REVISED DRAFT

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New York Independent System Operator, Inc.
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Rate Schedule 4

Payments for Supplying Operating Reserves

This Rate Schedule applies to payments to Suppliers ~~who~~**that** provide Operating Reserves to the ISO. Transmission Customers will purchase Operating Reserves from the ISO under **Rate Schedule 5 of** the ISO OATT.

1.0 General Responsibilities and Requirements

1.1 ISO Responsibilities

The ISO shall procure **(on behalf of its Customers) a** sufficient ~~quantities~~**quantity** of each Operating Reserve product to comply with the Reliability Rules and with other applicable reliability standards, subject to possible adjustments under Section 7.0 of this Rate Schedule. To the extent that the ISO enters into Operating Reserve sharing agreements with neighboring Control Areas its Operating Reserves requirements will be adjusted accordingly.

The ISO shall define requirements for Spinning Reserve, which may be met only by Suppliers that are eligible, under Section 1.2 of this Rate Schedule, to provide Spinning Reserve; 10-Minute Reserve, which may be met by Suppliers that are eligible to provide either Spinning Reserve or 10-Minute Non-Synchronized Reserve; and 30-Minute Reserve, which may be met by Suppliers that are eligible to provide any Operating Reserve product. The ISO shall also define locational requirements for Spinning Reserve, 10-Minute Reserve, and 30-Minute Reserve located East of Central East Excluding Long Island and on Long Island. In addition to being subject to the preceding limitations on

Suppliers that can meet each of these requirements, requirements for Operating Reserve located East of Central East Excluding Long Island may only be met by eligible Suppliers that are located East of Central East Excluding Long Island, and requirements for Operating Reserve located on Long Island may only be met by eligible Suppliers located on Long Island. Each of these Operating Reserve requirements shall be defined consistent with the Reliability Rules and other applicable reliability standards. As part of the co-optimization process, the ISO shall select providers of Operating Reserves products to meet these requirements, including locational Operating Reserve requirements.

The ISO shall select Operating Reserves ~~providers~~**Suppliers** that are properly located electrically so that all locational Operating Reserves requirements are satisfied, subject to possible adjustments under Section 7.0, and transmission constraints resulting from either the commitment or dispatch of Generators do not limit the **ISO's** ability to deliver Energy to Loads in the case of a Contingency . The ISO will ensure that ~~Capacity~~**Suppliers that** ~~counted~~ **are** compensated for ~~meeting a portion of the ISO's~~**using Capacity to provide one** Operating Reserve ~~requirements~~**product** ~~is~~**are** not simultaneously ~~compensatedfor satisfying other~~**compensated for providing another** Operating Reserve **product,** or Regulation Service ~~requirements. , so that Suppliers are not paid twice for providing a single service~~**using the same Capacity**.

1.2 Supplier Eligibility Criteria

The ISO shall enforce the following criteria, which define which types of Suppliers are eligible to supply particular Operating Reserve products.

a. Spinning Reserve: Generators that are ISO Committed Flexible or Self-

Committed Flexible, are operating within the dispatchable portion of their operating range, are capable of responding to ISO instructions to change their output level within ten minutes, and are capable of producing Energy for at least thirty minutes shall be eligible to supply Spinning Reserve.

b. **10-Minute Non-Synchronized Reserve:** Off-line Generators that are capable of starting, synchronizing, and increasing their output level within ten (10) minutes and that meet the criteria set forth in the ISO Procedures, and Demand-Side Resources that are capable of reducing their Energy usage within ten (10) minutes and that meet the criteria set forth in the ISO Procedures, shall be eligible, provided that they are capable of providing Energy for at least thirty minutes, to supply 10-Minute Non-Synchronized Reserve.

c. **30-Minute Reserve:** (i) Generators that are ISO Committed Flexible or Self-Committed Flexible and operating within the dispatchable portion of their operating range shall be eligible to supply synchronous 30-Minute Reserves; (ii) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within thirty (30) minutes and that meet the criteria set forth in the ISO Procedures, and Demand-Side Resources that are capable of reducing their Energy usage within thirty (30) minutes and that meet the criteria set forth in the ISO Procedures, shall be eligible to supply non-synchronous 30-Minute Reserves.

d. **Self-Committed Fixed Generators:** Shall not be eligible to provide any kind of Operating Reserve.

