

2.13 Bid

Offer to purchase and/or sell Energy, Demand Reductions, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.

2.14 Bid Price

The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

2.15 Bid Production Cost

Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running cost and Minimum Generation and Start-Up Bid).

2.15a Bidder

An entity that bids to purchase Unforced Capacity in an Installed Capacity auction.

2.16 Bilateral Transaction

A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the ISO Administered Markets.

2.17 Capability Period

Six-month periods which are established as follows: (i) from May 1 through October 31 of each year (“Summer Capability Period”); and (ii) from November 1 of each year through April 30 of the following year (“Winter Capability Period”).

2.17a Capability Period Auction

An auction conducted no later than thirty (30) days prior to the start of each Capability Period in which Unforced Capacity may be purchased and sold in a six-month strip.

2.17b Capability Year

A Summer Capability Period, followed by a Winter Capability Period (*i.e.*, May 1 through April 30).

2.18 Capacity

The capability to generate or transmit electrical power, measured in megawatts (“MW”).

2.18a Capacity Limited Resource

A Resource that is constrained in its ability to supply Energy above its Normal Upper Operating Limit by operational or plant configuration characteristics. Capacity Limited Resources must register their Capacity limiting characteristics with, and justify them to, the ISO consistent with ISO Procedures. Capacity Limited Resources may submit a schedule indicating that their Normal Upper Operating Limit is a function depending on one or more variables, such as temperature or pondage levels, in which case the Normal Upper Operating Limit applicable at any time shall be determined by reference to that schedule.

2.18b CARL Data

Control Area Resource and Load (“CARL”) data submitted by Control Area System Resources to the ISO.

2.19 Centralized Transmission Congestion Contracts (“TCC”) Auction (“Auction”)

The process by which TCCs are released for sale for the Centralized TCC Auction period, through a bidding process administered by the ISO or an auctioneer.

2.20 Class A Unit

A Generator or Dispatchable Load that participates in nominal five (5) minute SCD dispatch.

2.21 Class B Unit

A Generator or Dispatchable Load that is not participating in the nominal five (5) minute SCD dispatch, but offers to provide spinning reserves to the ISO.

2.31 Contingency

An actual or potential unexpected failure or outage of a system component, such as a Generator, transmission line, circuit breaker, switch or other electrical element. A Contingency also may include multiple components, which are related by situations leading to simultaneous component outages.

2.32 Control Area

An electric system or combination of electric power systems to which a common Automatic Generation Control scheme is applied in order to: (1) match, at all times, the power output of the Generators within the electric power system(s) and Capacity and Energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating Capacity to maintain operating reserves in accordance with Good Utility Practice.

2.32a Control Area System Resource

A set of Resources owned or controlled by an entity within a Control Area that also is the operator of such Control Area. Entities supplying Unforced Capacity using Control Area System Resources will not designate particular Resources as the suppliers of Unforced Capacity.

output or have its Transmission Service Curtailed, and purchase Energy in the LBMP Markets.

If Decremental Bids are not voluntarily provided by such entities, the ISO will enter a default Decremental Bid.

2.38a Deficiency Procurement Auction

An auction conducted pursuant to Section 5.14.1(a) of this Tariff to procure sufficient Unforced Capacity to cover the remainder of LSEs' Unforced Capacity requirements for an Obligation Procurement Period.

2.38b Demand Reduction

A quantity of reduced electricity demand from a Demand Side Resource that is bid, produced, purchased and sold over a period of time and measured or calculated in Megawatt hours.

2.38c Demand Reduction Incentive Payment

A payment to Demand Reduction Providers that are scheduled to make Day-Ahead Demand Reductions that are not supplied by a Local Generator. The payment shall be equal to the product of: (a) the Day-Ahead hourly LBMP at the applicable Demand Reduction bus; and (b) the lesser of the actual hourly Demand Reduction or the Day-Ahead scheduled hourly Demand Reduction in MW. Demand Reduction Incentive Payments shall not be made after October 31, 2003.

2.43 Dispatchable

A Generator or Load that is capable of responding to real-time control from the ISO.

2.44 Dispatch Day

The twenty-four (24) hour period commencing at the beginning of each day (0000 hour).

2.45 Dispute Resolution Administrator (“DRA”)

An individual hired by the ISO to administer the Dispute Resolution Process established in the ISO Tariffs and ISO Agreement.

2.46 Dispute Resolution Process (“DRP”)

The procedures: (1) described in the ISO Tariffs and the ISO Agreement that are used to resolve disputes between Market Participants and the ISO involving services provided under the ISO Tariffs (excluding applications for rate changes or other changes to the ISO Tariffs or rules relating to such services); and (2) described in the ISO/NYSRC Agreement that are used to resolve disputes between the ISO and NYSRC involving the implementation and/or application of the Reliability Rules.

2.46a DMNC Test Period

The period within a Capability Period during which a Resource required to do so pursuant to ISO procedures shall conduct a DMNC test if that DMNC test is to be valid for

purposes of determining the amount of Installed Capacity used to calculate the Unforced Capacity that this Resource is permitted to supply to the NYCA. Such periods will be established pursuant to the ISO Procedures.

2.46b Economic Operating Point

A point on a Supplier's Bid curve, established pursuant to ISO Procedures, that is a function of the Real-Time LBMP at the Supplier's bus, the Supplier's real-time Energy injection, Hour-Ahead Bid curve, real-time schedule, stated ramp rate and the Supplier's Economic Operating Point in the previous SCD interval, which may be the Supplier's Real-Time Scheduled Energy Injection. A Supplier's Economic Operation Point maybe above, below, or equal to its Real-Time Scheduled Energy Injection.

2.47 Emergency

Any abnormal system condition that requires immediate automatic or manual action to prevent or limit loss of transmission facilities or Generators that could adversely affect the reliability of an electric system.

2.47a Emergency Demand Response Program ("EDRP")

A program pursuant to which the ISO makes payments to Curtailment Service Providers that voluntarily take effective steps in real time, pursuant to ISO procedures, to reduce NYCA demand in Emergency conditions.

2.49b Equivalent Demand Forced Outage Rate

The portion of time a unit is in demand, but is unavailable due to forced outages.

2.49c Excess Amount

The difference, if any, between the dollar amounts charged to purchasers of Unforced Capacity in an ISO-administered Unforced Capacity auction and the dollar amounts paid to sellers of Unforced Capacity in that ISO-administered Installed Capacity auction.

2.50 Excess Congestion Rents

Congestion revenues in the Day-Ahead Market for Energy collected by the ISO that are in excess of its Day-Ahead payment obligations. Excess Congestion Rents may arise if Congestion occurs in the Day-Ahead Market for Energy and if the Day-Ahead Transfer Capability of the transmission system is not exhausted by the set of TCCs and Grandfathered Rights that have been allocated at the completion of the last Centralized TCC Auction.

2.51 Existing Transmission Capacity for Native Load ("ETCNL")

Transmission Capacity reserved on a Transmission Owner's transmission system to serve the Native Load Customers of the current Transmission Owners (as of the filing date of the original ISO Tariff - January 31, 1997). This includes transmission Capacity required: (1) to deliver the output from operating facilities located out of a Transmission Owner's Transmission

District; (2) to deliver power purchased under power supply contracts; and (3) to deliver power purchased under third party agreements (i.e., Non-Utility Generators). Existing Transmission Capacity for Native Load is listed in Attachment L of the ISO OATT.

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Issued on: July 6, 2001

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2.65 Grandfathered TCCs

The TCCs associated with: (1) Modified Wheeling Agreements; (2) Transmission Facility Agreements with transmission wheeling provisions; (3) Third Party TWA where the party entitled to exercise the transmission rights associated with such Agreements has chosen, as provided by the Tariff, to convert those rights to TCCs; and (4) Existing Transmission Capacity for Native Load, Table 3 of Attachment L to the ISO OATT.

2.66 Hour-Ahead Bid

A bid submitted at least ninety (90) minutes before the dispatch hour to which it applies.

2.67 Imports

Transmission Service originating within another Control Area and wheeling into the NYCA.

2.68 Inadvertent Energy Accounting

The accounting performed to track and reconcile the difference between net actual Energy interchange and scheduled Energy interchange of a Control Area with adjacent Control Areas.

2.68a In-City

Located electrically within the New York City Locality (LBMP Load Zone J).

