25.8 Project Cost Allocation Decisions

25.8.1 Project Cost Allocation Figures

Starting with the Class Year subsequent to Class Year 2012, each Developer in the Open Class Year whose project is not yet In-Service will specify an Interconnection Service evaluation election and provide an updated In-Service Date and Commercial Operation Date (subject to the limitations set forth in Sections 30.3.3.1 and 30.4.4.5 of Attachment X) when it executes a Class Year Interconnection Facilities Study Agreement. If the Class Year Project is covered by a new Interconnection Request, the Developer will either elect to be evaluated for ERIS alone, or elect to be evaluated for both ERIS and for some MW level of CRIS, not to exceed the nameplate capacity of its facility; provided however, if the Class Year Project is a BTM:NG Resource, it can elect to be evaluated for ERIS alone, or both ERIS and some MW level of CRIS, not to exceed its Net ICAP. If the Class Year Project is existing and/or already interconnected taking ERIS, the Class Year Project will be evaluated for a MW level of CRIS specified by the Developer, not to exceed the nameplate capacity of its facility, or for a BTM:NG Resource, not to exceed the Net ICAP.

Based on these Interconnection Service evaluation elections, on the Annual Transmission Reliability Assessment update of Interconnection System Reliability Impact Study results, and on the results of the Class Year Deliverability Study, NYISO staff shall, in accordance with these rules, provide the Developer of each interconnection project included in the then current Class Year with a dollar figure for its share of the cost of the System Upgrade Facilities required for reliable interconnection of the project to the New York State Transmission System ("SUF Project Cost Allocation"). The NYISO shall also provide each Class Year Developer requesting CRIS with (i) a dollar figure for its share of the cost of the System Deliverability Upgrades

required for the megawatt level of CRIS requested for the Class Year Project ("SDU Project Cost Allocation"), and (ii) the number of megawatts of Installed Capacity, if any, that are deliverable from the Class Year Project with no new System Deliverability Upgrades ("Deliverable MWs"). The NYISO shall also provide a dollar figure for the total cost of the System Upgrade Facilities and System Deliverability Upgrades required for interconnection of the Class Year Project, as well as a description of the required System Upgrade Facilities and System Deliverability Upgrades, their expected in-service date, and a plan for their installation that is sufficient to verify these dollar figures. The NYISO shall also provide a dollar figure for the total cost of all System Upgrade Facilities required by projects in the Class Year and a dollar figure for the total cost of the System Deliverability Upgrades necessary to support the level of CRIS requested by each Class Year Developer. Each Class Year Developer will be given the Project Cost Allocation(s) and, Deliverable MWs, if any associated with its Interconnection Service evaluation election, as soon as practicable prior to the submittal of the Annual Transmission Reliability Assessment and Class Year Deliverability Study to the Operating Committee.

25.8.2 Decision Periods

Within 30 calendar days following approval of the Annual Transmission Reliability Assessment and Class Year Deliverability Study by the Operating Committee (the "Initial Decision Period"), or within 7 calendar days following the NYISO's issuance of a revised Annual Transmission Reliability Assessment, Class Year Deliverability Study and accompanying Revised Project Cost Allocation and revised Deliverable MWs report, as defined in and pursuant to Section 25.8.3 (a "Subsequent Decision Period"), if applicable, each Developer shall provide notice to the NYISO, in writing and via electronic mail, stating whether it shall -accept (an "Acceptance Notice") or not accept (a "Non-Acceptance Notice") the Project

