Attachment II

6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and Payments

6.1.1 Introduction

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO's annual budgeted costs as set forth in Section 6.1.2 of this Rate Schedule 1.

The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges and on a Billing Period basis to recover FERC charges as set forth in Sections 6.1.3 and 6.1.15 respectively of this Rate Schedule 1. The ISO shall also bill each Transmission Customer each Billing Period to recover the following costs or allocate the following received payments under this Rate Schedule 1:

(i) bad debt loss charges as set forth in Section 6.1.4;

(ii) Working Capital Fund charges as set forth in Section 6.1.5;

(iii) non-ISO facilities payment charges as set forth in Section 6.1.6;

(iv) charges to recover costs for payments made to Suppliers pursuant to incremental cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as set forth in Section 6.1.7;

(v) charges to recover and payments to allocate residual costs as set forth in Section 6.1.8;

(vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Section 6.1.9;

(vii) charges to recover DAMAP costs as set forth in Section 6.1.10;

(viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Section 6.1.11;

(ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Section 6.1.12;

(x) charges to recover and payments to allocate settlements of disputes as set forth in Section 6.1.13; and

(xi) payments to allocate financial penalties collected by the ISO as set forth in Section 6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

6.1.2 ISO Annual Budget Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO's recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO shall calculate the charge for the recovery of these ISO annual budgeted costs from each Transmission Customer on the basis of its participation in physical market activity as indicated in Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each Transmission Customer on the basis of its participation in non-physical market activity, the Special Case Resource program, and the Emergency Demand Response program as indicated in Section 6.1.2.4 of this Rate Schedule 1. The ISO shall use the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 to recover any of its annual budgeted costs for the immediately preceding calendar year that it has not already recovered under Section 6.1.2.2 of this Rate Schedule for that year. The ISO shall credit any additional revenue collected through Section

6.1.2.4 of this Rate Schedule 1 for the remainder of the calendar year to each Transmission Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

6.1.2.1 ISO Annual Budgeted Costs

The ISO annual budgeted costs to be recovered through Section 6.1.2 of this Rate Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

- 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;
- Costs related to the ISO’s administration and operation of the LBMP market and all other markets administered by the ISO;
- Costs related to the ISO’s administration of Control Area Services;
- Costs related to the ISO’s administration of the ISO’s Market Power Mitigation Measures and the ISO’s Market Monitoring Plan;
- Costs related to the maintenance of reliability in the NYCA;
- Costs related to the provision of Transmission Service;
- Preparation of settlement statements;
- 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;
- Record keeping and auditing;
- Training of ISO personnel;

- Development and maintenance of information, communication and control systems;
- Professional services;
- Carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance premiums and deductibles related to ISO operations;
- Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or Section 12.4 of the Services Tariff;
- Regulatory fees; and
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Physical Market Activity

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

$$ISO\ Annual\ Budget\ Charge_{c,P}$$

$$= \left(InjectionUnits_{c,P} * \left(0.28 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}} \right) \right)$$

$$+ \left(WithdrawalUnits_{c,P} * \left(0.72 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}} \right) \right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$ISO\ Annual\ Budget\ Charge_{c,P}$ = The amount, in $, of the ISO annual budgeted costs for which Transmission Customer *c* is responsible for Billing Period P.

$ISOCosts_{Annual}$ = The sum, in $, of the ISO's annual budgeted costs for the current calendar year.

$InjectionUnits_{c,P}$ = The Injection Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$WithdrawalUnits_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalEstWithdrawalUnits_{Annual}$ = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation Methodology

The current 72%/28% cost allocation methodology between Withdrawal Billing Units and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at least December 31, 2016 and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 72%/28% cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the 72%/28% cost allocation on a going forward basis:

(i) A vote of the Management Committee will be taken in the third calendar quarter of 2015 on whether a new study should be conducted during late-2015 and 2016 to allow modification of the 72%/28% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2017. A positive vote by 58% of the Management Committee will be required to go forward with the study, but there will no longer be a “material change” standard as was historically applied to the determination of whether a study should be conducted.

(ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the 72%/28% cost allocation between Withdrawal Billing Units and Injection Billing Units shall be extended through at least December 31, 2017. In the third calendar quarter of 2016, a vote will be taken on whether a new study should be conducted during late-2016 and 2017 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2018. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.

(iii) If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the current 72%/28% cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage allocation between Withdrawal Billing Units and Injection Billing Units. If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study shall be performed unless 58% of the Management Committee votes not to commission the study) that was applied to the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above.

(iv) If, and when, the Management Committee determines a study shall be conducted:

(a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and

(b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (*e.g.*, categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Non-Physical Market Activity, the Special Case Resource Program, or the Emergency Demand Response Program

6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$VTCharge_{c,P} = VTRate * VTCleared_{c,P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$VTCharge_{c,P}$ = The amount, in $, for which Transmission Customer *c* is responsible for Billing Period *P*.

VTRate = For calendar year 2012, the applicable rate shall be $0.0871 per cleared MWh of Virtual Transactions, based on a $2.6 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$VTCleared_{c,P}$ = The total cleared Virtual Transactions, in MWh, for Transmission Customer *c* in Billing Period *P*.