1.3 Other Supplier Requirements

All Suppliers of Operating Reserve must be located within the NYCA and must be under

ISO Operational Control. Each Supplier bidding to supply Operating Reserve must be able to provide Energy consistent with the Reliability Rules and the ISO Procedures when called upon by the ISO. All Suppliers that are selected to provide Operating Reserves shall ensure that their Resources maintain and deliver the appropriate quantity of Energy when called upon by the ISO during any interval in which they have been selected.

~~Suppliers~~**Generators or Demand-Side Resources** that are selected to provide Operating Reserve in the Day-Ahead Market or any supplemental commitment may not increase their Energy Bids for portions of their Resources that have been scheduled through those processes, or reduce their commitments, in real-time except to the extent that they are directed to do so by the ISO. ~~Subject to the limitations on Installed Capacity Suppliers, if applicable, they~~**Generators and Demand Side Resources** may enter into alternate sales arrangements utilizing any Capacity that has not been scheduled to provide Operating Reserve.

2.0 General Day-Ahead Market Rules

2.1 Bidding and Bid Selection

Resources capable of providing Spinning Reserve, 10-Minute Non-Synchronized Reserve and/or 30-Minute Reserve, in the Day-Ahead commitment may submit Availability Bids for each hour of the upcoming day. If a Supplier offers Resources ~~to supply~~**that are capable, based on their indicated commitment status, of providing** Operating Reserves but does not submit an Availability Bid it will be assigned a Day-Ahead Availability bid of $0/MWh.

The ISO may schedule Resources that makes themselves available to provide Operating Reserves up to the following maximum Operating Reserve levels: (i) for Spinning Reserves, the Resource's emergency response rate multiplied by ten; (ii) for 10-Minute Non-Synchronized Reserves, the Resource's UOL_N or UOL_E, depending on which is applicable at the relevant time; (iii) for synchronous 30-Minute Reserves, the Resource's

emergency response rate multiplied by thirty; and (iv) for non-synchronous 30-Minute Reserves, ?????

The ISO shall select Operating Reserve Suppliers for each hour of the upcoming day through a co-optimized Day-Ahead commitment process that minimizes the total cost of Energy, Operating Reserves and Regulation Service, using Bids submitted pursuant to Article 4.2 of, and Attachment D to, this ISO Services Tariff. As part of the co-optimization process, the ISO shall determine how much of each locational Operating Reserves product particular Suppliers will be required to provide in light of the Reliability Rules and other applicable reliability standards.

2.2 ISO Notice Requirement

The ISO shall notify each Operating Reserve Supplier that has been selected in the Day-Ahead Schedule of the amount of each Operating Reserve product that it has been scheduled to provide.

2.3 Responsibilities of Suppliers Scheduled to Provide Operating Reserves in the Day-Ahead Market

Suppliers of Spinning Reserve scheduled Day-Ahead shall either provide Spinning Reserve or shall generate Energy in real-time when ~~requested by the ISO to do~~**they are scheduled in real-time and are physically capable of doing** so, in all hours for which they have been ~~selected~~**scheduled** to provide Spinning Reserve. **(NOTE: NYISO Staff is considering possible changes to this Section and recommends deferring further discussion until the 9/26 MSWG.)**

Suppliers of 10-Minute Non-Synchronized Reserve and/or 30-Minute Reserve scheduled Day-Ahead shall provide 10-Minute Non-Synchronized Reserve and/or 30-Minute Reserve or shall generate Energy in real-time for all hours in which they have been scheduled to provide 10-Minute Non-Synchronized Reserve and/or 30-Minute Reserve.

3.0 General Real-Time Market Rules

3.1 Bid Selection

The ISO will automatically select Operating Reserves Suppliers in real-time from eligible Resources that submit Real-Time Bids pursuant to Section 4.4 of, and Attachment D to, this Services Tariff. All Suppliers will automatically be assigned a real-time Operating Reserves Availability bid of $0/MW. Suppliers will thus be selected on the basis of their response rates, their applicable upper operating limit, and their Energy Bid (which will reflect their opportunity costs) through a co-optimized real-time commitment process that minimizes the total cost of Energy, Regulation Service and Operating Reserves. As part of the process, the ISO shall determine how much of each locational Operating Reserves product particular Suppliers will be required to provide in light of the Reliability Rules and other applicable reliability standards.

