

TABLE OF CONTENTS	1
ARTICLE 1: INTRODUCTION AND PURPOSE	21
ARTICLE 2: DEFINITIONS	22
2.0 Definitions	22
2.1 Actual Energy Injections	22
2.1.1 Actual Energy Withdrawals	22
2.2 Adverse Conditions	22
2.2a Adjusted Actual Load	23
2.3 Affiliate	23
2.4 Ancillary Services	23
2.5 Application	24
2.5a Auction Constraint Residual	24
2.5b Auction Shortfall Charge	24
2.5c Auction Surplus Payment	24
2.6 Automatic Generation Control ("AGC")	24A
2.7 Available Generating Capacity	24A
2.7a Available Reserves	24A
2.8 Availability	24A
2.9 Back-Up Operation	25
2.9a Back-up Operation Procedures	25
2.9b Market Participant and Transmission Customer Obligations	26
2.9c Billing and Settlement	26
2.10 Reserved for future use	27
2.11 Base Point Signals	27
2.11a Basis Amount	27
2.11b Basis Month	27A
2.12 Bid/Post System	27A
2.13 Bid	28
2.13a Bid Component	28
2.14 Bid Price	28
2.15 Bid Production Cost	28
2.15a Bidder	28
2.16 Bilateral Transaction	28
2.17 Capability Period	29
2.17a Capability Period Auction	29
2.17b Capability Year	29
2.18 Capacity	29
2.18a Capacity Limited Resource	29
2.18b Capacity Reservation Cap	29A
2.18c CARL Data	29A

Issued by: William J. Museler, President  
Issued on: ~~December~~<sup>January</sup> 12~~8~~<sup>28</sup>, 2003~~5~~

Effective: February 21, 2004~~5~~

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.19	Centralized Transmission Congestion Contracts ("TCC")	
	Auction ("Auction") .....	29A
2.20	Reserved for future use .....	29A
2.21	Reserved for future use. ....	29A
2.22	Code of Conduct .....	30
2.23	Commission ("FERC") .....	30
2.23a	Compensable Overgeneration.....	30
2.24	Completed Application .....	30
2.25	Confidential Information .....	30A
2.26	Congestion .....	30A
2.27	Congestion Component .....	31
2.28	Congestion Rent .....	31

Issued by: William J. Museler, President  
Issued on: ~~December 1, 2003~~ January 4, 2005

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.29	Congestion Rent Shortfall .....	31
2.29a	Congestion Shortfall Charge .....	31
2.29b	Congestion Surplus Payment .....	31A
2.30	Constraint .....	31A
2.30a	Constraint Residual .....	31A
2.31	Contingency .....	32
2.32	Control Area .....	32
2.32a	Control Area System Resource .....	32
2.32b	Control Performance .....	32A
2.32c	Controllable Transmission .....	32A
2.32d	Credit Assessment .....	32A
2.33	Curtailement or Curtail .....	32A
2.33a	Curtailement Customer Aggregator .....	33
2.33a.1	Curtailement Initiation Cost .....	33
2.33b	Curtailement Services Provider .....	33
2.34	Customer .....	33
2.35	Day-Ahead .....	33
2.36	Day-Ahead LBMP .....	33A
2.36a	Day-Ahead Margin .....	33A
2.36b	Day-Ahead Margin Assurance Payment .....	33A
2.37	Day-Ahead Market .....	33A
2.38	Decremental Bid .....	33A
2.38a	Demand Reduction .....	34
2.38b	Demand Reduction Aggregator .....	34
2.38c	Demand Reduction Incentive Payment .....	34
2.38d	Demand Reduction Provider .....	34A
2.39	Demand Side Resources .....	34A
2.40	Dependable Maximum Net Capability ("DMNC") .....	34A
2.41	Desired Net Interchange ("DNI") .....	34A
2.42	Direct Sale .....	34B
2.43	Dispatchable .....	35
2.44	Dispatch Day .....	35
2.45	Dispute Resolution Administrator ("DRA") .....	35
2.46	Dispute Resolution Process ("DRP") .....	35
2.46a	DMNC Test Period .....	35A
2.46b	East of Central-East .....	36
2.46c	East of Central-East Excluding Long Island .....	36
2.46d	East of Central-East Excluding New York City and Long Island .....	36
2.46e	Economic Operating Point .....	36