6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission Congestion Contracts

The ISO shall charge, and each Transmission Customer that purchases Transmission Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$TCCCharge_{c,P} = TCCRate * TCCSettled_{c,P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$TCCCharge_{c,P}$ = The amount, in $, for which Transmission Customer *c* is responsible for Billing Period *P*.

TCCRate = For calendar year 2012, the applicable rate shall be $0.0372 per settled MWh of Transmission Congestion Contracts, based on a $4.9 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$TCCSettled_{c,P}$ = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer *c* in Billing Period *P*.

6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case Resource Program or Emergency Demand Response Program

The ISO shall charge, and each Transmission Customer that participates in the ISO's Special Case Resources program or its Emergency Demand Response program shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$SCR\ and\ EDR\ Charge_{c,P} = DRInjections_{c,P} * \left(0.28 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}}\right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$SCR\ and\ EDR\ Charge_{c,P}$ = The amount, in \$, for which Transmission Customer c is responsible for Billing Period P.

$DRInjections_{c,P}$ = The total Load reduction, in MWh, measured and compensated during testing or an actual event for Transmission Customer c in Billing Period P.

$ISOCosts_{Annual}$ = The sum, in \$, of the ISO's annual budgeted costs in the current calendar year.

$TotalEstWithdrawalUnits_{Annual}$ = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion Contracts Related Charges

For each calendar year after calendar year 2012, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

$$ResetRate = \frac{AnnRevRequirement - Over/UnderCollection}{3YearRollingAvgBillUnits}$$

Where:

ResetRate = For each calendar year after calendar year 2012, this rate will be used for either (i) the VTRate in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the TCCRate in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

AnnRevRequirement = The product, in $, of (i) the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, and (ii) an escalation factor. The ISO shall calculate the escalation factor as the percentage change in the ISO budget between (i) the ISO budget for the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and (ii) the ISO budget for the calendar year one year prior to the current calendar year ("Calendar Year Minus 1").

Over/Under Collection = The ISO shall calculate the amount, in $, that it has over or under collected for the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, as the case may be, as follows: (i) The ISO shall divide the annual revenue requirements for the applicable market activity for Calendar Year Minus 2 and for Calendar Year Minus 1 into twelve equal monthly revenue requirements for each of these calendar years. (ii) The ISO shall then calculate the amount of revenue, in $, that it over or under collected for each of the months from July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in $, that the ISO collected for each month for the applicable market activity, minus (b) the monthly revenue requirement, in $, for that month as determined above. If the result of this calculation is positive, then the ISO overcollected for that month. If the result of this calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall then calculate the total over or under collection amount, in $, for the period of July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to (a) the sum, in $, of the revenue that the ISO overcollected for each month during this period (i.e., the sum of the positive monthly results determined above), minus (b) the sum, in $, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results determined above).

3YearRollingAvgBillUnits = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year ("Calendar Year Minus 4") and June of Calendar Year Minus 1.

The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

6.1.2.5 Credit for Transmission Customers Participating in Physical Market Activity After Recovery of ISO Annual Budgeted Costs for the Preceding Year

The ISO shall use the revenue collected each Billing Period pursuant to Section 6.1.2.4 of this Rate Schedule 1 to recover any of its annual budgeted costs for the immediately preceding calendar year that it has not already recovered under Section 6.1.2 of this Rate Schedule for that year. Once it has recovered its annual budgeted costs for the immediately preceding calendar year, the ISO shall distribute each Billing Period for the remainder of the calendar year any additional revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

$$
\begin{aligned}
&ISO\ Annual\ Budget\ Credit_{c,P} \\
&\qquad = \left(NonPhysicalActivityRevenue_P * \left(0.28 * \frac{InjectionUnits_{c,P}}{TotalInjectionUnits_P} \right) \right) \\
&\qquad + \left(NonPhysicalActivityRevenue_p * \left(0.72 * \frac{WithdrawalUnits_{c,P}}{TotalWithdrawalUnits_P} \right) \right)
\end{aligned}
$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$ISO\ Annual\ Budget\ Credit_{c,P}$ = The amount, in $, that Transmission Customer *c* will receive for Billing Period P.

$NonPhysicalActivityRevenue_P$= The sum, in $, of the revenue collected by the ISO for Billing Period P through the charges to Transmission Customers for non-physical market activity, the Special Cases Resource program, and the Emergency Demand Response program as calculated in Section 6.1.2.4 of this Rate Schedule 1, less the amount the ISO is using to recover the annual budgeted costs for the immediately preceding calendar year that it did not recover 1) under Section 6.1.2.2 of this Rate Schedule for that year or 2) through NonPhysicalActivityRevenue previously used for this purpose in the current calendar year provided, however, $NonPhysicalActivityRevenue_P$ shall not be less than zero

$InjectionUnits_{c,P}$ = The Injection Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$WithdrawalUnits_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalInjectionUnits_P$ = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period *P*, except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_P$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period *P*, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England.~~

Following the end of calendar year 2017, the ISO shall review the credits that have been made to Transmission Customers participating in physical market activity pursuant to this Section 6.1.2.5 and shall present the results of its review to Market Participants for comment.

