

15.4 Rate Schedule 4 - Payments for Supplying Operating Reserves

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

15.4.2 General Day-Ahead Market Rules

15.4.2.1 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 that are capable, based on their indicated commitment status, of providing Operating Reserves but does not submit an Availability Bid, its Day-Ahead Bid will be rejected in its entirety. A Supplier may resubmit a complete Day-Ahead Bid, provided that the new bid is timely.

The ISO may schedule Suppliers that make themselves available to provide Operating Reserves up to the following maximum Operating Reserve levels: (i) for Spinning Reserves, the least of the Resource's emergency response rate multiplied by ten, or the Resource's applicable Upper Operating Limit (i.e., UOL_N , UOL_E); (ii) for 10-Minute Non-Synchronized Reserves, or for non-synchronized 30-Minute Reserves, the Resource's UOL_N or UOL_E , whichever is applicable at the relevant time (the Resource may offer one product or the other depending on the time required for it to start-up and synchronize to the grid); and (iii) for synchronized 30-Minute Reserves, the least of the Resource's emergency response rate multiplied by twenty and its applicable Upper Operating Limit..

However, the sum of the amount of Energy each Resource is scheduled to provide, the amount of Regulation Service it is scheduled to provide, and the amount of each Operating

Reserves product it is scheduled to provide shall not exceed its UOLN or UOLE, whichever is applicable. For an Energy Storage Resource or an Aggregation of Energy Storage Resources, the Resource's Energy schedule minus its Regulation Service schedule shall not be less than the Resource's Lower Operating Limit.

For an Energy Limited Resource or Aggregation of Energy Limited Resources that is withdrawing Energy, the sum of the Resource's or Aggregation's Energy Schedule, the amount of Regulation Capacity it is scheduled to provide, and the amount of each Operating Reserves product it is scheduled to provide shall not exceed the lesser of zero or its Upper Operating Limit. For an Energy Storage Resource or Aggregation of Energy Storage Resources that is withdrawing Energy, the sum of the Resource's or Aggregation's Energy Schedule, the amount of Regulation Capacity it is scheduled to provide, and the amount of Operating Reserves product it is scheduled to provide shall not exceed its Upper Operating Limit. For Co-located Storage Resources the sum of the amount of Energy each Generator is scheduled to provide, the amount of Regulation Service the Energy Storage Resource is scheduled to provide, and the amount of each Operating Reserves product the Energy Storage Resource is scheduled to provide, shall not exceed the CSR injection Scheduling Limit. The net amount of Energy that the CSR Generators are scheduled to withdraw, plus the amount of Regulation Service the Energy Storage Resource is scheduled to provide, shall not exceed the CSR withdrawal Scheduling Limit.

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 bid cost of Energy, Operating Reserves and Regulation Service, using Bids submitted pursuant to Section 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 Operating Reserves product particular Suppliers will be

required to provide in light of the Reliability Rules and other applicable reliability standards, including the locational Operating Reserves requirements specified above.

15.4.3 General Real-Time Market Rules

15.4.3.1 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 ISO Services Tariff. Each Supplier will automatically be assigned a real-time Operating Reserves Availability bid of \$0/MW for the quantity of Capacity that it makes available to the ISO in its Real-Time Bid. The ISO may schedule Suppliers that make themselves available to provide Operating Reserves up to the following maximum Operating Reserve levels: (i) for Spinning Reserves, the least of the Resource's emergency response rate multiplied by ten and the Resource's applicable Upper Operating Limit (UOL_N or UOL_E); (ii) for 10-Minute Non-Synchronized Reserves, or for non-synchronized 30-Minute Reserves, the Resource's UOL_N or UOL_E , whichever is applicable at the relevant time (the Resource may offer one product or the other depending on the time required for it to start-up and synchronize to the grid); and (iii) for synchronized 30-Minute Reserves, the least of the Resource's emergency response rate multiplied by twenty and the Resource's applicable Upper Operating Limit (UOL_N or UOL_E). However, the sum of the amount of Energy that each Resource is scheduled to provide, the amount of Regulation Service it is scheduled to provide, and the amount of each Operating Reserves product it is scheduled to provide shall not exceed its UOL_N or UOL_E , whichever is applicable.

For an Energy Limited Resource or an Aggregation of Energy Limited Resources that is withdrawing Energy, the sum of the Resource's or Aggregation's Energy schedule, the amount

of Regulation Capacity it is scheduled to provide, and the amount of each Operating Reserves product it is scheduled to provide shall not exceed the lesser of zero or its UOL. For an Energy Storage Resource or an Aggregation of Energy Storage Resources that is withdrawing Energy, the sum of the Resource's or Aggregation's Energy Schedule, the amount of Regulation Capacity it is scheduled to provide and the amount of Operating Reserves product it is scheduled to provide shall not exceed its UOL. The ISO may limit the availability of a Withdrawal-Eligible Generator to provide Operating Reserves based on its Energy Level constraints.

For a Co-located Storage Resource the sum of the amount of Energy each Generator is scheduled to provide, the amount of Regulation Service the Energy Storage Resource is scheduled to provide, and the amount of each Operating Reserves product the Energy Storage Resource is scheduled to provide, shall not exceed the CSR injection Scheduling Limit. The net amount of Energy that the CSR Generators are scheduled to withdraw, plus the amount of Regulation Service the Energy Storage Resource is scheduled to provide, shall not exceed the CSR withdrawal Scheduling Limit.

Suppliers will thus be selected on the basis of their response rates, their applicable upper operating limits, and their Energy Bids (which will reflect their opportunity costs) through a co-optimized real-time commitment process that minimizes the total bid cost of Energy, Regulation Service, and Operating Reserves. As part of the process, the ISO shall determine how much of each Operating Reserves product particular Suppliers will be required to provide in light of the Reliability Rules and other applicable reliability standards, including the locational Operating Reserves requirements and Scarcity Reserve Requirements specified above.