Cost Allocation(s) and Deliverable MWs, if any, reported to it by the NYISO. Failure to notify the NYISO by the prescribed deadline as to whether a Developer accepts or rejects its Project Cost Allocation and Deliverable MWs, if any, will be deemed a Non-Acceptance Notice. Each Developer may respond with either an Acceptance Notice or a Non-Acceptance Notice to each Project Cost Allocation and Deliverable MWs reported to it by the NYISO. Starting with Class Year 2012, an Acceptance Notice for projects not yet In-Service must also include a confirmed In-Service Date and Commercial Operation Date, subject to the limitations set forth in Section 30.4.4.5 of Attachment X. A Developer in its first Class Year Interconnection Facilities Study and requesting to be evaluated for CRIS may accept both its SDU Project Cost Allocation and its SUF Project Cost Allocation. Alternatively, that Developer may provide a Non-Acceptance Notice for its SDU Project Cost Allocation and at the same time accept, or not accept its Deliverable MWs. Or, as another alternative, that same Developer may elect to interconnect taking ERIS by providing an Acceptance Notice only for its SUF Project Cost Allocation. Starting with Class Year 2012, a Developer that accepts an SUF and/or SDU Project Cost Allocation will not be provided with the option to accept a Revised Project Cost Allocation following a Subsequent Decision Period unless the Revised Project Cost Allocation provides for (1) an increase in the SUF or the SDU Project Cost Allocation; or (2) a decrease in the Class Year Project's Deliverable MWs .

As soon as practicable following receipt of either an Acceptance Notice or Non-Acceptance Notice from each Class Year Developer, but not later than two (2) business days following receipt, the NYISO shall report to all Class Year Developers, in writing and via electronic mail, all of the acceptance Notices and Non-Acceptance Notices that were received from all of the Developers in the then-current Class Year. Starting with Class Year 2012,

consistent with Section 30.4.4.5 of Attachment X, for any project that fails to provide a confirmed In-Service Date and Commercial Operation Date in its Acceptance Notice or that provides a proposed In-Service Date or Commercial Operation Date with its Acceptance Notice that is beyond the time period permissible by Section 30.4.4.5 of Attachment X, the NYISO's Interconnection queue will reflect the latest possible permissible date, even if that requires the NYISO to reject and modify the proposed In-Service Date or Commercial Operation Date provided in the Class Project's Acceptance Notice. Subsequent modifications to a project's In-Service Date or Commercial Operation Date are governed by Section 30.4.4.5.2 of Attachment X.

25.8.2.1 If, following the Initial Decision Period or any Subsequent Decision Period, each and every Developer that remains eligible at that time provides Acceptance Notice(s), each Developer must signify its willingness to pay the Connecting Transmission Owner and Affected Transmission Owner(s) for its share of the required System Upgrade Facilities and System Deliverability Upgrades by (i) satisfying Headroom payment/security posting obligations, if any, as specified in Section 25.8.7.6 and (ii) paying cash or posting Security (as hereinafter defined) in accordance with these rules, for the full amount of its respective Project Cost Allocation within 5 business days after the end of the Initial Decision Period or Subsequent Decision Period, as applicable. "Security" means a bond, irrevocable letter of credit, parent company guarantee or other form of security from an entity with an investment grade rating, executed for the benefit of the Connecting Transmission Owner and Affected Transmission Owner(s), meeting the requirements of these cost allocation rules, and meeting the respective commercially reasonable requirements of the Connecting Transmission Owner and Affected Transmission Owner(s). Security shall be posted to cover the period ending on the date

on which full payment is made to the Connecting Transmission Owner for the System Upgrade Facilities, and the date(s) on which full payment is made to the Connecting Transmission Owner or Affected Transmission Owner(s) for the System Deliverability Upgrades; provided, however, that Security may be posted with a term as short as one year, so long as such Security is replaced no later than 15 business days before its stated expiration. In the event Security is not replaced as required in the preceding sentence, the Connecting Transmission Owner, or an Affected Transmission Owner in the case of Security for System Deliverability Upgrades, shall be entitled to draw upon the Security and convert it to cash, which cash shall be held by the Connecting Transmission Owner or Affected Transmission Owner for the account of the Developer. The round in which no remaining eligible Developers issues an Non-Acceptance Notice or commits a Security Posting Default shall be the final round for that Class Year (the "Final Decision Round").