6.1.3 NERC and NPCC Charges

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter's costs related to the dues, fees, and related charges of:

(i) the NERC for its service as the Electric Reliability Organization for the United States ("ERO"), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and

(ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC"), or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

6.1.3.1 Calculation of NERC and NPCC Charges

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the upcoming calendar quarter. This charge shall be calculated according to the following formula.

$$NERC\&NPCC\ Charge_{c,Q} = NERC\&NPCCCosts_Q * \frac{TUWithdrawalUnits_{c,M}}{TUTotalWithdrawalUnits_M}$$

Where:

c = Transmission Customer.

Q = The relevant calendar quarter, for which the NERC and NPCC costs apply.

$NERC\&NPCC\ Charge_{c,Q}$ = The amount of the NERC and NPCC costs invoiced to the ISO, in $, for which Transmission Customer c is responsible for calendar quarter Q.

$NERC\&NPCCCosts_Q$ = The NERC and NPCC costs, in $, invoiced to the ISO for calendar quarter Q.

M = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter Q.

$TUWithdrawalUnits_{c,M}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in its four-month true-up invoice that is issued with its regular monthly invoice in month M, except for Withdrawal Billing Units for Wheels Through and Exports.

$TUTotalWithdrawalUnits_{M}$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month M, except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO shall use the LSE bus meter data that have been submitted by the meter authorities for use in the calculation of the four-month true-up of the Transmission Customer's monthly invoice pursuant to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and 2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

6.1.4 Bad Debt Loss Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

6.1.5 Working Capital Fund Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

6.1.6 Non-ISO Facilities Payment Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 of this Rate Schedule 1 for the recovery of the costs of the ISO's monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such payments to:

(i) Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation, and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC, and

(ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.

6.1.6.1 Calculation of Non-ISO Facilities Payment Charge

6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

$$Non\text{-}ISO\ Facilities\ Payment\ Charge_{c,h} = \frac{NonISOFacilitiesCost_M}{N} * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

M = The relevant month.

h = A given hour in the relevant Billing Period in month M.

N = Total number of hours h in month M.

$Non\text{-}ISO\ Facilities\ Payment\ Charge_{c,h}$ = The amount, in $, for which Transmission Customer c is responsible for hour h.

$NonISOFacilitiesCosts_M$ = The sum, in $, of the ISO's bills for month *M* for the non-ISO facilities from (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

$WithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h*, except for the Withdrawal Billing Units to supply Station Power as a third-party provider~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_h$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h*, except for the Withdrawal Billing Units to supply Station Power as third-party providers~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT.

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$Non\text{-}ISO\ Facilities\ Payment\ Charge_{c,d} = \frac{NonISOFacilitiesCosts_M}{N} * \frac{StationPower_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

d = A given day in the relevant Billing Period in month M.

N = Number of days d in month M.

$StationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer *c* used to supply Station Power as a third-party provider for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day *d*.

6.1.6.1.3 Non-ISO Facilities Payment Credit

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the non-ISO facilities payment charge under Section 6.1.6.1.2 of this Rate Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$Non\text{-}ISO\ Facilities\ Payment\ Credit_{c,d} = NonISOFacPayCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

d = A given day in the relevant Billing Period.

$Non\text{-}ISO\ Facilities\ Payment\ Credit_{c,d}$ = The amount, in $, that Transmission Customer *c* will receive for day *d*.

$NonISOFacPayCharge_d$ = The sum of non-ISO facilities payment charges, in $, for all Transmission Customers as calculated in Section 6.1.6.1.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 shall be determined for day *d*.

6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability

Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the daily charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. The ISO shall perform this calculation separately to recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the payment costs related to Local Reliability Rule I-R5.

$$Local\ Reliability\ Rules\ Payment\ Recovery\ Charge_{c,d} = LRRPayment_d * \frac{TDWithdrawal_{c,d}}{TDTotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$Local\ Reliability\ Rules\ Payment\ Recovery\ Charge_{c,d}$ = The amount, in $, for which Transmission Customer *c* is responsible for day *d*.

$LRRPayment_d$ - The amount, in $, paid in day *d* to Suppliers pursuant to the incremental cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

$TDWithdrawalUnits_{c,d}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in day *d* in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TDTotalWithdrawalUnits_d$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d* in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

6.1.8 Residual Costs Payment/Charge

The ISO's payments for market transactions by Transmission Customers will not equal the ISO's payments to Suppliers for market transactions. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal Billing Units. The most significant component of the residual adjustment is the residual costs payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

6.1.8.1 Calculation of Residual Costs Payment/Charge

6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments for the Transmission Customer as calculated according to the following formula for each hour in the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the Transmission Customer as calculated in the following formula for each hour in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

$$Residual\ Costs\ Payment/Charge_{c,h} = (CustomerPayments_h - ISOPayments_h) * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$Residual\ Costs\ Payment/Charge_{c,h}$ = The amount, in $, for hour *h* that Transmission Customer *c* will receive (if positive) or for which Transmission Customer *c* is responsible (if negative).

$WithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h*, except for the Withdrawal Billing Units to supply Station Power as a third-party provider~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_h$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h*, except for the Withdrawal Billing Units to supply Station Power as third-party providers~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England ~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$CustomerPayments_h$ = The ISO's receipts, in $, for each hour *h* from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

(i) payments of the Energy component and Marginal Losses Component of LBMP for Energy scheduled in the LBMP Market in hour h in the Day-Ahead Market;

(ii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy purchased in the Real-Time LBMP Market for hour h that was not scheduled Day-Ahead;

(iii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy by Suppliers that provided less Energy in the real-time dispatch for hour h than they were scheduled Day-Ahead to provide in hour h for the LBMP Market;

(iv) the Marginal Losses Component of the TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were scheduled in hour h in the Day-Ahead Market; and

(v) the Marginal Losses Component and Congestion Component of the real-time TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were not scheduled in hour h in the Day-Ahead Market.

(vi) the M2M settlement between the ISO and PJM Interconnection, L.L.C. for hour h, determined in accordance with Section 8 of Schedule D to Attachment CC to this ISO OATT.

$ISOPayments_h$ = The ISO's payments, in $, in each hour h to Suppliers that equal the sum of the following components, which could be either positive or negative amounts:

(i) payments of the Energy component and Marginal Losses Components of LBMP for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour h in the Day-Ahead Market;

(ii) payments to Suppliers of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy provided to the ISO in the Real-Time Dispatch for hour h that those Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;

(iii) payments of the Energy component and Marginal Losses Component of LBMP for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and

(iv) payments of the Marginal Losses Component and Congestion Component of the real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT.

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the Transmission Customer as calculated according to the following formula for each day in the relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the Transmission Customer as calculated in the following formula for each day in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

$$Residual\ Costs\ Payment/Charge_{c,d} = \frac{(CustomerPayments_d - ISOPayments_d)}{TotalWithdrawalUnits_d} * StationPower_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$StationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer c that it used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day d.

6.1.8.1.3 Residual Costs Adjustment

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall charge the Transmission Customer the adjustment amount.

$$Residual\ Costs\ Adjustment_{c,d} = ResidCharge/PaymentCosts_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

d = A given day in the relevant Billing Period.

$Residual\ Costs\ Adjustment_{c,d}$ = The amount, in $, for day *d* that Transmission Customer *c* will receive (if positive) or for which Transmission Customer *c* is responsible (if negative).

$ResidCharge/PaymentCosts_d$ = (i) If Transmission Customers were responsible for a residual costs charge for day *d* pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in $, of the costs that the ISO has collected through the residual costs charges for all Transmission Customers for day *d*. (ii) If Transmission Customers received a residual costs payment for day *d* pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (negative) amount, in $, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day *d*.

6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

6.1.9.1 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of a Local System

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ SCR\ and\ CSP\ Charge_{c,h} = LocalReliabilityCosts_h * \frac{SZWithdrawalUnits_{c,h}}{SZTotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$Local\ Reliability\ SCR\ and\ CSP\ Charge_{c,h}$ = The amount, in $, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

$LocalReliabilityCosts_h$ = The payments, in $, for hour h in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

$SZWithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_{h}$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units except for Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ and\ CSP\ Charge_{c,h} = NYCAReliabilityCosts_{h} * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_{h}}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ and\ CSP\ Charge_{c,h}$ = The amount, in $, for which Transmission Customer *c* is responsible for hour *h*.

$NYCAReliabilityCosts_{h}$ = The payments, in $, for hour *h* made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA.

$WithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h*, except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_h$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h*, except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as third-party providers.

6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as applicable, in the relevant Billing Period and for each Subzone, where applicable.

6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability Needs of a Local System

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ DAMAP\ Charge_{c,h} = DAMAPCosts_h * \frac{SZWithdrawalUnits_{c,h}}{SZTotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$Local\ Reliability\ DAMAP\ Charge_{c,h}$ = The amount, in $, for which Transmission Customer c is responsible for hour *h* for the relevant Subzone.

$DAMAPCosts_h$ = The DAMAP costs, in $, for hour *h* in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

$SZWithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_h$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ DAMAP\ Charge_{c,d} = \frac{DAMAPCosts_d}{SZTotalWithdrawalUnits_d} * \ SZStationPower_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$SZStationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer *c* in day *d* in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day *d*.

6.1.10.1.3 Local Reliability DAMAP Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Local\ Reliability\ DAMAP\ Credit_{c,d} = LocRelDAMAPCharge_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

d = A given day in the relevant Billing Period.

$Local\ Reliability\ DAMAP\ Credit_{c,d}$ = The amount, in $, that Transmission Customer *c* will receive for day *d* for the relevant Subzone.

$LocRelDAMAPCharge_d$ = The sum of charges, in $, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day *d*.

6.1.10.2 Recovery of Costs of All Remaining DAMAPs

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$Remaining\ DAMAP\ Charge_{c,h} = RemainingDAMAPCosts_h * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$Remaining\ DAMAP\ Charge_{c,h}$ = The amount, in \$, for which Transmission Customer *c* is responsible for hour *h*.

$RemainingDAMAPCosts_{h}$ = The DAMAP costs, in \$, for hour *h* not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

$WithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h*, except for the Withdrawal Billing Units to supply Station Power as a third-party provider~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bidsat a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_{h}$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h*, except for the Withdrawal Billing Units to supply Station Power as third-party providers~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$Remaining\ DAMAP\ Charge_{c,d} = \frac{RemainingDAMAPCosts_{d}}{TotalWithdrawalUnits_{d}} * StationPower_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$StationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer *c* used to supply Station Power as a third-party provider for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day *d*.

