

Amendments
to the ISO Agreement

INDEPENDENT SYSTEM OPERATOR

AGREEMENT

1.31 End-Use Consumer.

A Party that is (i) a Large Consumer, (ii) a Small Consumer, (iii) a not-for-profit organization that represents Small Consumers, (iv) a governmental agency that advocates on behalf of Small Consumers, or (v) a governmental agency that acts as a retail Load aggregator primarily for Small Consumers; or (vi) a Large Energy Using Governmental Agency; provided, however that an End-Use Consumer may not be an Affiliate of a Transmission Owner, Generator, Other Supplier, Public Power Party or Environmental Party regardless of where located.

1.32 Energy (“MWh”).

A quantity of electricity that is bid, produced, purchased, consumed, sold, or transmitted over a period of time, and measured or calculated in megawatt hours.

1.33 Energy Service Company (“ESCO”).

A Load Serving Entity (other than an entity supplying its own Load), a retail load aggregator or a provider of comprehensive energy services, serving customers in New York State.

1.34 Environmental Party.

An environmental organization that is certified by the ISO Board as a non-Market Participant and is a Party to the ISO Agreement.

1.35 Existing Transmission Agreement (“ETA”).

An agreement between two or more Transmission Owners, or between a Transmission Owner and another entity, that was executed and was in effect on the date that the ISO commenced operations, including amendments and superseding issues thereof (including service agreements) under individual Transmission Owners open access tariffs (provided that the Points of Injection

1.50 Investor-Owned Transmission Owners.

A Transmission Owner that is owned by private investors. At the present time these include: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

1.51 ISO Administered Markets.

The Day-Ahead Market and the Real-Time Market (collectively the LBMP Markets) and any other market administered by the ISO.

1.52 ISO OATT.

The ISO Open Access Transmission Tariff.

1.53 ISO Procedures.

The procedures adopted by the ISO in order to fulfill its responsibilities under the ISO OATT, the ISO Services Tariff and the ISO Related Agreement, and consistent with the Reliability Rules.

1.54 ISO Related Agreements.

Collectively, the ISO Agreement, the ISO/TO Agreement, the NYSRC Agreement and the ISO/NYSRC Agreement.

1.55 ISO Services Tariff.

The ISO Market Administration and Control Area Services Tariff.

1.56 ISO Tariffs.

The ISO OATT and the ISO Services Tariff, collectively.

1.57 Large Consumer.

An Industrial Consumer or a Commercial Consumer, not under the Control of any federal, state or municipal government or government-owned agency, authority, corporation, or other similar entity, whose peak load in any month within the previous twelve months was two megawatts or more.

157A Large Energy Using Governmental Agency.

A federal, state, or municipal government or government-owned agency, authority, corporation or other similar entity whose peak consumption for self use (i.e., not as retail Load aggregators or for further sale) in any month within the previous twelve months was two megawatts or more.

1.58 LBMP Markets.

A term that collectively refers to both the Real-Time Market and the Day-Ahead Market.

1.59 LBMP Transition Period Payments (“LTPP”).

Fixed monthly payments, as detailed in Attachment K of the ISO OATT, made between or among the Investor-Owned Transmission Owners to mitigate transmission cost-shifting as the competitive market is introduced for Energy and transmission pricing.

1.60 LIPA Tax-Exempt Bonds.

Obligations of the Long Island Power Authority, the interest on which is not included in gross income under the Internal Revenue Code.

1.61 Load.

A term that refers to either a consumer of Energy or the amount of demand (MW) or Energy (MWh) consumed by certain customers.

1.62 Load Serving Entity (“LSE”).

staff member may participate in committee proceedings on a non-voting basis. The Management Committee also shall make provisions for attendance at Committee meetings by representatives of the Commission and the PSC. Such representatives may participate fully in committee proceedings on a non-voting basis. Any Party on the Management Committee and the ISO representative may appeal a Committee action to the ISO Board. An executive session of the Management Committee may be called at the discretion of the chairperson, or upon a vote of the members of the Committee representing fifty-eight (58) percent of the total votes cast.