2.69 Incremental Bid

A monotonically increasing bid curve with a finite number of break points

that indicates an entity's willingness to supply Energy at certain prices to the ISO Administered LBMP Markets.

2.70 Independent System Operator ("ISO")

The New York Independent System Operator, Inc., a not-for-profit corporation established pursuant to the ISO Agreement.

2.71 Independent System Operator Agreement ("ISO Agreement")

The agreement that establishes the New York ISO.

2.72 Independent System Operator/New York State Reliability Council ("ISO/NYSRC Agreement")

The agreement between the ISO and the New York State Reliability Council governing the relationship between the two organizations.

2.73 Independent System Operator-Transmission Owner Agreement ("ISO/TO Agreement")

The agreement that establishes the terms and conditions under which the Transmission Owners transferred to the ISO Operational Control over designated transmission facilities.

2.74 Installed Capacity

External or Internal Capacity, in increments of 100 kW, that is made-available pursuant to Tariff requirements and ISO Procedures.

2.74a Installed Capacity Equivalent

The Resource capability that corresponds to it Unforced Capacity, calculated in accordance with ISO Procedures.

2.74b Installed Capacity Marketer

An entity which has signed this Tariff and which purchases Unforced Capacity from qualified Installed Capacity Suppliers, or from LSEs with excess Unforced Capacity, either bilaterally or through an ISO-administered auction. Installed Capacity Marketers that purchase Unforced Capacity through an ISO-administered auction may only resell Unforced Capacity purchased in such auctions in the NYCA.

2.74c Installed Capacity Supplier

An Energy Limited Resource, Generator, Installed Capacity Marketer, Interruptible Load Resource, Special Case Resource, Intermittent Power Resource, municipally-owned generation, System Resource or Control Area System Resource that satisfies the ISO's qualification requirements for supplying Unforced Capacity to the NYCA.

2.75 Interconnection or Interconnection Points ("IP")

The point(s) at which the NYCA connects with a distribution system or adjacent Control Area. The IP may be a single tie line or several tie lines that are operated in parallel.

2.76 Interface

A defined set of transmission facilities that separate Load Zones and that separate the NYCA from adjacent Control Areas.

2.77 Interface MW - Mile Methodology

The procedure used to allocate Residual TCCs, revenues from the sale of certain TCCs, and Excess Congestion Rents between the Transmission Owners as described in Attachment K to the ISO OATT.

2.77a Intermittent Power Resource

Capacity resources that depend upon wind or solar energy for their fuel.

Price) resulting from the Congestion and Marginal Losses occurring on the NYS Transmission System and the impact of Fixed Block Units which are associated with supplying an increment of Load. The term LBMP also means the price of Energy bought or sold in the LBMP Markets at a specific location.

2.98 Locational Installed Capacity Requirement

A determination of the ISO of that portion of the NYCA Unforced Capacity Requirement that must be electrically located within a Locality, in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

2.99 Lost Opportunity Cost

The foregone profit associated with the provision of Ancillary Services, which is equal to the product of: (1) the difference between (a) the Energy that a Generator could have sold at the specific LBMP and (b) the Energy sold as a result of reducing the Generator's output to provide an Ancillary Service under the directions of the ISO; and (2) the LBMP existing at the time the Generator was instructed to provide the Ancillary Service, less the Generator's Energy bid for the same MW segment.

2.100 Major Emergency State

An Emergency accompanied by abnormal frequency, abnormal voltage and/or equipment overloads that create a serious risk that the reliability of the NYS Power System could be adversely affected.

2.101 Marginal Losses

The NYS Transmission System Real Power Losses associated with each additional MWh of consumption by Load, or each additional MWh transmitted under a Bilateral Transaction as measured at the Points of Withdrawal.

2.102 Marginal Losses Component

The component of LBMP at a bus that accounts for the Marginal Losses, as measured between that bus and the Reference Bus.

2.102a Market-Clearing Price

The price determined in an Installed Capacity auction for each ISO-defined Locality, the remainder of the NYCA and each adjacent External Control Area for which all offers to sell and bids to purchase Unforced Capacity are in equilibrium.

2.103 Market Participant

An entity, excluding the ISO, that produces, transmits, sells, and/or purchase for resale Unforced Capacity, Energy or Ancillary Services in the Wholesale Market. Market Participants include: Transmission Customers under the ISO OATT, Customers under the ISO Services Tariff, Power Exchanges, Transmission Owners, Primary Holders, LSEs, Suppliers and their designated agents. Market Participants also include entities buying or selling TCCs.

2.120a NYCA Installed Capacity Requirement

The requirement established for each Capability Year by multiplying the NYCA peak Load forecasted by the ISO by the quantity one plus the NYCA Installed Reserve Margin.

2.120b NYCA Installed Reserve Margin

The ratio of the amount of additional Installed Capacity required by the NYSRC in order for the NYCA to meet NPCC reliability criteria to the forecasted NYCA upcoming Capability Year peak Load, expressed as a decimal.

2.120c NYCA Unforced Capacity Requirement

The Unforced Capacity equivalent of the NYCA Installed Capacity Requirement.

2.121 NYPA

The Power Authority of the State of New York.

2.122 NYPA Tax-Exempt Bonds

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

2.122a Obligation Procurement Period

The period of time for which LSEs shall be required to satisfy their Unforced Capacity requirements. Starting with the 2001-2002 Winter Capability Period, Obligation Procurement Periods shall be one calendar month in duration and shall begin on the first day of each calendar month.

2.123 Off-Dispatch

A Dispatchable Generator or Load that is not capable of responding to computer-issued ISO instructions but is capable of responding to ISO orders relayed by telephone.

2.124 Off-Peak

The hours between 11 p.m. and 7 a.m., prevailing Eastern Time, Monday through Friday, and all day Saturday and Sunday, and NERC-defined holidays, or as otherwise decided by ISO.

2.124a Offeror

An entity that offers to sell Unforced Capacity in an auction.

2.125 On-Dispatch

A Dispatchable Generator or Load that is capable of responding to computer-issued ISO instructions.

2.140 Point(s) of Withdrawal (“POW” or “Point of Delivery”)

The point(s) on the NYS Transmission System where Energy, Capacity and Ancillary Services will be made available to the receiving party under the ISO OATT or the ISO Services Tariff. The Point(s) of Withdrawal shall be specified in the Service Agreement.

2.141 Pool Control Error (“PCE”)

The difference between the actual and scheduled interchange with other Control Areas, adjusted for frequency bias.

2.142 Post Contingency

Conditions existing on a system immediately following a Contingency.

2.143 Power Exchange (“PE”)

A commercial entity meeting the requirements for service under the ISO OATT or the ISO Services Tariff that facilitates the purchase and/or sale of Energy, Unforced Capacity and/or Ancillary Services in a New York Wholesale Market. A PE may transact with the ISO on its own behalf or as an agent for others.

2.144 Power Factor

The ratio of real power to apparent power (the product of volts and amperes, expressed in megavolt-amperes, MVA).

2.145 Power Factor Criteria

Criteria to be established by the ISO to monitor a Load’s use of Reactive Power.

2.177a System Resource

A portfolio of Unforced Capacity provided by Resources located in a single ISO-defined Locality, the remainder of the NYCA, or any single External Control Area, that is owned by or under the control of a single entity, which is not the operator of the Control Area where such Resources are located, and that is made available, in whole or in part, to the ISO.

2.178 Third Party Transmission Wheeling Agreements ("Third Party TWAs")

A Transmission Wheeling Agreement, as amended, between Transmission Owner or between a Transmission Owner and an entity that is not a Transmission Owner associated with the purchase (or sale) of Energy, Capacity, and/or Ancillary Services for the benefit of an entity that is not a Transmission Owner. These agreements are listed in Table 1 of Attachment L to the ISO OATT.

2.179 Total Transfer Capability ("TTC")

The amount of electric power that can be transferred over the interconnected transmission network in a reliable manner.

2.180 Transaction

The purchase and/or sale of Energy or Capacity, or the sale of Ancillary Services.

2.181 Transfer Capability

The measure of the ability of interconnected electrical systems to reliably move or

2.192 Transmission System

The facilities operated by the ISO that are used to provide Transmission Services under the ISO OATT.