6.1.10.2.3 Remaining DAMAP Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Remaining\ DAMAP\ Credit_{c,d} = RemainingDAMAPCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_{c,d}}$$

Where:

d = A given day in the relevant Billing Period.

$Remaining\ DAMAP\ Credit_{c,d}$ = The amount, in $, that Transmission Customer *c* will receive for day *d*.

$RemainingDAMAPCharge_d$ = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day *d*.

6.1.11 Recovery of Import Curtailment Guarantee Payment Costs

6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in accordance with the following formula, for each hour in the relevant Billing Period.

$$Import\ Curtailment\ Guarantee\ Charge_{c,h} = ImportCurtGuarCosts_h * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

$Import\ Curtailment\ Guarantee\ Charge_{c,h}$= The amount, in $, for which Transmission Customer c is responsible for hour h.

$ImportCurtGuarCosts_h$ = The costs, in $, for the Import Curtailment Guarantee Payments to Import Suppliers for hour h.

$WithdrawalUnits_{c,h}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_h$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

$$Import\ Curtailment\ Guarantee\ Charge_{c,d} = \frac{ImportCurtGuarCosts_d}{TotalWithdrawalUnits_d} * StationPower_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$StationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day d.

6.1.11.3 Import Curtailment Guarantee Credit

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$Import\ Curtailment\ Guarantee\ Credit_{c,d} = ImpCurtGuarCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

d = A given day in the relevant Billing Period.

$Import\ Curtailment\ Guarantee\ Credit_{c,d}$ = The amount, in $, that Transmission Customer c will receive for day d.

$ImpCurtGuarCharge_d$ = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day d.

6.1.12 Recovery of Bid Production Cost Guarantee Payment and Demand Reduction Incentive Payment Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and for each Subzone, where applicable.

6.1.12.1 Costs of Demand Reduction BPCGs and Demand Reduction Incentive Payments

After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.

6.1.12.2 Costs of BPCGs for Additional Generating Units Committed to Meet Forecast Load

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, 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, the ISO may commit Resources in addition to the reserves that it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load. The ISO shall recover a portion of the costs associated with Bid Production Cost guarantee payments for the additional Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission Customers pursuant to the methodology established in Attachment T of this ISO OATT. The ISO shall recover the residual costs of such Bid Production Cost guarantee payments not recovered through the methodology in Attachment T of the ISO OATT pursuant to Section 6.1.12.6 of this Rate Schedule 1.

6.1.12.3 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local System

Pursuant to this Section 6.1.12.3, the ISO shall recover the costs for Bid Production Cost guarantee payments incurred to compensate Suppliers for their Resources, other than Special Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

6.1.12.3.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ BPCG\ Charge_{c,d} = BPCGCosts_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$Local\ Reliability\ BPCG\ Charge_{c,d}$ = The amount, in $, for which Transmission Customer *c* is responsible for day *d* for the relevant Subzone.

$BPCGCosts_d$ = The Bid Production Cost guarantee payments, in $, made to Suppliers for Resources for day *d* in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

$SZWithdrawalUnits_{c,d}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in day *d* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.12.3.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ BPCG\ Charge_{c,d} = \frac{BPCGCosts_d}{SZTotalWithdrawalUnits_d} * \ SZStationPower_{c,d}$$

Where:

$SZStationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer *c* in day *d* in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above,

6.1.12.3.3 Local Reliability BPCG Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.3.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Local\ Reliability\ BPCG\ Credit_{c,d} = \ LocRelBPCGCharge_d * \frac{SZWithdrawalUnits_{c,d}}{SZWithdrawalUnits_{c,d}}$$

Where:

$Local\ Reliability\ BPCG\ Credit_{c,d}$ = The amount, in $, that Transmission Customer *c* will receive for day *d* for the relevant Subzone.

$LocRelBPCGCharge_d$ = The sum of charges, in $, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.12.3.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above.

6.1.12.4 Cost of BPCGs for Special Case Resources Called to Meet the Reliability Needs of a Local System

Pursuant to this Section 6.1.12.4, the ISO shall recover the costs of Bid Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ SCR\ BPCG\ Charge_{c,d} = BPCGCosts_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$Local\ Reliability\ SCR\ BPCG\ Charge_{c,d}$ = The amount, in $, for which Transmission Customer c is responsible for day d for the relevant Subzone.

$BPCGCosts_d$ = The Bid Production Cost guarantee payments, in $, made to Suppliers for Special Case Resources for day *d* in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

$SZWithdrawalUnits_{c,d}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in day *d* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d* in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used except for Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ BPCG_{c,d} = BPCGCost_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d}$ = The amount, in $, for which Transmission Customer *c* is responsible for day *d*.

$BPCGCosts_d$ = The Bid Production Cost guarantee payments, in $, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day *d*.

$WithdrawalUnits_{c,d}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in day *d*, except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_d$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d*, except for the Withdrawal Billing Units for Wheels-Through, Exports or to supply Station Power as third-party providers.

6.1.12.6 Costs of All Remaining BPCGs

Pursuant to this Section 6.1.12.6, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production Cost guarantee payments for additional Resources not recovered through the methodology in Attachment T of this ISO OATT, from all Transmission Customers.