7.04 Sectors.

Voting on the Management Committee shall be by sector. The Management Committee shall be comprised of five sectors: Generator Owners; Other Suppliers; Transmission Owners; End-Use Consumers; and Public Power/Environmental Parties. A Party must, within thirty (30) days of the commencement of ISO operations or within thirty (30) days of becoming a Party and thereafter not later than the thirtieth day of November of each year, advise the President of the ISO, in writing, of the sector in which the Party is qualified to participate. If a Party is qualified to participate in more than one sector, it shall advise the ISO President, in writing, of the sector in which it chooses to vote; provided, however, that an Investor-Owned Transmission Owner must participate in the Transmission Owners sector, and a State Public Power Authority qualified to participate in the Public Power/Environmental Party sector must participate in that sector; and provided further, that a Party qualified to participate in the Large Energy Using Governmental Agency subsector of the End Use Customer sector or in the government agency subsector of the End Use Consumer Sector may not participate in the Large Consumer subsector of the End Use Consumer Sector.

pending motion, in direct proportion to the votes cast for and against the motion, rounded to two decimal places.

(c) Transmission Owners Sector: Each Party participating in the Transmission Owners sector shall be entitled to cast one (1) vote. The 20 percent of the votes on the Management Committee allocated to the Transmission Owners sector shall be split into an affirmation component based on the votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast for and against the motion, rounded to two decimal places.

(d) End-Use Consumer Sector: The twenty (20) percent of the votes on the Management Committee allocated to the End-Use Consumer sector shall be divided among the following four (4) ~~three (3)~~ subsectors: (1) the Large Consumers subsector; (2) the Small Consumers subsector, which shall include Small Consumers and not-for-profit organizations representing Small Consumers; and (3) the governmental agency subsector, which shall include governmental agencies that advocate primarily on behalf of Small Consumers and governmental agencies that act as retail Load aggregators primarily for Small Consumers, and (4) the Large Energy Using Governmental Agency subsector. An ESCO, Municipal Electric System, Cooperatively Owned Electric System, Generator Owner, State Public Power Authority or Environmental Party may not participate in the End-Use Consumer sector.

The allocation of voting shares among the subsectors shall be as follows:

(i) Nine (9) ~~Ten (10)~~ percent of the total votes on the Management Committee shall be allocated to the Large Consumer subsector; and shall be allocated among Large Consumers using the following formula: seventy-five (75) percent of the subsectors voting share shall be

allocated

based on a Party's annual Energy usage for the preceding full calendar year; and twenty-five (25) percent of the subsectors voting share shall be allocated on a per capita basis. The votes of Parties in the Large Consumers subsector shall be split into an affirmative component based on the votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast for and against the motion, rounded to two decimal places.

(ii) Four and five-tenths (4.5) ~~Five (5)~~ percent of the total votes on the Management Committee shall be allocated to the Small Consumer subsector which shall include Small Consumers and not-for-profit organizations representing Small Consumers. Not-for-profit organizations that participate in this subsector must be certified by the ISO Board under Section 2.02. Each Party that is a Small Consumer or a not-for-profit organization representing Small Consumers shall be entitled to cast one (1) vote. The four and five-tenths (4.5) ~~five (5)~~ percent of the votes on the Management Committee allocated to Small Consumers and not-for-profit organizations representing Small Consumers shall be split into an affirmative component based on the votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast for and against the motion, rounded to two decimal places.

(iii) Four and five-tenths (4.5) ~~Five (5)~~ percent of the total votes on the Management Committee shall be allocated to the governmental agency subsector, which shall include governmental agencies that advocate primarily on behalf of Small Consumers and governmental agencies that act as retail Load aggregators primarily for Small Consumers. Governmental agencies that participate in this subsector must be certified by the ISO Board under

Section 2.02. Within the governmental agency subsector two and seven-tenths (2.7) ~~three (3)~~ percent of the total votes on the Management Committee shall be exercised by the State-Wide Consumer Advocate selected by the ISO Board from among the governmental agencies that qualify as organizations that advocate primarily on behalf of Small Consumers. The ISO Board will select as the State-Wide Consumer Advocate the agency that it believes will best represent the interests of all classes of Small Consumers (including farms) throughout the State, giving due consideration to the demonstrated ability of the candidate agencies to provide sufficient resources to identify and to represent the interests of such consumers before federal, state and local governmental agencies, and to coordinate with other groups having similar interests. The remaining one and eight-tenths (1.8) ~~two (2)~~ percent of the total votes on the Management Committee allocated to the governmental agency subsector shall be exercised by governmental agencies that advocate on behalf of Small Consumers, other than the agency selected as the State-Wide Consumer Advocate, and governmental agencies that act as retail Load aggregators primarily for Small Consumers.

