicability

6.12.1.1 This ~~rate mechanism~~Schedule establishes the Highway Facilities Charge ("HFC") for the recovery of that portion of the costs related to Highway System Deliverability Upgrades ("Highway SDUs") required for deliverability under Section 25.7.12 of Attachment S of the ~~NY~~ISO OATT that are allocated to Load Serving Entities ("LSEs"). ~~The rate mechanism~~This Schedule shall not apply to: (i) the extent that a Highway SDU is addressed and funded as part of a transmission project undertaken in accordance with the Comprehensive System Planning Process~~and funded~~ pursuant to Attachment Y of the ~~NY~~ISO OATT; (ii) costs for System Upgrade Facilities or System Deliverability Upgrades that are allocated to Developers or Interconnection Customers in accordance with Attachments S, X or Z of the ISO OATT; ~~or~~ (iii) costs of transmission expansion projects undertaken in connection with an individual request for Transmission Service under Sections 3.7 or 4.5 of the ~~NY~~ISO OATT; (iv) transmission facilities eligible for cost recovery pursuant to another rate schedule of the ISO OATT; and (v) transmission facilities for which costs are recovered through the Transmission Service Charge ("TSC") or the NYPA Transmission Adjustment Charge ("NTAC") determined in accordance with Attachment H of the ISO OATT.

6.12.1.2 The HFC shall be calculated in accordance with the formula in Section 6.12.3 using~~comprised of~~ the revenue requirement~~s~~ related to each Highway SDU filed with ~~FERC~~the Commission by a Transmission Owner pursuant to Section 6.12.2~~the provisions of this Schedule~~ and approved or accepted by the Commission. ~~The HFC will provide for full recovery of a~~ The costs that may be included in the revenue requirement for calculating the HFC include all reasonably incurred costs, as determined by the Commission, related to the development,

construction, operation and maintenance of any Highway SDU undertaken pursuant to Attachment S of this tariff (including costs for a Highway SDU that is subsequently halted through no fault of the constructing Transmission Owner) that are allocated to LSEs. ~~Subject to regulatory acceptance, the HFC shall include a reasonable return on investment~~These costs include, but are not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections. The HFC established under this Schedule shall be separate from the ~~Transmission Service Charge ("~~TSC~~")~~ and the ~~NYPA Transmission Adjustment Charge ("~~NTAC~~")~~ determined in accordance with Attachment H of the ~~NY~~ISO OATT, and ~~the Reliability Facilities Charge ("RFC") established in accordance with Attachment Y and Rate Schedule 10 of the NYISO OATT~~ any charge for transmission facilities eligible for cost recovery through another rate schedule of the ISO OATT.

6.12.2 Recovery of Transmission Owner's Costs Related to Highway SDUs

Each Transmission Owner shall file with ~~FERC~~the Commission the rate treatment, prior to the implementation of any HFC, that will be used to derive and determine the revenue requirement to be included in the HFC for Highway SDUs undertaken pursuant to a Class Year Deliverability Study and allocated to LSEs in accordance with Section 25.7.12 of Attachment S of the ~~NY~~ISO OATT. The rate treatment will provide for the recovery of the full revenue requirement for that portion of a Highway SDU that is allocated to LSEs consistent with the provisions of Attachment S and this Rate Schedule. Pursuant to a determination by the ~~NY~~ISO that the threshold for construction of a Highway SDU has been crossed in accordance with Section 25.7.12.3.1 of Attachment S of the ~~NY~~ISO OATT, the Transmission Owner(s) responsible for constructing the Highway SDU will proceed with the approval process for all

necessary federal, state and local authorizations for the requested project to which this HFC applies.

6.12.2.1 Upon receipt of all necessary federal, state, and local authorizations, including ~~FERC~~Commission approval or acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.12.2.2 The portion of the cost of the Highway SDU to be allocated to LSEs will be reduced by any Headroom payments made to the constructing Transmission Owner by a subsequent Developer or Interconnection Customer prior to the completion of the project.

6.12.2.3 The period for cost recovery will be determined by the Commission and will begin if and when the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 enters service, is halted, or as otherwise determined by the Commission. ~~Upon completion of the project, t~~The Transmission Owner(s) will make ~~an informational~~ a filing with ~~FERC~~the Commission to provide for its review and approval or acceptance of the final project cost and resulting revenue requirement to be recovered through the HFC pursuant to this Rate Schedule 12. The Transmission Owner(s) shall bear the burden of resolving all concerns about the content of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the HFC in accordance with the period for cost recovery determined by the Commission after the Commission has accepted or approved the filing~~The recovery of project costs pursuant to this Schedule will commence on the effective date proposed in the informational filing and accepted by FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT. Following the informational filing, the NYISO will bill the HFC, as applicable~~.

6.12.3 ~~HFC Revenue Requirement Recovery~~Calculation and Recovery of HFC and Payment of Recovered Revenue

The HFC is to be invoiced by the ~~NY~~ISO separately for each Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 and paid by the LSEs allocated in accordance with Section 25.7.12.3.2 of Attachment S of the ~~NY~~ISO OATT. The ISO shall collect the HFC from LSEs. The LSEs,~~All LSEs to which costs have been allocated~~, including Transmission Owners, non-Transmission Owner LSEs, ~~and~~ municipal systems, competitive LSEs and any other LSE, to which the costs of the Highway SDU have been allocated (each a "Responsible LSE") will be invoiced by the ~~NY~~ISO and shall pay the HFC.

6.12.3.1 The revenue requirement filed ~~pursuant to Section 6.12.2.3~~ by the Transmission Owner pursuant to this Schedule and approved or accepted by the Commission, as may be subsequently adjusted in accordance with Section 6.12.4.1.3 below, will be the basis for the HFC that shall be charged by the ISO to each Responsible LSE for the Billing Period~~, and shall be allocated by the NYISO to each LSE~~ based on ~~its~~ the Responsible LSE's proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements, as set forth in Section 25.7.12.3.2 of Attachment S of the ISO OATT.

6.12.3.2 The HFC for the Billing Period shall include operation and maintenance costs for the proportionate share of the Highway SDU funded by LSEs.

6.12.3.3 LSEs will not be responsible for actual costs in excess of their share of the final Class Year estimated cost of the Highway SDU if the excess results from causes within the control of a Transmission Owner(s) responsible for constructing the Highway SDU as described in Section 25.8.6.4 of Attachment S of the ISO OATT.

6.12.3.4 As described in Section 25.7.2.2 of Attachment S of the ISO OATT, the Transmission Owner(s) responsible for constructing a Highway SDU for which a portion of the

costs thereof are recovered pursuant to this Rate Schedule 12 shall request Incremental TCCs with respect to the Highway SDU in accordance with the requirements of Section 19.2.4 of Attachment M. As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall not be a "Transmission Owner" for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU shall not receive Net Congestion Rents pursuant to Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues pursuant to Section 20.3.7 of Attachment N of the ISO OATT as it relates to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12.

6.12.3.4.1 The Transmission Owner(s) responsible for constructing a Highway SDU shall exercise its right to obtain and maintain in effect all Incremental TCCs they are awarded with respect to the Highway SDU, as further described in Section 25.7.2.2 of Attachment S of the ISO OATT. The Incremental TCCs awarded with respect to a Highway SDU may not be sold or transferred through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market. The Transmission Owner(s) responsible for constructing a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall receive congestion payments pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs related to the Highway SDU for which it is the Primary Holder. The congestion payments received by the Transmission Owner(s) responsible for constructing a Highway SDU from any Incremental TCCs it holds related to the Highway SDU will be used in the calculation of the HFC.~~To the extent that Incremental TCCs are created as a result of a Highway SDU implemented in accordance with Attachment S of the NYISO OATT, that portion~~

~~of those Incremental TCCs attributed to LSEs pursuant to Attachment S that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse or credit the associated revenues to the LSEs. These Incremental TCCs will continue to be sold for so long as LSEs are responsible for funding the Highway SDU through an HFC, and the disbursements or credits discussed above will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the HFC is first invoiced for a specific Highway SDU.~~ These HFC and~~incremental revenues~~ adjustments related to Incremental TCCs shall not require and shall not be dependent upon any reopening or any review of ~~the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT~~: (i) the Transmission Owner's revenue requirements for the HFC for another Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12; (ii) the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in Attachment H of the ISO OATT; or (iii) the Transmission Owner's revenue requirements for the charge for a transmission facility eligible for cost recovery pursuant to another rate schedule of the ISO OATT.

6.12.3.4.2 As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall receive outage charges for any Incremental TCCs related to the Highway SDU it holds pursuant to Section 19.2.4.10 of Attachment M of the ISO OATT for any hour in the Day-Ahead Market during which the Highway SDU is modeled to be wholly or partially out of service as an entity not subject to Section 20.2.5 of Attachment N of the ISO OATT with respect to the Highway SDU. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall not be charged or paid O/R-t-S Congestion

Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges, U/D Auction Revenue Shortfall Charges, O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments pursuant to Attachment N of the ISO OATT.

~~6.12.3.5 The NYISO will collect the appropriate HFC revenues for the Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to the NYISO OATT.~~

6.12.3.5~~6~~ **Cost Recovery Methodology**

The HFC for the Billing Period shall be based on the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements for those LSEs determined to be allocated the costs of the project in accordance with Section 25.7.12 of Attachment S of the ~~NY~~ISO OATT.

6.12.3.~~6~~5.1 ~~For Year 1, the LSEs' ICAP requirements for the most recent NYISO Capability Year prior to the in-service date of the Highway SDU shall be used for cost allocation.~~

~~6.12.3.6.2 For subsequent years, the billing cycle shall be adjusted, if necessary, to start following the establishment of the LSEs' ICAP requirements for the current Capability Year.~~

~~6.12.3.6.3~~ The ISO shall calculate ~~E~~each LSE's share of the HFC for each Billing Period (*i.e.*, LSE HFC Allocation$_{p,l,B}$)~~shall be allocated~~ as follows: ~~LSE HFC Allocation = Billing Period HFC x (LSE ICAP Requirement - Locational ICAP Requirement (if applicable))/(Statewide ICAP Requirement – Sum of Locational ICAP Requirements)~~

LSE HFC Allocation$_{p,l,B}$ = (Billing Period HFC$_{p,B}$ - IncrementalTransmissionRightsRevenue$_{p,B}$+ Outage Cost Adjustment$_{p,B}$) x (LSE ICAP Allocation %$_{l,B}$)

Where:

l = the relevant Responsible LSE;
p = an individual Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12;
B= the relevant Billing Period;
Billing Period HFC$_{p, B}$ = the pro-rata share of the annual HFC for Highway SDU p, as discussed in Section 6.12.2 above and as may be adjusted in accordance with Section 6.12.4.1.3 below, allocated for Billing Period B;
LSE ICAP Allocation %$_{l,B}$ = the LSE's proportionate share of the NYCA ICAP requirement for Billing Period B, adjusted to subtract Locational ICAP requirements for Billing Period B, which shall be calculated as:

(LSE total ICAP Requirement – Sum of LSE Locational ICAP Requirements for any Locality not located within another Locality)/(NYCA Minimum Installed Capacity Requirement – Sum of Locational Minimum Installed Capacity Requirements for any Locality not located within another Locality)

Such ICAP requirements shall be the ICAP equivalent of the LSE's UCAP requirements prior to any reduction for Locality Exchange MW;
IncrementalTransmissionRightsRevenue$_{p,B}$ = Congestion payments received by the applicable Transmission Owner for Billing Period B pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p, as discussed in Section 6.12.3.4.1 above; and
Outage Cost Adjustment$_{p,B}$ = the Outage charges for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p determined pursuant to Section 6.12.3.4.2 above for any hour in the Day-Ahead Market during which the Highway SDU p is modeled to be wholly or partially out of service aggregated across all hours of Billing Period B.

6.12.3.5.2 The ISO will collect the appropriate HFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the ISO's billing and settlement procedures.

6.12.3.~~6.4~~5.3 Billing true-ups to account for load shifting between LSEs will be based upon the existing ICAP methodology, as appropriate. These true-ups will occur on a monthly basis pursuant to ISO procedures.~~.~~

~~6.12.3.6.5 Revenue shortfalls, if any, will be allocated to the remaining LSEs in proportion to their ICAP requirements for the Capability Year. Billing adjustments for revenue shortfalls will occur on a monthly basis.~~

6.12.4 Headroom Accounting

As new generators and merchant transmission facilities come on line and use the Headroom created by a prior Highway SDU, the Developers or Interconnection Customers of those new facilities will reimburse prior Developers or Interconnection Customers or will compensate the LSEs who funded the Highway SDU Headroom in accordance with Sections 25.8.7 and 25.8.8 of Attachment S of the ISO OATT.

6.12.4.1 The Developer or Interconnection Customer of the subsequent project shall make a lump sum payment to the constructing Transmission Owner(s) proportional to the electrical use of the Headroom in the account by the Developer's or Interconnection Customer's project.

6.12.4.1.1 Payment shall be made as soon as the cost responsibilities of the subsequent Developer or Interconnection Customer are determined in accordance with Attachment S of the ISO OATT.

6.12.4.1.2 Payment to the constructing Transmission Owner(s) will be based upon the depreciated amount of the Highway SDU in the constructing Transmission Owner's accounting records.

6.12.4.1.3 The constructing Transmission Owner(s) will adjust their revenue requirement under this Rate Schedule 12 to account for ~~the~~any payments received from ~~the~~ subsequent Developers or Interconnection Customers to lower the HFC charged to LSEs going forward and notify the ISO of the adjusted revenue requirement.