6.1.12.6.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$Remaining\ BPCG\ Charge_{c,d} = RemainingBPCGCosts_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$Remaining\ BPCG\ Charge_{c,d}$ = The amount, in $, for which Transmission Customer *c* is responsible for day *d*.

$RemainingBPCGCosts_d$ = The BPCG costs, in $, for day *d* not recovered by the ISO through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1.

$WithdrawalUnits_{c,d}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in day *d*, except for the Withdrawal Billing Units to supply Station Power as a third-party provider~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_d$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d*, except for the Withdrawal Billing Units to supply

Station Power as third-party providers~~,~~ and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$Remaining\ BPCG\ Charge_{c,d} = \frac{RemainingBPCGCosts_d}{TotalWithdrawalUnits_d} * StationPower_{c,d}$$

Where:

$StationPower_{c,d}$ = The Withdrawal Billing Units, in MWh, of Transmission Customer *c* used to supply Station Power as a third-party provider for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

6.1.12.6.3 Remaining BPCG Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.6.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Remaining\ BPCG\ Credit_{c,d} = RemainingBPCGCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_{c,d}}$$

Where:

$Remaining\ BPCG\ Credit_{c,d}$ = The amount, in \$, that Transmission Customer *c* will receive for day *d*.

$RemainingBPCGCharge_d$ = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.12.6.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

6.1.13 Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the settlement of a dispute.

6.1.13.1 Calculation of the Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

$$Dispute\ Resolution\ Payment/Charge_{c,P} = DisputeResolutionCosts_P * \frac{WithdrawalUnits_{c,P}}{TotalWithdrawalUnits_P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$Dispute\ Resolution\ Payment/Charge_{c,P}$ = The amount, in $, for Billing Period *P* that (i) Transmission Customer *c* will receive if the ISO is distributing funds that it has collected in the settlement of a dispute, or (ii) Transmission Customer *c* will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

$DisputeResolutionCosts_P$ = The amount, in $, for Billing Period *P* that (i) the ISO has collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a dispute.

$WithdrawalUnits_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_P$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period P, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.14 Credit for Financial Penalties

The ISO shall distribute to each Transmission Customer each Billing Period in accordance with the following formula any payments that it has collected from Transmission Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2 of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and (v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO will perform this calculation separately for the allocation of the revenue from each financial penalty.

$$Financial\ Penalties\ Credit_{c,P} = PenaltyRevenue_P * \frac{WithdrawalUnits_{c,P}}{TotalWithdrawalUnits_P}$$

Where:

c = Transmission Customer.

P = A given day in the relevant Billing Period.

$Financial\ Penalties\ Credit_{c,P}$ = The amount, in \$, that Transmission Customer c will receive for Billing Period P.

$PenaltyRevenue_P$ = The sum, in \$, of revenue that the ISO has collected for Billing Period P from a Transmission Customer for one of the financial penalties indicated in Section 6.1.14 of this Rate Schedule 1.

$WithdrawalUnits_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c for Billing Period P, except for Scheduled Energy Withdrawals resulting at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

$TotalWithdrawalUnits_P$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for Billing Period P, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~resulting from CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.1.15 Calculation of FERC Fee Charges

As a public utility the transmission provider under this Tariff is subject to annual charges assessed by the Commission in accordance with Part 382 of the Commission's regulations (annual FERC fee). The ISO shall charge, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the annual FERC fee, on the basis of its participation in physical market activity, and on the basis of its participation in non-physical market activity in accordance with Sections 6.1.15.1 and 6.1.15.2 respectively. The annual FERC fee shall be allocated ninety-four (94%) to physical market activity and six (6%) to non-physical market activity respectively. Pursuant to ISO Procedures, the six (6%) of the annual FERC fee allocated to non-physical market activity shall be further allocated approximately four percent (4%) to Transmission Congestion Contracts and approximately two percent (2%) to Virtual Transactions. The total charge to each Transmission Customer for recovery of the annual FERC fee shall be the sum of the Transmission Customer's Physical FERC Fee Charge and the Transmission Customer's Non-Physical FERC Fee Charge.

An estimated annual FERC fee shall be recovered over the twelve months of each federal fiscal year. The ISO will publish the estimated annual FERC fee for each federal fiscal year no less than one month in advance of the start of that federal fiscal year. Upon receiving the invoice for the annual FERC fee, the ISO will implement a true-up, a credit or charge, equal to the difference between the estimated annual FERC fee for the fiscal year and the invoiced amount, in the first Billing Period following receipt of the invoiced annual FERC fee, as is practicable. The ISO shall recover or refund the true-up amount over a six month period.

All funds collected by the ISO for the annual FERC fee shall be deposited in the annual FERC fee account. The annual FERC fee account shall be an interest-bearing account separate from all other accounts maintained by the ISO. The ISO shall disburse funds from the annual FERC fee account in order to pay the FERC any and all annual FERC fee charges assessed against the ISO.