(iv) Two (2) percent of the total votes on the Management Committee shall be allocated to the Large Energy Using Governmental Agency subsector; and shall be allocated among Large Energy Using Governmental Agencies using the following formula: seventy-five (75) percent of the subsector's voting share shall be allocated based on a Party's annual Energy usage for the preceding full calendar year; and twenty-five (25) percent of the subsector's voting share shall be allocated on a per capita basis. The votes of Parties in the Large Energy Using Governmental Agency subsector shall be split into an affirmative component based on the votes for the pending motion, and a negative component based on votes against the pending motion in

direct proportion to the votes cast for and against the motion, rounded to two decimal places.

(e) Public Power/Environmental Parties Sector: The seventeen (17) percent of the votes on the Management Committee allocated to the Public Power/Environmental Parties sector shall be divided among the following three (3) subsectors: (1) the State Public Power Authorities subsector; (2) the Municipal Electric Systems and Cooperatively Owned Electric Systems subsector; and (3) the Environmental Parties subsector.

The allocation of voting shares among the subsectors shall be as follows:

(i) Eight (8) percent of the total votes on the Management Committee shall be allocated to the State Public Power Authorities subsector. Each Party in the State Public Power

7.07 Activation of Sectors and Subsectors

In order for certain sectors and subsectors to exercise their right to vote on measures before the Management Committee they must be activated. The requirements with respect to the activation of a sector or subsector apply to each sector and subsector, except the following: the Transmission Owners sector, the State Public Power Authorities subsector of the Public Power/Environmental Parties sector, and the governmental agency subsector of the End-Use Consumer sector. The Transmission Owners sector, the State Public Power Authorities subsector and the governmental agency subsector shall always be active.

Each sector and subsector that is subject to the activation criteria shall have a minimum of five (5) parties, excluding affiliates, to be activated and to vote on matters before the Management Committee, except the Large Energy Using Governmental Agency subsector which shall have a minimum of one (1) party to be activated and to vote on matters before the Management Committee.

The voting share allocated to a sector that has not been activated shall be assigned in equal proportions to all active sectors and subsectors until the inactive sector is activated. Upon activation of an inactive sector, the activated sector shall be allocated a voting share pursuant to Section 7.06 of this Agreement. The voting share allocated to a subsector that has not been activated shall be allocated within the sector in which the subsector resides in accordance with the determination of the then members of the sector in which the subsector resides; provided, however, that the governmental agency subsector shall never exercise more than five (5) percent of the total votes on the Management Committee and the Environmental Parties subsector shall never exercise more than two (2) percent of the total votes on the Management Committee. Upon

percentage pursuant to Section 7.06 of this Agreement.

7.08 Quorum

The attendance, as provided for in Section 7.03, by a quorum of at least three (3) sectors shall constitute a quorum for action by the Management Committee. A quorum of a sector shall be five (5) members of a sector or fifty (50) percent of the Parties in a sector, whichever is less. Parties in a sector that has achieved a quorum, shall be entitled to cast the entire vote allocated to their sector. In a sector that is divided into subsectors, if there is a quorum for the sector the Parties in each subsector shall exercise the full voting share allocated to their subsector. If none of the Parties in a subsector vote, the voting share of the subsector in which no Parties vote shall be reallocated to the other subsectors of that sector on a proportional basis according to the relative voting weight of the subsectors; provided, however, that (i) the governmental agency subsector shall never exercise more than ~~four and five-tenths (4.5)~~ five (5) percent of the total votes on the Management Committee, (ii) the Large Energy Using Governmental Agency subsector shall never exercise more than two (2) percent of the total votes on the Management Committee, and (iii) the Environmental Parties subsector shall never exercise more than two (2) percent of the total votes on the Management Committee.

Parties in a sector that have not achieved a quorum shall be entitled to cast individual Party votes in accordance with the provisions of Section 7.09. No action may be taken by a sector unless a quorum of that sector is present, and no action may be taken by the Management Committee unless a quorum of the Management Committee is present. If a quorum of the Management Committee is not present, the Parties in attendance shall have the power to adjourn the meeting from time to time until a quorum is present.