2.47	Emergency .....	36.01
2.47a	Emergency Demand Response Program ("EDRP") .....	36.01
2.48	Emergency State .....	36A
2.48a	Emergency Upper Operating Limit (UOL <sub>E</sub> ) .....	36A
2.49	Energy ("MWh") .....	36A
2.49a	Energy and Ancillary Component .....	36A
2.49b	Energy Limited Resource .....	36A
2.49c	Equivalent Demand Forced Outage Rate .....	37
2.49d	Equivalency Rating .....	37
2.49e	ETCNL TCC .....	37
2.49f	Excess Amount .....	37
2.50	Excess Congestion Rents .....	37
2.51	Existing Transmission Capacity for Native Load ("ETCNL") .....	37A
2.52	Existing Transmission Agreement ("ETA") .....	38
2.52.1	Expedited Load Reduction .....	38
2.52a	Expedited Dispute Resolution Procedures .....	38
2.53	Exports .....	38
2.54	External .....	38
2.55	External Transactions .....	38
2.55a	Facility Flow-Based Methodology .....	38A
2.56	Federal Power Act ("FPA") .....	38A
2.57	Firm Point-To-Point Transmission Service .....	39
2.58	Firm Transmission Service .....	39
2.59	First Settlement .....	39
2.59a	Fixed Block Unit .....	39
2.59b	GADS Data .....	39
2.60	Generator .....	39A
2.61	[Reserved for future use] .....	39A
2.62	Good Utility Practice .....	40
2.63	[Not used] .....	40

Issued by: William J. Museler, President

Effective:

February 21, 20045

Issued on: ~~December~~January 4~~28~~, 2003~~5~~

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.64	Grandfathered Rights .....	40
2.65	Grandfathered TCCs .....	41
2.66	ICAP Demand Curve .....	41
2.66a	ICAP Spot Market Auction.....	41
2.67	Imports .....	41
2.68	Inadvertent Energy Accounting .....	41
2.68a	In-City .....	42
2.69	Incremental Energy Bid .....	42
2.70	Independent System Operator ("ISO") .....	42
2.71	Independent System Operator Agreement ("ISO Agreement") .....	42
2.72	Independent System Operator/New York State Reliability Council ("ISO/NYSRC Agreement") .....	42
2.73	Independent System Operator-Transmission Owner Agreement ("ISO/TO Agreement") .....	42
2.74	Installed Capacity .....	42
2.74a	Installed Capacity Equivalent.....	43
2.74b	Installed Capacity Marketer .....	43
2.74c	Installed Capacity Supplier .....	43
2.75	Interconnection or Interconnection Points ("IP") .....	43
2.76	Interface .....	43
2.77	Interface MW - Mile Methodology.....	43A
2.77a	Intermittent Power Resource .....	43A
2.78	Internal .....	44
2.79	Internal Transactions .....	44
2.80	Investment Grade Customer .....	44
2.80a	Investor-Owned Transmission Owners .....	44
2.81	ISO Administered Markets .....	44
2.81a	ISO-Committed Fixed.....	44A
2.81b	ISO-Committed Flexible.....	44A
2.82	ISO Market Power Monitoring Program .....	45
2.83	ISO OATT .....	45
2.84	ISO Procedures .....	45
2.85	ISO Related Agreements .....	45
2.86	ISO Services Tariff (the "Tariff") .....	45
2.87	ISO Tariffs .....	45
2.88	LBMP Market(s) .....	45
2.88a	Limited Customer.....	45
2.89	LIPA Tax Exempt Bonds .....	45A