6.1.15.1 Calculation of Physical FERC Fee Charge for Transmission Customers Participating in Physical Market Activity

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, a charge for the recovery of the annual FERC fee as calculated according to the following formula:

$$\begin{aligned}&Physical\ FERC\ Fee\ Charge_{c,P}\\&= \left(Injection\ Units_{c,P} * \left(0.28 * PRatio * \frac{(Est\ FERC\ Fee_P + True\text{-}Up\ Costs_P)}{TotalInjectionUnits_P}\right)\right)\\&+ \left(Withdrawal\ Units_{c,P} * \left(0.72 * PRatio * \frac{(Est\ FERC\ Fee_P + True\text{-}Up\ Costs_P)}{TotalWithdrawalUnits_P}\right)\right)\end{aligned}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$Physical\ FERC\ Fee\ Charge_{c,P}$ = The amount, in $, of the annual FERC fee for which Transmission Customer c is responsible for Billing Period P.

$Injection\ Units_{c,P}$ = The Injection Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$PRatio$ = Ninety-four percent (94%).

$Est\ FERC\ Fee_P$ = Billing Period P's proportional allocation of the estimated annual FERC fee for the current FERC fiscal year.

$True\text{-}up\ Costs_P$ = Billing Period P's proportional allocation of the difference between the invoiced annual FERC fee and the estimated annual FERC fee.

$TotalInjectionUnits_P$ = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period P.

$Withdrawal\ Units_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c in the Billing Period P.

$TotalWithdrawalUnits_P$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in the Billing Period P.

6.1.15.2 Calculation of the FERC Fee Charge for Transmission Customers Participating in Non-Physical Market Activity

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions or that purchases Transmission Congestion Contracts shall pay, a charge for the recovery of the annual FERC fee as calculated according to the following formula: $Non\text{-}Physical\ FERC\ Fee\ Charge_{c,P} = \left(VTCleared_{c,P} * \left(\frac{VTRatio * Est\ FERC\ Fee_P}{Total\ VT\ Cleared_P}\right) + \left(\frac{VTRatio * True\text{-}Up\ Costs_P}{Total\ VT\ Cleared_P}\right)\right) + \left(TCC\ Settled_{c,P} * \left(\frac{TCCRatio * Est\ FERC\ Fee_P}{Total\ TCC\ Settled_P}\right) + \left(\frac{TCCRatio * True\text{-}Up\ Costs_P}{Total\ TCC\ Settled_P}\right)\right)$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$Non - Physical\ FERC\ Fee\ Charge_{c,P}$ = The amount, in $, of the annual FERC fee for which Transmission Customer c is responsible for Billing Period P.

$VT\ Cleared_{c,P}$ = The total cleared Virtual Transactions, in MWh, for Transmission Customer c in Billing Period P.

$VT\ Est\ FERC\ Fee_P$ = Billing Period P's proportional allocation of the estimated annual FERC fee for the current FERC fiscal year.

$True - up\ Costs_P$ = Billing Period P's proportional allocation of the difference between the invoiced annual FERC fee and the estimated annual FERC fee.

$VTRatio$ = Approximately two percent (2%).

$Total\ VT\ Cleared_P$ = The sum, in MWh, of cleared Virtual Transactions for all Transmission Customers in Billing Period P.

$TCCSettled_{c,P}$ = The total settled Transmission Congestion Contracts, in MWh, for Transmission Customer c in Billing Period P.

$TCCRatio$ = Approximately four percent (4%).

$Total\ TCC\ Settled_P$ = The total settled Transmission Congestion Contracts, in MWh, for Transmission Customer c in Billing Period P.

6.2 Schedule 2 - Charges for Voltage Support Service

In order to maintain transmission voltages on the NYS Transmission System within acceptable limits, generation facilities under the control of the ISO, synchronous condensers, and Qualified Non-Generator Voltage Support Resources, are operated to produce (or absorb) reactive power. Thus, Voltage Support Service must be provided for each Transaction on the NYS Transmission System. The amount of Voltage Support Service that must be supplied 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.

6.2.1 Responsibilities

The ISO shall coordinate the Voltage Support Service provided by generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources that qualify to provide such services as described in Section 15.2.1.1 of Rate Schedule 2 of the ISO Services Tariff.

6.2.1.1 Wheels Through, Exports and Purchases from the LBMP Market

Transmission Customers engaging in Wheels Through, and Transmission Customers or Customers engaged in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 6.2.2.1 of this Rate Schedule.

6.2.1.2 Load-Serving Entities

LSEs serving Load in the NYCA shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 6.2.2.1 of this Rate Schedule.

6.2.2 Payments

6.2.2.1 Payments made by Transmission Customers and LSEs

Transmission Customers, Customers, and LSEs 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

$$Rate_{VSS} = \frac{\sum NYISO_{VSSPmts} + PYA_{VSS}}{Energy_{NYISO}}$$

Where:

$Rate_{VSS}$ = Voltage Support Service Rate (\$/MWh)

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

$\Sigma\ NYISO_{VSSPmts}$ = The sum of the projected ISO payments to generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources providing Voltage Support Service based on Sections 15.2.2.1, 15.2.2.2 and 15.2.2.3 of Rate Schedule 2 of the ISO Services Tariff (\$).

PYA_{VSS} = "Prior year adjustment" for Voltage Support Service which is the total of prior year payments to generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources supplying Voltage Support Service as defined in the ISO Services Tariff less the total of payments received by the ISO from Transmission Customers , Customers and LSEs in the prior year for Voltage Support Service (including all payments for penalties) ($).