3.2 ISO Notice Requirement

The ISO shall notify each Supplier of Operating Reserve that has been selected in the real-time schedule dispatch of the amount of Operating Reserve that it must provide.

3.3 Obligation to Make Resources Available to Provide Operating Reserves

Any ~~Supplier~~**Resource** that ~~offers~~**is eligible** to ~~make a Resource~~**supply Operating Reserves and that is made** available to the ISO for dispatch in Real-Time must also make ~~that Resource~~**itself** available to provide Operating Reserves.

3.4 Activation of Operating Reserves

All ~~Suppliers~~**Resources** that are selected by the ISO to provide Operating Reserves shall respond to the ISO's directions to activate in real-time.

3.5 Performance Tracking and Supplier Disqualifications

When a ~~Supplier of~~**Generator selected to supply** Operating Reserves is activated, the ISO shall measure and track its actual Energy production against its expected performance in

real-time. The ISO may disqualify ~~Suppliers~~**Generators** that consistently fail to provide Energy when called upon to do so in real-time from providing Operating Reserves in the future. If a ~~Supplier~~**Resource** has been disqualified, the ISO shall require it to pass a re-qualification test before accepting any additional Bids to supply Operating Reserves from it. Disqualification and re-qualification criteria shall be set forth in the ISO Procedures.

4.0 Operating Reserves Settlements – General Rules

4.1 Establishing Locational Reserve Prices

Except as noted below, the ISO shall calculate separate Day-Ahead Market and Real-Time Market prices for each of the three Operating Reserve products for each of three locations: (i) West of Central-East ("West" or "Western"); (ii) East of Central-East ~~(including~~**Excluding** Long Island~~)~~ ("East" or "Eastern"); and (iii) Long Island ("L.I."). The ISO will thus calculate nine different locational Operating Reserve prices in both the Day-Ahead Market and the Real-Time Market. Day-Ahead locational reserve prices shall be calculated pursuant to Section 5.0 of this Rate Schedule. Real-Time locational reserve prices shall be calculated pursuant to Section 6.0 of this Rate Schedule.

4.2 Settlements Involving Suppliers of Operating Reserves Located on Long Island

Suppliers of Operating Reserves located on Long Island shall receive settlement payments as if they were providing Operating Reserves located in the East. The ISO will calculate separate locational Long Island Operating Reserves prices but will not post them or use them for settlement purposes.

4.3 "Cascading" of Operating Reserves

The ISO will substitute higher quality Operating Reserves in place of lower quality Operating Reserves, when doing so lowers the total as-bid cost, *i.e.*, when the marginal cost for the higher quality Operating Reserve product is lower than the marginal cost for the lower

quality Operating Reserve product. To the extent, however, that reliability standards require the use of higher quality Operating Reserves, substitution cannot be made in the opposite direction.

The price of higher quality, *i.e.,* more rapidly responsive, Operating Reserves will not be set at a price below the price of lower quality Operating Reserves in the same location. Thus, the price of Spinning Reserves will not be below the price for 10-Minute Non-Synchronized Reserves or 30-Minute Reserves and the clearing price for 10-Minute Non-Synchronized Reserves will not be below the clearing price for 30-Minute Reserves.

5.0 Operating Reserve Settlements – Day-Ahead Market

5.1 Calculation of Day-Ahead Market Clearing Prices

The ISO shall calculate hourly Day-Ahead Market Clearing Prices for each Operating Reserve product at each location. Each Day-Ahead Market Clearing Price shall equal the sum of the relevant Day-Ahead locational Shadow Prices for that product **in that hour**, subject to the restriction described in Section 4.3 of this Rate Schedule.

