

32. Market Services Tariff Attachment Q – Energy and Ancillary Services Market Rules for Internal Controllable Lines

Section 32 of the Market Services Tariff sets forth rules and requirements related to the participation of Internal Controllable Lines (“ICL”) in the ISO-Administered Energy and Ancillary Services Markets.

32.1 Overview of ICL Energy Market Operation and Settlement

An ICL is a controllable transmission facility that connects two terminals that are both located inside the NYCA. ICL may only flow power in one direction (unidirectional) or be eligible to flow power in either direction (bidirectional). An ICL is scheduled in the Day-Ahead Market and dispatched in the Real-Time Market based on its Bids or mitigated Bids. An ICL’s Bids reflect the minimum amount by which the LBMP at one of its terminals (the “injection bus”) must exceed the LBMP at its other terminal (the “withdrawal bus”) plus the estimated cost of marginal losses for it to transmit a quantity of Energy from the withdrawal bus to the injection bus. Estimated losses are used for Day Ahead and Real Time Market scheduling and the Day-Ahead settlement. The Real Time Market settlement for an ICL accounts for actual losses.

32.2 ICL Operating Parameters

The following operating parameters are required for each ICL.

Unidirectional or bidirectional operation—An ICL must specify whether it offers service between its two terminals in only one direction (unidirectional), or in both directions (bidirectional).

Anticipated predominant direction of flow—This parameter sets the “positive” (ICL+) and “negative” (ICL-) scheduling directions that are used to evaluate the Bid of a bidirectional ICL. A unidirectional ICL will employ the “positive” direction only. When the schedule or dispatch for a bidirectional ICL is zero MW, the ICL+ generator bus is the injection bus.

The ISO will post the directionality convention for each ICL in an attachment to its Transmission Dispatch and Operations Manual.

Operating Range in MW—An ICL’s operating range is expressed in injection MW. For a unidirectional ICL it will be from zero MW to the maximum amount of Energy (in MW) the ICL can deliver at the point where it injects Energy back onto the grid. For a bidirectional ICL the Operating Range will be a continuous range covering both the negative (ICL-) and positive (ICL+) scheduling directions, always including zero MW.

Ramp Limit (in MW/minute)—ICL technologies may be capable of ramping faster than other Resources are able to respond to the ISO’s dispatch signals. Except when directed

by ISO or Transmission Owner system operators, an ICL's ramp rate will be subject to a ramp limit that the ISO is confident the NYCA can support. After the ISO gains operational experience integrating an ICL into the NYCA, the ISO may modify an ICL's ramp limit. Changes may be made over time, and in several steps.

Loss factor—the ICL will provide a single, uniform percentage of injection loss factor for the ISO to perform Day-Ahead and real-time scheduling, and to determine Day-Ahead Settlements for an ICL. The ICL may reflect costs caused by expected differences between estimated and actual losses in its Bids, and recognized differences may be incorporated into an ICL's reference levels.

The ISO may unilaterally instruct a temporary change to an ICL's ramp limit to protect system reliability. If an inaccurate loss factor is causing reliability, market or settlement impacts, and the ISO can update the loss factor to produce more accurate results, then the ISO shall consult with the ICL but it may unilaterally update the loss factor after providing the ICL at least one day advance notice of the change. Otherwise, the ISO shall consult with the ICL before it changes any of the operating parameters specified above.

The ICL may propose, but ISO approval is necessary to finalize or to change, the operating parameters set forth above. ICL are both permitted and expected to reflect actual reductions to the physical capability of the ICL (*i.e.*, changes to its available MW range) in Day-Ahead and real-time Bids, in addition to promptly notifying the ISO of any outage or derate.

32.3 ICL Energy Market Bidding Requirements

An ICL is required to submit Bids to transmit Energy in the Day-Ahead and Real-Time Markets whenever it expects to be available. The ISO will consider the Bids an ICL submits, or its mitigated Bids, in determining an ICL's Day-Ahead schedule and its real-time dispatch.

ICL Energy Bids include two components, an operating range in MW that must be consistent with the physical transfer capability of the ICL, and up to an eleven-step dollar/MWh curve that reflects an ICL's willingness to be paid or to pay to transmit Energy between its two terminal locations and to inject the Energy onto the grid at a specified terminal. An ICL's economic Bid is evaluated for scheduling or dispatch based on the difference in LBMP between the ICL's two terminal locations and the expected cost of losses.

