

SCHEDULE 1

SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

This service is required to schedule the purchase, sale and movement of power through, out of, within, or into the NYCA. This service can be provided only by the ISO. The Transmission Customer must purchase this service from the ISO. The ISO Services Charge for Scheduling, System Control and Dispatch Service and any rebillings associated therewith are set forth below.

1. Parties to Which Charges Apply

The ISO shall charge, and Transmission Customers taking service under the ISO OATT, only, shall pay an "ISO Services Charge" as calculated in Section 2.B of this Rate Schedule on all Transmission Services provided pursuant to Parts II, III and IV to this Tariff, provided that Transmission Customers who are retail access customers who are being served by an LSE shall not pay this charge to the ISO; the LSE shall pay these charges. Transmission Customers taking service under both the ISO OATT and the ISO Services Tariff shall pay the applicable ISO Services Charge as calculated (i) in Sections 3.A through C of Rate Schedule 1 of the ISO Services Tariff, and (ii) in Sections 2.B.3 and 2.B.4 of this Rate Schedule.

2. Billing Units and Calculation of Rates

The ISO shall charge each Transmission Customer based on the product of: (i) the ISO Services Charge rate for Scheduling, System Control and Dispatch Service; and (ii) the

Transmission Customer's applicable injection billing units and/or withdrawal billing units for the month as described in Section 2A, provided however, that Transmission Customers taking service under Part IV of the OATT to supply Station Power shall pay a monthly charge as described in Section 2.B.5. of this Rate Schedule.

A. Billing Units

For the ISO Services Charge calculated under Section 2.B.1 of this Rate Schedule, the Transmission Customer's injection billing units shall be based on Scheduled Energy Injections to Import Energy into the LBMP Market in the New York Control Area. The Transmission Customer's withdrawal billing units shall be based on its Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly

Energy schedules for all Wheels Through and Exports. For the ISO Services Charge calculated pursuant to Sections 2.B.2, 2.B.3, and 2.B.4 of this Rate Schedule, the Transmission Customer's billing units shall be based on the Actual Energy Withdrawals for all Transmission Service to supply Load in the NYCA, and hourly Energy schedules for all Wheels Through and Exports. [For the ISO Services Charge calculated pursuant to Section 2.B.5. of this Rate Schedule, the Transmission Customer's withdrawal billing units for Station Power shall be based on actual Energy Withdrawals for Transmission Service to supply Station Power under Part IV of the OATT.](#) To the extent Schedule 1 charges are associated with satisfying Local Reliability Rules, the billing units for such charges will be based on the Actual Energy Withdrawals in the sub-zone(s) where the Local Reliability Rules are applied. To the extent Schedule 1 charges are associated with payments made for supplemental payments and Demand Reduction Incentive payments to Demand Reduction Providers, the billing units of such charges shall be based on Actual Energy Withdrawals to supply Load in the NYCA according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules and all Day-Ahead Market purchases to service Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology

described in Attachment T.

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B. Computation of Rates

The ISO Services Charge for Scheduling, System Control and Dispatch

Service shall consist of four components and shall be recovered on a monthly basis in accordance with the following processes:

1. ISO Annual Budget and FERC Regulatory Fees Component
 - a. The responsibility for the sum of (a) those costs listed in Section 3.A of this Rate Schedule that are included in the ISO's annual budget and (b) the ISO's FERC regulatory fees, shall be allocated 15% to all injection billing units and 85% to all withdrawal billing units.
 - b. The rate to be applied to injection billing units shall be the quotient of 15% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units as described in Section 2.A of this Rate Schedule. The rate to be applied to withdrawal billing units shall be the quotient of 85% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 2.A of this Rate Schedule.

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- c. The rates derived in Section 2.B.1 of this Rate Schedule shall then be multiplied by each Transmission Customer's injection billing units and withdrawal billing units, as appropriate, for the month.

2. ISO Unbudgeted Cost Component

Except with respect to bad debt loss and working capital contribution costs, the responsibility for those costs listed in Section 3.A of this Rate Schedule that are not neither (i) included in the ISO's annual budget, nor (ii) FERC-assessed regulatory fees, shall be allocated 100% to all withdrawal billing units. The rate to be applied to withdrawal billing units in each month shall be the quotient of the amount of these costs to be included in the month, as determined by the ISO, divided by the total estimated withdrawal billing units for the month, as described in Section 2.A of this Rate Schedule. This rate shall then be multiplied by each Transmission Customer's withdrawal billing units for the month. The responsibility for costs associated with bad debt losses and working capital contributions shall be allocated pursuant to Attachments U and V to this Tariff, respectively.

