

### SCHEDULE 3

#### REGULATION ~~AND FREQUENCY RESPONSE~~ SERVICE

Regulation ~~and Frequency Response~~ Service is necessary to provide for the continuous balance of resources (generation and interchange) with Load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation ~~and Frequency Response~~ Service is accomplished by committing on-line ~~generation~~ Generators whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in Load. The obligation to maintain this balance between resources and Load lies with the ISO. The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements ~~pursuant to the provisions set forth in the ISO Services Tariff~~ to satisfy its Regulation ~~and Frequency Response~~ Service obligation. The charges for Regulation ~~and Frequency Response~~ Service are set forth below.

#### 1.0 Customer Obligations and Responsibilities

Transmission Customers and LSEs shall either purchase this service from the ISO,

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Self-Supply or purchase this service from alternate Suppliers. ~~Alternate Suppliers and sources for Self-Supply shall comply with those conditions specified in Rate Schedule 3 of the ISO Services Tariff.~~

## 2.0 Charges to Transmission Customers

(a) For all Actual Energy Withdrawals for Load located in the NYCA, the LSE is considered the Transmission Customer taking service under Parts II, III and IV of this Tariff for purposes of this Rate Schedule and shall pay a charge for this service on all Transmission Service in accordance with this Tariff and purchases in the LBMP Markets in accordance with the ISO Services Tariff, when such service serves Load located in the NYCA.

(b) The ISO shall calculate the charge, for each hour, as follows:

$$\text{LSE Charge} = (\text{Supplier Payment} - \text{Supplier Charge} - \text{Generator Charge}) \times \text{LRS}_{\text{LSE}}$$

where:

Supplier Payment is the aggregate of ~~the availability all Day-Ahead Market and Real-Time Market~~ payments made by the ISO to all Suppliers of ~~Regulation this s~~Service as described in Sections 4.0, 5.0, 6.0 and 7.0 of ~~Section 4.0(b) of~~ Rate Schedule 3 of the ISO Services Tariff.

Supplier Charge is the aggregate of: (i) charges paid by all Suppliers for poor Regulation Service performance, as described in Sections 5.4 and, if its provisions are re-instituted, Section 8.0 of Rate Schedule 3, Section 4.1 of Rate Schedule 3; ~~of the ISO Services Tariff~~ (ii) all real-time imbalance charges paid by Suppliers under Section 5.2(a) of that Rate Schedule; and all (iii) Lost Opportunity Cost charges assessed pursuant to Section 6.0 of that Rate Schedule.

Generator Charge is the aggregate of charges paid by all Generators that do not provide

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Regulation Service and do not follow their ~~SCRTD~~ RTD Base Points sufficiently accurately, as described in Section 4.2 of Rate Schedule 3-A of the ISO Services Tariff; and

$LRS_{LSE}$  is each Transmission Customer's share of the Load in the NYCA.

(c) In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services Tariff Agreement, exceed the payments made to Suppliers of this service (i) the ISO shall not assess a charge against any LSE, and (ii) the surplus will be applied to the following hour as an offset to subsequent payments.

(d) Charges to be paid by Transmission Customers for this service shall be aggregated to render a monthly charge.

## SCHEDULE 5

### OPERATING RESERVE SERVICE

The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA or to support Export Transactions from the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements to satisfy its Operating Reserve ~~Service~~ obligation. The ~~amount of, and~~ charges for ~~Operating Reserve Service~~ are set forth below. ~~The ISO shall establish the following Operating Reserves in accordance with the ISO Procedures and the Reliability Rules: (1) Spinning Reserve (10 Minute Synchronized Reserve); (ii) 10 Minute Non-Synchronized Reserve; and (iii) 30 Minute Reserve. The ISO shall maintain Operating Reserves requirements are established by the Reliability Rules and other applicable reliability standards. in accordance with the ISO Procedures and the Reliability Rules.~~ The ISO shall monitor the level of Operating Reserves utilizing the security monitoring program. Transmission Customers, Transmission Owners and Suppliers shall supply all data required for the proper operation of the security monitoring program.

~~The NYSRC shall establish the criteria for determining the required levels of Operating Reserves.~~ The NYSRC shall be responsible ~~to~~for ~~evaluat~~inge the adequacy of the criteria for

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determining the required level of Operating Reserves and shall modify such criteria from time to time as required. ~~Operating Reserves are classified as follows:~~

~~(1) Spinning Reserve: Operating Reserves provided by generation facilities and Interruptible Load Resources located within the NYCA that are already synchronized to the NYS Power System and can respond to instructions to change output level within ten (10) minutes;~~

~~(2) 10 Minute Non Synchronized Reserve ("10 Minute NSR"): Operating Reserves provided by generation facilities that can be started, synchronized and loaded within ten (10) minutes; and~~

~~(3) 30 Minute Reserve: Operating Reserves provided by generation facilities and Interruptible Load Resources that can respond to instructions to change output level within thirty (30) minutes.~~

~~The ISO shall satisfy at least fifty (50) percent of the applicable 10 Minute Reserve requirements with Spinning Reserve. If the ISO satisfies all of the 10 Minute Reserve requirement through Spinning Reserve, it does not have to maintain 10 Minute NSR.~~ The ISO shall establish additional categories of Operating Reserves if necessary to ensure reliability.

## 1.0 General Requirements

The ISO shall ensure that providers of Operating Reserves are properly located electrically so that transmission Constraints resulting from either commitment or dispatch of ~~units~~Generators do not limit the ability to deliver Energy to Loads in the case of a Contingency. The ISO will ensure that Suppliers that counted are compensated for using Capacity to provide one Operating Reserve product are not simultaneously compensated for providing another Operating Reserve product, or Regulation Service, using the same Capacity. that Capacity counted towards meeting Operating Reserve requirements is not also simultaneously counted towards meeting Regulation and Frequency Response Service requirements.

## 2.0 Operating Reserves Charges

Each Transmission Customer engaging in an Export and each LSE shall pay a monthly Operating Reserves charge equal to ~~its share of the applicable total~~ Day-Ahead Market and Real-Time Market the sum of the hourly Operating Reserves charges for the month. The ISO shall calculate, and the LSE or Transmission Customer shall pay, ~~an~~the hourly charge equal to the product of (A) cost to the ISO of providing all Operating Reserves; ~~less any revenues from penalties collected during each hour~~ and (B) the ratio of (i) the LSE's Load or the Transmission Customer's scheduled Export to (ii) the sum of all Load in the NYCA and all scheduled Exports during that hour. The cost to the ISO of providing Operating Reserves ~~are~~will equal the total amount that the ISO pays to procure Operating Reserves on behalf of the market described in under Rate Schedule 4 of the ISO Services Tariff.

## 3.0 Self-Supply

## Transmission Customers, including LSEs, may provide for Self-Supply of Operating

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Reserve by placing generation facilities supplying any one of the Operating Reserves under ISO Operational Control. The generation facilities must meet ISO rules for acceptability. The amount that any such customer will be charged for Operating Reserves Services will be reduced by the market value of the services provided by the specified generation facilities as determined in the ISO Services Tariff. In addition, Transmission 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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