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**FINANCE DEPARTMENT****CHARLES N. GARBER  
VICE PRESIDENT & CHIEF FINANCIAL OFFICER****BILLING SERVICES AGREEMENT**

THIS BILLING SERVICES AGREEMENT ("Agreement") is entered into as of the 1<sup>st</sup> day of January 2007, by and between the New York Independent System Operator, Inc. ("NYISO") and the North American Electric Reliability Corporation ("NERC"). The NYISO or NERC may each be referred to as a "Party" or together referred to as the "Parties".

WHEREAS, NERC has been certified by the Federal Energy Regulatory Commission ("FERC") as the Electric Reliability Organization for the United States under Section 215 of the Federal Power Act, with responsibility for improving the reliability of the interconnected electric bulk power system;

WHEREAS, Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC-CBRE") is seeking to become a Regional Entity pursuant to the requirements established by FERC, with responsibility for ensuring the reliable operation of the electric power systems within its territory, and NERC has filed with FERC a proposed agreement designating NPCC-CBRE as a Regional Entity;

WHEREAS, NYISO is an independent system operator with responsibility for operating the electric power grid within a specified geographic region, the New York Control Area ("NYCA"), pursuant to the terms of the NYISO Open Access Transmission Tariff ("OATT") and the NYISO Market Administration and Control Area Services Tariff (together, "NYISO Tariffs");

WHEREAS, NERC has been authorized by FERC to collect its operating costs, which include NPCC-CBRE's operating costs, ("NERC Charges") directly from load serving entities ("LSEs") within the NPCC-CBRE footprint in the United States, including the NYCA;

WHEREAS, NERC desires to contract with the NYISO for the NYISO to provide certain billing services to facilitate NERC's collection of NERC Charges from LSEs within the NYCA;

WHEREAS, pursuant to its OATT, as amended, the NYISO is willing to provide certain billing services, as described herein, to facilitate NERC's collection of NERC Charges from LSEs within the NYCA, subject to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, the Parties agree as follows:

1. NERC Authorization. NERC represents and warrants that it has obtained all necessary regulatory approvals and legal authority needed to utilize the NYISO to provide billing services under this Agreement to collect the NERC Charges that NERC itself is authorized by FERC to collect directly from LSEs in the NYCA.

2. Processing NERC Charges. The Parties agree that NERC Charges for LSEs in the NYCA will be processed as follows:

a. At least sixty (60) calendar days prior to the beginning of each calendar quarter, NERC will send a written notification to the NYISO that shows the aggregate NERC Charges for LSEs in the NYCA for the upcoming calendar quarter.

b. Following its receipt of such written notification from NERC, if the NYISO Tariffs then permit, the NYISO will:

(i) allocate the aggregate amount for quarterly NERC Charges among the LSEs in the NYCA on the basis of their individual load ratio shares taken from the most recent actual load metering data, making no later adjustments for subsequent load shifts; and

(ii) bill the allocated NERC Charges using a descriptive line item added to the regular monthly invoice issued to each LSE pursuant to the NYISO OATT. If, in response to its regular monthly invoice from the NYISO, an LSE submits a payment that only partially satisfies that invoice, the Parties agree that the NYISO will not apply any of that partial payment to NERC Charges unless and until the rest of the regular invoice charges have been fully satisfied.

c. On or before the first day of each calendar quarter, provided that the NYISO shall have had at least sixty (60) calendar days' notice in accordance with section 2.(a.) above, the NYISO will forward to NERC all of the LSE payments that NYISO has received for NERC Charges for the current quarter. At the same time, if the NYISO Tariffs then permit, the NYISO will also forward to NERC information identifying the LSEs that have not fully paid their NERC Charges for the quarter and the amounts of such non-payments, so that NERC may pursue collection actions directly against those non-paying LSEs for the amounts they owe NERC. The Parties agree that the NYISO shall have no such LSE collection responsibilities of any kind.

d. If, after the conclusion of the quarterly processing cycle described above, there remain any amounts due from LSEs in the NYCA that have not been paid by the LSEs to NERC through quarterly processing or collected from LSEs directly by NERC, then NERC will add the aggregate of such unpaid amounts to the aggregate NERC Charges for a subsequent period to be paid by all LSEs in the NYCA, and NYISO will process those aggregate NERC Charges in accordance with this Agreement.

