25.5 Cost Responsibility Rules for Both ERIS and CRIS

25.5.1 Side Agreements

These cost allocation rules will not preclude or supersede any binding cost allocation agreements that are executed between or among Developers, Connecting Transmission Owners and/or Affected Transmission Owners; provided, however, that no such agreements will increase the cost responsibility or cause a material adverse change in the circumstances as determined by these rules of any Developer or Transmission Owner who is not a party to such agreement.

25.5.2 Costs Covered By Attachment S

The interconnection facility cost allocated by these rules is comprised of all costs and overheads associated with the design, procurement and installation of the new interconnection facilities. These rules do not address in any way the allocation of responsibility for the cost of operating and maintaining the new interconnection facilities once they are installed. Nor do these rules address in any way the ownership of the new interconnection facilities.

25.5.3 Dispatch Costs

Developers, Connecting Transmission Owners and Affected Transmission Owners will not be charged directly for any redispatch cost that may be caused by the temporary removal of transmission facilities from service to install new interconnection facilities, as such cost is reflected in Locational Based Marginal Prices. Nor will existing generators be paid for any lost opportunity cost that may be incurred when their units are dispatched down or off in connection with the installation of new interconnection facilities.

25.5.4 Transmission Owners' Cost Recovery

Any Connecting or Affected Transmission Owner implementation and construction of (i) System Upgrade Facilities as identified in the Annual Transmission Baseline Assessment or Annual Transmission Reliability Assessment, or (ii) System Deliverability Upgrades as identified in the Class Year Deliverability Study, shall be in accordance with the NYISO Open Access Transmission Tariff, Commission-approved ISO Related Agreements, the Federal Power Act and Commission precedent, and therefore shall be subject to the Connecting or Affected Transmission Owner's right to recover, pursuant to appropriate financial arrangements contained in agreements or Commission-approved tariffs, all reasonably incurred costs, plus a reasonable return on investment.

25.5.5 Existing System Representation

The NYISO shall include in the Existing System Representation for purposes of the ATBA and ATRA for a given Class Year:

25.5.5.1 (i) All generation and transmission facilities identified in the NYISO's most recent Load and Capacity Data Report ~~as existing as of January 1 of that year~~, excluding those facilities that are subject to Class Year cost allocation but for which Class Year cost allocations have not been accepted; (ii) all planned generation and merchant transmission projects that have accepted their cost allocation in a prior Class Year cost allocation process and System Upgrade Facilities and System Deliverability Upgrades associated with those projects except that System Deliverability Upgrades where construction has been deferred pursuant to Section 25.7.12.2 and 25.7.12.3 of Attachment S will only be included if construction of the System Deliverability Upgrades has been triggered under

Section 25.7.12.3 of Attachment S; (iii) all generation and transmission retirements and derates identified in the Load and Capacity Data Report as scheduled to occur during the five-year cost allocation study planning period; (iv) all transmission projects evaluated in the Transmission Interconnection Process described in Attachment FF to the OATT that have met the following milestones: (1) has been triggered (if being evaluated in the Reliability Planning Process), selected (if being evaluated in the Public Policy Transmission Planning Process), or approved by beneficiaries (if being evaluated in the CARIS process); (2) has a completed System Impact Study (if applicable); (3) has a determination pursuant to Article VII that the Article VII application filed for the facility is in compliance with Public Service Law §122 (*i.e.*, "deemed complete") (if applicable); and (4) is making reasonable progress under the applicable Attachment Y planning process (if applicable); (v) is identified as "firm" by the Connecting Transmission Owner and either (1) has commenced a Facilities Study (if applicable) and has an Article VII application deemed complete (if applicable); or (2) is under construction and is scheduled to be in-service within 12 months after the Class Year Start Date and (~~i~~vi) all other changes to existing facilities, other than changes that are subject to Class Year cost allocation but that have not accepted their Class Year cost allocation, that are identified in the Load and Capacity Data Report or reported by Market Participants to the NYISO as scheduled to occur during the five year cost allocation study planning period. Facilities in a Mothball Outage, an ICAP Ineligible Forced Outage, or Inactive Reserves will be modeled as in, and not removed from, the Existing System Representation. The point of interconnection

of a Retired generator with a terminated interconnection agreement is available to proposed facilities on a non-discriminatory basis pursuant to the ISO's applicable interconnection and transmission expansion processes and procedures. A Retired generator with an interconnection agreement that remains in effect after it is Retired will retain its right to the specific point of interconnection as provided for in the interconnection agreement and access to this point will not available for new facilities.