The Day-Ahead Market Clearing Price for a particular Operating Reserve product in a particular location shall reflect the Shadow Prices associated with all of the ~~locational~~ Operating Reserve requirements**, including locational requirements,** that a particular **Operating Reserves** product **from a particular location** may be used to satisfy in a given hour. The ISO shall calculate ~~the~~ Day-Ahead Market Clearing ~~Price~~**Prices** using the following formulae:

Market Clearing Price for Western 30-Minute Reserves = SP1

Market Clearing Price for Western 10-Minute-**Non-Synchronized** Reserves = SP1 + SP2

Market Clearing Price for Western Spinning Reserves = SP1 + SP2 + SP3

Market Clearing Price for Eastern 30-Minute Reserves = SP1 + SP4

Market Clearing Price for Eastern 10-Minute **Non-Synchronized** Reserves = SP1 + SP2 + SP4 + SP5

Market Clearing Price for Eastern Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5

+ SP6

Market Clearing Price for L.I. 30-Minute Reserves = SP1 + SP4 + SP7

Market Clearing Price for L.I. 10-Minute **Non-Synchronized** Reserves = SP1 + SP2 + SP4 + SP5 + SP7 + SP8

Market Clearing Pricefor L.I. Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6 + SP7 + SP8 + SP9

Where:

SP1 = Shadow Price for ~~Western~~**total** 30-Minute Reserve requirement constraint for the hour

SP2 = Shadow Price for ~~Western~~**total** 10-Minute Reserve requirement constraint for the hour

SP3 = Shadow Price for ~~Western~~**total** Spinning Reserve requirement constraint for the hour

SP4 = Shadow Price for Eastern **or L.I**. 30-Minute Reserve requirement constraint for the hour

SP5 = Shadow Price for Eastern **or L.I**. 10-Minute Reserve requirement constraint for the hour

SP6 = Shadow Price for Eastern **or L.I.** Spinning Reserve requirement constraint for the hour

SP7 = Shadow Price for Long Island 30-Minute Reserve requirement constraint for the hour

SP8 = Shadow Price for Long Island 10-Minute Reserve requirement constraint for the hour

SP9 = Shadow Price for Long Island Spinning Reserve requirement constraint for the hour

Day-Ahead locational shadow prices will be calculated by the SCUC. Each ~~sum of relevant~~ Day-Ahead ~~locational Shadow Prices will reflect Suppliers'~~**Market Clearing Price will take account of the** Availability Bids and ~~opportunity costs~~**Lost Opportunity Costs of all Resources selected to provide the relevant Operating Reserve Product in that hour**. Shadow Prices will also be consistent with the Operating Reserve Demand Curves described in Section 7.0 of this Rate Schedule, which will ensure that Operating Reserves are not procured at a cost greater than the relevant Operating Reserve Demand Curve indicates should be paid. If more Operating Reserve of a particular quality is scheduled to meet a particular locational Operating Reserve requirement the Shadow Price for that Operating Reserve requirement constraint shall be set at zero.

Each Supplier that is scheduled Day-Ahead to provide Operating Reserve shall be paid the applicable Day-Ahead Market Clearing Price, based on its location and the quality of Operating Reserve scheduled, multiplied by the amount of Operating Reserve that the Supplier is scheduled to provide in each hour.

5.2. Other Day-Ahead Payments

As is provided in Article 4 and Attachment C of the Services Tariff, the ISO shall compensate each ISO-Committed Flexible or Self-Committed Flexible Generator providing Operating Reserves if its Bid Production Cost to provide the Energy and Ancillary Services it is scheduled to supply in the Day-Ahead Market, including start-up costs, minimum Load costs, and Availability Bids, exceeds the revenues it receives from the sale of Energy and Ancillary Services.

Notwithstanding anything to the contrary in this Rate Schedule, no Day-Ahead Market payments shall be made to any Supplier providing Operating Reserves in excess of the amount of Operating Reserves scheduled by the ISO in the Day-Ahead Market.

6.0 Operating Reserve Settlements – Real-Time Market

6.1 Calculation of Real-Time Market Clearing Prices

The ISO shall calculate Real-Time Market Clearing Prices for each Operating Reserve product for each location in every interval. Each real-time Market-Clearing Price shall equal the sum of the relevant real-time locational Shadow Prices for that product, subject to the restriction described in Section 4.3 of this Rate Schedule.

