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19.9 Procedures for Sales of TCCs in Each Auction

19.9.1 Auction Structure

TCCs may be offered for sale in each Sub-Auction round of the Centralized TCC Auction.

TCCs purchased in any round of any Sub-Auction may be resold in a subsequent round of that Centralized TCC Auction. For example, the purchaser of a 5-year TCC purchased in the 5 year Sub-Auction may release a 4-year TCC with the same Point of Injection and Point of Withdrawal for sale in the 4-year Sub-Auction. Similarly, that purchaser could instead release a corresponding 3-year TCC for sale in the 3-year Sub-Auction.

The following holders of TCCs may offer to sell TCCs in any round of a Sub-Auction appropriate to their duration: (i) Primary Holders who did not sell those TCCs in a Direct Sale or in a previous round of the Centralized TCC Auction; (ii) purchasers of TCCs in previous rounds of that Centralized TCC Auction or in previous auctions who have not subsequently sold those TCCs through an auction; and (iii) purchasers of TCCs through a Direct Sale who qualify to become Primary Holders and have not already sold those TCCs through an auction or through a Direct Sale, provided however that the sale of TCCs shall be subject to the limitations and prohibitions set forth in this ISO OATT including the limitation on the sale or transfer of Fixed Price TCCs and the limitation on the sale or other transfer of Incremental TCCs.

19.9.1.1 Bid Requirements

Bidders shall submit Bids into the Centralized TCC Auction in accordance with this Attachment M and ISO Procedures. Bidders shall submit Bids such that the sum of the value of its Bids shall not exceed that bidder's ability to pay for TCCs, as determined by ISO Procedures.

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19.9.1.2 Bidding Rounds

Bidders shall be awarded TCCs in each round of the Centralized TCC Auction and shall be charged the market-clearing price for that round, as determined by the ISO in accordance with Section 19.9.5 of this Attachment M, for all TCCs they purchase.

19.9.1.3 Reconfiguration Auctions

All rules stated in this Section 19.9 for the auction rounds of a Centralized TCC Auction shall also apply to Reconfiguration Auctions unless otherwise stated or the context otherwise requires it. The scaling factor for the single round of a Reconfiguration Auction shall be one.

19.9.2 Responsibilities of the ISO

The ISO shall establish the auction rules and procedures consistent with this Tariff. The ISO shall conduct the Optimal Power Flows in each round of the Centralized TCC Auction. The ISO will verify that the Optimal Power Flows calculated in each round of the Centralized TCC Auction corresponds to a simultaneously feasible Power Flow as described in Section 19.9.7 of this Attachment M. The ISO shall notify the Transmission Owners if: (1) the Optimal Power Flow results calculated are inaccurate; or (2) the Optimal Power Flow is not calculated in accordance with the correct procedure.

Additionally, the ISO will determine the information pertaining to the auction to be made available to Centralized TCC Auction participants over the OASIS and publish information on its OASIS accordingly. The ISO may develop a list of POIs and POWs between which TCCs may not be purchased and shall post such list on its OASIS. The ISO will identify the details to be included in development of the auction software and arrange for development of the software.

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The ISO will apply the credit requirements established in this ISO OATT and Attachment K of the NYISO Services Tariff to Primary Holders of TCCs and to bidders in the Centralized TCC Auctions and Reconfiguration Auctions.

The ISO shall not reveal the Bid Prices submitted by any bidder in the Centralized TCC Auction until three months after the Bids were submitted. When these Bid Prices are posted, the names of the bidders shall not be publicly revealed, but the data shall be posted in a way that permits third parties to track each individual bidder's Bids over time.

The ISO will settle all Centralized TCC Auctions and Reconfiguration Auctions, and will settle all Congestion settlements related to the Day-Ahead Market, pursuant to Attachment N.

19.9.3 Additional Responsibilities of the ISO

The ISO shall be capable of completing the Centralized TCC Auction within the time frame specified in this Attachment M.

The ISO will establish an auditable information system to facilitate analysis and acceptance or rejection of Bids, and to provide a record of all Bids and the award of Fixed Price TCCs. The ISO shall also provide all necessary assistance in the resolution of disputes that arise from questions regarding the acceptance, rejection, award and recording of Bids, or the award of Fixed Price TCCs, pursuant to Sections 19.2.1 (including Section 19.2.1.4) or Section 19.2.2.above. The ISO will establish a system to communicate auction-related information to all auction participants between rounds of the Centralized TCC Auction. (This last requirement will not apply to single-round auctions.)

The ISO will receive Bids to buy TCCs from any entity that meets the eligibility criteria established in this ISO OATT and will implement the auction bidding rules previously

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established by the ISO. In accordance with ISO Procedures, the ISO shall unbundle TCCs in accordance with a request made by a Transmission Customer awarded a TCC. Unbundling TCCs shall consist of replacing that TCC with an equivalent set of TCCs. In all cases, the amount payable to (or by) the Primary Holder of such a set of TCCs will be equal to the amount payable to (or by) the Primary Holder of the original TCC.