Issued by: William J. Museler, President

Effective: February 1, 2005

Issued on: ~~December~~January 4<sup>th</sup>, 2003~~5~~

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.95	Locality .....	47
2.96	Local Reliability Rule .....	47
2.97	Locational Based Marginal Pricing ("LBMP").....	47A
2.98	Locational Minimum Installed Capacity Requirement .....	48
2.98a	Locational Minimum Unforced Capacity Requirement.....	48
2.98b	Long Island ("L.I.").....	48
2.99	Lost Opportunity Cost .....	48
2.99a	LSE Unforced Capacity Obligation .....	48
2.100	Major Emergency State .....	48A
2.101	Marginal Losses .....	49
2.102	Marginal Losses Component .....	49
2.102a	Market Advisor .....	49
2.102b	Market-Clearing Price.....	49
2.102c	Market Monitoring and Performance Unit.....	49
2.103	Market Participant .....	49A
2.104	Market Services .....	50
2.105	Member Systems .....	50
2.106	Minimum Generation Bid .....	50
2.106a	Minimum Payment Nomination .....	50
2.107	Modified Wheeling Agreement ("MWA") .....	50
2.107a	Monthly Auction.....	50
2.107b	Native Load Customers.....	50A
2.108	NERC .....	51
2.108a	Net Auction Revenue .....	51
2.108b	Net Congestion Rent .....	51
2.109	Network Integration Transmission Service.....	51A
2.109a	New York City.....	51A
2.110	New York Control Area ("NYCA") .....	51 A
2.111	New York Power Pool ("NYPP") .....	51A
2.112	New York State Power System ("NYS Power System") .....	52
2.113	New York State Reliability Council ("NYSRC") .....	52
2.114	New York State Reliability Council Agreement ("NYSRC Agreement") .....	52
2.115	New York State Transmission System ("NYS Transmission System") .....	52
2.115a	Non-Competitive Proxy Generator Bus .....	52
2.116	Non-Firm-Point-To-Point Transmission Service .....	52A
2.116a	Non-Investment Grade Customer.....	52A
2.117	Non-Utility Generator ("NUG," "Independent Power Producer" or "IPP") .....	53

Issued by: William J. Museler, President  
 Issued on: ~~December 12, 2003~~<sup>January 12, 2003</sup>

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.118	Normal State .....	53
2.118a	Normal Upper Operating Limit (UOL <sub>N</sub> ).....	53
2.119	NPCC .....	53
2.120	NRC.....	53
2.120a	NYCA Installed Reserve Margin .....	53A
2.120b	NYCA Minimum Installed Capacity Requirement .....	53A
2.120c	NYCA Minimum Unforced Capacity Requirement .....	53A
2.121	NYPA.....	53A
2.122	NYPA Tax-Exempt Bonds .....	54
2.123	Obligation Procurement Period.....	54
2.124	Off-Peak .....	54
2.125	Offeror .....	54

Issued by: William J. Museler, President  
Issued on: ~~December~~January 12, 20035

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.126	On-Peak .....	55
2.127	Open Access Same-Time Information System ("OASIS") .....	55
2.128	Operating Capacity .....	55
2.128a	Operating Committee .....	55
2.128b	Operating Data .....	55
2.128c	Operating Requirement .....	55
2.129	Operating Reserves .....	55A
2.129a	Operating Reserve Demand Curve .....	56
2.130	Operating Study Power Flow .....	56
2.131	Operational Control .....	56
2.132	Optimal Power Flow ("OPF") .....	56A
2.133	Order Nos. 888 <u>et seq.</u> .....	57
2.134	Order Nos. 889 <u>et seq.</u> .....	57
2.135	Original Residual TCC.....	57A
2.135a	Out-of-Merit Generation .....	57
2.136	Performance Index .....	58
2.137	Performance Tracking System .....	58
2.138	Point to Point Transmission Service .....	58A
2.139	Point(s) of Injection ("POI" or "Point of Receipt") .....	58A
2.140	Point(s) of Withdrawal ("POW" or "Point of Delivery") .....	59
2.141	Pool Control Error ("PCE") .....	59
2.142	Post Contingency .....	59
2.143	Power Exchange ("PE") .....	59
2.144	Power Factor .....	59
2.145	Power Factor Criteria .....	59
2.146	Power Flow .....	60
2.146a	Pre-Scheduled Transaction Request.....	60
2.146b	Pre-Scheduled Transaction.....	60
2.147	Primary Holder .....	60
2.148	Primary Owner .....	60A
2.148a	Prior Equivalent Capability Period .....	61
2.149	Proxy Generator Bus .....	61
2.150	PSC .....	61
2.151	PSL .....	61

Issued by: William J. Museler, President  
 Issued on: ~~December 12, 2003~~January 12, 2003

Effective: February ~~21~~2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).