3. ISO Start-Up and Formation Costs Component

The costs listed in Section 3.B of this Rate Schedule shall be estimated each month for the following month, shall be divided by the total estimated withdrawal billing units as described in Section 2.A of this Rate Schedule for the following month and shall be posted on the ISO's website prior to the start of the subject month. This rate is then multiplied by each Transmission Customer's withdrawal billing units for the subject month.

4. Residual Adjustment and Bid Production Guarantees Component

- a. The ISO shall calculate, and Transmission Customers shall pay, an hourly charge equal to the product of (A) the residual adjustment costs listed in Section 4.A of this Rate Schedule for each hour and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that hour as described in Section 2.A of this Rate Schedule to

(ii) the sum of all ISO Transmission Customers' withdrawal billing units for that hour as described in Section 2A of this Rate Schedule.

- b. The ISO shall calculate, and each Transmission Customer shall pay, a daily charge equal to the product of (A) the bid production guarantee costs listed in Section 4.B of this Rate Schedule for each day and (B) the ratio of (i) the Transmission Customer's withdrawal billing units for that day as described in Section 2.A of this Rate Schedule to (ii) the sum of all ISO Transmission Customers' withdrawal billing units for that day as described in Section 2A of this Rate Schedule, provided, however, that the costs of supplemental payments and Demand Reduction Incentive Payments made to Demand Reduction Providers shall be allocated to Transmission Customers according to the methodology described in Attachment R. To the extent that the sum of all Bilateral Schedules and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load and the ISO commits Resources in addition to the reserves it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load, charges associated with the costs of Bid Production

Cost Guarantees for the additional Resources committed Day-Ahead to meet the ISO's Day-Ahead forecast of Load shall be allocated to Transmission Customers who are not bidding as Suppliers according to the Methodology described in Attachment T.

5. Transmission Customers taking service under Part IV the ISO OATT to supply Station Power as a third-party provider shall pay a ISO Services Charge which shall be recovered monthly and shall consist of four components as follows:
 - a. ISO Annual Budget and FERC Regulatory Fees Component. The ISO Annual Budget and FERC Regulatory Fees Component shall be calculated as the rate described in Section 2.B.1.b. of this Rate Schedule multiplied by the withdrawal billing units for Station Power for the month;
 - b. ISO Unbudgeted Cost Component. The ISO Unbudgeted Cost Component shall be calculated as the rate described in Section 2.B.2. of this Rate Schedule multiplied by the withdrawal billing units for Station Power for the month;
 - c. ISO Start-Up and Formation Costs Component. The ISO Start-Up and Formation Costs Component shall be calculated as the rate described in Section 2.B.3. of this Rate Schedule multiplied by the withdrawal billing units for Station Power for the month; and
 - d. Residual Adjustment and Bid Production Cost Guarantees Component. The Residual Adjustment and Bid Production Cost Guarantees Component

shall be calculated as the (i) the sum of the residual adjustment costs listed in Section 4.A of this Rate Schedule for the month and the bid production guarantee costs listed in Section 4.B of this Rate Schedule for the month divided by the sum of all ISO Transmission Customers' withdrawal billing units for the month, multiplied by (ii) the Transmission Customer's withdrawal billing units for Station Power for the month.

3. ISO Costs

ISO costs to be recovered through the Rate Schedule 1 charge include:

A. Costs associated with the operation of the NYS Transmission System by the ISO and administration of this Tariff by the ISO, including without limitation, the following :

- Processing and implementing requests for transmission service including support of the ISO OASIS node;
- Coordination of transmission system operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;

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- Billing associated with Transmission Service provided under this Tariff;
- Preparation of Settlement statements;
- Rebilling which supports this service;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Dispute resolution;
- Record keeping and auditing;
- Training of ISO personnel;
- Development of new information, communication and control systems;
- Professional services;
- Working capital and carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance expenses, including costs incurred by the Board to procure credit insurance to protect against losses attributable to nonpayment by Customers;
- Any indemnification of or by the ISO pursuant to Section 10.2 of this Tariff;

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- Costs that the ISO incurs as a result of bad debt, including finance charges;
- Refunds, if any, ordered by the Commission to be paid by the ISO, at the conclusion of Central Hudson Gas & Electric Corp., Docket Nos. ER97-1523- 011, OA97-470-010 and ER97-4234-008; and
- Regulatory fees.