2.193 Transmission Usage Charge (“TUC”)

Payments made by the Transmission Customer to cover the cost of Marginal Losses and, during periods of time when the transmission system is constrained, the marginal cost of Congestion. The TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in \$/MWh); and (2) the scheduled or delivered Energy (in MWh).

2.194 Transmission Wheeling Agreement (“TWA”)

The Agreements listed in Table 1 of Attachment L to the ISO OATT governing the use of specific or designated transmission facilities that are owned, controlled or operated by an entity for the transmission of Energy in interstate commerce.

2.194a Unforced Capacity

The measure by which Installed Capacity Suppliers will be rated, in accordance with formulae set forth in the ISO Procedures, to quantify the extent of their contribution to satisfy the NYCA Installed Capacity Requirement, and which will be used to measure the portion of that NYCA Installed Capacity Requirement for which each LSE is responsible.

2.195 Wheels Through

Transmission Service, originating in another Control Area, that is wheeled through the NYCA to another Control Area.

2.196 Wholesale Market

The sum of purchases and sales of Energy and Capacity for resale along with Ancillary Services needed to maintain reliability and power quality at the transmission level coordinated together through the ISO and Power Exchanges. A party who purchases Energy, Capacity or Ancillary Services in the Wholesale Market to serve its own Load is considered to be a participant in the Wholesale Market.

accordingly. Each Supplier must initially specify the configuration of the plant for purposes of bidding aggregation and must then maintain bidding and data interfaces consistent with that configuration. Similar modeling, control and bidding Constraints apply to an LSE that bids Load that is Dispatchable by the ISO.

5.9 Installed Capacity - Implementation of Revised Installed Capacity Market Provisions

Beginning with the 2001-2002 Winter Capability Period, Sections 5.10 through 5.16 of this Tariff, implementing a revised Installed Capacity market design, shall govern the Unforced Capacity requirements of LSEs, the qualification of Installed Capacity Suppliers, and the ISO's administration of Installed Capacity auctions. If, however, it is impossible to implement the revised Installed Capacity provisions in time for the 2001-2002 Winter Capability Period because they are not accepted by the Commission in time to implement the provisions, including resolution of the translation of the price cap for In-City mitigated units, or technical problems make timely implementation possible, the then effective Sections 5.9 through 5.16 of this Tariff, which implement the transitional Installed Capacity market design, shall continue in effect until such time as it is possible to implement this revised Installed Capacity market design.

5.10 NYCA Installed Capacity Requirement

The NYCA Installed Capacity Requirement is derived from the NYCA Installed Reserve Margin, which is established each year by the NYSRC. The NYCA Installed Capacity Requirement for the Capability Year beginning each May 1 will be established by multiplying the NYCA peak Load forecasted by the ISO by the quantity of one plus the NYCA Installed Reserve Margin. Beginning with the 2001-2002 Winter Capability Period, the ISO shall translate the NYCA Installed Reserve Margin, and thus the NYCA Installed Capacity Requirement, into a NYCA Unforced Capacity Requirement, in accordance with the ISO Procedures.

The ISO will calculate a NYCA peak Load each year by applying regional Load growth factors to the prior calendar year's Adjusted Actual Peak

Load. Regional Load growth factors shall be proposed by the Transmission Owners and reviewed by the ISO pursuant to procedures agreed to by Market Participants and described in the ISO Procedures. Disputes concerning the development of regional Load growth factors shall be resolved through the Expedited Dispute Resolution Procedures forth in Section 5.16 of this Tariff.

The ISO shall determine the amount of Unforced Capacity that must be sited within the NYCA, and within each Locality, and the amount of Unforced Capacity that may be procured from areas External to the NYCA, in a manner consistent with the Reliability Rules.

5.11 Requirements Applicable to LSEs

5.11.1 Allocation of the NYCA Installed Capacity Requirement to LSEs

Each Transmission Owner and each municipal electric utility will submit to the ISO, for its review pursuant to mutually agreed upon procedures which shall be described in the ISO Procedures, a weather-adjusted Capability Year peak Load forecast for its Transmission District. The ISO Procedures shall authorize the ISO to approve each Transmission Owner's forecasting methodology. Each Transmission District's peak Load forecast shall assume, as a starting point, the relevant Transmission District's Adjusted Actual Peak Load during the prior calendar year, and shall incorporate regional Load growth factors developed pursuant to Section 5.10 of this Tariff. Each Transmission Owner must also submit aggregate peak Load data, coincident with the

Transmission District peak, for all customers served by each LSE active within its Transmission District. The aggregate peak Load data may be derived from direct meters or Load profiles of the customers served. Each Transmission Owner shall be required to submit such forecasts and aggregate peak Load data in accordance with the ISO Procedures. Each municipal electric utility may choose to submit its peak Load forecast based on the Transmission District's peak Load forecast provided by a Transmission Owner or to provide its own. Any disputes arising out of the submittals required in this paragraph shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

All aggregate peak Load data submitted by a Transmission Owner must be accompanied by documentation indicating that each affected LSE has been provided the data regarding the assignment of customers to the affected LSE. Any disputes between LSEs and Transmission Owners regarding such data or assignments shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, or the Transmission Owner's retail access procedures, as applicable.

The ISO shall allocate the NYCA Installed Capacity Requirement among all LSEs serving Load in the NYCA prior to the beginning of each Capability Year. Each LSE's Unforced Capacity requirement will equal the product of: (i) the NYCA Installed Capacity Requirement as translated into a NYCA Unforced Capacity Requirement; and (ii) the peak Load of that LSE's customers in each Transmission District, coincident with the Transmission District peak, adjusted for applicable regional Load growth, divided by the sum of the forecasted peak Loads located in all

Transmission Districts.

Prior to the beginning of each Capability Year, the ISO shall calculate a preliminary Unforced Capacity requirement estimate for each LSE, reflecting documented Load-shifting adjustments; provide it to each LSE; and notify each LSE of its final Unforced Capacity requirement applicable at the beginning of the Capability Year, all in accordance with the ISO Procedures. Transmission Owners shall submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting, in accordance with the ISO Procedures. In the event that there is a pending dispute regarding a Transmission Owner's forecast, the ISO shall nevertheless establish each LSE's final Unforced Capacity requirement in accordance with the schedule established in the ISO Procedures, subject to possible adjustments that may be required as a result of resolution of the dispute through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

Each month, as Transmission Owners report customers gained and lost by LSEs through Load-shifting, the ISO will adjust the requirement for each LSE such that (i) the total Transmission District Installed Capacity requirement remains constant and (ii) an individual LSE's requirement reflects the gains and losses. If an LSE loses a customer as a result of that customer leaving New York State, the Load-losing LSE shall be relieved

of its obligation to procure Unforced Capacity to cover the Load associated with the departing customer as of the date that the customer's departure is accepted by the ISO and shall be free to sell any excess Unforced Capacity. In addition, when a customer leaves New York State, the ISO will adjust each LSE's Unforced Capacity requirement so that the total Transmission District's share of the NYCA Unforced Capacity Requirement remains constant.

5.11.2 LSE Obligations

Each LSE must procure Unforced Capacity in an amount equal to its Unforced Capacity requirement from any Installed Capacity Supplier through Bilateral Transactions and/or purchases in ISO-administered Installed Capacity auctions. Each LSE must demonstrate that it has obtained a sufficient amount of Unforced Capacity prior to the beginning of each Obligation Procurement Period. To satisfy this requirement, each LSE must submit completed Installed Capacity certification forms to the ISO by the date specified in the ISO Procedures. The Installed Capacity certification forms submitted by the LSEs shall be in the format and include all the information prescribed by the ISO Procedures.

LSEs that fail to timely satisfy their Unforced Capacity requirement, or that fail to make timely submissions of the required Installed Capacity certification forms, shall be required to participate in a Deficiency Procurement Auction pursuant to Section 5.14.1 of this Tariff.