2.151.1 Quick Start Mode .....	61
2.151.2 Quick Start Reserves .....	61
2.151a Ramp Capacity.....	61A
2.151b RCRR TCC .....	61A
2.152 Reactive Power (MVar) .....	61A
2.153 Real Power Losses .....	61A
2.153a Real-Time Bid .....	61A
2.153b Real-Time Commitment ("RTC").....	61A
2.153c Real-Time Dispatch ("RTD").....	61B
2.153d Real-Time Dispatch-Corrective Action Mode ("RTD-CAM").....	61C
2.154 Real-Time LBMP .....	62
2.155 Real-Time Market .....	62
2.155a Real-Time Scheduled Energy Injection .....	62
2.155b Reconfiguration Auction.....	62
2.156 Reduction or Reduce .....	62
2.157 Reference Bus .....	62A
2.157a Regulation Service Demand Curve .....	62A
2.157b Regulation Revenue Adjustment Charge ("RRAC") .....	62A
2.158c Regulation Revenue Adjustment Payment ("RRAP") .....	62A
2.158 Reliability Rules .....	62B
2.159 Required System Capability .....	63
2.159a Residual Adjustment .....	63
2.159b Residual Capacity Reservation Right ("RCRR").....	63
2.160 Residual TCCs.....	63

2.160a	Residual Transmission Capacity	64
2.160b	Resource	64
2.160c	Rest of State	64A
2.161	Safe Operations	64A
2.161a	Scheduling Differential	64A
2.162	SCUC	64A
2.163	[Not used]	65
2.163a	Secondary Holders	65
2.164	Second Settlement	65
2.165	Secondary Market	65
2.166	Reserved for future use.	66
2.167	Security Coordinator	66
2.167a	Self-Committed Fixed	66
2.167b	Self-Committed Flexible	66
2.168	Self-Supply	66
2.169	Service Agreement	66
2.170	Service Commencement Date	67
2.171	Settlement	67
2.171a	Shadow Price	67
2.172	Shift Factor ("SF")	67
2.172a	Sink Price Cap Bid	67
2.172b	Special Case Resource	67
2.172c	Station Power	67A
2.172d	Start-Up Bid	67A
2.173	Storm Watch	67B
2.174	Strandable Costs	68
2.175	Stranded Investment Recovery Charge	68
2.176	Supplemental Resource Evaluation ("SRE")	68
2.177	Supplier	68
2.177a	System Resource	69
2.177b	Tangible Net Worth	69
2.178	Third Party Transmission Wheeling Agreements ("Third Party TWAs")	69
2.179	Total Transfer Capability ("TTC")	69
2.180	Transaction	69A
2.181	Transfer Capability	69A
2.181a	Transmission Congestion Contract Component ("TCC Component")	70
2.182	Transmission Congestion Contracts ("TCCs")	70
2.183	Transmission Customer	70
2.184	Transmission District	70

Issued by: William J. Museler, President  
Issued on: ~~December~~January 4, 20035

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.185	Transmission Facilities Under ISO Operational Control .....	70A
2.186	Transmission Facilities Requiring ISO Notification .....	71
2.186a	Transmission Facility Agreement .....	71
2.186b	Transmission Fund ("T-Fund") .....	71
2.187	Transmission Owner .....	72
2.188	Transmission Owner's Monthly Transmission System Peak .....	72
2.189	Transmission Reliability Margin ("TRM") .....	72
2.190	Transmission Service .....	72
2.191	Transmission Service Charge ("TSC") .....	72

Issued by: William J. Museler, President  
Issued on: ~~December 12, 2003~~January 12, 2005

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

2.192	Transmission System.....	73
2.193	Transmission Usage Charge ("TUC") .....	73
2.194	Transmission Wheeling Agreement ("TWA").....	73
2.194a	Unforced Capacity.....	73
2.194a1	Unforced Capacity Deliverability Rights .....	73
2.194a.1	UCAP Component .....	73A
2.194a.2	Unrated Customer .....	73A
2.194a.3	Unsecured Credit .....	73A
2.194b	Virtual Transaction.....	73B
2.194c	West of Central-East ("West" or "Western") .....	73B
2.195	Wheels Through .....	74
2.196	Wholesale Market .....	74
2.197	Wholesale Transmission Services Charges ("WTSC") .....	74
2.198	WTSC Component .....	74
ARTICLE 3: TERM AND EFFECTIVENESS		81
3.1	Effectiveness .....	81
3.2	Term and Termination.....	81
3.3	Regulations .....	82
3.4	Access to Complete and Accurate Data .....	82
3.5	ISO Procedures.....	83
3.6	Survival.....	84
ARTICLE 4: MARKET SERVICES: RIGHTS AND OBLIGATIONS		86
4.1	Market Services - General Rules.....	86
4.2	Day-Ahead Markets and Schedules .....	87.02
4.3	In-Day Scheduling Changes .....	95A
4.4	Real-Time Markets and Schedules.....	97