~~6.12.4.2 The NYISO will credit the subsequent Developer or Interconnection Customer with any revenues derived from the monetization of Incremental TCCs created by the Highway SDU in proportion to the use of Headroom by the Developer's or Interconnection Customer's project. Credits to the LSEs from sales of Incremental TCCs will be reduced proportionately.~~

19.2 Award of TCCs Other Than Through TCC Auctions: Fixed Price TCCs and Incremental TCCs

19.2.1 Converting Transmission Capacity Associated with Expired, Terminated, or Expiring ETAs Into Historic Fixed Price TCCs

As each ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), and that conferred transmission rights on an LSE, expires or terminates, the transmission Capacity associated with it may be used to create Historic Fixed Price TCCs, pursuant to Section 19.2.1 of this Attachment M. When any other ETA terminates, the Grandfathered Rights or Grandfathered TCCs associated with it shall be converted into Residual Transmission Capacity. The revenues associated with the sale or conversion of TCCs created from capacity associated with expired or terminated ETAs shall be allocated among the Transmission Owners as described in Attachment N. All references to "ETAs listed in Table 1A of Attachment L" in this Attachment M shall encompass both those agreements that were previously converted into Grandfathered TCCs and those that were not.

The ISO shall follow the procedures set forth in this Section 19.2.1 prior to the implementation of the End-State Auction process. For purposes of this Section 19.2.1, references to "expired" ETAs shall include ETAs that have been terminated. When determining the Points of Injection, Points of Withdrawal, and MW quantities associated with ETAs listed in Table 1A in effect on November 19, 1999, the ISO shall look to Attachment L of this OATT, as it may be amended, at the time of the conversion.

19.2.1.1 Conversion Rules

Any LSE that had transmission rights under an ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), but has since

expired, shall have a right to obtain Historic Fixed Price TCCs with the same Point of Injection and Point of Withdrawal associated with that ETA.

Any LSE that currently has transmission rights under an ETA in effect on November 19, 1999 that was listed on Table 1A of Attachment L of the OATT (as it may be amended) but has not yet expired, shall likewise have a right to obtain Historic Fixed Price TCCs with the same Point of Injection and Point of Withdrawal as that ETA after its expiration.

LSEs that are eligible to obtain Historic Fixed Price TCCs shall be able to obtain them for a total duration of up to ten years, except as provided in the following paragraph. The ISO shall offer eligible LSEs Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal as shown on Table 1A of Attachment L, as it may be amended, associated with their expired or expiring ETAs and a duration of five or ten years (at the LSE's option) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to the expiration of Historic Fixed Price TCCs with a duration of five years that are created pursuant to the preceding sentence, the ISO shall offer those LSEs that hold such Historic Fixed Price TCCs an option to obtain new Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional five-year term, effective upon the expiration of the original Historic Fixed Price TCCs' five year term, at a new price calculated in accordance with Section 19.2.1.2 below.

LSEs that certify to the ISO that they purchase Energy from the New York Power Authority ("NYPA") under agreements that will expire in 2025 and that have ETAs listed on Table 1A to Attachment L, as it may be amended, that will expire in 2013, which they will use to hedge the congestion costs associated with deliveries under their NYPA agreements, shall have the right to obtain Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal as shown on Table 1A of Attachment L to the OATT, as it may be amended,

associated with the expiring ETA for a total duration of twelve years. The ISO shall offer Historic Fixed Price TCCs with a duration of five years to LSEs that make the required certification (provided for in this paragraph) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to, but effective upon, the expiration of those Historic Fixed Price TCCs, the ISO shall offer the LSE an option to obtain new Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional seven-year term, effective upon the expiration of the original Historic Fixed Price TCCs, at a new price calculated in accordance with Section 19.2.1.2 below.

To exercise this conversion right, an LSE must notify the ISO, and the Transmission Owner that was (or is) a party to the ETA, in writing, of its decision to obtain Historic Fixed Price TCCs under this provision. That notice must also specify the ETA's expiration or termination date. The LSE must provide this notice prior to a deadline to be established by the ISO. In the case of an ETA that has already expired or been terminated as of the effective date of this Section 19.2.1, or that will expire or be terminated prior to the end of the Winter 2008 Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Autumn 2008 Centralized TCC Auction. In the case of an ETA that will expire or terminate after the end of the 2008 Winter Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Centralized TCC Auction for the Capability Period in which the ETA expires or terminates. The specific deadlines shall be set forth in the ISO Procedures.

When an LSE elects to convert an ETA that: (i) has expired; (ii) is scheduled to expire, prior to November 1, 2008; or (iii) is scheduled to expire later but that is terminated before November 1, 2008, the term of the Historic Fixed Price TCCs that LSE obtains shall begin on November 1, 2008. When an LSE elects to convert any other ETA it may choose to have the

term of the Historic Fixed Price TCCs that it obtains begin either on the day after the ETA's expiration or termination, or at the start of the Capability Period following its expiration or termination. If the LSE chooses the latter option, the ISO shall make the transmission Capacity associated with the expired ETA available to support the sale of TCCs in any Reconfiguration Auction(s) held for TCCs valid between the ETA's expiration and the start of the next Capability Period. Nothing in this Section 19.2.1 shall be construed as authorizing the early termination of ETAs before their scheduled expiration dates or as excusing the parties to ETAs of their obligations thereunder.

An LSE that exercises its conversion rights under this Section 19.2.1 may elect to receive a number of Historic Fixed Price TCCs up to one hundred percent of the MW quantity specified for the ETA in Table 1A of Attachment L as it may be amended. In the case of ETAs for which more than one MW quantity is listed in Attachment L, the LSE may elect to receive the higher quantity.

The LSE must submit a written certification to the ISO stating that it expects to: (i) be legally obligated to serve the Load that it historically served under the ETA (or a portion of that Load at least equal to the number of Historic Fixed Price TCCs that it plans to obtain under this Section 19.2.1); and (ii) need the transmission Capacity between the Point of Injection and Point of Withdrawal specified in the ETA to serve that Load. The LSE will not be allowed to obtain Historic Fixed Price TCCs under this Section to the extent that it cannot satisfy either or both of these requirements. That is, the LSE's conversion rights may be wholly or partially terminated to the extent that it anticipates losing all or part of the historic Load, or no longer needing all or part of the transmission Capacity associated with the expired ETA to serve it. Additional information regarding the ISO's certification process shall be set forth in the ISO Procedures.

In addition, if the ISO concludes that an LSE's requested conversion would make existing and valid TCCs infeasible, it will reduce the number of Historic Fixed Price TCCs that the LSE may obtain to the extent necessary to avoid the infeasibility. The reduction procedure will use the same optimization model as the Centralized TCC Auctions, except that the expired or expiring transmission rights subject to conversion will not be represented as fixed injections and withdrawals but will be represented by a bid curve. Additional details shall be specified in the ISO Procedures.

19.2.1.1.1 Special Rules Applicable to LSEs That Were Eligible to Obtain Historic Fixed Price TCCs with a Duration Commencing on November 1, 2008

LSEs that obtained Historic Fixed Price TCCs with a duration of five years commencing on November 1, 2008 shall have a one-time opportunity to elect to replace those Historic Fixed Price TCCs, at no additional cost, with Historic Fixed Price TCCs with a duration of ten years. The ten year duration shall be deemed to have commenced on November 1, 2008. LSEs that elect to replace Historic Fixed Price TCCs under this paragraph shall not be eligible to obtain additional Historic Fixed Price TCCs for an additional five year term at the time that their replacement Historic Fixed Price TCCs expire.

LSEs that were eligible to obtain Historic Fixed Price TCCs with a duration of five years commencing on November 1, 2008, but that opted not to obtain them, shall have a one-time opportunity to obtain Historic Fixed Price TCCs with a duration of ten years. If an LSE makes this election the duration of the Historic Fixed Price TCCs that it obtains will commence at the beginning of a subsequent Capability Period, as specified in the ISO Procedures. An LSE that elects to obtain Historic Fixed Price TCCs under this paragraph shall pay the same price that the ISO originally offered for the same Historic Fixed Price TCCs with a duration of five years, *i.e.*, the price that the ISO calculated under Section 19.2.1.2 for Historic Fixed Price TCCs

commencing on November 1, 2008 (including the original historic inflation adjustment) for the LSE in advance of the Autumn 2008 Centralized TCC Auction.

All elections under this Section 19.2.1.1.1 shall be made during an election period specified in the ISO Procedures and shall be subject to all of the notification, certification, feasibility and other requirements established under Section 19.2.1 and the ISO Procedures.

19.2.1.2 Calculating Prices for Historic Fixed Price TCCs

Except as is specifically noted in Section 19.2.1.2 (iii), if an LSE chooses to obtain Historic Fixed Price TCCs pursuant to this Section 19.2.1 it shall pay a base price per MW/year equal to the average of:

(i) the average of the inflation-adjusted market-clearing prices calculated for TCCs with the POI and POW associated with the Historic Fixed Price TCC in the one-year Sub-Auction rounds of each of the four previous Centralized TCC Auctions. The average adjusted market-clearing price will be determined by first calculating the average market-clearing price in the one-year Sub-Auction rounds for each Centralized TCC Auction. One-year Sub-Auction-round market-clearing prices from Centralized TCC Auctions conducted before May 1, 2010 are those from the Stage 1 one-year rounds of the Centralized TCC Auctions. The average market-clearing price for the first, second, and third of the four previous Centralized TCC Auctions will then be adjusted for inflation between: (a) the date that TCCs sold in them went into effect, and (b) the start of the Capability Period during which the TCCs sold in the fourth Centralized Auction went into effect; and

(ii) the inflation-adjusted average annual difference between the Day-Ahead Market Congestion Component at the POW and the POI associated with the TCCs,

summed over the hours of the four most recently concluded Capability Periods. The inflation-adjusted average annual difference for a given Historic Fixed Price TCC would be calculated by summing the Day-Ahead Market Congestion Component for the POW associated with that Historic Fixed Price TCC minus the Day-Ahead Market Congestion Component for the POI associated with that Historic Fixed Price TCC over the hours of each month of the four most recently concluded Capability Periods; adjusting each monthly total for inflation between the end of the month in question and the start of the most recently concluded Capability Period; summing those inflation-adjusted monthly totals over those four Capability Periods; and dividing by two.

All inflation calculations referenced in this Section 19.2.1.2 shall be made using the most recently published inflation rates specified in the Personal Consumption Expenditures Implicit Price Deflator published by the Bureau of Economic Analysis of the United States Department of Commerce. A Historic Fixed Price TCC shall not have a price of less than zero. To the extent that the formula in this Section 19.2.1.2 produces a price for a Historic Fixed Price TCC of less than zero, the price shall be zero.

(iii) If an LSE chooses to obtain a Historic Fixed Price TCC with a POW at or inside of Load Zone K (Long Island) pursuant to this Section 19.2.1 and bidding to or from Load Zone K was not permitted in any of the one-year Sub-Auctions of the four previous Centralized TCC Auctions at the time of the price calculation, it shall pay a base price per MW/year equal to the value calculated pursuant to Section 19.2.1.2 (ii).

19.2.1.3 Payment

An LSE that obtains Historic Fixed Price TCCs pursuant to Section 19.2.1 shall be required to pay the ISO the total amount specified in equal annual payments for each year of the Historic Fixed Price TCC's duration. Each annual payment shall entitle the LSE to extend the term of the Historic Fixed Price TCC for an additional year, subject to the provisions of Section 19.2.1.1. Billing for Historic Fixed Price TCCs shall be in accordance with ISO Procedures. To challenge settlement information contained in an invoice, a purchaser of Historic Fixed Price TCCs shall first make payment in full, including any amounts in dispute.

An LSE that obtains Fixed Price TCCs pursuant to this Section 19.2.1 shall be required to pay the ISO the total amount specified in this Section 19.2.1 in equal annual payments for each year of the Fixed Price TCC's duration. Each annual payment shall entitle the LSE to extend the term of the Fixed Price TCC for an additional year, subject to Section 19.2.1.1, above.

An LSE that fails to make any required annual payment for its Historic Fixed Price TCCs shall permanently surrender those Historic Fixed Price TCCs for that year and for all subsequent years (and shall not have a right to renew for additional term(s)), provided however that the ISO shall provide a one week cure period to an LSE that has failed to make the required annual payment for its Historic Fixed Price TCCs before the LSE has its Historic Fixed Priced TCCs permanently surrendered, pursuant to ISO Procedures.

19.2.2 Awards of Non-Historic Fixed Price TCCs

19.2.2.1 Initial Purchase of Non-Historic Fixed Price TCCs

LSEs may be eligible to purchase Non-Historic Fixed Price TCCs, at prices established pursuant to Section 19.2.2.3.1. below if, pursuant to ISO Procedures, they submit a completed Notice of Intent to Purchase specifying the quantity of Non-Historic Fixed Price TCCs they

intend to obtain under this Section 19.2.2.1 by Load Zone Point of Withdrawal. The LSE shall also indicate for each Load Zone potential Points of Injection for their Non-Historic Fixed Price TCCs. The LSE must provide its completed Notice of Intent to Purchase prior to the deadline established by the ISO. The LSE's completed Notice of Intent to Purchase shall also include a written certification. The written certification shall state that the LSE: (i) expects to be legally obligated to serve Load in each identified Load Zone in an amount and for a term that equals or exceeds the sum of the number of Non-Historic Fixed Price TCCs that it intends to obtain under this Section 19.2.2.1 with a Point of Withdrawal in that Load Zone and the number of Grandfathered TCCs, Grandfathered Rights and Historic Fixed Price TCCs, in effect for the same term, that are held by or on behalf of the LSE with Points of Withdrawal in that Load Zone; and (ii) has served Load in the identified Load Zone in the most recently concluded Capability Period. The LSE will not be allowed to obtain Non-Historic Fixed Price TCCs under this Section to the extent that it does not satisfy either or both of these requirements prior to the deadline established by the ISO for this submittal. Additional information regarding the Notice of Intent to Purchase, including the written certification included therein, shall be set forth in the ISO Procedures.

The NYISO shall notify each LSE requesting a Notice of Intent to Purchase of the number of Non-Historic Fixed Price TCCs which the LSE is eligible to purchase by Load Zone Point of Withdrawal.

19.2.2.1.1 Availability

A percentage of the transmission Capacity that is available, pursuant to Section 19.8.3 of this Attachment M, to support the purchase of TCCs in any Centralized TCC Auction during which Non-Historic Fixed Price TCCs may be obtained shall be available to support the purchase

of Non-Historic Fixed Price TCCs. The final decision concerning the percentage of the transmission Capacity that will be available to support the purchase of Non-Historic Fixed Price TCCs will be made by the ISO and shall not exceed five percent. The scaling factor for the allocation of Non-Historic Fixed Price TCCs during the period of any Centralized TCC Auction shall equal the percentage of available transmission Capacity that has not yet been made available to support the sale of TCCs in previous rounds of that Centralized TCC Auction, divided by the percentage of available transmission Capacity that will be made available to support Non-Historic Fixed Price TCCs that may be purchased during the period of the Centralized TCC Auction.