e. Notwithstanding the foregoing, as an accommodation to NERC, the NYISO will, upon execution of this Agreement, promptly forward the full amount (\$529,720.89) of the NERC Charges due to be paid to NERC by LSEs in the NYCA for the first calendar quarter of 2007. In return for the NYISO agreeing to advance these funds to NERC prior to the NYISO's regular invoicing of LSEs, NERC agrees that it shall repay the NYISO in full for any portion of the \$529,720.89 advanced that the NYISO does not receive from the LSEs with payment of their regular NYISO invoices. The NYISO will notify NERC of any such shortfall. NERC will then promptly repay the full amount of such shortfall to the NYISO. NERC will also add the amount of its repayment to the aggregate NERC Charges for a subsequent period to be paid by all LSEs in the NYCA, and the NYISO will process those aggregate NERC Charges in accordance with this

Agreement.

f. The NYISO will not use its billing under this Agreement to unduly influence NERC's operations as the Electric Reliability Organization.

3. Notices. All notices, and any payments, between the Parties called for by this Agreement shall be directed to the following individuals:

a. Notices and payments to NERC shall be directed to:

Joseph K. Conner – Chief Financial Officer  
North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540

Phone: 609-452-8060

Fax: 609-452-9550

b. Notices and payments to the NYISO shall be directed to:

Mary K. McGarvey – Controller & Assistant Treasurer  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144

Phone: 518-356-6125

Fax: 518-356-6232

4. NERC Indemnification of the NYISO. To the greatest extent permitted by law, NERC shall indemnify and hold harmless the NYISO and its officers, employees, directors, agents and consultants from and against any and all suits, demands, claims, losses, liabilities and expenses, including reasonable attorneys' fees, that may arise out of this Agreement.

5. Limitation of NYISO Liability. The obligation of each LSE in the NYCA to pay its share of NERC Charges rests entirely with the individual LSE pursuant to the NYISO OATT. The Parties agree that the NYISO has no corporate obligation of any kind to pay any part of the NERC Charges under any circumstances. The Parties agree that the NYISO's calculation of Market Participant collateral requirements under the NYISO OATT will not include any adjustment for NERC Charges, nor will the failure of any LSE to pay its share of NERC Charges constitute a Market Participant payment Default under the NYISO OATT.

6. Other Terms.

a. Governing Law. This Agreement shall be governed by the law of the State of New York, without regard to any choice of laws provision.

b. Entire Agreement. This Agreement constitutes the entire agreement between the

Parties with respect to the subject matter hereof and supersedes any prior or contemporaneous agreements or understandings between the Parties concerning such subject matter.

c. Amendments. No amendment, modification or waiver of any term of this Agreement shall be effective unless set forth in a writing signed by both NERC and the NYISO.

d. Headings. The headings set forth herein are inserted for convenience and shall have no effect on the interpretation or construction of this Agreement.

e. Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall remain in effect.

f. Capitalized Terms. Any capitalized term that is not otherwise defined herein shall have the meaning set forth in the NYISO OATT.

g. Term and Termination. The term of this Agreement will commence on the date first stated above and will continue in effect until terminated by one of the Parties. Either Party may terminate this Agreement upon ninety (90) calendar days' prior written notice to the other Party.


h. Default and Cancellation. Either Party may cancel this Agreement upon the occurrence of an event of material default by the other Party; such cancellation will be effective upon the defaulting Party's receipt of written notice of cancellation for default. An event of material default shall include any material breach of this Agreement by a Party, provided that the breaching Party has failed to cure such breach within thirty (30) calendar days after receiving written notice of the breach from the other Party. The non-breaching Party shall be entitled to suspend its performance hereunder until such time as the breach is cured. The non-defaulting Party shall have all the rights and remedies available to it under this Agreement, at law and in equity.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement, effective as of the date first stated above.

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

By:   
Name: Joseph K. Conner  
Title: Chief Financial Officer- NERC

**NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

By:   
Name: Charles N. Garber  
Title: Chief Financial Officer- NYISO