25.8.2.2 At the end of the Initial Decision Period or any Subsequent Decision Period, if one or more of the Developers in the Class Year provides Non-Acceptance Notice (such event a "Non-Acceptance Event"), then every Developer in the Class Year shall be relieved of its obligation to pay cash or post Security in connection with that version of its Project Cost Allocation for both System Upgrade Facilities and System Deliverability Upgrades. In addition, following the Initial Decision Period or any Subsequent Decision Period, if all Developers in the Class Year provide Acceptance Notice under the Class Year Deliverability Study, the ATRA or both, but one or more of the Developers fails to pay cash or post the Security required hereunder (such event a "Security Posting Default"), then the beneficiaries of the payments and Security posted by the Developers that

did pay or post Security (*e.g.*, the Connecting Transmission Owners and Affected Transmission Owners) shall surrender the cash and posted Security to the respective Developers immediately. The Connecting Transmission Owners or Affected Transmission Owner(s) shall not make any draws or encumbrances on any cash or posted Security unless and until cash has been paid and Security has been posted by all Developers that issued Acceptance Notices in the Final Decision Round.

25.8.2.3 Following the Initial Decision Period, or any Subsequent Decision Period, if a Non-Acceptance Event or a Security Posting Default shall have occurred with respect to the ATRA, the Developer that provided the Non-Acceptance Notice or committed the Security Posting Default with respect to its SUF Project Cost Allocation will be removed by the NYISO from the then current Class Year Interconnection Facilities Study. If a Developer provides an Acceptance Notice and posts the required Security for ifs SUF Project Cost Allocation, or has done so in a prior Class Year, but provides a Non-Acceptance Notice with respect to its SDU Project Cost Allocation, it may issue an Acceptance Notice for its Deliverable MW and interconnect taking CRIS at that level. If the Developer either (i) provides a Non-Acceptance Notice with respect to both its SDU Project Cost Allocation and its Deliverable MWs, or (ii) commits a Security Posting Default with respect to its SDU Project Cost Allocation, then that Developer shall be removed from the Class Year Deliverability Study, but it may continue to participate in the ATRA and interconnect taking ERIS if it provides an Acceptance Notice and posts the required Security for its SUF Project Cost

Allocation. The Developer electing to interconnect taking ERIS may later request, any number of times, to be placed in the then Open Class Year and be evaluated for CRIS. The Developer will not be re-evaluated for ERIS. Once evaluated for CRIS in the later Class Year, the Developer may elect to accept either its SDU Project Cost Allocation or its Deliverable MWs, or the Developer may provide a Non-Acceptance Notice for both its SDU Project Cost Allocation and its Deliverable MWs and continue its interconnection taking ERIS. If the Developer does provide a Non-Acceptance Notice for both its SDU Project Cost Allocation and Deliverable MWs and continues taking ERIS, the Developer may later request to be placed in the then Open Class Year and be evaluated again for CRIS. If, however, a Developer provides a Non-Acceptance Notice or commits a Security Posting Default for its SUF Project Cost Allocation, that Class Year Project shall be removed from both the ATRA and, if applicable, the Class Year Deliverability Study, and that Developer's Interconnection Request will be processed further in accordance with Section 25.6.2.3 above.

25.8.2.4 Whenever projects are removed from an Annual Transmission Reliability Assessment and/or Class Year Deliverability Study, NYISO staff will notify the Developers of the remaining Class Year Projects still included in the Annual Transmission Reliability Assessment and/or Class Year Deliverability Study.

25.8.3 Revised Study Results and Project Cost Allocations

Immediately following receipt of Non-Acceptance Notices for any SDU Project Cost Allocations or SUF Project Cost Allocations or Deliverable MWs, or upon the occurrence of a Security Posting Default, the NYISO shall update the Class Year Interconnection Facilities