19.2.2.1.2 Limits on Availability

The ISO may limit the availability of Non-Historic Fixed Price TCCs for initial purchase, by Load Zone, based on each LSE's average hourly load in that Load Zone and number of Grandfathered Rights and TCCs, Historic Fixed Price TCCs and other Non-Historic Fixed Price TCCs with POWs in that Load Zone held by or on behalf of the LSE.

In no event shall an LSE be eligible to purchase new Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone for which the number of Grandfathered TCCs, Grandfathered Rights, Non-Historic and Historic Fixed Price TCCs held by or on behalf of the LSE with a Point of Withdrawal in that Load Zone equals or exceeds the average hourly load of the LSE in that Load Zone. Additional details shall be specified in the ISO Procedures.

Non-Historic Fixed Price TCCs may be offered by the ISO periodically, but no less frequently than every other year. They will be offered, if at all, with an initial term of two years. Renewal terms for Non-Historic Fixed Price TCCs shall be one year.

19.2.2.2 Renewal

LSEs may be eligible to renew Non-Historic Fixed Price TCCs at a new price calculated in accordance with Section 19.2.2.3.1 below if, pursuant to ISO Procedures, they submit a completed Notice of Intent to Renew specifying the Non-Historic Fixed Price TCC they intend to renew (by Point of Injection, Point of Withdrawal and quantity). The LSE must provide this notice prior to a deadline to be established by the ISO. The LSE's Notice of Intent to Renew shall also include a written certification stating that the LSE: (i) expects to be legally obligated to serve Load in each identified Load Zone in an amount and for a term that equals or exceeds the number of Non-Historic Fixed Price TCCs that it intends to renew under this Section 19.2.2.2 with a Point of Withdrawal in that Load Zone given the number of Grandfathered TCCs, Grandfathered Rights and Historic Fixed Price TCCs, in effect for the same term, that are held by or on behalf of the LSE with Points of Withdrawal in that Load Zone; and (ii) needs the transmission Capacity between the Point of Injection and Point of Withdrawal specified in the Non-Historic Fixed Price TCC to serve its Load. In no event shall an LSE be eligible to renew Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone if the number of these Non-Historic Fixed Price TCCs when added to the number of Grandfathered TCCs, Grandfathered Rights, Historic Fixed Price TCCs and Non-Historic Fixed Price TCCs held by or on behalf of the LSE with a Point of Withdrawal in that Load Zone equals or exceeds the average hourly load of the LSE in that Load Zone.

In no event shall the ISO offer renewals that would extend a Non-Historic Fixed Price TCC for a total term of more than ten years,

19.2.2.3 Provisions affecting the Initial Purchase and the Renewal of Non-Historic Fixed Price TCCs

19.2.2.3.1 Pricing

Non-Historic Fixed Price TCCs intended to be purchased or renewed shall be priced for the initial or renewal term based on the market-clearing price calculated in the first round of the Sub-Auction of the Centralized TCC Auction conducted immediately subsequent to receipt of the completed Notice of Intent to Purchase or Notice of Intent to Renew in which TCCs with the same term as the Non-Historic Fixed Price TCCs being purchased or renewed were offered for sale, as established in ISO procedures. Such market-clearing prices shall have been calculated for a TCC with the same purchase or renewal term respectively (in years), and POI and POW, that is associated with the Non-Historic Fixed Price TCC. A Non-Historic Fixed Price TCC shall not have a purchase or renewal price of less than zero. To the extent that the formula in this Section 19.2.2.3.1 produces a purchase or renewal price for a Non-Historic Fixed Price TCC of less than zero, the price shall be zero.

19.2.2.3.2 Purchase or Renewal

The ISO shall provide to each LSE, that submitted a completed Notice of Intent to Purchase or a Notice of Intent to Renew, the purchase or renewal price of the Non-Historic Fixed Price TCCs identified in the LSE's completed Notice of Intent or Purchase or completed Notice of Intent to Renew, as appropriate. Within a period to be established by the ISO, following this notification, the purchasing or renewing LSE shall nominate the Non-Historic Fixed Price TCCs by Point of Injection and Point of Withdrawal that it has chosen to purchase or renew, provided that the availability of Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone shall be limited by the lesser of the number of Non-Historic Fixed Price TCCs indicated as available by the ISO for that LSE with a Point of Withdrawal in that Load Zone or the number of

Non-Historic Fixed Price TCCs identified in the LSE's completed Notice of Intent to Purchase or Notice of Intent to Renew with a Point of Withdrawal in that Load Zone. The ISO may establish a deadline by which the ISO must receive the LSE's nominations of which Non-Historic Fixed Price TCCs it wishes to purchase or renew. An LSE that chooses not to renew its Non-Historic Fixed Price TCCs forfeits its entitlement to further renewals of that Non-Historic Fixed Price TCC.

If the ISO concludes that awarding the Non-Historic Fixed Price TCCs nominated by LSEs for purchase would make existing and valid TCCs infeasible, it will reduce the number of Non-Historic Fixed Price TCCs that an LSE can purchase to the extent necessary to avoid infeasibility. Such reduction shall use the same optimization model as the Centralized TCC Auctions, except that the nominated TCCs will not be represented as fixed injections and withdrawals but will be represented by a bid curve, pursuant to ISO Procedures.

Non-Historic Fixed Price TCCs shall become effective with the first day of the Capability Period immediately following their purchase or renewal.

19.2.2.3.3 Payment

An LSE that obtains Non-Historic Fixed Price TCCs pursuant to Section 19.2.2 shall be required to pay the ISO the total amount specified in annual payments for each year of the initial term of the Non-Historic Fixed Price TCC's and for each year of the renewal term of the Non-Historic Fixed Price TCC. Billing for Non-Historic Fixed Price TCCs shall be in accordance with ISO Procedures. To challenge settlement information contained in an invoice, a purchaser of Non-Historic Fixed Price TCCs shall first make payment in full, including any amounts in dispute.

An LSE that fails to make the required annual payment for the initial or any renewal term of its Non-Historic Fixed Price TCC shall, notwithstanding any provision in this OATT to the contrary, permanently surrender its right to future renewals of those Non-Historic Fixed Price TCCs and shall not have a right to renew for additional term(s), pursuant to ISO Procedures.

19.2.3 Miscellaneous Provisions Affecting Historic and Non-Historic Fixed Price TCCs

The ISO shall post the following information promptly after awarding Fixed Price TCCs: (i) the quantity of TCCs awarded (in MW); (ii) the Point of Injection and Point of Withdrawal for each Fixed Price TCC awarded; and (iii) the price paid for each Fixed Price TCC.

If an LSE acquires Load from another LSE that holds Fixed Price TCCs, it may request that the Fixed Price TCCs be reassigned to follow the transferred Load. In such case, the quantity of the Fixed Price TCCs that transfers to the assignee shall be equal to: (i) the amount of transferred Load divided by total Load associated with those Fixed Price TCCs, (ii) multiplied by the quantity of the Fixed Price TCCs held by the LSE losing Load between the same Point of Injection and Point of Withdrawal; provided however, that no Fixed Price TCC will transfer under this paragraph if the calculation above indicates that less than one Fixed Price TCC will transfer. If at least one Fixed Price TCC would transfer pursuant to this paragraph, the quantity of reassigned Fixed Price TCCs shall be rounded down to the nearest whole number of Fixed Price TCCs. An LSE that is reassigned Fixed Price TCCs under this paragraph shall hold such Fixed Price TCCs for the remainder of their term, and have rights of renewal as provided in Sections 19.2.1 and 19.2.2, provided it makes all required payments.

An LSE that has met all required payment and collateral obligations for its Fixed Price TCC, including LSEs that have transferred Load to a new LSE, may reassign, reconfigure, or sell its Fixed Price TCCs for any period of time for which its Fixed Price TCC is valid. Such

assignment, reconfiguration, or sale shall not include renewal rights otherwise associated with the Fixed Price TCC, which renewal rights will remain with the LSE to which the Fixed Price TCCs were originally awarded, provided however that renewal rights associated with Fixed Price TCCs that are reassigned to follow the transferred Load shall be reassigned to follow the transferred Load. To the extent that Fixed Price TCCs are created pursuant to Section 19.2.1 or 19.2.2, the transmission Capacity that supports them shall not be available for sale in the Centralized TCC Auctions until those Fixed Price TCCs expire.

All rights and obligations that apply to an LSE in connection with obtaining and holding Fixed Price TCCs as provided for in Sections 19.2.1, 19.2.2 and 19.2.3, shall also be applicable to an ETA Agent, except as the context otherwise requires (for example, an ETA Agent cannot obtain Fixed Price TCCs on its own behalf).

The ISO shall establish a dispute period following the conclusion of the Centralized TCC Auction during the conduct of which Fixed Price TCCs are awarded, challenges to awards of Fixed Price TCCs may be made and mistakes in the calculation of Fixed Price TCC prices may be corrected. Notice of the dispute period established by the ISO and of procedures to be employed in bringing a dispute or correcting a Fixed Price TCC price shall be provided by the ISO on its OASIS.

Following the resolution of challenges, if any, to the award of Fixed Price TCCs, or mistakes in the calculation of Fixed Price TCC prices, raised during the dispute period, charges and payments for Fixed Price TCCs awarded shall be final as provided in the award notices provided by the ISO and shall not be subject to revision.

19.2.3.1 Responsibilities of LSEs that Obtain Fixed Price TCCs

To obtain a Fixed Price TCC under Section 19.2.1 or 19.2.2 of this Attachment M an LSE must submit such information to the ISO regarding its creditworthiness as the ISO may require. Each such LSE must also: (i) comply with the applicable deadlines established by the ISO under Sections 19.2.1, 19.2.2 and 19.2.3; (ii) satisfy all ISO credit requirements; and (iii) pay the price determined pursuant to Section 19.2.1 or 19.2.2.3.1, as appropriate.

19.2.4 Awards of Incremental TCCs

19.2.4.1 Overview

The ISO shall follow the procedures set forth in this Section 19.2.4 to determine awards of Incremental TCCs to any person or entity that requests them in connection with the funding or construction of new transmission facilities or transmission facility improvements that increase the Transfer Capability of the New York State Transmission System.

These procedures shall only apply to requests for awards that are submitted on or after November 1, 2008 and not to: (i) requests for awards that are pending as of that date; (ii) or to Incremental TCC award determinations that were made by the ISO on or prior to that date; neither shall these procedures interfere with the completion of requests for awards that are pending as of that date or require that award determinations made by the ISO prior to that date be reopened. Award determinations that were made prior to November 1, 2008 or that were pending as of that date shall remain effective as described in the ISO's Automated Market System.

Throughout this Section 19.2.4: (i) any change to, reconfiguration of, and/or construction of new transmission facilities or other transmission facility improvements that are potentially eligible for an award of Incremental TCCs shall be referred to as an "Expansion;" and (ii) a

person or entity that is pursuing an Expansion and requesting Incremental TCCs shall be referred to as an "Expander."

The ISO shall not award Incremental TCCs: (i) when the ISO cannot calculate the effect on Transfer Capability associated with an Expansion in the Day-Ahead Market with reasonable certainty; (ii) for Expansions that involve controllable transmission facilities that are under the operational control of a Control Area operator other than the ISO; or (iii) to the extent that an Expansion's impact on Transfer Capability is solely dependent on a Generator's operating state. Additional information concerning eligibility for Incremental TCC awards shall be set forth in the ISO Procedures. The ISO shall not award Incremental TCCs before the provisions of Section 19.2.4.5.2 have all been fulfilled.

The ISO shall also follow the procedures in this Section 19.2.4 to determine whether "Partial Outage Incremental TCCs" should be created in connection with final awards of Incremental TCCs.

19.2.4.2 Requests for Incremental TCC Awards

An Expander pursuing an Expansion and seeking an Incremental TCC award shall submit a request for an award to the ISO. A request for an Incremental TCC award must be submitted prior to the associated Expansion's expected commercial operation date. A request for an Incremental TCC award shall not be deemed to be complete, and shall not be considered by the ISO, unless it includes all of the information and satisfies all of the technical requirements required by this Section 19.2.4 and by the ISO Procedures. Prior to submitting its request for a non-binding estimate, an Expander must have: (i) completed all of the engineering studies that are required under the ISO OATT, including Attachments X, S, and Z; and (ii) obtained all permits and regulatory approvals necessary to commence construction. If an Expansion is

subject to the Class Year study requirements under Attachment S of the ISO OATT then the Expander must have accepted its Class Year cost allocation and posted the security required under Attachment S.

As part of its request for an award, an Expander shall request that the ISO prepare one or more non-binding estimates of an Expansion's impact on Transfer Capability between one or more POI/POW combinations. The ISO shall be required to prepare up to three non-binding estimates with respect to an Expansion. Additional rules governing requests for non-binding estimates shall be set forth in the ISO Procedures.

An Expander that is not subject to Section 20.2.5 of Attachment N to the ISO OATT that requests an Incremental TCC award associated with an Expansion that will consist of multiple transmission facilities that might separately be taken out of service or derated in connection with the outage of an External transmission facility must provide additional information regarding partial outage states, as specified in the ISO Procedures, as part of its request. The ISO will use this information to analyze the creation of Partial Outage Incremental TCCs.

19.2.4.3 Non-Binding Estimates

The ISO shall provide non-binding estimates of Incremental TCCs that might be awarded between different POI/POW combinations that are identified in a complete request for a non-binding estimate. The ISO shall only prepare non-binding estimates if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall estimate whether, and to what extent, Incremental TCCs may be created by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for a non-binding estimate. Incremental TCCs shall not be created for Transfer Capability that the ISO determines would

exist on the system even in the absence of an Expansion. The ISO shall make these determinations using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion associated with the request for a non-binding estimate. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. Additional detail concerning the Optimal Power Flow model to be used by the ISO shall be set forth in the ISO Procedures. The ISO shall not be bound by the findings of previous engineering studies, conducted under the ISO OATT or otherwise, regarding the impact of an Expansion on Transfer Capability when preparing non-binding estimates (or when determining awards under Section 19.2.4.5).