The ISO will be required to solve Optimum Power Flows for the NYS Transmission System; properly utilize an Optimum Power Flow program to determine the set of winning Bids for each round of the Centralized TCC Auction; and calculate the market-clearing price of all TCCs at the conclusion of each round of the Centralized TCC Auction, in the manner described in this Attachment M.

19.9.4 Responsibilities of each Bidder

To qualify to submit Bids and offers in a Centralized TCC Auction, a party shall register as a Customer or Transmission Customer and shall otherwise comply with all applicable registration requirements established in ISO Procedures. All Customers and Transmission Customers seeking to submit Bids and offers in a Centralized TCC Auction shall comply with all applicable credit requirements as set forth in Attachment K of the NYISO Services Tariff.

Each bidder shall submit Bids to purchase and sell TCCs into the Centralized TCC Auction in accordance with this Attachment M and ISO Procedures. Each bidder shall submit the following information with its Bids to purchase TCCs: (i) the number of TCCs for which an offer to purchase is made, (ii) the Bid Price (in \$/TCC) which represents the maximum amount the bidder is willing to pay for the TCC (Bid Prices may be negative, indicating that a bidder would have to be paid in order to accept a TCC); (iii) the location of the Point of Injection and

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the Point of Withdrawal for the TCC to which the Bid applies (these locations may be any locations for which the ISO calculates an LBMP and which is otherwise available as a TCC POI or POW); and (iv) if the auction is a Balance-of-Period, the month(s) for which the bidder is bidding. Additionally, if the ISO offers TCCs for sale that are valid in sub-periods (e.g., on-peak or off-peak TCCs), this information must also be provided by the Bidder.

Each bidder must submit such information to the ISO regarding the bidder's or LSE's creditworthiness as the ISO may require, along with a statement signed by the bidder, or LSE representing that the bidder or LSE is financially able and willing to pay for the TCCs for which it is bidding. The aggregate value of the Bids submitted by any bidder into the Centralized TCC Auction shall not exceed that bidder's ability to pay or the maximum value of Bids that bidder is permitted to place, as determined by the ISO (based on an analysis of that bidder's creditworthiness).

19.9.5 Selection of Winning Bids and Determination of the Market Clearing Price

The ISO shall determine the winning set of Bids in each round of the Centralized TCC Auction as follows: (i) the ISO shall use an Optimal Power Flow program with the initial assumptions identified by the ISO; (ii) the Optimal Power Flow shall use the same Reference Bus and system security constraints assumptions as used by the ISO subject to ISO Procedures; (iii) the ISO shall select the set of Bids that maximizes the value of the TCCs awarded to the winning bidders; (iv) the aggregate market value of the TCCs awarded to each bidder shall not exceed that bidder's ability to pay, since each bidder is not allowed to Bid more than its ability to

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pay as determined by the ISO; and (v) the selected set of Bids must be simultaneously feasible as described in this Attachment M.

In the Centralized TCC Auction, if the ISO elects to perform separate auctions for on-peak and off-peak TCCs, the procedure used to select winning Bids in an on-peak auction will not depend on winning Bids selected in an off-peak auction; nor shall the procedure used to select winning Bids in an off-peak auction depend on winning Bids selected in an on-peak auction.

The market clearing price for each TCC in each round of a Centralized TCC Auction shall be determined using a similar algorithm to that used to determine LBMPs (refer to Attachment J and ISO Procedures). For a Balance-of-Period Auction, if an awarded TCC has a duration of more than one month, the market-clearing price for such multi-month TCC will equal the sum of the market-clearing prices for one-month TCCs with the same Point of Injection and Point of Withdrawal, which in aggregate cover the same period for which the multi-month TCC is valid.

19.9.6 Settlements, Billing, Payment, and Disputes

Each bidder must pay the market-clearing price for each TCC it is awarded in the Centralized TCC Auction.

Charges for TCCs awarded in an auction, shall be billed upon completion of the Centralized TCC Auction or Reconfiguration Auction process through the delivery of an award notice by the ISO. The ISO shall establish a dispute period which follows the conclusion of the Centralized TCC Auction or Reconfiguration Auction during which challenges to awards may be made and mistakes in the calculation of market clearing prices may be corrected. Notice of the

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dispute period established by the ISO and of procedures to be employed in bringing a dispute or correcting a market clearing price shall be provided by the ISO on its OASIS.

Following the resolution of challenges, if any, to Centralized TCC Auction or Reconfiguration Auction awards, or mistakes in the calculation of market-clearing prices, raised during the dispute period, charges and payments for TCCs awarded or sold in the Centralized TCC Auction and Reconfiguration Auction shall be final as provided in the award notices provided by the ISO and shall not be subject to revision.

19.9.7 Simultaneous Feasibility

The set of winning Bids selected in each round of a Sub-Auction shall correspond to a simultaneously feasible Power Flow.