5.11.3 Load-Shifting Adjustments

The ISO shall account for Load-shifting among LSEs each month using the best available information provided to it and the affected LSEs by the individual Transmission Owners. The ISO shall, upon notice of Load-shifting by a Transmission Owner and verification by the relevant Load-losing LSE, increase the Load-gaining LSE's Unforced Capacity requirement and decrease the Load-losing LSE's Unforced Capacity requirement to reflect the Load-shifting. The Load-gaining LSE shall pay the Load-losing LSE a portion pro-rated on a daily basis of the Market-Clearing Price of Unforced Capacity, as established at the most recent previous Installed Capacity auction for that Obligation Procurement Period that successfully cleared, or, in the event that no such clearing price exists, a portion pro-rated on a daily basis of the Market-Clearing Price in the Capability Period Auction divided by six (6) for each day that the Load-gaining LSE serves the Load, until the first day of the month after the

nearest following monthly Installed Capacity auction is held. The amount paid by a Load-gaining LSE shall be reduced by the Load-losing LSE's share of any rebate associated with the lost Load paid pursuant to Section 5.15 of this Tariff. By the time specified in the ISO Procedures, the Load-gaining LSE must procure sufficient Unforced Capacity to meet its increased Unforced Capacity requirement for the nearest following Obligation Procurement Period, and the Load-losing LSE may sell Unforced Capacity that it no longer needs to satisfy its Unforced Capacity requirement.

Each Transmission Owner shall report to the ISO and to each LSE serving Load in its Transmission District the updated, aggregated LSE Loads with documentation in accordance with and by the date set forth in the ISO Procedures. The ISO shall provide each LSE with a revised Unforced Capacity requirement for the following Obligation Procurement Period, which shall reflect all documented Load-shifts as of the end of the current Obligation Procurement Period. Any disputes among Market Participants concerning Load-shifting shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, or the Transmission Owner's retail access procedures, as applicable. In the event of a pending dispute concerning a Load-shift, the ISO shall make its Obligation Procurement Period Installed Capacity adjustments as if the Load-shift reported by the Transmission Owners had occurred, or if the dispute pertains to the timing of a Load-shift, as if the Load-shift occurred on the effective date reported by the Transmission Owner, but will retroactively

modify these allocations, as necessary, based on determinations made pursuant to the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, or the Transmission Owner's retail access procedures, as applicable.

5.11.4 LSE Locational Installed Capacity Requirements

The ISO will determine the Locational Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms, that shall be uniformly applicable to each LSE serving Load within a Locality. In establishing Locational Installed Capacity Requirements, the ISO will take into account all relevant considerations, including the total NYCA Installed Capacity Requirement, the NYS Power System transmission Interface Transfer Capability, the Reliability Rules and any other FERC-approved Locational Installed Capacity Requirements.

Any Locational Installed Capacity Requirements operative at the commencement of ISO operations adopted by LIPA or under settlement agreements approved by the PSC shall continue in effect in accordance with their terms unless and until the ISO implements new or modified Locational Installed Capacity Requirements. All Locational Installed Capacity Requirements shall be translated into Unforced Capacity terms, in accordance with the ISO Procedures.

Each LSE will secure the required amount of Unforced Capacity for the upcoming Obligation Procurement Period consistent with the locational requirements established by the ISO. Unforced Capacity associated with Generators

located in the New York City Locality that are subject to market mitigation measures may not be sold at a price greater than the locational price cap, except as explicitly provided in Sections 5.13.2, 5.13.3 and 5.14.1 of this Tariff.

In addition, any Customer that purchases Unforced Capacity associated with any Generator that is subject to market mitigation measures in an ISO-administered auction may not resell that Unforced Capacity in a subsequent auction for no greater than the mitigated price cap in accordance with Sections 5.13.2, 5.13.3, and 5.14.1 of this Tariff. The ISO shall inform Customers that purchase Unforced Capacity in an ISO-administered auction of the amount of Unforced Capacity they have purchased that is subject to market mitigation measures.

The ISO shall have the right to audit all executed Installed Capacity contracts and related documentation of arrangements by an LSE to use its own generation to meet its Locational Installed Capacity Requirement for an upcoming Obligation Procurement Period.

5.12 Requirements Applicable to Installed Capacity Suppliers

5.12.1 Installed Capacity Supplier Qualification Requirements

In order to qualify as an Installed Capacity Supplier in the NYCA, Energy Limited Resources, Generators, Installed Capacity Marketers, Interruptible Load Resources, Intermittent Power Resources, and System Resources rated 1 MW or greater, other than

External System Resources and Control Area System Resources which have agreed to certain Curtailment conditions as set forth in the last paragraph of Section 5.12.1 below, and other than Special Case Resources, existing municipally-owned generation, Energy Limited Resources, and Intermittent Power Resources, to the extent those entities are subject to the requirements of Section 5.12.11 of this Tariff, shall:

- (i) provide information reasonably requested by the ISO including the name and location of Generators,-Interruptible Load Resources, and System Resources;
- (ii) in accordance with the ISO Procedures, perform DMNC tests and submit the results to the ISO, or provide to the ISO appropriate historical production data;
- (iii) abide by the ISO Generator maintenance coordination procedures;
- (iv) provide the expected return date from any outages (including partial outages) to the ISO;
- (v) provide documentation demonstrating that it will not use the same Unforced Capacity for more than one (1) buyer at the same time;
- (vi) except for Installed Capacity Marketers and Interruptible Load Resources, Bid into the Day-Ahead Market, unless the Energy Limited Resource, Generator or System Resource is unable to do so due to an outage as defined in the ISO Procedures or due to temperature related de-ratings. Generators may also enter into the MIS an upper operating limit that would define the operating limit under

- normal system conditions. The circumstances under which the ISO will direct a Generator to exceed its upper operating limit are described in the ISO Procedures;
- (vii) if the resource is an Interruptible Load Resource, it must commit that it will Bid, at the price at which it is willing to be interrupted, in the Day-Ahead Market, for both Energy and Operating Reserves;
 - (viii) provide Operating Data in accordance with Section 5.12.5 of this Tariff;
 - (ix) comply with the ISO Procedures;
 - (x) when the ISO issues a Supplemental Resource Evaluation request (an SRE), Bid into the in-day market unless the entity has a bid pending in the Hour-Ahead Market when the SRE request is made or is unable to bid in response to the SRE request due to an outage as defined in the ISO Procedures, or due to other operational issues , or due to temperature related deratings; and
 - (xi) Installed Capacity Suppliers located east of the central-east constraint shall Bid in the Day-Ahead and Real-Time Markets all Capacity available for supplying 10-Minute Non-Spinning Reserve (NSR) (unless the Generator is unable to meet its commitment because of an outage as defined in the ISO Procedures), except for the Generators described in subsections (a), (b), (c) and (d) below:
 - (a) Generators providing Energy under contracts executed and effective on or before November 18, 1999 (including PURPA contracts) in which the power purchasers do not control the operation of the supply source but

would be responsible for penalties for being off-schedule, with the exception of Generators under must-take PURPA contracts executed and effective on or before November 18, 1999, who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO Load modifiers under the ISO-administered markets;

- (b) Existing topping turbine Generators and extraction turbine Generators producing Energy resulting from the supply of steam to the district

steam system located in New York City (LBMP Zone J) in operation on or before November 18, 1999 and/or topping or extraction turbine Generators used in replacing or repowering steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units;

- (c) Existing Intermittent Power Resources in operation on or before November 18, 1999 within the NYCA, plus up to an additional 500 MW of such Generators; and
- (d) Units that have demonstrated to the ISO that they are subject to environmental, contractual or other legal or physical requirements that would otherwise preclude them from providing 10-Minute NSR.

The ISO shall inform each potential Installed Capacity Supplier that is required to submit DMNC data of its approved DMNC ratings for the Summer Capability Period and the Winter Capability Period in accordance with the ISO Procedures.

Requirements to qualify as Installed Capacity Suppliers for External System Resources and Control Area System Resources located in External Control Areas that have agreed not to Curtail the Energy associated with such Installed Capacity or to afford it the same Curtailment priority that it affords its own Control Area Load shall be established in the ISO Procedures.

5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators, External System Resources, and Control Area System Resources may qualify as Installed Capacity Suppliers if they demonstrate that their Unforced Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads, or, in the alternative, if they demonstrate that the External Control Area will afford the NYCA Load the same curtailment priority that they afford their own Control Area Native Load Customers. The amount of Unforced Capacity that may be supplied by such entities qualifying pursuant to the alternative criteria may be reduced by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment.