The Real-Time Market Clearing Price for a particular Operating Reserve product shall reflect the Shadow Prices associated with all of the ~~locational~~ Operating Reserve **requirements, including locational** requirements**,** that a particular **Operating Reserves** product **from a**

particular location may be used to satisfy in a given interval. The ISO shall calculate the Real-Time Market Clearing Price using the following formulae:

Market Clearing Price for Western 30-Minute Reserves = SP1

Market Clearing Price tWestern 10-Minute-**Non-Synchronized** Reserves = SP1 + SP2

Market Clearing Price for Western Spinning Reserves = SP1 + SP2 + SP3

Market Clearing Price for Eastern 30-Minute Reserves = SP1 + SP4

Market Clearing Price for Eastern 10-Minute **Non-Synchronized** Reserves = SP1 + SP2 + SP4 + SP5

Market Clearing Price for Eastern Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6

Market Clearing Price for L.I. 30-Minute Reserves = SP1 + SP4 + SP7

Market Clearing Price for L.I. 10-Minute **Non-Synchronized** Reserves = SP1 + SP2 + SP4 + SP5 + SP7 + SP8

Market Clearing Price for L.I. Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6 + SP7 + SP8 + SP9

Where:

SP1 = Shadow Price for ~~Western~~**total** 30-Minute Reserve requirement constraint for the interval

SP2 = Shadow Price for ~~Western~~**total** 10-Minute Reserve requirement constraint for the interval

SP3 = Shadow Price for ~~Western~~**total** Spinning Reserve requirement constraint for the interval

SP4 = Shadow Price for Eastern **or L.I.** 30-Minute Reserve requirement constraint for the interval

SP5 = Shadow Price for Eastern **or L.I.** 10-Minute Reserve requirement constraint for the interval

SP6 = Shadow Price for Eastern **or L.I.** Spinning Reserve requirement constraint for the interval

SP7 = Shadow Price for Long Island 30-Minute Reserve requirement constraint for the interval

SP8 = Shadow Price for Long Island 10-Minute Reserve requirement constraint for the interval

SP9 = Shadow Price for Long Island Spinning Reserve requirement constraint for the interval

Real-time locational Shadow Prices will be calculated by the ISO's RTD ~~and RTD-CAM~~

~~programs~~. Each ~~sum of relevant~~ real-time ~~locational Shadow Prices will reflect Suppliers' opportunity costs~~ **Market Clearing Price will take account of the Lost Opportunity Costs of all Resources selected to provide the relevant Operating Reserve Product in that interval.**(real-time Availability Bid Prices will **also** be ~~considered~~**taken into account** but ~~shall~~**they will** always equal zero pursuant to Section 3.1 of this Rate Schedule). Shadow Prices will also be consistent with the Operating Reserve Demand Curves described in Section 7.0 of this Rate Schedule, which will ensure that Operating Reserves are not procured at a cost greater than the relevant Operating Reserve Demand Curve indicates should be paid. If there is more Operating Reserve of the required quality than is needed to meet a particular locational Operating Reserve requirement then the Shadow Price for that Operating Reserve requirement constraint shall be zero.

Each Supplier that is scheduled ~~Day-Ahead~~**in real-time** to provide Operating Reserve shall be paid the applicable ~~Day~~**real**~~-Ahead~~**time** Market Clearing Price, based on its location and the quality of ~~reserve~~**Operating Reserve** scheduled, multiplied by the amount of Operating Reserve that the Supplier is scheduled to provide in each ~~hour~~**interval**.

6.2 Operating Reserve Balancing Payments

Any deviation in performance from a Supplier's Day-Ahead schedule to provide Operating Reserves, including deviations that result from schedule modifications made by the ISO, shall be settled pursuant to the following rules.

(a) When the Supplier's real-time Operating Reserves schedule is less than its assigned Day-Ahead Operating Reserves schedule, the Supplier shall pay a charge for the imbalance equal to the product of: (~~a~~**i**) the Real-Time Market Clearing Price for the relevant Operating Reserves Product in the relevant location; and (~~b~~**ii**) the difference between the Supplier's scheduled Day-Ahead

~~Operating Reserves award~~ and ~~its~~ real-time Operating Reserves ~~schedule~~**schedules**.

(b) When the Supplier's real-time Operating Reserves schedule is greater than its assigned Day-Ahead Operating Reserves schedule, the ISO shall pay the Supplier an amount to compensate it for the imbalance equal to the product of: (~~a~~**i**) the Real-Time Market Clearing Price for the relevant Operating Reserve product in the relevant location; and (~~b~~**ii**) the difference between the Supplier's scheduled Day-Ahead ~~Operating Reserves award~~ and ~~its~~ real-time Operating Reserves ~~schedule~~**schedules**.