If the ISO estimates that Incremental TCCs would be created by an Expansion it shall separately estimate the quantity of Incremental TCCs that would be created for both the Summer and Winter Capability Periods.

19.2.4.4 Partial Outage Incremental TCCs

The ISO shall use the additional information submitted by certain Expanders regarding partial outage states pursuant to Section 19.2.4 to determine whether Partial Outage Incremental TCCs shall be created. Partial Outage Incremental TCCs shall not be awarded. They shall only be used to determine day-ahead outage charges, implemented through settlements for Day-Ahead Market Congestion Rents associated with Expansions that are partially out of service, or that are derated due to the outage of an External transmission facility, in connection with the calculation of outage charges under Section 19.2.4.9.

Partial Outage Incremental TCCs shall be created to the extent that the ISO finds, as part of its determination of final Incremental TCC awards pursuant to Section 19.2.4.5, that a revised set of Incremental TCCs would exist between a given POI/POW combination regardless of whether a portion of the associated Expansion is out of service or derated as a result of the outage of an External transmission facility. Partial Outage Incremental TCCs may be created between POI/POW combinations that differ from those for which the ISO may determine that Incremental TCCs would be available in a non-binding estimate or in any award of Incremental TCCs.

If the ISO determines that Partial Outage Incremental TCCs may be created as the result of an Expansion it shall separately calculate the number that would be created for the Summer and Winter Capability Periods.

19.2.4.5 Incremental TCC Awards

The ISO shall respond to complete requests for Incremental TCC awards by determining: (i) whether, and to what extent, Incremental TCCs should be awarded for the POI/POW combinations selected by the Expander; and (ii) whether, and to what extent, Partial Outage Incremental TCCs should be created. An Expander may select all of the POI/POW combinations that were analyzed in any one of the non-binding estimates prepared by the ISO under Section 19.2.4.3 to be included in the award determination. It may not select the POI/POW combinations from more than one non-binding estimate or select fewer than all of the POI/POW combinations that were analyzed in any one non-binding estimate.

The ISO shall determine both temporary and final awards using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion, and to represent any of the

Expansion's partial outage states, at the time that an award is determined. The ISO shall determine whether, and to what extent, Incremental TCCs shall be awarded by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for an award. Incremental TCCs shall not be awarded for Transfer Capability that the ISO determines would exist on the system even in the absence of an Expansion. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. The ISO shall make separate determinations for temporary and final awards of Incremental TCCs.

The ISO shall only determine or make an Incremental TCC award if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall only determine, award, or create Incremental TCCs (including, for purposes of this paragraph, Partial Outage Incremental TCCs) in whole number MW quantities. If the ISO determines that an Expansion will create one or more non-whole number quantity Incremental TCCs, the ISO shall round each non-whole number Incremental TCC to a whole number in a manner that minimizes the risk of infeasibility caused by rounding with respect to the entire Incremental TCC award.

If the ISO determines that Incremental TCCs should be awarded, it shall make separate awards for the Summer and Winter Capability Periods.

19.2.4.5.1 Temporary Awards

If the ISO determines that Incremental TCCs should be awarded in connection with an Expansion and the Expansion goes into commercial operation during a Capability Period, the

ISO shall make a temporary award of Incremental TCCs as soon as reasonably possible after notice that the Expansion has entered commercial operation has been provided in writing to the ISO pursuant to the ISO Procedures. Temporary awards of Incremental TCCs shall terminate at the end of the last day before a final award of Incremental TCCs becomes effective. In the case of an Expansion that enters commercial operation less than 90 days before the beginning of a Capability Period, the temporary award that is effective during the Summer Capability Period (or any portion thereof) may differ from the temporary award that is effective during the Winter Capability Period (or any portion thereof). The quantity of Incremental TCCs included in a temporary award may differ from the quantity included in any of the non-binding estimate(s) associated with the Expansion and/or in the final award.

19.2.4.5.2 Final Awards

Awards of Incremental TCCs shall be final on the date by which the following are fulfilled: (i) an Expansion has actually entered commercial operation; (ii) written notice has been provided to the ISO pursuant to the ISO Procedures; and (iii) the ISO has determined the final award using an Optimal Power Flow analysis that reflects the results of the most recently completed Centralized TCC Auction. The quantity of Incremental TCCs included in a final award may differ from the quantity included in the temporary award, or in the non-binding estimate(s), associated with the Expansion.

Incremental TCCs included in final awards shall become effective on the first day of the first Capability Period following the date that the award became final. If, however: (i) the associated Expansion enters commercial operation fewer than ninety days before the end of a Capability Period then the Incremental TCCs included in a final award shall become effective on the first day of the next like Capability Period after the associated Expansion enters commercial

operation; or (ii) the associated Expansion results in an increase to a limit that must be approved by the Operating Committee, and the Operating Committee's approval is granted fewer than ninety days before the end of a Capability Period, then the final award shall become effective on the first day of the next like Capability Period following the Operating Committee's approval.

If more than one Expansion enters commercial operation in the same Capability Period, the ISO shall make its final award determinations, and shall make final Incremental TCC awards, in the same order as the Expansions actually enter commercial operation.

19.2.4.6 Acceptance of Incremental TCC Awards

An Expander may elect to accept or reject a temporary or final award of Incremental TCCs in its entirety. Partial acceptances shall not be permitted. Deadlines for confirming the acceptance or rejection of an award shall be specified in the ISO Procedures.

An Expander that elects to accept a final award of Incremental TCCs shall inform the ISO, no later than the time that it accepts its final award, of the awarded Incremental TCCs' duration. Incremental TCCs shall have a duration of no less than twenty and no more than fifty years, starting on the date that the final award becomes effective, provided that their duration may not exceed the expected operating life of the associated Expansion. The ISO shall record the existence and duration of the Incremental TCCs in the Automated Market System.

If an Expander fails to accept a final award of Incremental TCCs and to specify the award's duration by the deadline established in the ISO Procedures it will forfeit its right to collect Day-Ahead Market Congestion Rent payments in connection with the Incremental TCCs until it confirms its acceptance in the manner specified in the ISO Procedures.

19.2.4.7 Attributes of Incremental TCCs

Incremental TCCs, but not partial outage Incremental TCCs, shall have the same attributes as other TCCs and shall be subject to the same rules under the ISO Tariffs, except as specifically provided in this Section 19.2.4.

19.2.4.8 Restrictions on Transfers of Incremental TCCs

19.2.4.8.1 Secondary Market transfers of fewer than all of the Incremental TCCs associated with a given Expansion that were included in a final award shall not be allowed with the exception of allowable Secondary Market transfers as provided in Section 19.2.4.8.2;, an Expander may only make Secondary Market transfers of all of the Incremental TCCs for all of the POI/POW combinations that were included in a final award for a given Expansion. This restriction shall not prohibit the sale of fewer than all of the Incremental TCCs included in a final award through a Centralized TCC Auction or a Reconfiguration Auction. Secondary Market transfers of Incremental TCCs shall be made pursuant to the provisions of OATT Section 19.6.2. Transferees of Incremental TCCs that choose to become Primary Holders shall be subject to all existing ISO credit requirements and may be subject to any future credit requirements that may be applied to TCCs with a duration longer than one year.

19.2.4.8.2 An Expander may make a Secondary Market transfer pursuant to OATT Section 19.6.2 of fewer TCCs than all of the Incremental TCCs finally awarded for a given Expansion for which it is the Primary Holder provided that the Expander received a single final award of Incremental TCCs for the Expansion which award specified the same POI and the same POW combination. To comply

with the requirement of a single final award with the same POI and POW, POIs or POWs that represent individual units of a Generator comprised of a group of generating units shall be deemed the same POI or POW.

A Secondary Market transfer by an Expander of all or a portion of its Incremental TCCs awarded for a given Expansion, pursuant to Sections 19.2.4.8.2 and 19.6.2, that is an assignment of the Incremental TCCs shall also operate as an assignment of the annual option to terminate the assigned Incremental TCCs, available pursuant to Section 19.2.4.9.

Incremental TCCs that are awarded pursuant to a temporary award may not be sold or transferred through a Secondary Market transfer, through a Centralized TCC Auction, through a Reconfiguration Auction, or otherwise.

19.2.4.9 Early Termination of Incremental TCCs

An Expander or its assignee shall have an annual option to terminate Incremental TCCs for which it is the Primary Holder and which were finally awarded to the Expander for a given Expansion. This annual option extends only to the entire portfolio of Incremental TCCs held by the Expander or its assignee for a given Expansion; early termination of a partial award of Incremental TCCs for a given Expansion held by a Expander or its assignee shall not be permitted. The annual option to terminate Incremental TCCs shall expire: i) with the early termination of those Incremental TCCs pursuant to this paragraph; ii) with the Expander's assignment of those Incremental TCCs; or iii) with a Secondary Market transfer of all or a portion of those Incremental TCCs, which expiration would apply only to the transferred portion of the Incremental TCCs and only for the duration of the Secondary market transfer.

To terminate its Incremental TCCs, the Expander, or the Expander's assignee, shall provide a notice of early termination and a proposed expiration date by Certified, Return-Receipt U.S. Mail, or by a reputable commercial courier service employing a parcel tracking system to the ISO at least one year in advance of the proposed early termination date which notice shall be irrevocable. The termination date for Incremental TCCs that were subject to a notice of early termination shall be the last day of a Capability Period which date occurs no earlier than one year after the notice of proposed early termination has been received by the ISO.

19.2.4.9.1 Upon receiving the notice of an early termination, the ISO shall promptly notice the market of the effective date of the early termination. To ensure that Centralized TCC Auctions following a notice of early termination start with a simultaneously feasible security constrained Power Flow, the ISO may: i) update its ISO Procedures to include prohibited bid points or combinations of prohibited bid points at which TCCs with durations of longer than one year may not be available in a future Centralized TCC Auction or Reconfiguration Auction, as a result of the notice of early termination; and / or ii) rather than effectuate the termination date, require that the Incremental TCC award proposed for early termination be apportioned such that the Incremental TCCs terminate in portions over as many as 12 months, beginning with the initial termination date. To terminate Incremental TCCs in portions over as many as 12 months, the ISO shall establish up to two additional termination dates following the initial termination date, and assign Incremental TCCs to each termination date, which additional termination dates shall fall at the end of the Capability Period(s) that follow the initial termination date.

Any prohibition on bid points resulting from a notice of early termination of Incremental TCCs in order to avoid infeasibility shall expire as of the first Capability Period following the last termination date of the Incremental TCCs.

19.2.4.10 Outage Charges

Any person or entity that is not subject to Section 20.2.5 of Attachment N to the ISO OATT and that owns an Expansion (or a portion of an Expansion) associated with a temporary or final award of Incremental TCCs, or has been assigned Incremental TCCs by an Expander, shall pay an outage charge to the ISO for any hour in the Day-Ahead Market during which the Expansion associated with the Incremental TCCs is modeled to be wholly or partially out of service. All outage charges shall be implemented through the billing of Day-Ahead Market Congestion Rents to the person or entity responsible for paying the outage charge and, as such, will be credits to Day-Ahead Market Congestion Rents in the ISO settlement system.

Outage charges shall be determined as follows:

- If the entire Expansion is modeled as out of service in the Day-Ahead Market; the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.
- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market, or derated by the outage of an External Transmission facility, and Partial Outage Incremental TCCs have not been created, the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.
- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market or are caused to be out of service or derated by the outage of an External

transmission facility, and Partial Outage Incremental TCCs have been created for such an out-of-service state or derating, the outage charge shall be calculated as follows:

Outage charge = A – B

where:

- "A" is the sum, over all different POI and POW combinations associated with the Incremental TCCs for an Expansion, of the product of (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Incremental TCCs between that POI and POW associated with the Expansion, and
- "B" is the sum, over all different POI and POW combinations associated with the Partial Outage Incremental TCCs for that out-of-service state or derating of the Expansion, of the product of: (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Partial Outage Incremental TCCs between that POI and POW associated with that out-of-service state or derating of the Expansion.

19.2.4.11 Incremental TCCs for System Deliverability Upgrades

In accordance with Section 25.7.2 of Attachment S of the ISO OATT, the Transmission Owner(s) responsible for constructing a System Deliverability Upgrade shall be the entity(ies) to submit requests for awards of Incremental TCCs pursuant to this Section 19.2.4 for each System Deliverability Upgrade, which will constitute the Expansion for purposes of each such request. The ISO shall evaluate each such request in accordance with the requirements of this Section 19.2.4 to determine any applicable temporary and/or final Incremental TCC awards for each System Deliverability Upgrade, including any Partial Outage Incremental TCCs relating thereto. Unless otherwise specified herein, Incremental TCCs resulting from System Deliverability Upgrades will be subject to the same requirements as Incremental TCCs awarded to any other

Expansion pursuant to this Section 19.2.4, including the payment of any outage charges pursuant to Section 19.2.4.10 of this Attachment M.

If the ISO determines that a System Deliverability Upgrade is eligible to receive an award of Incremental TCCs, including any Partial Outage Incremental TCCs relating thereto, the ISO will allocate the determined award among the applicable Developers eligible to receive Incremental TCCs related to the System Deliverability Upgrade and/or the Transmission Owner(s) responsible for constructing the System Deliverability Upgrade in accordance with the requirements of Section 25.7.2 of Attachment S of the ISO OATT. Each Developer eligible to receive Incremental TCCs related to the System Deliverability Upgrade shall be provided the right to elect to receive its respective portion of such Incremental TCCs pursuant to Section 19.2.4.6 of this Attachment M. To the extent necessary to facilitate the potential for transfers to subsequent Developers that pay for the use of Headroom pursuant to Attachment S of the ISO OATT on a System Deliverability Upgrade that has been awarded Incremental TCCs, Incremental TCCs that are declined by a Developer will be deemed reserved. Incremental TCCs that are declined by a Developer and not otherwise deemed reserved will be deemed permanently terminated.

