

ATTACHMENT B

I. LBMP CALCULATION METHOD

The Locational Based Marginal Prices (“LBMPs” or “prices”) for Suppliers and Loads in the Real-Time Market will be based on the system marginal costs produced by either the Real-Time Dispatch program, or during intervals when it is activated, the RTD-CAM program (together “RTD”), and during intervals when certain conditions exist at Proxy Generator Buses, the Real-Time Commitment (RTC”) program. LBMPs for Suppliers and Loads in the Day-Ahead Market will be based on the system marginal costs produced by the Security Constrained Unit Commitment (“SCUC”). LBMPs calculated by SCUC and RTD will incorporate the incremental dispatch costs of Resources that would be scheduled to meet an increment of Load and, to the extent that tradeoffs exist between scheduling providers to produce Energy or reduce demand, and scheduling them to provide Regulation Service or Operating Reserves, LBMPs shall reflect the effect of meeting an increment of Load at each location on the Bid Production Cost associated with those services. As such, those LBMPs may incorporate: (i) Availability Bids for Regulation Service or Operating Reserves; or (ii) shortage costs associated with the inability to meet a Regulation Service or Operating Reserves requirement under the Regulation Service Demand Curve and Operating Reserve Demand Curves set forth in Rate Schedules 3 and 4 respectively of this ISO Services Tariff.

A. Real-Time LBMPs Calculation Procedures

For each RTD interval, the ISO shall use the procedures described below in Sections I.A.1(a)-(e) to calculate Real-Time LBMPs, the Marginal Losses Component, and the Congestion

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2.1.2 Marginal Losses Component Real -Time

The ISO shall utilize the Marginal Losses Component calculated by the (i) RTD programs in most cases; or, (ii) during intervals when the conditions specified in Part I of this Attachment B exist at Proxy Generator Buses, the RTC program, for computing the Marginal Losses Component associated with each Transaction scheduled in the Real-Time Market (or deviations from Transactions scheduled in the Day-Ahead Market). The computations will be performed on an RTD-interval basis and aggregated to an hourly total.

2.2 Payments and Charges

Payments and charges to reflect the impact of Energy supplied by each Generator, consumed by each Load, or transmitted by each Transmission Customer on the Marginal Losses Component shall be determined as follows. Each of these payments or charges may be negative.

Day-Ahead Payments and Charges

As part of the LBMP paid to all Suppliers scheduled Day-Ahead to provide Energy to the LBMP Market, the ISO shall pay each such Supplier the product of: (a) the injection scheduled Day-Ahead from each of that Supplier's Generators in each hour, in MWh; and (b) the Marginal Losses Component of the Day-Ahead LBMP at each of those Generators' buses, in \$/MWh.

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