6.3. Other Real-Time Payments

The ISO shall pay Generators that are selected to provide Operating Reserves, but are directed to convert to Energy production in real-time, the applicable Real-Time LBMP for all Energy they are directed to produce in excess of their Day-Ahead schedule. Demand-Side Resources that are instructed to "produce" Energy by reducing demand **below their Day-Ahead schedule** shall be paid the applicable Real-Time LBMP.

As is provided in Article ~~4~~**4.10** and Attachment C of the Services Tariff, the ISO shall compensate each ISO ~~Committed Flexible or Self-~~Committed Flexible Generator providing Operating Reserves if its Bid Production Cost to provide the Energy and Ancillary Services it is scheduled to supply in the Real-Time Market, including start-up costs, and minimum Load costs exceeds the revenues it receives from the sale of Energy and Ancillary Services.

Any Supplier that provides Energy during a large event reserve pickup or a maximum generation event, as described in Sections 4.4.4(A) (1) and (2) of this ISO Services Tariff shall be eligible for a Bid Production Cost guarantee payment calculated solely for the duration of the large event reserve pickup or maximum generation event. **Placeholder for BPCG formula to**

be added.)

(Placeholderfor the "Hold Harmless" payment concept discussed at recent MSWG meetings.)

Notwithstanding anything to the contrary in this Rate Schedule, no Real-Time Market payments shall be made to any Supplier providing Operating Reserves in excess of the amount of Operating Reserves scheduled by the ISO in the Real-Time Market.

7.0 Operating Reserve Demand Curves

The ISO shall establish nine Operating Reserve Demand Curves, one for each Operating Reserves requirement. Specifically, there shall be a demand curve for: (i) Total Spinning Reserves; (ii) Eastern or Long Island Spinning Reserves, (iii) Long Island Spinning Reserves; (iv) Total 10-Minute Non-Syncrhonized Reserves; (v) Eastern or Long Island 10-Minute Non-Synchronized Reserves; (vi) Long Island 10-Minute Non-Synchronized Reserves; (vii) Total 30-Minute Reserves; (viii) Eastern or Long Island 30-Minute Reserves; and (ix) Long Island 30-Minute Reserves. Each Operating Reserve Demand Curve will apply to both the Day-Ahead Market and the Real-Time Market for the relevant product and location.

The Market Clearing Prices for Operating Reserves shall be calculated pursuant to Sections 5.1 and 6.1 of this Rate Schedule and in a manner consistent with the demand curves established in this Section so that Operating Reserves are not purchased at a cost higher than the relevant demand curve indicates should be paid.

The Operating Reserve Demand Curves shall be established at the following quantity and price points:

Spinning Reserve:

Western _____ @ $500/MW

Eastern **@ $25/MW**

Long Island **@ $25/MW**

Total 10-Minute Reserve

Western ____ **@ $150/MW**

Eastern **@ $500/MW**

Long Island **@ $25/MW**

30-Minute Reserve

Western

200 MW **@ $ 50/MW**

200 MW **@ $ 100/MW**

Remainder of Requirement **@ $200/MW**

Eastern **@ $25/MW**

Long Island **@ $300/MW**

The ISO, however, shall have the authority to temporarily modify these quantity and price points in order to permit an effective response to operational or reliability problems that arise in real-time. In the event that it is necessary to make such a temporary modification, the ISO will post the modified points as soon as possible. It will also be required to report on the reasons for, and duration of, any modification to the members of the Business Issues Committee as soon as possible. **(Placeholder for additional details on procedures for revising demand curves – See RS 3)**

A periodic independent review of the Operating Reserve Demand Curves will be performed in accordance with the ISO Procedures to determine whether the parameters of the each Operating Reserve Demand Curve should be adjusted.

8.0 Self-Supply

Transactions may be entered into to provide for Self-Supply of Operating Reserves. Except as noted in the next paragraph, Customers seeking to Self-Supply Operating Reserves must place the Generator(s) supplying any one of the Operating Reserves under ISO control. The Generator(s) must meet ISO rules for acceptability. The amount that any such Customer will be charged for Operating Reserves will be reduced by the market value of the services provided by the specified Generator(s) as determined in the ISO Services Tariff.

Alternatively, Customers, including LSEs, may enter into Day-Ahead Bilateral financial Transactions, *e.g.*, contracts-for-differences, in order to hedge against price volatility in the Operating Reserves markets.

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