LSEs with External Installed Capacity as of the effective date of this Tariff will be entitled to designate External Installed Capacity at the same NYCA Interface with another Control Area, in the same amounts in effect on the effective date of this Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 of Attachment L to the ISO OATT, these External Installed Capacity rights will continue without term and shall be allocated to the LSE's retail access customers in accordance with the LSE's retail access program on file with the PSC and subject to any necessary filings with the Commission. External

Installed Capacity rights existing as of September 17, 1999 that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the relevant External Installed Capacity contract or until the relevant External Generator is retired.

5.12.3 Installed Capacity Supplier Outage Scheduling Requirements

All Installed Capacity Suppliers, except for Interruptible Load Resources, Control Area System Resources, and Special Case Resources, that intend to supply Unforced Capacity to the NYCA shall submit a confidential notification to the ISO of their proposed outage schedules in accordance with the ISO Procedures. Transmission Owners will be notified of these and subsequently revised outage schedules. Based upon a reliability assessment, if Operating Reserve deficiencies are projected to occur in certain weeks for the upcoming calendar year, the ISO will request voluntary re-scheduling of outages. In the case of Generators actually supplying Unforced Capacity to the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate.

A Generator that refuses a forced rescheduling of its outages for any unit shall be prevented from supplying Unforced Capacity in the NYCA with that unit during any month where it undertakes such outages. The rescheduling process is described in the ISO Procedures.

A Generator that intends to supply Unforced Capacity in a given month that did not qualify as an Installed Capacity Supplier prior to the beginning of the Capability Period must notify the ISO in accordance with the ISO Procedures so that it may be subject to forced re-scheduling of its proposed outages in order to qualify as an Installed Capacity Supplier. A Supplier that refuses the ISO's forced rescheduling of its proposed outages shall not qualify as an Installed Capacity Supplier for that unit for any month during which it schedules or conducts an outage.

Interruptible Load Resources shall notify the ISO accordance with the ISO Procedures of outages that would reduce their ability to interrupt. Interruptible Load Resources must also submit to the ISO, and, at the ISO's discretion, also submit to the local Transmission Owner, a written commitment that any outages that would reduce their ability to interrupt without reducing their Load by a corresponding amount will only be conducted in accordance with the ISO Procedures.

Outage schedules for External System Resources and Control Area System

Resources shall be coordinated by the External Control Area and the ISO in accordance with the ISO Procedures.

5.12.4 Required Certification That Installed Capacity Has Not Been Resold

Each Installed Capacity Supplier must submit the appropriate ISO certification forms to the ISO no later than the dates specified in the ISO Procedures demonstrating that the Unforced

Capacity it has certified has not been sold for use in an External Control Area.

5.12.5 Operating Data Reporting Requirements

To qualify as Installed Capacity Suppliers in the NYCA, Resources shall submit to the ISO Operating Data in accordance with this Section 5.12.5 and the ISO Procedures. Resources that do not submit Operating Data in accordance with the following subsections and the ISO Procedures shall be subject to the sanctions provided in Section 5.12.12(a) of this Tariff.

Resources that were not in operation on January 1, 2000 shall submit Operating Data to the ISO no later than one month after such Resources commence commercial operation, and in accordance with the ISO Procedures and the following subsections as applicable.

5.12.5(a) Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources

To qualify as Installed Capacity Suppliers in the NYCA, Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources or the purchasers of Unforced Capacity associated with those Resources shall submit GADS Data, data equivalent to GADS Data, or other Operating Data to the ISO each month in accordance with the ISO Procedures. Prior to the successful implementation of a software modification that allows gas turbines to submit multiple bid points, these units shall not be considered to be forced out for any hours that the

unit was available at its base load capability in accordance with the ISO
Procedures.

5.12.5(b) Control Area System Resources

To qualify as Installed Capacity Suppliers in the NYCA, Control
Area System Resources, or the purchasers of Unforced Capacity associated with
those Resources, shall submit CARL Data and actual system failure occurrences
data to the ISO each month in accordance with the ISO Procedures.

5.12.5(c) Intermittent Power Resources and Municipally-Owned Generation

To qualify as Installed Capacity Suppliers in the NYCA, Intermittent Power Resources, or the purchasers of Unforced Capacity associated with those Resources, and municipally-owned generation shall submit data equivalent to GADS Data or other Operating Data to the ISO each month in accordance with the ISO Procedures.

5.12.6 Operating Data Default Value and Collection

5.12.6(a) Monthly Calculations

The ISO shall calculate each month for each Resource the amount of Unforced Capacity that each Installed Capacity Supplier is qualified to supply in the NYCA based on a rolling twelve-month calculation, and in accordance with formulae provided in the ISO Procedures.

The amount of Unforced Capacity that each Generator, System Resource, Energy Limited Resource, Interruptible Load Resource, Special Case Resource, and municipally-owned generation is authorized to supply in the NYCA shall be based on the ISO's calculations of individual Equivalent Demand Forced Outage Rates. The amount of Unforced Capacity that each Control Area System Resource is authorized to supply in the NYCA shall be based on the ISO's

calculation of each Control Area System Resource's availability. The amount of Unforced Capacity that each Intermittent Power Resource is authorized to supply in the NYCA shall be based on the individual historical Capacity factor adjusted by the ISO to remove the effects of outages.

The ISO shall calculate the Equivalent Demand Forced Outage Rates, Availability rates, and Capacity factors annually and update them monthly using a twelve-month rolling average of Operating Data in accordance with formulae provided in the ISO Procedures. The ISO shall perform separate Summer and Winter Capability Periods Unforced Capacity calculations for each Resource to more accurately reflect seasonal variations in their DMNC ratings.

5.12.6(b) Default Unforced Capacity

In its calculation of Unforced Capacity, the ISO shall deem a Resource to be completely forced out for each month for which the Resource has not submitted its Operating Data in accordance with Section 5.12.5 of this Tariff and the ISO Procedures. A Resource that has been deemed completely forced out

for a particular month may submit new Operating Data, for that month, to the ISO at any time. The ISO will use such new Operating Data when calculating, in a timely manner in accordance with the ISO Procedures, a new rolling average for the Resource.

Upon a showing of extraordinary circumstances, the ISO retains the discretion to accept at any time Operating Data which have not been submitted in a timely manner, or which do not fully conform with the ISO Procedures.

5.12.6(c) Exception for Certain Equipment Failures

When a Generator, Special Case Resource, Energy Limited Resource, or System Resource is forced into an outage by an equipment failure that involves equipment located on the high voltage side of the electric network beyond the step-up transformer, and including such step-up transformer, the outage will not be counted for purposes of calculating that Resource's Equivalent Demand Forced Outage Rate.

5.12.7 Availability Requirements

Subsequent to qualifying, each Installed Capacity Supplier shall, except as noted in Section 5.12.11 of this Tariff, on a daily basis: (i) schedule a Bilateral Transaction; (ii) Bid Energy in each hour of the Day-Ahead Market in accordance with the applicable

provisions of Section 5.12.1 of this Tariff; or (iii) notify the ISO of any outages. The total amount of Energy that an Installed Capacity Supplier schedules, bids, or declares to be unavailable on a given day must equal or exceed the Installed Capacity Equivalent of the Unforced Capacity it supplies.

5.12.8 Unforced Capacity Sales

Each Installed Capacity Supplier will be authorized to supply an amount of Unforced Capacity during each Obligation Procurement Period, based on separate seasonal Unforced Capacity calculations performed by the ISO for the Summer and Winter Capability Periods. Unforced Capacity may be sold in six-month strips, or in monthly, or multi-monthly segments.

If an Energy Limited Resource's, Generator's, System Resource's or Control Area System Resource's DMNC rating is determined to have increased during an Obligation Procurement Period, pursuant to testing procedures described in the ISO Procedures, the amount of Unforced Capacity that it shall be authorized to supply in that or future Obligation Procurement Periods shall also be increased on a prospective basis in accordance with the schedule set forth in the ISO Procedures.

New Generators and Generators that have increased their Capacity since the previous Summer Capability Period due to changes in their generating equipment may qualify to supply Unforced Capacity on a foregoing basis during the Summer Capability Period based upon a DMNC test that is performed and reported to the ISO after March 1 and prior to the beginning of the Summer Capability Period DMNC Test Period. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the Summer DMNC Test Period. Any shortfall between the

amount of Unforced Capacity supplied by the Generator for the Summer Capability Period and the amount verified during the Summer DMNC Test Period will be subject to deficiency charges pursuant to Section 5.14.2 of this Tariff. The deficiency charges will be applied to no more than the difference between the Generator's previous Summer Capability Period Unforced Capacity and the amount of Unforced Capacity equivalent the Generator sold supplied for the Summer Capability Period.