The dollar Bids submitted by ICL can be positive or negative. For a unidirectional ICL, the Bid steps must be monotonically non-decreasing. A negative dollar offer for such an ICL indicates the amount the ICL is willing to pay to transmit Energy. For a bidirectional ICL The Bid steps must be monotonically non-decreasing in the ICL+ direction. A negative dollar offer in the ICL+ direction indicates the amount the ICL is willing to pay to inject a quantity of Energy at its positive terminal. A The absolute value of a negative dollar offer in the ICL- direction indicates the amount the ICL expects to be paid to inject a quantity of Energy at its negative terminal.

ICL are required to offer all of their available capability using the ISO-Committed flexible Bid mode. ICL Bids may not require a minimum quantity of MW in order to be scheduled or dispatched. An ICL is not eligible to submit a Start-Up Bid. The MW range submitted with an ICL's hourly Bid may not be used to self-commit or self-schedule the ICL, or preclude the ICL from receiving a schedule or dispatch that it is capable of delivering. Failure to offer available capability will be evaluated by the ISO for possible physical withholding. The MW range of an ICL's Bid must always include zero MW.

ICL that suffer an outage or a derate are required to report the outage or derate consistent with Sections 3.5.2 and 5.12.7.2 of the ISO Services Tariff and ISO Procedures, and are expected to timely reflect their limited capability in their real-time Bids for open hours.

32.4 ICL Energy Market Settlement Rules

In the Day-Ahead and real-time Market ICLs will be charged or paid for their scheduled Energy withdrawals, and paid or charged for their scheduled Energy deliveries.

32.4.1 Day-Ahead Market Settlement

Each ICL that bids into the DAM will be settled as the daily sum of the product of the hourly MWs scheduled to be delivered to the injection bus and the hourly LBMP, minus the hourly MWs scheduled to be withdrawn from the withdrawal bus, multiplied by a loss factor, and hourly LBMP, in accordance with the following equation:

$$\sum_{h=1}^N [(EI_h^{DA} \times LBMP_{Ih}^{DA}) - (EW_h^{DA} \times LBMP_{Wh}^{DA})]$$

Where:

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| N : | Number of Hours in the Dispatch Day |
| EI_h^{DA} : | Energy scheduled in the Day-Ahead Market at the injection bus in each hour h |
| EW_h^{DA} : | Energy scheduled at the withdrawal bus in the Day-Ahead Market in each hour h . Withdrawal energy schedule is equal to the injection energy schedule in the hour multiplied by a loss factor provided by the ICL. |
| $LBMP_{Ih}^{DA}$ | Day-Ahead LBMP at the injection bus in hour h , expressed in \$/MWh |
| $LBMP_{Wh}^{DA}$ | Day-Ahead LBMP at the withdrawal bus in hour h , expressed in \$/MWh |

32.4.2 Real-time Market Settlement

In the Real-Time Market ICLs will be charged for their actual Energy withdrawals, and paid for their actual Energy deliveries in accordance with the following equation:

$$\sum_{h=1}^N \{[(EI_i^{RT} - EI_h^{DA}) \times LBMP_i^{RT}] - [(EW_i^{RT} - EW_h^{DA}) \times LBMP_{W_i}^{RT}] \times [s_i^{RT} \div 3600 \text{ seconds}]\}$$

Where:

- N : Number of Hours in the Dispatch Day
- s_i^{RT} : Length of RTD interval i , expressed in seconds.
- EI_h^{DA} : Energy scheduled Day-Ahead at the injection bus in each hour h
- EW_h^{DA} : Energy scheduled Day-Ahead at the withdrawal bus in each hour h .
- $LBMP_i^{RT}$: Real time LBMP at the injection bus in interval i , expressed in \$/MWh
- $LBMP_{W_i}^{RT}$: Real time LBMP at the withdrawal bus in interval i , expressed in \$/MWh
- EW_i^{RT} : Energy withdrawal in RTD interval i , expressed in terms of megawatts
- EI_i^{RT} : Energy injection in RTD interval i , expressed in terms of megawatts.