Study results for those remaining Class year Projects that continue to be included in the then-current Annual Transmission Reliability Assessment and Class Year Deliverability Study to reflect the impact of Non acceptance Notices and any Security posting Default. The updated Class Year Interconnection Facilities Study shall include updated SUF Project Cost Allocations and updated SDU Project Cost Allocations (each a "Revised Project Cost Allocation") together with a revised Deliverable MWs report. The updated Class Year Interconnection Facilities Study shall be issued as soon as practicable, but in no event later than 14 calendar days following the occurrence of the Non-Acceptance Event or the Security Posting Default that necessitated development of the Revised Project Cost Allocations and revised Deliverable MWs report. The NYISO shall also provide the additional dollar figures relating to total cost and Class Year projects, and the related information, described in Section 25.8.1, above. Following the issuance of the revised Annual Transmission Reliability Assessment and Class Year Deliverability Study, and the issuance of Revised Project Cost Allocations and the revised Deliverable MWs report, each remaining Developer shall provide notice to the NYISO within 7 calendar days whether it will accept its respective Revised Project Cost Allocation and revised Deliverable MWs.

25.8.4 Completion of Decision Process

The process set forth in Sections 25.8.2 through 25.8.3 shall be repeated until either (a) none of the remaining eligible Developers in the Class Year provides a Non-Acceptance Notice or commits a Security Posting Default, or (b) all Developers have dropped out of the Class Year.

25.8.5 Forfeiture of Security

With the exception of the requirement that cash and Security shall be surrendered back to the issuing Developer in connection with another Developer's Security Posting Default, once a Developer has accepted the Project Cost Allocation(s) or Revised Project Cost Allocation(s)

appropriate for its Interconnection Service election, as the case may be, and paid cash and posted Security or posted Security for that amount, such cash payment and Security shall be irrevocable and shall be subject to forfeiture as provided herein in the event that the Developer that paid cash and posted Security or posted the Security subsequently terminates or abandons development of its project. Any cash and Security previously posted on a terminated interconnection project will be subject to forfeiture to the extent necessary to defray the cost of the System Upgrade Facilities and System Deliverability Upgrades required for the projects still included in the Annual Transmission Reliability Assessment and Class Year Deliverability Study, but only as described below. Security for System Upgrade Facilities constructed by the Developer (i.e., for which the Developer elects the option to build), shall be reduced after discrete portions of the System Upgrade Facilities have been completed, such reductions to be based on cost estimates from the Class Year Interconnection Facilities Study, subject to review by the Connecting Transmission Owner, and transfer of ownership to the Connecting Transmission Owner as applicable of all subject property, free and clear of any liens, as well as transfer of title and any transferable equipment warranties reasonably acceptable to the Connecting Transmission Owner. For System Upgrade Facilities constructed by the Connecting Transmission Owner, Security shall be reduced after discrete portions of the System Upgrade Facilities have been completed by the Transmission Owner and paid for by the Developer, on a dollar-for-dollar basis for payments made to the Connecting Transmission Owner pursuant to an E&P Agreement or Interconnection Agreement, subject to the Connecting Transmission Owner's review and approval.

25.8.6 Developer's Future Cost Responsibility

Once a Developer has accepted a Project Cost Allocation or Revised Project Cost Allocation, as the case may be, in the Final Decision Round and paid cash and posted Security or

posted Security for that amount, then the accepted figure caps the Developer's maximum potential responsibility for the cost of System Upgrade Facilities and System Deliverability Upgrades required for its project, except as discussed below.

25.8.6.1 If the portion of the Highway System Deliverability Upgrades required to make the Developer's generator or merchant transmission facility deliverable is less than 90% of the total size of the Highway System Deliverability Upgrade identified for the Developer's project, and the Developer elects to commit to pay for its proportionate share of the Highway System Deliverability Upgrade by posting Security instead of paying cash, then the Developer's allocated cost of the Highway System Deliverability Upgrade will be increased during the period of construction deferral by application of a construction inflation adjustment, as discussed in Section 25.7.12.2 of these rules. When deferred construction of the Highway System Deliverability Upgrade commences, the Developer will be responsible for actual costs in excess of the secured amount only when the excess results from changes to the operating characteristics of the Developer's project. If the portion of the System Deliverability Upgrades for a Highway System Deliverability Upgrade required to make one or more generators or merchant transmission facilities in a Class Year deliverable is ninety percent (90%) or more of the total size (measured in MW) of the System Deliverability Upgrades, construction is not deferred, and those Developers will be responsible for actual costs in excess of the secured amount in accordance with the rules in Sections 25.8.6.2-25.8.6.4 of this Attachment S.