New Generators and Generators that have increased their Capacity since the previous Winter Capability Period due to changes in their generating equipment may qualify to supply Unforced Capacity on a foregoing basis during the Winter Capability Period based upon a DMNC test that is performed and reported to the ISO after September 1 and prior to the beginning of the Winter Capability Period DMNC Test Period. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the Winter Capability Period DMNC Test Period. Any shortfall between the amount of Unforced Capacity certified by the Generator for the Winter Capability Period and the amount verified during the Winter Capability Period DMNC Test Period will be subject to deficiency charges pursuant to Section 5.14.2 of this Tariff. The deficiency charges will be applied to no more than the difference between the

Generator's previous Winter Capability Period Unforced Capacity and the amount of Unforced Capacity equivalent the Generator supplied for the Winter Capability Period.

Any Installed Capacity Supplier, except as noted in Section 5.12.11 -of this Tariff, which fails on a daily basis to schedule, Bid, or declare to be unavailable in the Day-Ahead Market an amount of Unforced Capacity, expressed in terms of Installed Capacity Equivalent, that it certified for that day, rounded down to the nearest whole MW, is subject to sanctions pursuant to Section 5.12.12(b) of this Tariff. If an entity other than the owner of an Energy Limited Resource, Generator, Interruptible Load Resource, System Resource, or Control Area System Resource that is providing Unforced Capacity is responsible for fulfilling bidding, scheduling, and notification requirements, the owner and that entity must designate to the ISO which of them will be responsible for complying with the scheduling, bidding, and notification requirements. The designated bidding and scheduling entity shall be subject to sanctions pursuant to Section 5.12.12(b) of this Tariff.

5.12.9 Sales of Unforced Capacity by System Resources

Installed Capacity Suppliers offering to supply Unforced Capacity associated with Internal System Resources shall submit for each of their Resources the Operating Data and DMNC testing data or historical data described in Sections 5.12.1 and 5.12.5 of this Tariff in accordance with the ISO Procedures. Such Installed Capacity Suppliers will be allowed to supply the amount of Unforced Capacity that

the ISO determines pursuant to the ISO Procedures to reflect the appropriate Equivalent Demand Forced Outage Rate. Installed Capacity Suppliers offering to sell the Unforced Capacity associated with System Resources may only aggregate Resources in accordance with the ISO Procedures.

5.12.10 Curtailment of External Transactions In-Hour

All Unforced Capacity that is not out of service, or scheduled to serve the Internal NYCA Load in the Day-Ahead Market may be scheduled to supply Energy for use in External Transactions provided, however, that such External Transactions shall be subject to Curtailment within the hour, consistent with ISO Procedures. Such Curtailment shall not exceed the Installed Capacity Equivalent committed to the NYCA.

If an Installed Capacity Supplier's Exports are Curtailed in-hour to resolve a New York reserves shortage, the Transmission Customer scheduling such Exports shall be paid, for the remainder of the hour, the higher of the Real-Time LBMP at the New York proxy bus associated with the Exports, or the real-time price at the relevant proxy bus used by the External Control Area for Transactions with New York.

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 2

First Revised Sheet No. 138A
Superseding Original Sheet No. 138A

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5.12.11 Special Case Resources, Municipally-Owned Generation, Energy Limited Resources and Intermittent Power Resources

5.12.11 (a) Special Case Resources

Special Case Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding, scheduling, and notification requirements set forth in Section 5.12.7 of this Tariff, if:

- (i) they are available to operate for a minimum of four (4) consecutive hours each day, at the direction of the ISO, except for those subject to operating limitations established by environmental permits, which will not be required to operate in excess of two (2) hours and which will be derated by the ISO pursuant to ISO Procedures to account for the Load serving equivalence of the hours actually available, following notice of the potential need to operate twenty-four (24) hours in advance, and a notification to operate two (2) hours ahead; and
- (ii) they were not operated as a Load modifier

coincident with the peak upon which the Unforced Capacity requirement of the LSE that serves that customer is based, unless that LSE's Unforced Capacity requirement is adjusted upwards to prevent double-counting. The ISO will have discretion, pursuant to ISO Procedures, to exempt distributed Generators that are incapable of starting in two (2) hours from the requirement to operate on two (2) hours notification. Distributed Generators and Loads capable of being interrupted upon demand, that are not available on certain hours or days will be derated by the ISO, pursuant to ISO Procedures, to reflect the Load serving equivalence of the hours they are actually available. Distributed Generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures set forth in the ISO Procedures. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with ISO Procedures.

Unforced Capacity supplied in a Bilateral Transaction by a Special Case Resource pursuant to this subsection may only be resold if the purchasing

entity or the Installed Capacity Marketer has agreed to comply with the ISO notification requirements for Special Case Resources. LSEs and Installed Capacity Marketers may aggregate Special Case Resources and sell the Unforced Capacity associated with them in an ISO-administered auction if they comply with ISO notification requirements for Special Case Resources.

Transmission Owners that require assistance from distributed Generators larger than 100 kW and Loads capable of being interrupted upon

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demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section.

5.12.11 (b) Existing Municipally-Owned Generation

A municipal utility that owns existing generation in excess of its Unforced Capacity requirement, net of NYPA-provided Capacity, may offer the excess Capacity for sale as Installed Capacity provided that it is willing to operate the generation at the ISO's request, and provided that the Energy produced is deliverable to the New York State Power System. Such a municipal utility shall not be required to comply with the requirement of Section 5.12.7 of this Tariff that an Installed Capacity Supplier bid into the Energy market or enter into Bilateral Transactions. Municipal utilities shall, however, be required to submit their typical physical operating parameters, such as their start-up times, to the ISO. This subsection is only applicable to municipally-owned generation in service or under construction as of December 31, 1999.

5.12.11 (c) Energy Limited Resources

An Energy Limited Resource may qualify as an Installed Capacity Supplier if it Bids its Installed Capacity Equivalent into the Day-Ahead Market each day and if it is able to provide the Energy equivalent of the Unforced Capacity for at least four (4) hours each day. Energy Limited Resources shall also Bid an upper operating limit, designating desired operating limits. Energy Limited Resources that are not scheduled in the Day-Ahead Market to operate at a level above their bid-in upper operating limit, may be scheduled Hour-Ahead, or may be called in Real-Time pursuant to a manual intervention by ISO dispatchers, who will account for the fact that Energy Limited Resource may not be capable of responding.

5.12.11(d) Intermittent Power Resources

Intermittent Power Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding and scheduling requirements set forth in Section 5.12.7 of this Tariff, and may claim up to their Unforced Capacity as Installed Capacity. To qualify as Installed Capacity Suppliers, Intermittent Power Resources shall comply with the notification requirements of Section 5.12.7 of this Tariff. In calculating Unforced Capacity for an Intermittent Power Resource, the historical Capacity factor will be adjusted to remove the effects of outages in accordance with the ISO Procedures.

**5.12.12 Sanctions Applicable to Installed Capacity Suppliers and
Transmission Owners**

Pursuant to this Section, the ISO may impose financial sanctions on Installed Capacity Suppliers and Transmission Owners that fail to comply with certain provisions of this Tariff. The ISO shall notify Installed Capacity Suppliers and Transmission Owners prior to imposing any sanction and shall afford them a reasonable opportunity to demonstrate that they should not be sanctioned and/or to offer mitigating reasons why they should be subject to a lesser sanction. The ISO may impose a sanction lower than the maximum amounts allowed by this Section at its sole discretion. Installed Capacity Suppliers and Transmission Owners may challenge any sanction imposed by the ISO pursuant to the ISO Dispute Resolution Procedures.

Any sanctions collected by the ISO pursuant to this Section will be applied to reduce the Rate Schedule 1 charge under this Tariff.

5.12.12 (a) Sanctions for Failing to Provide Required Information

If (i) an Installed Capacity Supplier fails to provide the information required by Subsections 5.12.1(i), (ii), (iii), (iv), (v), or (viii) of this Tariff in a timely fashion, or (ii) a Supplier of Unforced Capacity from External System Resources located in an External Control Area or from a Control Area System Resource that has agreed not to Curtail the Energy associated with such Installed Capacity, or to afford it the same Curtailment priority that it affords its own Control Area Load, fails to provide the information required for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction of up to the higher of \$500 or \$5 per MW of Installed Capacity that the Generator, Interruptible Load Resource, System Resource, or Control Area System Resource in question is capable of providing. Starting on the tenth day that the required information is late, the ISO may impose a daily financial sanction of up to the higher of \$1000 or \$10 per

MW of DMNC.