If subsequent Developers pay for the use of Headroom pursuant to Attachment S of the ISO OATT on a System Deliverability Upgrade that has been awarded Incremental TCCs, such subsequent Developers will be provided a right to elect to receive any applicable Incremental TCCs to which they may be eligible to receive in accordance with Sections 25.7.2 and 25.7.12 of Attachment S of the ISO OATT. Incremental TCCs to be made available to subsequent Developers will, as applicable, be obtained by the ISO by reducing the Incremental TCCs related to the System Deliverability Upgrade that were previously: (i) awarded to the Developers that

initially paid for the System Deliverability Upgrade; (ii) awarded to the Transmission Owner(s) responsible for constructing the System Deliverability Upgrade; and/or (iii) deemed reserved as a result of prior declination and/or termination, in accordance with the requirements of Section 25.7.2 of Attachment S of the ISO OATT. Incremental TCCs that were previously deemed reserved and are transferred to a subsequent Developer will become effective on the first day of the Capability Period that commences following the next Centralized TCC Auction conducted after the subsequent Developer makes the necessary Headroom payment and elects to receive its proportionate share of Incremental TCCs. Incremental TCCs that are declined by a subsequent Developer will be deemed permanently terminated.

Any Developer that elects to receive Incremental TCCs related to a System Deliverability Upgrade shall have the right to terminate its Incremental TCCs in accordance with Section 19.2.4.9 of this Attachment M. Incremental TCCs terminated by a Developer that initially paid for a System Deliverability Upgrade will, to the extent necessary to facilitate the potential for transfers to subsequent Developers that pay for the use of Headroom pursuant to Attachment S of the ISO OATT on a System Deliverability Upgrade that has been awarded Incremental TCCs, be deemed reserved. Incremental TCCs that are terminated by a Developer that initially paid for a System Deliverability Upgrade and not otherwise deemed reserved will be deemed permanently terminated. Incremental TCCs terminated by a subsequent Developer that paid for the use of Headroom on a System Deliverability Upgrade will be deemed permanently terminated.

Notwithstanding anything to the contrary in this Section 19.2.4, Incremental TCCs awarded as a result of System Deliverability Upgrades may not be sold or transferred through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market. Incremental TCCs related to a System Deliverability Upgrade that are deemed reserved as a result of prior

declination or termination will not be considered as active or valid for the period during which they remain deemed reserved. Incremental TCCs related to a System Deliverability Upgrade that were previously deemed reserved as a result of prior declination or termination will be deemed permanently terminated when the Headroom on the System Deliverability Upgrade ceases to exist or is otherwise reduced to zero in accordance with Section 25.8.7.4 of Attachment S of the ISO OATT.

25.7 Cost Allocation Methodology for CRIS.

25.7.1 Cost Allocation Among Developers in a Class Year.

Each project in a Class Year Deliverability Study ("Class Year CRIS Project") will share in the then currently available deliverability capability of the New York State Transmission System, and will also share in the cost of any System Deliverability Upgrades required for its project to qualify for CRIS at the requested level. The total cost of the System Deliverability Upgrades required for all the projects in the Class Year will be allocated among the projects in the Class Year based on the pro rata impact of each Class Year CRIS Project on the deliverability of the New York State Transmission System, that is, the pro rata contribution of each project in the Class Year Deliverability Study to the total cost of each of the System Deliverability Upgrades identified in the Class Year Deliverability Study. In addition to this allocation of cost responsibility for System Deliverability Upgrades among the projects in a Class Year, the cost of certain Highway System Deliverability Upgrades will be shared with Load Serving Entities and subsequent Developers, as described below in Section 25.7.12 of these rules.

25.7.2 Categories of transmission facilities.

For purposes of applying the NYISO Deliverability Interconnection Standard, transmission facilities comprising the New York State Transmission System will be categorized as either Byways or Highways or Other Interfaces.

25.7.2.1 Byways. The Developer of a Class Year CRIS Project will pay its pro rata share of one hundred percent (100%) of the cost of the System Deliverability Upgrades to any Byway needed to make the Class Year CRIS Project deliverable in accordance with these rules. The System Deliverability Upgrades on the

Byway or Byways will be identified by the ~~NY~~ISO, with input from the Connecting Transmission Owner and from the Affected Transmission Owner(s), in the Class Year Deliverability Study. ~~A Developer paying to upgrade a Byway will be eligible to receive Headroom payments in accordance with these rules.~~

The Transmission Owner(s) responsible for constructing a System Deliverability Upgrade on a Byway shall request Incremental TCCs with respect to the System Deliverability Upgrade in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT. A Developer paying to upgrade a Byway will receive the right to accept any Incremental TCCs ~~created~~ awarded by the ISO in proportion to its contribution to the total cost of the System Deliverability Upgrade. The ISO shall round any non-whole MW quantities to a whole number of Incremental TCCs in a manner that ensures that the sum of all individual allocations to eligible entities is equal to the total number of Incremental TCCs awarded to the System Deliverability Upgrade; provided, however, that a Developer will not be entitled to receive any Incremental TCCs if the whole number value determined by the ISO for the Developer's proportionate share is zero. If a Developer elects to accept its proportionate share of any Incremental TCCs resulting from the System Deliverability Upgrade, the Developer shall be the Primary Holder of such Incremental TCCs. If a Developer declines an award of its proportionate share of any Incremental TCCs resulting from the System Deliverability Upgrade, or subsequently terminates the Incremental TCCs it elected to receive in accordance with Section 19.2.4.9 of Attachment M of the ISO OATT, the declined or terminated Incremental TCCs

will be deemed reserved to the extent necessary to facilitate the potential for transfers to subsequent Developers that pay for the use of Headroom pursuant to this Attachment S on a System Deliverability Upgrade that has been awarded Incremental TCCs. Incremental TCCs that are declined or terminated by a Developer and not otherwise deemed reserved will be deemed permanently terminated. Incremental TCCs related to a System Deliverability Upgrade that were previously deemed reserved as a result of prior declination or termination will be deemed permanently terminated when the Headroom on the System Deliverability Upgrade ceases to exist or is otherwise reduced to zero in accordance with Section 25.8.7.4 of this Attachment S.

A Developer paying to upgrade a Byway will be eligible to receive Headroom payments in accordance with these rules. A subsequent Developer paying for use of Headroom on a System Deliverability Upgrade~~s~~ on a Byway will be entitled to receive ~~the corresponding~~ Incremental TCCs, to the extent Incremental TCCs have been awarded by the ISO for the System Deliverability Upgrade, in proportion to its contribution to the total cost of the System Deliverability Upgrade, as determined based on its required Headroom payments. The ISO shall round any non-whole MW quantities to a whole number of Incremental TCCs in a manner that ensures that the sum of all individual allocations to eligible entities is equal to the total number of Incremental TCCs awarded to the System Deliverability Upgrade; provided, however, that a subsequent Developer will not be entitled to receive any Incremental TCCs if the whole number value determined by the ISO for the subsequent Developer's

proportionate share is zero. If a Developer that initially paid for a System Deliverability Upgrade on a Byway elected to receive its proportionate share of any Incremental TCCs related to the System Deliverability Upgrade and continues to hold such Incremental TCCs, any Incremental TCCs that a subsequent Developer is eligible to receive will be made available by reducing the Incremental TCCs related to the System Deliverability Upgrade held by the Developer that initially paid for the System Deliverability Upgrade in proportion to the Headroom payments received by such Developer from the subsequent Developer making such Headroom payments. If a Developer that initially paid for a System Deliverability Upgrade on a Byway declined to receive its proportionate share of any Incremental TCCs related to the System Deliverability Upgrade or subsequently terminated the Incremental TCCs it elected to receive, any Incremental TCCs that a subsequent Developer is eligible to receive will be made available from the Incremental TCCs related to the System Deliverability Upgrade that were previously deemed reserved as a result of prior declination or termination in proportion to the Headroom payments received by the Developer that initially paid for the System Deliverability Upgrade from the subsequent Developer making such Headroom payments. If a subsequent Developer elects to accept its proportionate share of any Incremental TCCs, the subsequent Developer shall be the Primary Holder of such Incremental TCCs; provided, however, that Incremental TCCs that were previously deemed reserved and are transferred to a subsequent Developer will become effective on the first day of the Capability Period that commences following the next Centralized TCC Auction conducted

after the subsequent Developer makes the necessary Headroom payment and elects to receive its proportionate share of Incremental TCCs. If a subsequent Developer declines an award of its proportionate share of any Incremental TCCs resulting from its Headroom payments, or subsequently terminates the Incremental TCCs it elected to receive in accordance with Section 19.2.4.9 of Attachment M of the ISO OATT, the declined or terminated Incremental TCCs will be deemed permanently terminated.

Any Incremental TCCs resulting from a System Deliverability Upgrade on a Byway, regardless of the Primary Holder thereof, may not be sold or transferred through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market.

25.7.2.2 Highways. The Developer of a Class Year CRIS Project will pay an allocated share of the cost of the System Deliverability Upgrades to any Highway needed to make the Class Year Project deliverable in accordance with these rules. The System Deliverability Upgrades on the Highway or Highways, and the Developer's allocated share of the cost of those System Deliverability Upgrades, will be identified by the ~~NY~~ISO, with input from the Connecting Transmission Owner and from the Affected Transmission Owner(s), in the Class Year Deliverability Study. ~~A Developer paying for Highway System Deliverability Upgrades will be eligible to receive Headroom payments in accordance with these rules to the extent that it pays for System Deliverability Upgrade capacity in excess of that required to provide the requested level of CRIS.~~

The Transmission Owner(s) responsible for constructing a Highway System Deliverability Upgrade shall request Incremental TCCs with respect to the Highway System Deliverability Upgrade in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT. A Developer paying for Highway System Deliverability Upgrades will receive ~~a share~~the right to accept ~~of~~ any ~~i~~Incremental TCCs ~~created~~awarded by the ISO,, in ~~accordance with these rule~~ proportion to its contribution to the to the total cost of the Highway System Deliverability Upgrade. The ISO shall round any non-whole MW quantities to a whole number of Incremental TCCs in a manner that ensures that the sum of all individual allocations to eligible entities is equal to the total number of Incremental TCCs awarded to the Highway System Deliverability Upgrade; provided, however, that a Developer will not be entitled to receive any Incremental TCCs if the whole number value determined by the ISO for the subsequent Developer's proportionate share is zero. If a Developer elects to accept its proportionate share of any Incremental TCCs resulting from the Highway System Deliverability Upgrade, the Developer shall be the Primary Holder of such Incremental TCCs. If a Developer declines an award of its proportionate share of any Incremental TCCs resulting from the Highway System Deliverability Upgrade, or subsequently terminates the Incremental TCCs it elected to receive in accordance with Section 19.2.4.9 of Attachment M of the ISO OATT, the declined or terminated Incremental TCCs will be deemed reserved to the extent necessary to facilitate the potential for transfers to subsequent Developers that pay for the use of Headroom pursuant to this

Attachment S on a Highway System Deliverability Upgrade that has been awarded Incremental TCCs. Incremental TCCs that are declined or terminated by a Developer and not otherwise deemed reserved will be deemed permanently terminated. Incremental TCCs related to a Highway System Deliverability Upgrade that were previously deemed reserved as a result of prior declination or termination will be deemed permanently terminated when the Headroom on the Highway System Deliverability Upgrade ceases to exist or is otherwise reduced to zero in accordance with Section 25.8.7.4 of this Attachment S.

The Transmission Owner(s) responsible for constructing a Highway System Deliverability Upgrade shall also be awarded, and be the Primary Holder of, any Incremental TCCs related to the portion of a Highway System Deliverability Upgrade funded by Load Serving Entities pursuant to Section 25.7.12 of this Attachment S, in proportion to the contribution of the Load Serving Entities to the to the total cost of the Highway System Deliverability Upgrade. The ISO shall round any non-whole MW quantities to a whole number of Incremental TCCs in a manner that ensures that the sum of all individual allocations to eligible entities is equal to the total number of Incremental TCCs awarded to the Highway System Deliverability Upgrade; provided, however, that no Incremental TCCs will be awarded to the Transmission Owner(s) responsible for constructing a Highway System Deliverability Upgrade for the portion of a Highway System Deliverability Upgrade funded by Load Serving Entities if the whole number value determined by the ISO for the Load Serving Entities' proportionate share is zero.

A Developer paying for a Highway System Deliverability Upgrade will be eligible to receive Headroom payments in accordance with these rules to the extent that it pays for System Deliverability Upgrade capacity in excess of that required to provide the requested level of CRIS and Load Serving Entities have not funded a portion of the costs of the Highway System Deliverability Upgrade pursuant to Section 25.7.12 of this Attachment S. If Load Serving Entities have funded a portion of a Highway System Deliverability Upgrade pursuant to Section 25.7.12 of this Attachment S, the Transmission Owner(s) responsible for constructing the Highway System Deliverability Upgrade will be eligible to receive any and all Headroom payments related to the System Deliverability Upgrade in accordance with these rules on behalf, and for the benefit, of the Load Serving Entities that funded a portion of the System Deliverability Upgrade.