B. Fifty percent of the costs associated with the start-up and formation of the ISO, equaling \$27.45 million, plus interest, less one-half of the start-up costs already collected by the ISO under the ISO OATT.

These costs will be amortized over a five-year period, from January 1, 2000 through December 31, 2004, and Rate Schedule 1 will include an amortized amount of the costs, inclusive of interest costs.

4. Residual Adjustment and Bid Production Guarantees

A. Residual Adjustment

The ISO's payments from Transmission Customers will not equal the ISO's payments to Suppliers. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises the Residual Adjustment, which will be an adjustment to the costs in Section 3A. The most significant components of the Residual Adjustment, which is calculated below, include:

- The greater revenue the ISO collects for Marginal Losses from Transmission Customers, in contrast to payments for losses remitted to generation facilities;
- Costs or savings associated with the ISO redispatch of Generators resulting from a change in Transfer Capability between the Day-Ahead schedule and the real-time dispatch;

- The cost resulting from inadvertent interchange (if unscheduled Energy flows out of the NYCA to other Control Areas), or the decrease in cost resulting from inadvertent interchange (if unscheduled Energy flows into the NYCA from other Control Areas) and associated payments in kind;
- Costs or revenues from Emergency Transactions with other Control Area operators;
- Metering errors resulting in payments to or from Transmission Customers to be either higher or lower than they would have been in the absence of metering errors;
- Deviations between actual system Load and the five-minute ahead Load forecast used by SCD, resulting in either more or less Energy than is needed to meet Load;
- Energy provided by generation facilities in excess of the amounts requested by the ISO (through SCD Base Point Signals or AGC Base Point Signals);
- If generation facilities providing Regulation Service have actual output in excess of their AGC Base Point Signals, but the SCD Base Point Signals is higher than either, the real-time payments they receive for Energy produced will be based on the SCD Base Point Signals; and
- Transmission Customers serving Load in the NYCA will be billed based upon an estimated distribution of Loads to buses within each Load Zone. If the actual distribution of Load differs from this assumed distribution, the total amount collected from Transmission Customers could be either higher or lower than the amount that would have been collected if the actual distribution of Loads had been known.
- Settlements for losses revenue variances, as described in Attachment K of this Tariff, with Transmission Owners that pay marginal losses to the ISO for losses associated with modified TWAs (not converted to TCCs) while receiving losses payments from the participants in those TWAs other than marginal losses.
- Payments made to Generators that are redispatched pursuant to the Interregional Transmission Congestion Management Pilot Program, set forth in Section 5.1.1.-5.1.1.5.4 of the Services Tariff, to the extent such payments are not recovered by the ISO an Emergency Transaction with another Control Area.

The actual Residual Adjustment for each month shall be the sum of the hourly Residual Adjustments calculated as follows: (A) the ISO's receipts from Transmission Customers and Primary Holders of TCCs for services which equal the sum of: (i) payments for Energy scheduled in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments for Energy purchased in the Real-Time LBMP Market for that hour that was not scheduled Day-Ahead; (iii) payments for Energy by generating facilities that generated less Energy in the real-time dispatch for that hour than they were scheduled Day-Ahead to generate in that hour for the LBMP Market; (iv) TUC payments made in accordance with Parts II, III and IV of this Tariff that were scheduled in that hour in the Day-Ahead commitment; and (v) real-time TUC payments in accordance with Parts II, III and IV of this Tariff that were not scheduled in that hour in the Day-Ahead commitment; (B) less the ISO's payments to generation facilities, Transmission Owners and Primary Holders of TCCs equal to the sum of the following: (i) payments for Energy to generation facilities that were scheduled to operate in the LBMP Market in that hour in the Day-Ahead commitment; (ii) payments to generation facilities for Energy provided to the ISO in the real-time dispatch for that hour that those generation facilities were not scheduled to generate in that hour in the Day-Ahead commitment; (iii) payments for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in that hour;

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(iv) payments of the real-time TUC to Transmission Customers that reduced their schedules for that hour after the Day-Ahead commitment; (v) payments of Congestion Rents collected for that hour in the Day-Ahead schedule to Primary Holders of TCCs; (vi) settlements with Transmission Owners for losses revenue variances; and (vii) Excess Congestion Rents collected in that hour.