25.5.5.2 The System Upgrade Facilities listed on Exhibit A to the Financial Settlement shall be included in the Existing System Representation. Such System Upgrade Facilities shall be shown as in service in the first year of the five-year cost allocation study planning period and in each subsequent year, unless such System Upgrade Facilities are cancelled or otherwise not in service by January 1, 2010; provided that if such facilities are expected to be in service after January 1, 2010, starting with the Class Year 2010, the NYISO shall independently determine such later date when the System Upgrade Facilities are expected to be in service and represent them according to the NYISO's determination.

25.5.5.3 System Upgrade Facilities not listed on Exhibit A to the Financial Settlement, but for which cost allocations have been accepted in a prior Class Year cost allocation process, shall be represented in the Existing System Representation for subsequent cost allocation studies in the year of their anticipated in-service date.

25.5.6 Attachment Facilities.

Each Developer is responsible for 100% of the cost of the Attachment Facilities.

25.5.7 Distribution Upgrades

Each Developer is responsible for 100% of the cost of the Distribution Upgrades.

25.5.8 No Prioritization of Class Year Projects

There will be no prioritization of the projects grouped and studied together in a Class Year. Each such project will share in the then currently available functional or electrical capability of the transmission system, and share in the cost of the System Upgrade Facilities required to interconnect its respective project and, for Developers seeking CRIS, System Deliverability Upgrades required under the NYISO Deliverability Interconnection Standard, in accordance with the rules set forth herein.

25.5.9 Class Year Start Date and Schedule

Starting with the Class Year subsequent to Class Year 2012, the Annual Transmission Reliability Assessment will begin on the Class Year Start Date, which will be the earliest of the following dates after the completion of the prior Class Year Interconnection Facilities Study (*i.e.*, date upon which all remaining Class Year Developers have accepted their Project Cost Allocations and have posted security for same): March 1, June 1 or September 1. In order to become a Class Year Project in a Class Year subsequent to Class Year 2012, an Eligible Class Year Project must (1) satisfy the criteria for inclusion in the next Class Year, as those criteria are specified in Section 25.6.2.3.1 of this Attachment S, Section 25.8.2.3 of this Attachment S and Sections 32.1.1.7 of Attachment Z to the OATT and/or Section 32.3.5.3.2 of Attachment Z to the OATT, as applicable and (2) must elect to enter the applicable Class Year by providing notice to the NYISO by five (5) Business Days after the Class Year Start Date. This Section 25.5.9 does not limit membership or eligibility for membership in Class Year 2011 or Class Year 2012. Members of Class Year 2011 that do not accept their Project Cost Allocations in Class Year

2011, but that are eligible under Section 25.6.2.3.4 to enter a subsequent Class Year, may enter Class Year 2012.

Starting with the Class Year subsequent to Class Year 2012, all parties engaged in performing study work as part of the Annual Transmission Reliability Assessment and Class Year Deliverability Study (collectively, the Class Year Interconnection Facilities Study) are required to use Reasonable Efforts to complete the basic required evaluations and cost estimates for Connecting Transmission Owner's Attachment Facilities, Distribution Upgrades, System Upgrade Facilities, and System Deliverability Upgrades in order that the Class Year Interconnection Facilities Study can be presented to the Operating Committee for approval within twelve (12) months from the Class Year Start Date. Starting with the Class Year subsequent to Class Year 2012, if a new System Deliverability Upgrade is identified (i.e., a System Deliverability Upgrade not previously identified and cost allocated in a Class Year Interconnection Facilities Study and not substantially similar to a System Deliverability Upgrade previously identified and cost allocated in a Class Year Interconnection Facilities Study), an additional six (6) months will be provided within which to perform additional System Deliverability Upgrade studies, subject to Reasonable Efforts, for the study of and development of cost estimates for such a System Deliverability Upgrade.