If a TO fails to provide the information required by Subsection 5.11.3 of this Tariff in a timely fashion, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the TO that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction up to \$5,000 a day. Starting on the tenth day that required information is late, the ISO may impose a daily financial sanction up to \$10,000.

5.12.12(b) Sanctions for Failing to Comply with Scheduling, Bidding, and Notification Requirements

On any day in which an Installed Capacity Supplier fails to comply with the scheduling, bidding, or notification requirements of Subsections 5.12.1(vi), (vii), or (x), or with Section 5.12.7 of this Tariff, or in which a Supplier of Installed Capacity from External System Resources or Control Area System Resources located in an External Control Area that has agreed not to Curtail the Energy associated with such Installed Capacity, or to afford it the same Curtailment priority that it affords its own Control Area Load, fails to comply

with scheduling, bidding, or notification requirements for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may impose a financial sanction up to the product of a deficiency charge, calculated pursuant to the Table in Section 5.14.1 of this Tariff (pro-rated on a daily basis), and the maximum number of MWs that the Installed Capacity Supplier failed to schedule or Bid in any hour in that day provided, however, that no financial sanction shall apply to any Installed Capacity Supplier who demonstrates that the Energy it schedules,

Bids, or declares to be unavailable on any day is not less than the Installed Capacity that it supplies for that day rounded down to the nearest whole MW.

In addition, if an Installed Capacity Supplier fails to comply with the scheduling, bidding, or notification requirements of Sections 5.12.1(vi), (vii), or (x), or with Section 5.12.7 of this Tariff, or if an Installed Capacity Supplier of Unforced Capacity from External System Resources or from a Control Area System Resource located in an External Control Area that has agreed not to curtail the Energy associated with such Unforced Capacity, or to afford it the same curtailment priority that it affords its own Control Area Load, fails to comply with the scheduling, bidding, or notification requirements for certification as an Installed Capacity Supplier established in the ISO Procedures during an hour in which the ISO curtails Transactions associated with NYCA Installed Capacity Suppliers, the ISO may impose an additional financial sanction equal to the product of the number of MWs the Installed Capacity Supplier failed to schedule during that hour and the corresponding Real-Time LBMP at the applicable Proxy Generator Bus.

5.13 Installed Capacity Auctions

5.13.1 General Auction Requirements

The ISO will administer Installed Capacity auctions to accommodate LSEs' and Installed Capacity Suppliers' efforts to enter into Unforced Capacity Transactions and to give LSEs an opportunity to satisfy their Unforced Capacity requirements. The ISO shall conduct regular auctions, at the request of an LSE, at the times specified in this Section and the ISO Procedures.

Installed Capacity Suppliers, LSEs and Installed Capacity Marketers that are Customers under this Tariff will be allowed to participate in Installed Capacity auctions, provided that they satisfy the creditworthiness requirements set forth in Section 11.0 of the ISO OATT. Unforced Capacity purchased in Installed Capacity auctions may not be sold for the purposes of meeting Installed Capacity requirements imposed by operators of External Control Areas. Offers to sell and bids to purchase Unforced Capacity shall be made in \$/kW for the time period appropriate to the auction. The ISO shall impose no limits on Bids or offers in any auction, except to the extent required by any applicable market mitigation measures.

Installed Capacity Suppliers that wish to participate in an ISO-administered auction must submit completed certification forms to the ISO in accordance with the ISO procedures,

demonstrating that their Unforced Capacity has not been committed to a Bilateral Transaction.

In-City Generators that are subject to FERC-approved market mitigation measures are required to offer to sell all such Unforced Capacity into the ISO-administered Installed Capacity auctions. All other Installed Capacity Suppliers may offer to sell into the ISO-administered Installed Capacity auctions at their discretion.

The ISO Procedures shall specify the dates by which the ISO will post the results of Installed Capacity auctions. The ISO Procedures shall ensure that there are at least four business days between the time that auction results are posted and the dates that LSEs are required to demonstrate that they have procured sufficient Unforced Capacity to cover their Unforced Capacity requirements pursuant to Section 5.11.2 of this Tariff.

5.13.2 Capability Period Auction

A Capability Period Auction will be conducted no later than thirty (30) days prior to the start of each Capability Period in which Unforced Capacity will be purchased and sold for the entire duration of the Capability Period. The exact date of the Capability Period Auction shall be established in the ISO Procedures. The Capability Period Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and adjacent External Control Areas.

Each Capability Period Auction shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement; (ii) any other entity seeking to purchase In-City locational Unforced Capacity; (iii) qualified In-City Installed Capacity Suppliers; and (iv) any other Installed Capacity Supplier that owns excess Unforced Capacity associated with qualified In-City Installed Capacity Suppliers. In the first phase of the Capability Period Auction, LSEs that are awarded Unforced Capacity shall pay the Market-Clearing Price of Unforced Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Unforced Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All Installed Capacity Suppliers and LSEs may participate in the second phase of the Obligation Procurement Period Auction, except with respect to any Unforced Capacity associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. LSEs awarded Unforced Capacity in the second phase shall pay no greater than the mitigated price cap for that Unforced Capacity. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Unforced Capacity associated with In-City Generators subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

The results of the Capability Period Auction will be made available to Market Participants at the time specified in the ISO Procedures which shall be prior to the start of the first Monthly Auction held prior to the beginning of each Capability Period.

5.13.3 Monthly Auctions

Monthly Auctions will be held each Obligation Procurement Period during which Unforced Capacity may be purchased and sold for the forthcoming month, and any other month as specified in the ISO Procedures. The exact dates of each Monthly Auction shall be established in the ISO Procedures. Each Monthly Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and all adjacent External Control Areas.

Each Monthly Auction shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirements; (ii) any other entity seeking to

purchase In-City locational Unforced Capacity; (iii) qualified In-City Installed Capacity Suppliers; and (iv) any other Installed Capacity Supplier that owns excess In-City Unforced Capacity. In the first phase of each Monthly Auction, LSEs that are awarded Unforced Capacity shall pay the Market-Clearing Price of Unforced Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Unforced Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All Installed Capacity Suppliers and LSEs may participate in the second phase of each Monthly Auction, except with respect to any Unforced Capacity associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their

In-City Locational Installed Capacity Requirements. LSEs awarded Unforced Capacity in the second phase shall pay no greater than the mitigated price cap for that Unforced Capacity. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Unforced Capacity associated with In-City Generators subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

Monthly Auctions held during a Capability Period shall be phased unless the ISO has established that all LSEs with Locational Installed Capacity Requirements located in the New York City Locality have satisfied their locational requirements. If the ISO establishes that these LSEs have not satisfied their Locational Installed Capacity Requirements, that Monthly Auction will be conducted as if it were being held prior to the beginning of an Obligation Procurement Period (*i.e.*, it shall

consist of two phases). If, however, the ISO establishes that LSEs have satisfied their Locational Installed Capacity Requirements, that Monthly Auction will not be phased and will be conducted as if it were the second phase of a pre-Capability Period Monthly Auction.

The results of each Monthly Auction will be made available to Market Participants in accordance with the ISO Procedures.

5.13.4 Detailed Installed Capacity Auction Description

Additional details concerning the ISO's Installed Capacity auction procedures are provided in the ISO's detailed "Installed Capacity Auction Description," which is on file with the Commission.

5.14 Installed Capacity Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

5.14.1(a) Deficiency Procurement Auction

If an LSE violates Sections 5.11.2 or 5.11.3 of this Tariff by failing to procure sufficient Unforced Capacity to cover its Unforced Capacity requirement for an Obligation Procurement Period, the ISO shall procure sufficient Unforced Capacity to cover the remainder of the LSE's Unforced Capacity requirement for that Obligation Procurement Period through Deficiency Procurement Auctions.