25.8.6.2 If the actual cost of the Developer's share of required System Upgrade Facilities or System Deliverability Upgrades is less than the agreed-to and secured amount, the Developer is responsible only for the actual cost figure.

25.8.6.3 If the actual cost of the Developer's share of required System Upgrade Facilities or System Deliverability Upgrades would be greater than the agreed-to and secured amount because other projects have been expanded, accelerated, otherwise modified or terminated, including transmission projects evaluated pursuant to Attachment FF to the OATT and their required upgrades, as identified pursuant to Attachment FF to the OATT, then the Developer is responsible only for the agreed-to and secured amount for its project. The additional cost is covered by the Developers of the modified projects, in accordance with these cost allocation rules, or by the drawing on the cash that has been paid and the Security that has been posted for terminated projects, depending on the factors that caused the additional cost. Forfeitable cash and Security will be drawn on only as needed for this purpose, and only to the extent that the terminated project associated with that Security has caused additional cost.

25.8.6.4 If the actual cost of the Developer's share of required System Upgrade Facilities or System Deliverability Upgrades is greater than the agreed-to and secured amount because of circumstances that are not within the control of the Connecting Transmission Owner or Affected Transmission Owner(s) (such as, for example: (i) changes to the design or operating characteristics of the Class Year Project that impact the scope or cost of related System Upgrade Facilities or System Deliverability Upgrades; (ii) any costs that were not within the scope of

the Class Year Interconnection Facilities Study that subsequently become known as part of the final construction design; or (iii) cost escalation of materials or labor, or changes in the commercial availability of physical components required for construction), the cost cap shall be adjusted by any such amount and the Developer or the Load Serving Entity will pay the additional costs to the Connecting Transmission Owner or Affected Transmission Owner(s) as such costs are incurred by each of them. However, to the extent that some or all of the excess cost is due to factors within the control of the Connecting Transmission Owner or the Affected Transmission Owner(s) (such as, for example, additional construction man-hours due to Connecting Transmission Owner or the Affected Transmission Owner(s) management, or correcting equipment scope deficiencies due to Connecting Transmission Owner or the Affected Transmission Owner(s) oversights), then that portion of the excess cost will be borne by the Connecting Transmission Owner or the Affected Transmission Owner(s). Disputes between the Developer and the Connecting Transmission Owner concerning costs in excess of the agreed-to and secured amount will be resolved by the parties in accordance with the terms and conditions of their interconnection agreement. Disputes between the Developer and an Affected Transmission Owner will be resolved in accordance with Section 30.13.5 of the LFIP, or Section 32.4.2 of Attachment Z, as applicable.

25.8.7 Headroom Accounting

If, pursuant to these rules, a Developer, Connecting Transmission Owner, Affected Transmission Owner or Load Serving Entity (each an “Entity”) pays for any System Upgrade

Facilities or System Deliverability Upgrades, or for any Attachment Facilities or Distribution Upgrades that are later determined to be System Upgrade Facilities or System Deliverability Upgrades, that create "Headroom", and pays for the Headroom that is created, then that Entity will be paid the depreciated cost of that Headroom by the Developer of any subsequent project that interconnects and uses the Headroom within the applicable period of time following the creation of the Headroom, as specified in Section 25.8.7.4.3 herein. The NYISO will depreciate Headroom cost in accordance with Section 25.8.7.3 herein.

25.8.7.1 Developers of terminated projects who have paid for Headroom with forfeited cash or Security instruments, as well as Developers of completed projects who have paid for Headroom, will be repaid in accordance with these rules.