A subsequent Developer paying for use of Headroom on System Deliverability Upgrades will be entitled to receive ~~the corresponding~~ Incremental TCCs, ~~if any,~~ to the extent Incremental TCCs have been awarded by the ISO for the System Deliverability Upgrade, in proportion to its contribution to the total cost of the Highway System Deliverability Upgrade, as determined based on its ~~share of the System Deliverability Upgrade costs.~~ required Headroom payments. The ISO shall round any non-whole MW quantities to a whole number of Incremental TCCs in a manner that ensures that the sum of all individual allocations to eligible entities is equal to the total number of Incremental TCCs awarded to the Highway System Deliverability Upgrade; provided, however, that a subsequent Developer will not be entitled to receive any Incremental TCCs if

the whole number value determined by the ISO for the Developer's proportionate share is zero. If: (i) a Developer that initially paid for a Highway System Deliverability Upgrade paid for capacity in excess of that required to provide its requested level of CRIS; (ii) Load Serving Entities have not funded a portion of the costs of the Highway System Deliverability Upgrade pursuant to Section 25.7.12 of this Attachment S; and (iii) the Developer elected to receive its proportionate share of any Incremental TCCs related to the System Deliverability Upgrade and continues to hold such Incremental TCCs, any Incremental TCCs that a subsequent Developer is eligible to receive will be made available by reducing the Incremental TCCs related to the System Deliverability Upgrade held by the Developer that initially funded the System Deliverability Upgrade in proportion to the Headroom payments received by such Developer from the subsequent Developer making such Headroom payments. If: (i) a Developer that initially paid for a Highway System Deliverability Upgrade paid for capacity in excess of that required to provide its requested level of CRIS; (ii) Load Serving Entities have not funded a portion of the costs of the Highway System Deliverability Upgrade pursuant to Section 25.7.12 of this Attachment S; and (iii) the Developer declined to receive its proportionate share of any Incremental TCCs related to the System Deliverability Upgrade or subsequently terminated the Incremental TCCs it elected to receive, any Incremental TCCs that a subsequent Developer is eligible to receive will be made available from the Incremental TCCs related to the System Deliverability Upgrade that were previously deemed reserved as a result of prior declination or termination in

proportion to the Headroom payments received by the Developer that initially paid for the System Deliverability Upgrade from the subsequent Developer making such Headroom payments. If Load Serving Entities have funded a portion of a Highway System Deliverability Upgrade pursuant to Section 25.7.12 of this Attachment S, any Incremental TCCs that a subsequent Developer is eligible to receive will be made available by reducing the Incremental TCCs related to the System Deliverability Upgrade held by the Transmission Owner(s) responsible for constructing the System Deliverability Upgrade. If a subsequent Developer elects to accept its proportionate share of any Incremental TCCs, the subsequent Developer shall be the Primary Holder of such Incremental TCCs; provided, however, that Incremental TCCs that were previously deemed reserved and are transferred to a subsequent Developer will become effective on the first day of the Capability Period that commences following the next Centralized TCC Auction conducted after the subsequent Developer makes the necessary Headroom payment and elects to receive its proportionate share of Incremental TCCs. If a subsequent Developer declines an award of its proportionate share of any Incremental TCCs resulting from its Headroom payments, or subsequently terminates the Incremental TCCs it elected to receive in accordance with Section 19.2.4.9 of Attachment M of the ISO OATT, the declined or terminated Incremental TCCs will be deemed permanently terminated.

Any Incremental TCCs resulting from a Highway System Deliverability Upgrade, regardless of the Primary Holder thereof, may not be sold or transferred

through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market.

25.7.2.3 Other Interfaces. If the Class Year CRIS Project degrades the transfer capability of any one of the Other Interfaces below the transfer capability identified in the current ATBA, then the Developer will pay its pro rata share of one hundred percent (100%) of the cost of the System Deliverability Upgrades needed to restore the transfer capability of the Other Interfaces degraded by its proposed project to what the transfer capability of those Other Interfaces would have been without its project, as that transfer capability was measured in the current ATBA. Where two or more projects would cause degradation of an Other Interface's transfer capability, the cost of the necessary System Deliverability Upgrades to restore the original transfer capability of the interface shall be shared on a pro rata basis, based on the MW of degradation that each project would cause.

25.7.3 Capacity Regions.

For Class Years prior to Class Year 2012, the deliverability test will be applied within each of the three (3) Capacity Regions: (1) Rest of State (*i.e.*, Load Zones A through I); (2) New York City (*i.e.*, Load Zone J); and (3) Long Island (*i.e.*, Load Zone K). To be declared deliverable, a generator or merchant transmission project must be deliverable throughout the Capacity Region in which the project is interconnected. For example, a proposed generator or merchant transmission project interconnecting in the Rest of State Capacity Region (*i.e.*, Load Zones A-I) will be required to demonstrate deliverability throughout the Rest of State Capacity Region (*i.e.*, Load Zones A-I), but will not be required to demonstrate deliverability to or within

either of the following Capacity Regions: New York City (*i.e.*, Load Zone J); or Long Island (*i.e.*, Load Zone K).

Starting with Class Year 2012, the deliverability test will be applied within each of the four (4) Capacity Regions: (1) Rest of State (*i.e.*, Load Zones A through F); (2) Lower Hudson Valley (*i.e.*, Load Zones G, H and I); (3) New York City (*i.e.*, Load Zone J); and (4) Long Island (*i.e.*, Load Zone K). To be declared deliverable a generator or merchant transmission project must only be deliverable throughout the Capacity Region in which the project is interconnected or is interconnecting. For example, starting with Class Year 2012, a proposed generator or merchant transmission project interconnecting in the Rest of State Capacity Region (*i.e.*, Load Zones A-F) will be required to demonstrate deliverability throughout the Rest of State Capacity Region (*i.e.*, Load Zones A-F), but will not be required to demonstrate deliverability to or within any of the following Capacity Regions: Lower Hudson Valley (*i.e.*, Load Zones G, H and I); New York City (*i.e.*, Load Zone J); or Long Island (*i.e.*, Load Zone K).

25.7.4 Participation in Capacity Markets.

A Developer, in order to be eligible to become an Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights, must obtain CRIS pursuant to the procedures set forth in this Attachment S. A Developer must enter a Class Year Deliverability Study in order to obtain CRIS, unless otherwise provided for in this Attachment S. The MW amount of CRIS requested by a Developer, stated in MW~~s~~ of Installed Capacity ("ICAP"), cannot exceed the nameplate capacity of its generation or merchant transmission project; provided however, if the Class Year CRIS Project is a BTM:NG Resource, the requested CRIS cannot exceed its Net-ICAP. All requests for CRIS must be in tenths of a MW. The ~~NY~~ISO will perform the Class Year Deliverability Study in accordance with these rules and with input of Market Participants,

to determine the deliverability of each of the Class Year CRIS Projects. The Class Year Deliverability Study will identify and allocate the cost of the System Deliverability Upgrades needed to make deliverable each Class Year CRIS Project. In order to be eligible to become an Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights, a Developer must fund or commit to fund, in accordance with these rules, the System Deliverability Upgrades needed for its project to be deliverable at the requested level of CRIS.

25.7.5 The Pre-Existing System.

Where the Existing System Representation demonstrates deliverability issues, a Developer electing CRIS need only address the incremental deliverability of its inter-connecting, or interconnected, generator or merchant transmission project, not the deliverability of the pre-existing system depicted in the Existing System Representation. Likewise, Transmission Owners will not be responsible for curing any pre-existing issues related to the deliverability of generators.

25.7.6 CRIS Values.

A Developer may elect no CRIS, partial CRIS, or full CRIS for its ~~project~~ facility by satisfying the applicable sections of this Attachment S. All ~~projects~~ facilities qualifying for CRIS will have two CRIS values: one for the Summer Capability Period and one for the Winter Capability Period. The CRIS value for the Summer Capability Period will be set using the deliverability test methodology and procedures described below. Through the Winter Capability Period 2017/2018, ~~T~~the CRIS value for the Winter Capability Period will be set at a value that will maintain the same proportion of CRIS to ERIS as the facility has for the Summer Capability Period. For Winter Capability Periods beyond 2017/2018, the CRIS value for the Winter Capability Period will be determined by the applicable process below:

25.7.6.1 Winter CRIS will be calculated as follows:

Winter CRIS MW = (Summer CRIS MW x Maximum Net Output at 10 degrees Fahrenheit)/Maximum Net Output at 90 degrees Fahrenheit

Where:

Maximum Net Output at 10 degrees Fahrenheit = the facility's maximum net output at 10 degrees Fahrenheit determined pursuant to the facility's ISO-approved temperature curve; and

Maximum Net Output at 90 degrees Fahrenheit = the facility's maximum net output at 90 degrees Fahrenheit determined pursuant to the facility's ISO-approved temperature curve.

25.7.6.1.1 For facilities with Summer CRIS as of [Effective Date], the following additional provision applies: For such facilities for which there is an ISO-accepted temperature curve used for determining the facility's DMNC, Winter CRIS will be calculated using such temperature curve, provided the capability represented by the curve does not exceed the facility's ERIS. For facilities for which there is not an ISO-accepted temperature curve used for determining the facility's DMNC, Winter CRIS will be set equal to the facility's Summer CRIS unless the facility provides a temperature curve to the ISO by [Effective Date], that the ISO subsequently determines is acceptable.

25.7.6.1.2 For facilities first obtaining Summer CRIS on or after the [Effective Date], the Winter CRIS will be determined using the most recent temperature curve provided to and accepted by the ISO, either during the interconnection process or at the time the Summer CRIS is first obtained.

25.7.6.2 Upon an increase to a facility's Summer CRIS pursuant to a permissible increase in Summer CRIS under Section 25.9.4 of this Attachment S, Attachment X, Section 30.3.2.6 or Attachment Z, Section 32.4.11.1 (increases in CRIS not requiring a

Class Year Study) or pursuant to an increase in Summer CRIS evaluated in a Class Year Study for which a facility owner accepts its Project Cost Allocation for System Deliverability Upgrades and posts Security therefore (if applicable) or accepts its Deliverable MWs, the Winter CRIS will be determined using the formula set forth in Section 25.7.6 (i), wherein the Summer CRIS MW will be the increased Summer CRIS MW.

~~The ERIS value that will be used to determine the CRIS to ERIS ratio for purposes of determining Winter CRIS pursuant to this Section 25.7.6 will be the following, as applicable: (i) for facilities that were evaluated for ERIS in the NYISO's Large Facility Interconnection Procedures in Attachment X to the NYISO OATT or the NYISO's Small Generator Interconnection Procedures in Attachment Z to the NYISO OATT ("NYISO's interconnection procedures"), the ERIS value reflected in the Class Year Study or Small Generator Interconnection Facilities Study, as applicable; (ii) for facilities other than BTM:NG Resources, not evaluated for ERIS in the NYISO's interconnection procedures, the facility's baseline ERIS as determined in accordance with Section 30.3.1 or 32.1.3 of the NYISO's interconnection procedures, as applicable, plus any permissible increase to the baseline ERIS permitted by the applicable provisions of this Attachment S or the NYISO's interconnection procedures; or (iii) for BTM:NG Resources not evaluated for ERIS in the NYISO's interconnection procedures, the Dependable Maximum Gross Capability.~~

25.7.7 Class Year Deliverability Study Procedures.

The ~~NY~~ISO staff will conduct the Class Year Deliverability Study, as described in these rules, in cooperation with Market Participants. No Market Participant will have decisional control over any determinative aspect of the Class Year Deliverability Study. The ~~NY~~ISO and

its staff will have decisional control over the entire Class Year Deliverability Study. If, at any time, the ~~NY~~ISO staff decides that it needs specific expert services from entities such as Market Participants, consultants or engineering firms for it to conduct the Class Year Deliverability Study, then the ~~NY~~ISO will enter into appropriate contracts with such entities for such input. As it conducts each Class Year Deliverability Study, the ~~NY~~ISO staff will provide regularly scheduled status reports and working drafts, with supporting data, to the Operating Committee to ensure that all affected Market Participants have an opportunity to contribute whatever information and input they believe might be helpful to the process. Each completed Class Year Deliverability Study will be reviewed and approved by the Operating Committee, when the Operating Committee approves the ATRA for the same Class Year. Each Class Year Deliverability Study is reviewable by the ~~NY~~ISO Board of Directors in accordance with the provisions of the Commission-approved ISO Agreement.

25.7.7.1 Starting with Class Year 2012, if the ~~NY~~ISO determines that additional System Deliverability Upgrade studies are required pursuant to Section 25.5.9 of this Attachment S, ~~NY~~ISO will notify all Class Year Projects that such additional System Deliverability Upgrade studies will be conducted, such notice to be provided as soon as practicable after the ~~NY~~ISO presents the results of the Class Year Deliverability Study to stakeholders. Options to Class Year Developers upon such notice are set forth in Section 25.5.10 of this Attachment S. ~~Within 10 business days from such notification, any Class Year Project may elect to (1) withdraw from the Class Year; (2) withdraw its CRIS request and remain in the Class Year for ERIS; or (3) keep its CRIS request, but elect to have no System Deliverability Upgrade identified to make the project deliverable at its level of~~

~~requested CRIS. If a Class Year Project elects to keep its CRIS request, but with no System Deliverability Upgrade identified to make the project fully deliverable, the project has the option of accepting or not accepting its Deliverable MWs, as specified in the Class Year Interconnection Facilities Study report. If a Class Year Project elects to withdraw entirely from the Class Year at this juncture, the Class Year from which the project drops out will still count as one of the two Class Years a project may enter under Section 25.6.2.3.4 of Attachment S.~~

25.7.8 Deliverability Test Methodology for Highways and Byways.

25.7.8.1 Definition of NYCA Deliverability. The NYCA transmission system shall be able to deliver the aggregate of NYCA capacity resources to the aggregate of the NYCA load under summer peak load conditions. This is accomplished through ensuring the deliverability of each Class Year CRIS Project, in the Capacity Region where the facility interconnects.

25.7.8.2 NYCA Deliverability Testing Methodology. The current Class Year ATBA, developed in accordance with ISO Procedures, will serve as the starting point for the deliverability baseline for testing under summer peak system conditions, subject to ISO Procedures and the following:

25.7.8.2.1 All Class Year CRIS Projects will be evaluated on an aggregate Class Year basis. Deliverability will be determined through a shift from generation to generation within the Capacity Regions in New York State. Each Capacity Region will be tested on an individual basis.

25.7.8.2.2 Each entity requesting External CRIS Rights will request a certain number of MW to be evaluated for deliverability pursuant to Section 25.7.11 of this

Attachment S. The MW of an entity requesting External CRIS Rights will not be derated for the deliverability analysis.