B. Bid Production Guarantees

The ISO's costs also include the costs associated with differences between the amounts bid by generating facilities that have been committed and scheduled by the ISO to provide Energy and certain Ancillary Services, and the actual revenues received by these generating facilities for providing such Energy and Ancillary Services. Where the costs are incurred to compensate generating facilities for satisfying Local Reliability Rules, the associated charge shall apply only to Transmission Customers serving Load in the Load Zone(s) where the rule is applied. The ISO's costs also include the costs associated with payments made for supplemental payments and Demand Reduction Incentive payments to Demand Reduction Providers.

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SCHEDULE 2

REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

In order to maintain transmission voltages on the NYS Transmission System within acceptable limits, generation facilities under the control of the ISO are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service (“Voltage Support Service”) must be provided for each Transaction on the NYS Transmission System. The amount of Voltage Support Service that must be supplied with respect to the Transmission Customer's Transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the ISO.

Voltage Support Service is to be provided directly by the ISO. The methodologies that the ISO will use to obtain Voltage Support Service and the associated charges for such service are set forth below.

1.0 Responsibilities

The ISO shall coordinate the Voltage Support Service provided by generation facilities that qualify to provide such services as described in Section 1.1 of Rate Schedule 2 of the ISO

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Services Tariff.

1.1 Wheels Through, Exports and Purchases from the LBMP Market

Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to an NYCA Interconnection with another Control Area shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 2.1 of this Rate Schedule.

1.2 Load-Serving Entities

LSEs serving Load in the NYCA shall purchase all Voltage Support Service from the ISO.

2.0 Payments

2.1 Payments made by Transmission Customers and LSEs

Transmission Customers shall pay the ISO for Voltage Support Service. The ISO shall compute the Voltage Support Service Rate based on forecast data using the following equation

$$Rate_{VSS} = \frac{\sum^{All} NYISO_{VSSPayments} + PYA_{VSS}}{Energy_{NYISO}}$$

Where:

$Rate_{VSS}$ = Voltage Support Service Rate

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$Energy_{ISO}$ = The annual forecasted transmission usage for the year as projected by the ISO including Load within the NYCA, Exports and Wheels Through.

$\sum^{All} NYISO_{VSSPayments}$ = The sum of the projected ISO payments to generation facilities providing Voltage Support Service based on Sections 2.0(a), 2.0(b) and 2.0(c) of Rate Schedule 2 of the ISO Services Tariff.

PYA_{VSS} = Total of prior year payments to generation facilities supplying Voltage Support Service as defined in the ISO Services Tariff less the total of payments received by the ISO from Transmission Customers and LSEs in the prior year for Voltage Support Service (including all payments for penalties).

Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to a NYCA interconnection with another Control Area shall pay to the ISO a charge for this service equal to the hourly rate as determined in Section 2.1 of this Rate Schedule multiplied by their Energy scheduled in the hour. LSEs shall pay to the ISO a charge for this service equal to the hourly rate as determined in Section 2.1 of this Rate Schedule multiplied by the Energy consumed by the LSE's Load located in the NYCA in the hour provided however LSEs taking service under Part IV of the OATT for Transmission Service to supply Station Power as a third-party provider shall pay to the ISO a charge for this service equal to the rate as determined in Section 2.1 of this Rate Schedule multiplied by the LSE's Energy consumed as Station Power provided by a third party provider for the day.

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For LSEs and all Wheels Through, Exports and Purchases from the LBMP Market for Energy delivered to a NYCA interconnection with another Control Area, ~~the~~ ISO shall calculate the payment hourly. The ISO shall ~~and~~ bill each Transmission Customer or LSE monthly.

3.0 Self-Supply

All Voltage Support Service shall be purchased from the ISO.