The Power Flow must be able to accommodate in each round injections and withdrawals corresponding to each of the following TCCs and Grandfathered Rights: (i) TCCs not offered for sale in that round, including Grandfathered TCCs, Original Residual TCCs, or any other existing TCCs whether purchased in a previous auction, an earlier round of the current Centralized TCC Auction or otherwise acquired that are valid for any part of the duration of any TCCs to be sold in that round (or in the case of a Balance-of-Period Auction are valid for the relevant month at issue), as well as TCCs offered for sale in that round but not awarded that are valid for any part of the duration of any TCCs to be sold in that round (or in the case of a Balance-of-Period Auction are valid for the relevant month at issue); (ii) Grandfathered Rights; and (iii) TCCs awarded in the current round. Each injection and withdrawal associated with Bids for TCCs will be multiplied by a scaling factor which apportions the transmission Capacity available among each of the rounds.

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A set of injections and withdrawals shall be judged simultaneously feasible if it would not cause any thermal, voltage, or stability violations within the NYCA for base case conditions or any monitored contingencies.

When performing Power Flows for the purpose of determining simultaneous feasibility, injections for TCCs that specify a Load Zone as the Point of Injection will be modeled as a set of injections at each Load bus in the Load Zone containing the Point of Injection equal to the product of the number of TCCs and the ratio of Load served at each bus to Load served in the Load Zone, based on the bus Loads used in calculating zonal LBMPs.

When performing the above Power Flows, withdrawals for TCCs that specify a Load Zone as the Point of Withdrawal will be modeled as a set of withdrawals at each Load bus in the Load Zone containing the Point of Withdrawal equal to the product of the number of TCCs and the ratio of the Load served at each bus to the total Load served in the Load Zone based on the ISO's estimate of the bus Loads used in calculating the Zonal LBMPs.

The Power Flow simulations shall take into consideration the effects of parallel flows on the transmission Capacity of the NYS Transmission System when determining which sets of injections and withdrawals are simultaneously feasible.

19.9.8 Information to be Made Available to Bidders

The ISO shall provide over the ISO's OASIS the expected non-simultaneous Total Transfer Capability for each Interface (as displayed on the OASIS).

The ISO shall make the following information available before each Centralized TCC Auction or Reconfiguration Auction:

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- 19.9.8.1 for each Generator bus, external bus and Load Zone for the previous ten (10) Capability Periods, if available, (a) the monthly average Congestion Component of the Day-Ahead LBMP, relative to the Reference Bus, and (b) the monthly average Marginal Losses Component of the Day-Ahead LBMP, relative to the Reference Bus;
- 19.9.8.2 for the previous two Capability Periods, data from which the following can be determined: (a) the flow for each of the closed Interfaces in the Day-Ahead Market, and (b) the number of hours that the most limiting facilities were physically constrained in the Day-Ahead;
- 19.9.8.3 subject to a Transmission Customer's completion of a non-disclosure agreement in the form required by ISO procedures: (a) Power Flow data to be used as the starting point for the Centralized TCC Auction or Reconfiguration Auction, including all assumptions, (b) all limits associated with transmission facilities, contingencies, thermal, voltage and stability to be monitored as constraints in the Optimum Power Flow determination;
- 19.9.8.4 (a) assumptions made by the ISO relating to transmission maintenance outage schedules, and (b) the ISO summer and winter operating study results (non-simultaneous Interface Transfer Capabilities); and
- 19.9.8.5 on its website no fewer than five (5) business days prior to the date on which a Centralized TCC Auction will begin, the number of megawatts of each set of ETCNL that each Transmission Owner has elected to convert to ETCNL

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TCCs for the Centralized TCC Auction and the RCRRs that each Member System has elected to convert to RCRR TCCs for the Centralized TCC Auction.

The ISO shall make the following information available with respect to each Centralized TCC Auction or Reconfiguration Auction:

- 19.9.8.6 between each round of bidding during the Centralized TCC Auction, for all bidders bidding in subsequent rounds, the market-clearing price, stated relative to the Reference Bus for each Generator bus, External bus and Load Zone; and
- 19.9.8.7 for each TCC awarded in each round: (a) the number of TCCs awarded, (b) the Point of Injection and Point of Withdrawal for that TCC, (c) the market-clearing price for the TCC, (d) the auction participant awarded the TCC, and (e) if the auction is a Balance-of-Period Auction, the month(s) for which the awarded TCCs are valid.

Items 19.9.8.1, 19.9.8.2, 19.9.8.3, 19.9.8.4(b), and 19.9.8.6 above shall be made available separately for on-peak and off-peak periods, if on-peak and off-peak TCCs will be separately available for purchase in the upcoming auction.

If the auction is a Balance-of-Period Auction, items 19.9.8.4(a) and 19.9.8.6 above shall be made available separately for each month covered by the auction.

The ISO will make available information about Secondary Market transactions, and all sales of TCCs by Direct Sale, to the extent received by the ISO.