25.7.8.2.3 Each Developer requesting CRIS will request that a certain number of MW, not to exceed the name plate rating of its facility, be evaluated for deliverability; provided however, if the Class Year CRIS Project is a BTM:NG Resource, the requested CRIS cannot exceed its Net-ICAP. The MW requested by a Developer will represent Installed Capacity, and will be derated for the deliverability analysis. At the conclusion of the analysis, the ~~NY~~ISO will reconvert only the deliverable MW and report them in terms of MW of Installed Capacity using the same derating factor utilized at the beginning of the deliverability analysis.

A derated generator capacity incorporating availability is used. This derated generator capacity is based on the unforced capacity or "UCAP" or Net UCAP, as applicable, of each resource and can be referred to as the UCAP Deration Factor ("UCDF"). The UCDF used is the average from historic ICAP to UCAP translations on a Capacity Region basis, as determined in accordance with ISO Procedures. This is the average EFORd, which will be used for all non intermittent ICAP providers. The UCDF for intermittent resources will be calculated based on their resource type in accordance with ISO Procedures. The UCDF factor for proposed projects will be applied to the requested CRIS level. For facilities modeled in the ATBA, the UCDF will be applied to their CRIS level.

The CRIS for each facility, regardless of outage state, will be modeled in Deliverability Studies for the Class Year unless that CRIS will expire prior to the scheduled completion of the applicable Class Year study or the CRIS is associated with a Retired facility that cannot transfer such rights prior to CRIS expiration.

25.7.8.2.4 Load uncertainties will be addressed in accordance with ISO Procedures by taking the impact of Load Forecast Uncertainty ("LFU") from the most recent base case IRM and applying it to load.

25.7.8.2.5 Deliverability base case conditioning steps will be consistent with those used for the Comprehensive Reliability Planning Process and Area Transmission Review transfer limit calculation methodology.

25.7.8.2.6 In deliverability testing, Emergency transfer criteria and contingency testing will be in conformance with NYSRC rules and correspond to that used in the NYISO Comprehensive Reliability Planning Process studies.

25.7.8.2.7 The NYISO will monitor all transmission facilities that are part of the New York State Transmission System.

25.7.8.2.8 When either the voltage or stability transfer limit of an interface calculated in the ATBA is more binding than the calculated thermal transfer limit, then the lower of the ATBA voltage or stability transfer limit will be included in the deliverability testing as a proxy limit.

25.7.8.2.9 External system imports will be adjusted as necessary to eliminate or minimize overloads, other than the following external system imports: (i) the grandfathered import contract rights listed in Attachment E to the Installed Capacity Manual, (ii) the operating protocols set forth in Schedule C of

Attachment CC to the OATT, (iii) the appropriate rules for reflecting PJM service to RECo load, (iv) beginning with Class Year 2008 and in subsequent Class Years, the Existing Transmission Capacity for Native Load listed for the New York State Electric & Gas Corporation in Table 3 of Attachment L of the OATT, (v) in Class Year 2008 and 2009, 1090 MW of imports made over the Quebec (via Chateauguay) interface, and (vi) beginning with Class Year 2010 and in subsequent Class Years, any External CRIS Rights awarded pursuant to Section 25.7.11 of this Attachment S, either as a result of the conversion of grandfathered rights over the Quebec (via Chateauguay) Interface or as a result of a Class Year Deliverability Study, until, as of the Class Year Start Date, the time available to renew the External CRIS Rights has expired, as described in Section 25.9.3.2.2 of this Attachment S.

25.7.8.2.10 Flows associated with generators physically located in the NYCA but selling capacity out of the market will be modeled as such in the deliverability base cases.

25.7.8.2.11 Resources and demand are brought into balance in the baseline. If resources are greater than demand in the Capacity Region, existing generators within the Capacity Region are prorated down. If resources are lower than demand in the Capacity Region, additional external resources are included in the model.

25.7.8.2.12 PARs within the applicable Capacity Region will be adjusted as necessary, in either direction and within their angle capability, to eliminate or minimize overloads without creating new ones. PARs controlling external ties and ties

between the Capacity Regions will be modeled, within their angle capability, to hold the individual tie flows to their respective deliverability baseline schedules, which shall be set recognizing firm commitments and operating protocol set forth in Schedule C of Attachment CC to the OATT.

25.7.8.2.13 Deliverability testing will proceed as follows - The generation/load mix is split into two groups of generation and load, one upstream and one downstream for each zone or sub-zone tested within the Capacity Region. All elements that are part of the New York State Transmission System within the Capacity Region will be monitored. If there is excess generation upstream (that is, more upstream generation than is necessary to serve the upstream load plus LFU) then the generation excess, taking into account generator derate factors described in Section 25.7.8.2.2 above, is assumed to displace downstream generation. If the dispatch of the upstream excess generation causes an overload, this overload is flagged as a potential deliverability problem and will be used to determine the amount of capacity that is assigned CRIS status and the overload mitigation.

25.7.8.2.14 For Highway interfaces, the generator or merchant transmission projects in a Class Year, whether or not they are otherwise deliverable, will not be considered deliverable if their aggregate impact degrades the transfer capability of the interface more than the lesser of 25 MW or 2 percent of the transfer capability identified in the ATBA and results in an increase to the NYCA LOLE determined for the ATBA of .01 or more. The Class Year projects causing the degradation will be responsible, on a pro rata basis, for restoring transfer capability only to the

extent their aggregate degradation of transfer capability, compared to that in the ATBA, would not occur but for the Class Year projects.

25.7.9 Deliverability Test Methodology for Other Interfaces.

The generator or merchant transmission projects in a Class Year, whether or not they are otherwise deliverable across Highways and Byways, will not be considered deliverable if their aggregate impact degrades the transfer capability of any Other Interface more than the lesser of 25 MW or 2 percent of the transfer capability of the Other Interface identified in the ATBA. Each Developer will be responsible for its pro rata Class Year share of one hundred percent (100%) of the cost of System Deliverability Upgrades needed to restore transfer capability on the Other Interfaces impacted by the Class Year Projects but only to the extent that the degradation of transfer capability on the Other Interfaces, compared to that measured in the current Class Year ATBA, would not occur but for the aggregate impact of the Class Year Projects. Where two or more projects contribute to the degradation of the transfer capability of an Other Interface, each project Developer shall pay for a share of the required System Deliverability Upgrades based on its contribution to the degradation of the transfer capability.

25.7.10 Deliverability of External Installed Capacity.

External Installed Capacity not associated with UDRs or External CRIS Rights will be subject to the deliverability test in Section 25.7.8 and 25.7.9 of this Attachment S, but not as a part of the Class Year Deliverability Study. As described in detail in Section 5.12.2 of the Services Tariff, the deliverability of External Installed Capacity not associated with UDRs or External CRIS Rights will be evaluated separately as a part of the annual process under the Services Tariff that sets import rights for the upcoming Capability Year, to determine the amount of External Installed Capacity that can be imported to the New York Control Area.

25.7.11 CRIS Rights For External Installed Capacity

An entity, by following the procedures and satisfying the requirements described in this Section 25.7.11, may obtain External CRIS Rights. While the External CRIS Rights are in effect, External Installed Capacity associated with External CRIS Rights is not subject to (1) the deliverability determination described above in Section 25.7.10 of this Attachment S, (2) the annual deliverability determination applied in the import limit setting process described in Section 5.12.2.2 of the Services Tariff, or (3) to the allocation of import rights described in ISO Procedures.

25.7.11.1 Required Commitment of External Installed Capacity.

An entity requesting External CRIS Rights for a specified number of MW of External Installed Capacity must commit to supply that number of MW of External Installed Capacity for a period of at least five (5) years ("Award Period"). The entity's commitment to supply the specified number of MW for the Award Period may be based upon either an executed bilateral contract to supply ("Contract Commitment"), or based upon another kind of long-term commitment ("Non-Contract Commitment"), both as described herein.

25.7.11.1.1 Contract Commitment. An entity making a Contract Commitment of External Installed Capacity must have one or more executed bilateral contract(s) to supply a specified number of MW of External Installed Capacity ("Contract CRIS MW") to a Load Serving Entity or Installed Capacity Supplier for an Award Period of at least five (5) years. The entity must have ownership or contract control of External Installed Capacity to fulfill its bilateral supply contract throughout the Award Period, and that otherwise satisfies NYISO requirements.

25.7.11.1.1.1 The bilateral supply contract(s) individually or in the aggregate, must be for all months of the Summer Capability Periods over the term of the bilateral supply contract(s), but need not include any of the months of the Winter Capability Periods over that term. The entity seeking External CRIS Rights must specify which, if any, months of the Winter Capability Period it will supply External Installed Capacity under the bilateral supply contract(s) ("Specified Winter Months").

25.7.11.1.1.2 The bilateral supply contract(s) must be for the same number of MW for all months of the Summer Capability Periods ("Summer Contract CRIS MW") and the same number of MW for all Specified Winter Months ("Winter Contract CRIS MW"). The Winter Contract CRIS MW level must be less than or equal to the Summer Contract CRIS MW level.

25.7.11.1.1.3 An entity holding External CRIS Rights under a Contract Commitment must certify the bilateral supply contract for every month of the Summer Capability Periods and all Specified Winter Months for the applicable Contract CRIS MW. The Summer Contract CRIS MW must be certified for every month of the Summer Capability Period, and the Winter Contract CRIS MW must be certified for every Specified Winter Month (if any).

25.7.11.1.2 Non-Contract Commitment. An entity holding External CRIS Rights under a Non-Contract Commitment must offer the committed number of MW of External Installed Capacity for every month of the commitment, as described below, in the NYISO Installed Capacity auctions for an Award Period of at least five (5) years. The entity must have ownership or contract control of External

Installed Capacity to fulfill its Non-Contract Commitment throughout the Award Period.

25.7.11.1.2.1 The Non-Contract Commitment must be made for all months of the Summer Capability Periods over the term of the Award Period, but need not include any months in the Winter Capability Periods. The entity must identify the Specified Winter Months, if any, of the Winter Capability Periods for which it will make the commitment.

25.7.11.1.2.2 The commitment must be for the same number of MW for each month of the Summer Capability Period ("Summer Non-Contract CRIS MW"), and the same number of MW for all Specified Winter Months ("Winter Non-Contract CRIS MW"). The Winter Non-Contract CRIS MW level must be less than or equal to the Summer Contract CRIS MW level.

25.7.11.1.2.3 An entity holding External CRIS Rights under a Non-Contract Commitment must offer the committed capacity (a) in at least one of the following NYCA auctions: the Capability Period Auction, the Monthly Auction or the ICAP Spot Market Auction, or (b) through a certified and scheduled Bilateral Transaction (as such terms not defined in this Attachment S are defined in the Services Tariff). The Summer Non-Contract CRIS MW must be offered for every month of the Summer Capability Period, and the Winter Non-Contract CRIS MW must be offered for every Specified Winter Month (if any).

25.7.11.1.2.4 Notwithstanding other capacity mitigation measures that may apply, the offers to sell Installed Capacity into an auction submitted pursuant to this Non-Contract Commitment will be subject to an offer cap for each month of the

Summer Capability Periods and each Specified Winter Month. This offer cap will be determined in accordance with the provisions contained in Section 5.12.2.4 of the Services Tariff.

25.7.11.1.3 Failure to Meet Commitment. If an entity fails to certify or offer the full number of Contract CRIS MW or Non-Contract CRIS MW in accordance with the terms stated above, in Sections 25.7.11.1.1 and 25.7.11.1.2, the entity shall pay the NYISO an amount equal to 1.5 times the Installed Capacity Spot Auction Market Clearing Price for the month in which either the capacity under Non-Contract Commitment was not offered or the Contract Commitment to supply ICAP was not certified ("Supply Failure"), times the number of MW committed under the Non-Contract or Contract Commitment but not offered.

25.7.11.1.3.1 Within a given Award Period and each subsequent renewal of an Award Period pursuant to Section 25.9.3.2.2 herein, for the first three instances of a Supply Failure, no additional actions will be taken. Upon the fourth instance within the Award Period or the fourth instance within a subsequent renewal period of a Supply Failure, the associated External CRIS Rights will be terminated in their entirety with no ability to renew. Entities that had External CRIS Rights terminated may reapply for External CRIS in accordance with Section 25.7.11.1.4.2 below. Nothing in this Section 25.7.11.1.3 shall be construed to limit or diminish any provision in the Market Power Mitigation Measures or the Market Monitoring Plan.

25.7.11.1.4 Obtaining External CRIS Rights. An entity making a Contract Commitment or Non-Contract Commitment of External Installed Capacity may

obtain External CRIS Rights for a specified number of MW of External Installed Capacity in one of two different ways, either (i) by converting MW of grandfathered deliverability rights over the External Interface with Quebec (via Chateauguay), or (ii) by having its specified MW of External Installed Capacity evaluated in a Class Year Deliverability Study, both as described herein.

25.7.11.1.4.1 One-Time Conversion of Grandfathered Rights. An entity can request to convert a specified number of MW pursuant to the conversion process established in Section 5.12.2.3 of the Services Tariff.

25.7.11.1.4.2 Class Year Deliverability Study. An entity may seek to obtain External CRIS Rights for its External Installed Capacity by requesting that its External Installed Capacity be evaluated for deliverability in the Open Class Year. To make such a request an entity must provide to the NYISO a completed External CRIS Rights Request stating whether it is making a Contract Commitment or Non-Contract Commitment, the number of MW of External Installed Capacity to be evaluated, and the specific External Interface(s). The first Class Year Deliverability Study to evaluate requests for External CRIS Rights will be that for Class Year 2010. After the NYISO receives a completed External CRIS Rights Request, an entity making a Contract Commitment or Non-Contract Commitment that satisfies the requirements of Section 25.7.11.1 of this Attachment S will be eligible to proceed, as follows:

25.7.11.1.4.2.1 The entity is made a Class Year Project when the NYISO receives the entity's executed Class Year Interconnection Facilities Study Agreement for External Installed Capacity and all required data and the full deposit.