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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 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 Customer

(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 charge Transmission Customers and LSEs serving Load in the NYCA for Regulation and Frequency Response calculate the charge, for each hour. The ISO shall charge Transmission Customers or LSEs taking service under Part IV of the ISO OATT to supply Station Power as third-party providers for Regulation and Frequency Response for each day. The charge shall be calculated as the Regulation and Frequency Response Rate, determined as an hourly or a daily rate as appropriate, multiplied by the LSE's or Transmission Customer's Load for the hour or by the Transmission Customers or LSEs withdrawals to provide Station Power as a third party provider for the day. ~~The ISO shall calculate the Regulation and Frequency Response Rate, for an hour or for a day as appropriate,~~ as follows:

$$\text{LSE Charge Rate}_{\text{RFR}} = \frac{(\text{Supplier Payment} - \text{Supplier Charge} - \text{Generator Charge})}{\text{Load}_{\text{NYCA}}} * \text{LRS}_{\text{LSE}}$$

where: Rate_{RFR} is the hourly or daily rate for Regulation and Frequency Response; Supplier Payment is the aggregate of the availability payments made by the ISO to all Suppliers of this service as described in Section 4.0(b) of Rate Schedule 3 of the ISO Services Tariff for the hour or for the day; Supplier Charge is the aggregate of charges paid by all Suppliers for poor Regulation performance, as described in Section 4.1 of Rate Schedule 3 of the ISO Services

Tariff [for the hour or for the day](#); 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 SCD Base Points sufficiently accurately, as described in Section 4.2 of Rate Schedule 3 of the ISO Services Tariff for the hour or for the day; and ~~LRS_{LSE} Load_{NYCA} is each Transmission Customer's share of is~~ the total Load in the NYCA for the hour or for the day, as appropriate.

(c) In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services 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.

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SCHEDULE 5

OPERATING RESERVE SERVICE

The ISO must offer this service when the Transmission Service is used to serve Load or Station Power 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 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 evaluate 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.

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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 do not limit the ability to deliver Energy to Loads in the case of a Contingency. The ISO will ensure that Capacity counted towards meeting Operating Reserve requirements is not also 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 the sum of the hourly charges for the month. The ISO shall calculate, and the LSE or Transmission Customer shall pay, ~~the~~an hourly charge equal to the product of (A) cost to the ISO of providing all Operating Reserves for the hour 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 described in Rate Schedule 4 of the ISO Services Tariff.

Transmission Customers taking service under Part IV of the OATT to supply Station Power as a third-party provider shall pay to the ISO a daily charge for this service equal to the product of (A) the cost to the ISO of providing all Operating Reserves for the day less any revenues from penalties collected during the day and (B) the ratio of (i) the Transmission Customer's Station Power supplied under Part IV of the OATT for the day to (ii) the sum of all Load in the NYCA and all scheduled Exports for the day.

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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SCHEDULE 6

BLACK START SERVICE

Black Start Capability represents the key generation facilities required to assist in the restoration of the NYS Power System once a system-wide blackout has occurred.

1.0 Requirements

The ISO shall develop and periodically review a Black Start restoration plan for the NYS Power System. The ISO may amend this restoration plan and determine Black Start requirements to account for changes in system configuration if the ISO determines that additional Black Start resources are needed.

Transmission Customers shall pay a Black Start Capability charge on all Transactions to supply Load [and Station Power](#) in the NYCA, (including Internal Wheels and Import Transactions) based on the product of (a) the Transmission Customer's monthly Load [or Station Power](#) Ratio Share and (b) the monthly embedded cost charge for Black Start Capability (net of all payments forfeited due to a generation facilities' failure to pass a Black Start Capability test).

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The full restoration of the NYS Power System will require some additional Black Start Generators, which are located in local Transmission Owner areas and which are not presently listed in the ISO restoration plan. Although the ISO plan will restore a major portion of the state electric system, portions of the local Transmission Owner's restoration plan may require additional Black Start service. The ISO will make payments for local area Black Start Capability directly to the generating facilities that provide that service, under the terms of this Rate Schedule. The LSEs in those local Transmission Owner areas will be additionally charged for that Black Start Capability Service by the ISO. Generating facilities, which are obligated to provide Black Start Service as a result of divestiture contract agreements, will not receive ISO payments for that service if they are already compensated for such service as part of those divestiture contracts.

The charge shall be based on the product of (a) the Transmission Customer's monthly Load Ratio Share of Load requiring local Black Start Capability, and (b) the monthly embedded cost charge for providing local Black Start Capability (net of all payments forfeited due to a local generation facilities failure to pass a Black Start Capability test), described in ISO Services Tariff, Rate Schedule 5.

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2.0 Self Supply

Transmission Customers may not Self-Supply this Black Start Capability Service.

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Sheet No. 272 is reserved for future use.

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