

Agenda #5

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 1
Schedule 1

First Revised Sheet No. 233A |
Superseding Substitute Original Sheet No. 233A

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

3. ISO Costs

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

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

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

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Substitute Original Sheet No. 234

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

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- Costs that the ISO incurs as a result of bad debt, including finance charges; ~~and~~
- Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523- 011, OA97-470-010 and ER97-4234-008-; ~~and~~
- Regulatory fees.

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

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

4. **Residual Adjustment and Bid Production Guarantees**

A. Residual Adjustment

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

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

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