25.7.11.1.4.2.2 The entity's MW of External Installed Capacity covered by its bilateral contract(s) or, in the case of a Non-Contract Commitment the number of MW committed by the entity, are evaluated for deliverability within the Rest of State Capacity Region. The entity's External Installed Capacity is not subject to the NYISO Minimum Interconnection Standard. The NYISO will determine whether the requests for External CRIS Rights within a given Class Year exceed the import limit, established pursuant to ISO procedures, for the applicable External Interface that is in effect on the Class Year Start Date when combined, to the extent not already reflected in the import limit, with the following: (1) awarded External CRIS Rights at the same External Interface, (2) Grandfathered External Installed Capacity Agreements listed in Attachment E of the ISO Installed Capacity Manual at the same External Interface, and (3) the Existing Transmission Capacity for Native Load listed for New York State Electric & Gas Corporation in Table 3 of Attachment L to the ISO OATT (applies to the PJM interface only) ("Combined Total MW"). In addition to the other requirements stated herein, External CRIS Rights will only be awarded to the extent that the Combined Total MW does not exceed the import limit, as described above.

25.7.11.1.4.2.3 The Class Year Deliverability Study report will include an SDU Project Cost Allocation and a Deliverable MW number for the entity's External Installed Capacity.

25.7.11.1.4.2.4 The entity will have the same decision alternatives as other Class Year Projects participating in the Deliverability Study only. That is, the entity may either (a) accept its SDU Project Cost Allocation, (b) decline its SDU Project

Cost Allocation and accept its Deliverability MW figure, or (c) decline both its SDU Project Cost Allocation and its Deliverable MW. If the entity does decline both its SDU Project Cost Allocation and its Deliverable MW, the entity's External Installed Capacity will be removed from the Class Year Deliverability Study. Once removed from the then current Class Year Deliverability Study, the entity can request for its External Installed Capacity to be evaluated again for deliverability in a subsequent Class Year Deliverability Study that is open at the time of its request.

25.7.11.1.4.2.5 If the entity accepts its SDU Project Cost Allocation, it must fund, or commit to fund the SDU upgrades, like any other Class Year Project.

25.7.11.1.4.2.6 If the entity accepts its SDU Project Cost Allocation and funds or commits to fund the SDU upgrades as required by Attachment S, the entity must also execute and fulfill agreement(s) with the NYISO and the Connecting Transmission Owner and any Affected Transmission Owner to cover the engineering, procurement and construction of the SDUs.

25.7.11.1.4.2.7 By the end of the Initial Decisional Period (*i.e.*, 30 days from Operating Committee approval of the Class Year Deliverability Study), an entity making a Contract Commitment and accepting either its SDU Project Cost Allocation or Deliverable MW quantity, must provide specific contract and resource information to the NYISO. Unless entities are supplying External Installed Capacity as Control Area System Resources, requests for External Installed Capacity shall be resource-specific. Entities are permitted to substitute resources located in the same External Control Area. Such substitutions shall be

subject to review and approval by NYISO consistent with ISO Procedures and deadlines specified therein.

25.7.11.1.4.2.8 If the entity satisfies the requirements described in this Section 25.7.11.1.4, the entity will obtain External CRIS Rights for the number of MW determined to be deliverable, made deliverable through an SDU (with an accepted SDU Project Cost Allocation), or deemed deliverable through a commitment to pay for an SDU.

25.7.12 Cost Allocation for Highway System Deliverability Upgrades

25.7.12.1 If the portion of the Highway System Deliverability Upgrades (measured in MW) required to make one or more CRIS projects in a Class Year deliverable is ninety percent (90%) or more of the total size (measured in MW) of the System Deliverability Upgrades, each Developer(s) of a Class Year CRIS Project(s) will be responsible for its pro rata Class Year share of one hundred percent (100%) of the cost of the System Deliverability Upgrades.

25.7.12.2 If the portion of the System Deliverability Upgrades required to make one or more CRIS projects in a Class Year deliverable is less than 90% of the total size (measured in MW) of the Highway System Deliverability Upgrade, the Developer(s) will be required to pay or commit to pay for a percentage share of the total cost of the Highway System Deliverability Upgrades equal to the estimated percentage megawatt usage by the Class Year CRIS Project of the total megawatts provided by the System Deliverability Upgrades. Other generators or merchant transmission projects in the current Class Year Deliverability Study may share in the cost of these System Deliverability Upgrades, on the same basis.

Projects in the current Class Year Deliverability Study will not be allocated all of the cost of these System Deliverability Upgrades. The rest of the cost of these System Deliverability Upgrades will be allocated to Load Serving Entities and subsequent Developers, as described in this Section 25.7.12. The Developer may either (1) make a cash payment of its proportionate share of the upgrade, which will be held by the Connecting Transmission Owner and Affected Transmission Owner(s) in interest-bearing account(s); or (2) post Security (as defined in this Attachment S) meeting the commercially reasonable requirements of the Connecting Transmission Owner and Affected Transmission Owner(s) for the Developer's proportionate share of the cost of the upgrade. The amount(s) of cash or Security that a Developer must provide to its Connecting Transmission Owner and any Affected Transmission Owners will be included in the Class Year Deliverability Study report. If the Developer chooses to provide Security, its allocated cost will be increased by an annual construction-focused inflation index. The Developer will update its Security on an annual basis to reflect this increase. Except for this adjustment for inflation, the cost allocated to the Developers will not be increased if the estimated cost of the Highway System Deliverability Upgrade increases. However, the costs allocated to subsequent Developers will be based on a current cost estimate of the Highway System Deliverability Upgrade project.

25.7.12.3 The generator or merchant transmission facility will be considered deliverable, and eligible to become a qualified Installed Capacity Supplier or to receive Unforced Capacity Deliverability Rights, when it is in service, provided it

has paid its share of the total cost of System Deliverability Upgrades necessary to support the requested CRIS level, or made a satisfactory commitment to do so. Highway System Deliverability Upgrades--where the System Deliverability Upgrades are below the 90% threshold discussed in Section 25.7.12.2 above--will be constructed and funded either (i) according to Sections 25.7.12.3.1 and 25.7.12.3.2 below, or (ii) according to Section 25.7.12.3.3 below.

25.7.12.3.1 When a threshold of 60% of the most current cost estimate of the System Deliverability Upgrade has been paid or posted as Security by Developers, the Highway System Deliverability Upgrade will be built by the Transmission Owner that owns the facility to be upgraded. If the facility to be constructed will be entirely new, construction should be completed by the Transmission Owner that owns or controls the necessary site or right of way. If no Transmission Owner(s) has such control, construction should be completed by the Transmission Owner in whose Transmission District the facility would be constructed. If the upgrade crosses multiple Transmission Districts, each Transmission Owner will be responsible for the portion of the upgrade in its Transmission District; and

25.7.12.3.2 The actual cost of the Highway System Deliverability Upgrade project above that paid for by Developers will be funded by Load Serving Entities, using the rate mechanism contained in Schedule 12 of the NYISO OATT. Load Serving Entity funding responsibility for the Highway System Deliverability Upgrade will be allocated among Load Serving Entities based on their proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract their locational capacity requirements. Provided, however,

Load Serving Entities will not be responsible for actual costs in excess of their share of the final Class Year estimated cost of the Highway System Deliverability Upgrade if the excess results from causes, as described in Section 25.8.6.4 of this Attachment S, within the control of a Transmission Owner(s) responsible for constructing the Highway System Deliverability Upgrade; or

25.7.12.3.3 If the NYISO Comprehensive ~~Reliability~~ System Planning Process ("~~CRPP~~CSPP") ~~identifies~~triggers a Reliability Need, selects a transmission upgrade under the Public Policy Transmission Planning Process or results in a transmission project being approved under the Congestion Assessment and Resource Integration Study ("CARIS") (collectively "CSPP transmission upgrade") and the CSPP transmission upgrade requir~~ing~~es construction of a transmission facility that provides the same or greater transfer limit capability as the ~~a~~ Highway facility identified as a Highway System Deliverability Upgrade to be constructed earlier than would be the case pursuant to Section 25.7.12.3.1, the CSPP transmission upgrade~~facility~~ will be constructed as determined in the ~~CRPP~~CSPP. Funds collected from Developers (pursuant to Section 25.7.12.2, above) will be used to cover a portion of the regulated solution costs to the extent that the funds collected from Developers were collected for System Deliverability Upgrades that are actually constructed by the regulated solution. To the extent this is true, these funds originally collected (or posted as Security) for System Deliverability Upgrades will be used as an offset to the total ~~reliability solution~~CSPP transmission upgrade cost, with the remainder of the upgrade cost

to be allocated per the requirements of the ~~CRPP~~CSPP, as set forth in Sections 31.4.1, 31.4.2 and 31.4.4 of Attachment Y to the NYISO OATT.

To the extent funds collected from Developers for System Deliverability Upgrades are insufficient to cover the entire cost of the CSPP transmission upgrades, the Developers' contribution to the System Deliverability Upgrades allocated to the CSPP transmission upgrades will not exceed the Developers' respective Project Cost Allocations for the System Deliverability Upgrade. To the extent funds collected from Developers for System Deliverability Upgrades exceed the cost of the CSPP transmission upgrades, the funds collected for the System Deliverability Upgrades will be allocated to the CSPP transmission upgrade *pro rata* with the Developers' contribution to the System Deliverability Upgrades, and excess funds or Security for System Deliverability Upgrades above the cost of the CSPP transmission upgrade will be returned to the Developers.

25.7.12.4 If a Developer has accepted its Project Cost Allocation, before construction of an identified System Deliverability Upgrade for a Highway is commenced, if a Developer elects to be retested for deliverability it may request to be placed in the then Open Class Year. The Developer's cost responsibility for System Deliverability Upgrades shall not increase as a result of such retesting. It may decrease or be eliminated. If the Developer's facility is found to be deliverable without the System Deliverability Upgrades previously identified, the Developer's Security posting will be terminated, or the Developer's cash payment will be returned with the interest earned.

25.7.12.5 When the Highway System Deliverability Upgrades are ~~built~~placed in to Commercial Operation~~,~~ and any resulting Incremental TCCs related to the Highway System Deliverability Upgrade become effective in accordance with Section 19.2.4 of Attachment M of the ISO OATT, a Developer electing to receive its proportionate share of such Incremental TCCs, as further described in Section 25.7.2.2 of this Attachment S, will ~~be distributed to the Developers in proportion to their funding of the Highway System Deliverability Upgrade~~ receive its proportionate share of such Incremental TCCs.

25.7.12.5.1 ~~Incremental TCCs attributable to~~ Load Serving Entit~~y~~ies ~~funding~~ required by this Section 25.7.12 to fund a portion of the costs of a Highway System Deliverability Upgrade will receive the corresponding financial value of any Incremental TCCs related to the System Deliverability Upgrade held by the Transmission Owner(s) responsible for constructing the Highway System Deliverability Upgrade, as further described in Section 25.7.2.2 of this Attachment S~~will be sold by the NYISO, and the NYISO will credit the Load Serving Entities in proportion to their funding of the Highway System Deliverability Upgrade,~~. The corresponding financial value of any such Incremental TCCs will be accounted for in determining the applicable Highway Facilities Charge in accordance with ~~Section 6.12.3.4 of~~ Schedule 12 of the ~~NY~~ISO OATT. The eligibility of the Load Serving Entities to the financial value of any Incremental TCCs related to the System Deliverability Upgrade held by the Transmission Owner(s) responsible for constructing the Highway System Deliverability Upgrade shall commence as of the date such Incremental TCCs

become effective in accordance with Section 19.2.4 of Attachment M of the OATT and continue until the earlier of: (i) the expiration of any such Incremental TCCs; or (ii) the termination of the obligation of the Load Serving Entities to fund a portion of the costs of the Highway System Deliverability Upgrade.

25.7.12.6 As new generators and merchant transmission facilities come on line and use the Headroom on System Deliverability Upgrades created by a prior Highway System Deliverability Upgrade, the Developers of those new facilities will reimburse the prior Developers or will compensate the Load Serving Entities who funded the System Deliverability Upgrades for use of the Headroom created by the prior Developers and Load Saving Entities in accordance with Sections 25.8.7 and 25.8.8 of these rules.

25.7.12.6.1 In accordance with Section 25.7.2.2 of this Attachment S, ~~A~~as ~~new~~ subsequent Developers make Headroom payments to prior Developers and if a subsequent Developer elects to receive its proportionate share of any Incremental TCCs related to the Highway System Deliverability Upgrade, ~~the related~~ such Incremental TCCs ~~previously distributed to the prior Developers~~ will be transferred to the ~~new~~subsequent Developers ~~in proportion to the Headroom use and payments made by the new Developers~~; provided, however, that Incremental TCCs that were previously deemed reserved and are transferred to a subsequent Developer will become effective on the first day of the Capability Period that commences following the next Centralized TCC Auction conducted after the subsequent Developer makes the necessary Headroom payment and elects to receive its proportionate share of Incremental TCCs.

25.7.12.6.2 In accordance with Section 25.7.2.2 of this Attachment S, ~~A~~as ~~new~~subsequent Developers compensate Load Serving Entities for use of their Headroom by providing any such Headroom payments to the Transmission Owner(s) responsible for constructing a Highway System Deliverability Upgrade and if a subsequent Developer elects to receive its proportionate share of any Incremental TCCs related to the Highway System Deliverability Upgrade, ~~the NYISO will continue to sell the Incremental TCCs attributable to Highway System Deliverability Upgrades and Headroom funded by Load Serving Entities, and the NYISO will apportion the revenues among new Developers and Load Serving Entities in accordance with Section 6.12.4.2 of Schedule 12 of the NYISO OATT. The apportionment of these revenues to new Developers will continue beyond the eligibility of Load Serving Entities for such payments~~ such Incremental TCCs will be transferred to the subsequent Developer.

25.7.12.7 The Transmission Owner responsible for constructing a System Deliverability Upgrade or a Developer contributing toward the cost of a System Deliverability Upgrade can elect to construct upgrades that are larger and/or more expensive than the System Deliverability Upgrades identified to support the requested level of CRIS for the Class Year CRIS Project in the Class Year Deliverability Study, provided that those upgrades are reasonably related to the Class Year Project. The party electing to construct the larger upgrade will pay for the incremental cost of the upgrade; *i.e.*, the difference in cost between the cost of the System Deliverability Upgrades as determined by these rules, and the cost of the larger and/or more expensive upgrade.