The ISO shall conduct a Deficiency Procurement Auction preceding the start of an Obligation Procurement Period: the exact date of the Deficiency Procurement Auction shall be established in the ISO Procedures. The Deficiency Procurement Auction will consist of two phases. Both phases of each Deficiency Procurement Auction shall be conducted on the same day. In each phase of each Deficiency Procurement Auction the ISO shall submit monthly deficiency bids on behalf of deficient LSEs at a level per MW determined by dividing the appropriate number specified in the following Table by six (6).

Deficiency Bids and Charges

The following deficiency bids and charges shall apply in implementing UCAP through April 30, 2002.

In-City New York City (LBMP Load Zone J)	\$82.06/kW of Unforced Capacity per Capability Period (Equivalent to \$75.00/kW of Installed Capacity per Capability Period)
Long Island (LBMP Load Zone K)	\$73.95/kW of Unforced Capacity per Capability Period (Equivalent to \$65.00/kW of Installed Capacity per Capability Period)
All Other LBMP Load Zones in the NYCA	\$62.91/kW of Unforced Capacity per Capability Period (Equivalent to \$57.50/kW of Installed Capacity per Capability Period)

Deficiency bids and charges for the period beginning May 1, 2002 and ending April 30, 2003 shall be determined as follows:

The deficiency bid and charge for the New York City Locality for the time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for the New York City Locality (\$75.00/kW per Capability Period) by the ratio of the Locational Installed Capacity Requirement for the New York City Locality for this time period to the Locational Unforced Capacity Requirement for the New York City Locality for this time period.

The deficiency bid and charge for the Long Island Locality for this time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for the Long Island Locality (\$70.00/kW per Capability Period) by the ratio of the Locational Installed Capacity Requirement for the Long Island Locality for this time period to the Locational Unforced Capacity Requirement for the Long Island Locality for this time period.

The deficiency bid and charge for all other LBMP Load Zones for this time period shall be calculated in accordance with ISO Procedures by multiplying the deficiency charge stated in terms of Installed Capacity for these zones (\$62.50/kW per Capability Period) by the ratio of the NYCA Installed Capacity Requirement for this time period to the NYCA Unforced Capacity Requirement for this time period.

Beginning May 1, 2003, these deficiency bids and charges will be based on three times the localized levelized embedded cost of gas turbines in the New York City Locality, the Long Island Locality, or elsewhere in the NYCA, respectively.

During the first phase of a Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of deficient LSEs located in the New York City Locality that are required to make locational Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement as translated to Unforced Capacity. The ISO shall solicit bids from qualified In-City Installed Capacity Suppliers, and from any other entity that owns excess In-City locational Unforced Capacity. LSEs that are awarded Unforced Capacity in the first phase of a Deficiency Procurement Auction shall pay to the ISO the lesser of the Market-Clearing Price of Unforced Capacity determined in that phase or the deficiency bid. The ISO shall pay Installed Capacity Suppliers that are selected to provide Unforced Capacity the Market-Clearing Price determined in that phase which can be no greater than the deficiency bid, except in the case of Unforced Capacity associated with In-City Generators that are subject to mitigation measures, which shall receive no greater than the mitigated price cap. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

In the second phase of each Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of all remaining deficient LSEs and shall solicit bids from all qualified Installed Capacity Suppliers, including Unforced Capacity associated with In-City Generators otherwise subject to mitigation measures that has not been sold, provided that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. Deficient LSEs that are awarded Unforced Capacity shall pay to the ISO the lesser of the applicable Market-Clearing Price of Unforced Capacity determined in that phase, or the deficiency bid. The ISO will use these deficiency payments to pay the applicable Market-Clearing Price determined in that phase of the Deficiency Procurement Auction, except as noted below, to Installed Capacity Suppliers that are selected to provide Unforced Capacity, including participating In-City Generators otherwise subject to market mitigation measures. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

5.14.1(b) Deficiency Charges Imposed

Any LSEs that are still deficient after the completion of a Deficiency Procurement Auction must pay a monthly deficiency charge to the ISO based on the deficiency charges set forth in the Table above, divided by six, and multiplied by the number of MWs by which they are deficient. The ISO will attempt to use these deficiency charges

to procure Unforced Capacity from Installed Capacity Suppliers that are capable of supplying Unforced Capacity but that failed to qualify to supply it prior to the Deficiency Procurement Auction. The ISO shall not procure Unforced Capacity from previously qualified Installed Capacity Suppliers that withheld their Unforced Capacity. The ISO will not pay an Installed Capacity Supplier, more than the applicable deficiency charge per MW of Unforced Capacity, or the applicable locational price cap per MW of Unforced Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Unforced Capacity. Any remaining monies collected by the ISO pursuant to this paragraph will be applied to reduce the Schedule 1 charge.

The ISO shall not reveal the number of MWs that LSEs are deficient prior to a Deficiency Procurement Auction.

5.14.2 Installed Capacity Supplier Deficiencies

In the event that the amount of Unforced Capacity that an Installed Capacity Supplier certifies in a given month is determined to have been less than the amount that the Installed Capacity Supplier is authorized to supply for that month, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity

Supplier in the appropriate Deficiency Procurement Auction.

The ISO shall submit a deficiency bid, calculated pursuant to Section 5.14.1 of this Tariff in the appropriate Deficiency Procurement Auction on behalf of a deficient Installed Capacity Supplier as if it were a deficient LSE. The deficient Installed Capacity Supplier shall be required to pay to the ISO the Market-Clearing Price of Unforced Capacity established in that Deficiency Procurement Auction.

If an Installed Capacity Supplier is found, at any point during a Capability Period, to have been deficient for that Capability Period, *e.g.*, when the amount of Unforced Capacity that it supplies is found to be less than the amount it was committed to supply, the Installed Capacity Supplier shall be retrospectively liable to pay the ISO the monthly deficiency charge, calculated pursuant to Section 5.14.1 of this Tariff.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 will be applied as specified in Section 5.14.3.

5.14.3 Application of Deficiency Charges

Any remaining monies collected by the ISO through deficiency charges pursuant to Section 5.14.1 but not used to procure Unforced Capacity on behalf of deficient LSEs shall be applied as provided in this Section 5.14.3.

5.14.3(a) General Application of Deficiency Charges

Except as provided in Section 5.14.3(b), remaining monies will be applied to reduce the Rate Schedule 1 charge in the following month.

5.14.3(b) Locational Installed Capacity Rebates

(i) New York City

If an Unforced Capacity deficiency exists during the first month of a Capability Period, the ISO shall rebate, calculated on a monthly basis and to be paid at the beginning of the month, any remaining unspent deficiency charges collected for that month for the New York City Locality. The rebate calculated for the Locality shall be allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid.

If during the second through six months of a Capability Period, an Unforced Capacity deficiency exists in the New York City Locality, the ISO shall rebate, calculated on a monthly basis and to be paid at the beginning of each month, any remaining unspent deficiency charges collected for that month for the New York City Locality to Load-gaining LSEs. The rebate shall be such that the price paid for such Unforced Capacity is

no lower than the weighted average aggregate purchase price paid for those months in the Capability Period auction, the first Monthly Auction, the first Deficiency Procurement Auction and any deficiency charges collected. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid. To the extent there is money left over after such rebates, it shall be allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Installed Capacity Requirement.

The temporary rebates described in this Section 5.14.3(b)(i) shall terminate when an Unforced Capacity surplus is forecasted at the beginning of each of two consecutive Summer Capability Periods in the New York City Locality. To the extent there is money left over after such rebates, it shall be distributed in accordance with Section 5.15.

(ii) Long Island

If an Unforced Capacity deficiency exists during any month of a Capability Period in the Long Island Locality, the ISO shall rebate, calculated on a monthly basis and to be paid at the beginning of each month, any remaining unspent deficiency charges collected for that month for the Locality. The rebate calculated for the Locality shall be allocated among all LSEs in that Locality in proportion to their share of the applicable Location Installed

Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid. The temporary rebates described in this Section 5.14.3(b)(ii) shall terminate when an Unforced Capacity surplus is forecasted at the beginning of each of two consecutive Summer Capability Periods in the Long Island Locality. To the extent there is money left over after such rebates, it shall be distributed in accordance with Section 5.15.

5.15 Payment and Allocation of Installed Capacity Auction Rebates

The ISO shall rebate to all LSEs with Locational Installed Capacity Requirements in the New York City Locality any Excess Amount that remains after the completion of an auction. Such rebates shall be allocated among all New York City LSEs in proportion to their share of