25.8.7.2 The Developer of the subsequent project shall pay the prior Entity as soon as the cost responsibilities of the subsequent Developer are determined in accordance with these rules. In the case of Headroom created by Load Serving Entity funding Highway System Deliverability Upgrades pursuant to Schedule 12 of the NYISO OATT, the Developer of the subsequent project shall pay the Connecting Transmission Owner, and any Affected Transmission Owner(s), that are receiving or will receive Load Serving Entity funding for the Highway System Deliverability Upgrades pursuant to Schedule 12 of the NYISO OATT. Upon receipt of the Developer Headroom payment, the Connecting Transmission Owner and any Affected Transmission Owner(s), will make the rate adjustment(s) called for by Section 6.12.4.1.3 of Schedule 12 of the NYISO OATT.

25.8.7.3 The NYISO will determine the depreciated cost of the System Upgrade Facilities and/or System Deliverability Upgrades associated with the Entity - created Headroom using one of the following two methods:

25.8.7.3.1 In all cases except the case of Highway System Deliverability Upgrades funded by Load Serving Entities pursuant to Schedule 12 of the NYISO OATT, the NYISO will use the FERC-approved depreciation schedule applied to comparable facilities by the Connecting Transmission Owner or the applicable Affected Transmission Owner. The NYISO will depreciate the Headroom cost annually, starting with the year when the Headroom account is first established.

25.8.7.3.2 In the case of Highway System Deliverability Upgrades funded by Load Serving Entities pursuant to Schedule 12 of the NYISO OATT, the NYISO will use the FERC-approved depreciation schedule applied to the particular Highway System Deliverability Upgrades by the Connecting Transmission Owner or the applicable Affected Transmission Owner pursuant to Schedule 12 of the NYISO OATT. The NYISO will depreciate the Headroom cost annually, starting with the year the Highway System Deliverability Upgrade is placed in service. If a Class Year Deliverability Study determines that a Class Year project uses Headroom on such a Highway System Deliverability Upgrade before the Highway System Deliverability Upgrade has been placed in service, the NYISO will calculate the Headroom use payment obligation of the Class Year project using the undepreciated cost of the Headroom.

25.8.7.4 Entity-created Headroom will be measured by the NYISO in accordance with these rules. The use that a subsequent project makes of Entity -created Headroom will also be measured by the NYISO in accordance with these rules.

25.8.7.4.1 In the case of Headroom on System Upgrade Facilities that have an excess functional capacity not readily measured in amperes or other discrete electrical units, the use that each subsequent project makes of the Entity-created Headroom will be measured solely by using the total number of projects in the current and prior Class Years needing or using the System Upgrade Facility.

25.8.7.4.1.1 The use that each project in a subsequent Class Year makes of Headroom on such a System Upgrade Facility will be measured as an amount equal to (1/b), where "b" is the total number of projects in all prior and current Class Years using the System Upgrade Facility.

25.8.7.4.1.2 Each Developer in a subsequent Class Year that uses Headroom on such a System Upgrade Facility will make a Headroom payment to all prior Developers that have previously made payments for that System Upgrade Facility, both the prior Developers that have previously made Headroom payments and the Developers in the first Class Year that paid for the original installation of the System Upgrade Facility. The amount of the Headroom payment to each prior Developer that each Developer in a subsequent Class Year must make for its use of Headroom on such a System Upgrade Facility will be an amount equal to c/(b)x(d), where "c" is the depreciated cost of the System Upgrade Facility at the time of the subsequent Class Year Interconnection Facilities Study, "b" is the total number of projects in all prior and current Class Years using the System Upgrade

Facility, and "d" is the total number of projects in all the prior Class Years that have previously made payments for the System Upgrade Facility, both Headroom payments and payments for original installation.

25.8.7.4.2 In the case of System Upgrade Facilities or System Deliverability Upgrades that have an excess capacity readily measured in amperes or other discrete electrical units, the use the subsequent project makes of the Entity-created Headroom will be measured in terms of the electrical impact of the subsequent project, as that electrical impact is determined by the NYISO in accordance with these rules.

25.8.7.4.3 The NYISO will publish accounts showing the Headroom for each Class Year of Developers and other Entities, and will update those accounts to reflect the impact of subsequent projects. With the exception of Headroom on Highway System Deliverability Upgrades funded by Load Serving Entities pursuant to Schedule 12 of the NYISO OATT, the NYISO will close the Headroom account of an Entity when the electrical values in the account are reduced to zero or when ten years have passed since the establishment of the account, whichever occurs first.