Issued by: William J. Museler, President  
Issued on: ~~June~~January ~~16~~28, 20045

Effective: ~~August~~February 16, 20045

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

4.5	Real-Time Market Settlements.....	99B
4.6	Payments to Suppliers of Regulation Service .....	104
4.7	Payments to Suppliers of Reactive Supply and Voltage Support Service ("Voltage Support Service").....	104
4.8	Payments to Generators for Operating Reserves.....	104

Issued by: William J. Museler, President  
Issued on: ~~December 12, 2003~~January 12, 2005

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

4.9	Payments to Generators for Black Start Capability .....	105
4.10	Day-Ahead Margin Assurance Payments .....	105
4.11	Bid Production Cost Guarantee and Curtailment Initiation Cost Payments .....	105
4.12	Procurement of Station Power.....	107
ARTICLE 5: CONTROL AREA SERVICES: RIGHTS AND OBLIGATIONS		111
5.1	Control Area Services .....	111
5.2	Independent System Operator Authority.....	112D
5.3	Control Center Operation.....	113A
5.4	Operation Under Adverse Conditions .....	115
5.5	Major Emergency State .....	116
5.6	Requirements For Inclusion Within The New York Control Area .....	117
5.7	Requirements For Entities Not Located Within The New York Control Area .....	117
5.8	Communication and Metering Requirements for Control Area Services .....	118
5.9	Installed Capacity - Implementation of Revised Installed Capacity Market Provisions .....	120
5.10	NYCA Minimum Installed Capacity Requirement .....	120A
5.11	Requirements Applicable to LSEs .....	121
5.12	Requirements Applicable to Installed Capacity Suppliers .....	128
5.13	Installed Capacity Auctions .....	146
5.14	Installed Capacity Spot Market Auction and Installed Capacity Supplier Deficiencies .....	153
5.15	Payment and Allocation of Installed Capacity Auction Rebates .....	161B
5.16	Expedited Dispute Resolution Procedures .....	162
ARTICLE 6: CONFIDENTIALITY		181
6.1	Access to Confidential Information .....	181
6.2	Use of Confidential Information.....	182
6.3	Disclosure of Bid Information.....	182
6.4	Survival .....	182
ARTICLE 7: BILLING AND PAYMENT		186
7.1	ISO Clearing Account .....	186
7.2	Billing Procedures and Payments.....	187
7.3	Interest on Unpaid Balances.....	189
7.4	Billing Dispute .....	190
7.5	Customer Default .....	191
7.6	Survival .....	194

Issued by: William J. Museler, President  
Issued on: ~~December~~January 4, 20035

Effective: February 1, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-230-000, et. al., issued February 11, 2004, 106 FERC ¶ 61,111 (2004).

Rate Schedule 1 --	Market Administration and Control Area Services Charge .....	251
Rate Schedule 2 --	Payments for Supplying Voltage Support Service During 2003 .....	256
Rate Schedule 3 --	Payments for Regulation Service.....	271
Rate Schedule 4 --	Payments for Supplying Operating Reserves .....	286
Rate Schedule 5 --	Payments for Black Start Capability.....	311
Rate Schedule 6	Quick Start Reserves.....	314
Attachment A --	Form of Service Agreement for New York ISO Market Administration and Control Area Services Tariff .....	321
Attachment B --	LBMP Calculation Method.....	331
Attachment C --	Formulas for Determining Bid Production Cost Guarantee Payments....	421
Attachment D --	Data Requirements for LBMP Bidders.....	427
Attachment E	Temporary Extraordinary Procedures for Correcting Prices Resulting From Market Implementation Errors and Emergency System Conditions .....	440
Attachment F	Temporary Bid Caps.....	456
Attachment G	Emergency Demand Response Program .....	459
Attachment H	ISO Market Power Mitigation Measures .....	466
Attachment I	Recovery of Bad Debt Associated With Virtual Transactions .....	478
Attachment J	Determination of Day-Ahead Margin Assurance Payments .....	486
Attachment K	Creditworthiness Requirements for Customers .....	490