25.8.7.4.3.1 In the case of Headroom on Highway System Deliverability Upgrades funded by Load Serving Entities pursuant to Schedule 12 of the NYISO OATT, the NYISO will close the Headroom account of the Load Serving Entity when the MW value in the account is reduced to zero, or at the end of the useful financial life of the Highway System Deliverability Upgrades, whichever occurs first.

25.8.7.4.4 If a subsequent Developer uses up all the Headroom of an earlier Entity, and also triggers the need for a new System Upgrade Facility or System Deliverability Upgrade, then the subsequent Developer will pay the Connecting Transmission Owner or Affected Transmission Owner for the new System Upgrade Facility or System Deliverability Upgrade, but will not pay the earlier Entity for the Headroom used up or the account extinguished. However, the earlier Entity will get a new Headroom account and a *pro rata* share of the Headroom in the new System Upgrade Facility or System Deliverability Upgrade purchased by the subsequent Developer. The economic value of this *pro rata* share will be equal to the economic value of the earlier Entity's Headroom account that was extinguished by the subsequent Developer.

25.8.7.5 For Class Years 2001 and 2002, the NYISO shall account for Headroom as provided by the Non-Financial Settlement. Developers in Class Year 2002 shall reimburse Class Year 2001 Developers in accordance with the terms of the Non-Financial Settlement.

25.8.7.6 The Developer of the subsequent project shall pay the prior Entity within the five (5) business day period specified in Section 25.8.2.1 of this Attachment S. Headroom obligations related to a System Upgrade Facility that has been fully constructed must be satisfied by cash payment. Starting with Class Year 2012, all remaining Headroom obligations may be satisfied by a form of "Headroom Security" – a bond, irrevocable letter of credit, parent company guarantee or other form of security from an entity with an investment grade rating, executed for the benefit of the prior Entity, meeting the requirements of these cost

allocation rules, and meeting the respective commercially reasonable requirements of the prior Entity. Headroom Security shall be posted to cover the period ending on the date on which full payment is made to the prior Entity for the Headroom obligation; provided, however, that Headroom Security may be posted with a term as short as one year, so long as such Headroom Security is replaced no later than fifteen (15) business days before its stated expiration. In the event Headroom Security is not replaced as required in the preceding sentence, the prior Entity shall be entitled to draw upon the Headroom Security and convert it to cash, which cash shall be held by the prior Entity for the account of the Developer.

25.8.8 Headroom Account Adjustments in the ATBA

In addition to the adjustments made by the NYISO in Headroom accounts to reflect the impact of subsequent projects, the NYISO will make other adjustments to Headroom accounts when preparing for each Annual Transmission Baseline Assessment. The NYISO will make these adjustments to reflect the impact of changes in the Existing System Representation modeled for the Annual Transmission Baseline Assessment that result from the installation, expansion or retirement of generation and transmission facilities for load growth and changes in load patterns. Such changes in the Existing System Representation can also result from changes in these rules or the criteria, methods or, software used to apply these rules.

25.8.8.1 No compensation will be paid as a result of these changes to the Existing System Representation. However, the NYISO will adjust the ratios of dollars to electrical values in each Entity's account to maintain the economic value of the

Entity's account that existed before the changes were made in the Existing System Representation.

25.8.8.2 The NYISO will make no adjustments to Headroom accounts for the impact of subsequent generic solutions, except in those cases where the generic solution is a Class Year project and the adjustment is made to reflect the impact of the Class Year project.

25.8.9 Rate Base Facilities

With the exception of Developer use of Headroom created by Load Serving Entity funding of Highway System Deliverability Upgrades pursuant to Schedule 12 of the NYISO OATT, Developers are not charged for their use of any rate base facilities, except to the degree applicable as customers taking service in accordance with the rates, if any, that apply to those facilities.