Transmission Customers engaging in Wheels Through and Transmission Customers or Customers engaged in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, shall pay to the ISO a charge for this service equal to the rate as determined in Section 6.2.1 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 rate as determined in Section 6.2.1 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 Section 5 of the OATT 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 6.2.1 of this Rate Schedule multiplied by the LSE's Station Power provided under Section 5 of the OATT. For LSEs and all Wheels Through and Exports, the ISO shall calculate the payment hourly. The ISO shall bill each Transmission Customer or LSE each Billing Period.

6.2.3 Self-Supply

All Voltage Support Service shall be purchased from the ISO.

6.5 Schedule 5 - Charges for Operating Reserve Service

The ISO must offer this service when Transmission Service is used to serve Load within the NYCA. Transmission Customers and LSEs must either purchase this service from the ISO. The charges for Operating Reserve Service are set forth below.

The NYSRC shall be responsible for evaluating the adequacy of the criteria for determining the required level of Operating Reserves and shall modify such criteria from time to time as required. The ISO shall establish additional categories of Operating Reserves if necessary to ensure reliability.

The ISO will ensure that Suppliers that 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 (consistent with the additive nature of the market clearing price calculation formulae in Sections 15.4.5.1 and 15.4.6.1 of Rate Schedule 4 of the ISO Services Tariff).

6.5.1 Operating Reserves Charges

Transmission Customers and Customers engaging in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, and LSEs shall pay an hourly charge equal to the product of (A) the cost to the ISO of providing all Operating Reserves for a given hour; and (B) the ratio of (i) the LSE's hourly Load or the Transmission Customer's hourly scheduled Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, to (ii) the sum of all Load in the NYCA and all scheduled Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, for a given hour. The cost to the ISO of providing Operating Reserves in each hour will equal the total amount that the ISO pays to procure Operating Reserves on behalf of the market in the Day-Ahead Market and the Real-Time Market, less payments collected from entities that are scheduled to provide less Operating Reserves in the Real-Time Market than in the Day-Ahead Market during that hour, under Rate Schedule 4 of the ISO Services Tariff. The ISO shall aggregate the hourly charges to produce a total charge for a given Dispatch Day.

LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers 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 and (B) the ratio of (i) the LSE's Station Power supplied under Section 5 of the OATT for the day to (ii) the sum of all Load in the NYCA and all scheduled Exports, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~, for the day. The ISO shall credit the daily charges paid for Operating Reserves by LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers on a Load ratio share basis to the Load in the NYCA for that day and all scheduled Exports for the day except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England~~CTS Interface Bids at a CTS Enabled Interface with ISO New England~~.

6.5.2 Self-Supply

Transmission Customers, including LSEs, may provide for Self-Supply of Operating Reserve by placing Resources supplying any one of the Operating Reserves under ISO Operational Control. The Resources must meet ISO rules for acceptability, pursuant to Rate Schedule 4 of the Services Tariff. The specified Resources will receive the market value of the Operating Reserves services provided by the specified Resource 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.

16.3 Transmission Service, Schedules and Curtailment

16.3.1 Requests for Bilateral Transaction Schedules

Firm Point-to-Point Transmission Service shall be available for internal Bilateral Transactions, CTS Interface Bids for Bilateral Transactions, Import and Export Bilateral Transactions, and Wheel-Through Transactions. Except as specified in Services Tariff section 4.4.1.2.2, External Transaction Bids may not vary over the course of an hour. Each such Bid must offer to import, export or wheel the same amount of Energy at the same price at each point in time within that hour. At Variably Scheduled Proxy Generator Buses that are not CTS Enabled Proxy Generator Buses, the ISO may vary External Transaction Schedules if the party submitting the Bid for such a Transaction indicates that the ISO may vary schedules associated with those Bids within the hour. The ISO will subject all CTS Interface Bids to variable scheduling in accordance with Services Tariff section 4.4.4. Transmission Customers may modify Bilateral Transactions that were scheduled Day-Ahead or propose new Bilateral Transactions, including External Bilateral Transactions, for economic evaluation within the Real-Time Market, provided however, that Bilateral Transactions with Trading Hubs as their POWs that were previously scheduled Day-Ahead may not be modified.

Transmission Customers scheduling Transmission Service to support a Bilateral Transaction with Energy supplied by an External Generator or Internal Generator shall submit the following information to the ISO:

(1) Point of Injection location. For Transactions with Internal sources, the Point of Injection is the Generator's bus; for Transactions with Trading Hubs as their sources, the Point of Injection is the Trading Hub Generator bus; for Transactions

with External sources, the Point of Injection is the Proxy Generator Bus designated for Imports.

(2) Point of Withdrawal location. For Transactions to serve Internal Load, the Point of Withdrawal is the Load bus; for Transactions to serve External load, the Point of Withdrawal is the Proxy Generator Bus designated for Exports; for Transactions with Trading Hubs as their sinks, the Point of Withdrawal is the Trading Hub Load bus;

(3) Desired hourly MW schedules;

(4) NERC Tag data;

(5) A Sink Price Cap Bid for Export Transactions up to the MW level of the desired schedule, a Decremental Bid for Import and Wheel Through Transactions up to the MW level of the desired schedule; or a CTS Interface Bid for Transactions other than Wheels Through at CTS Enabled Proxy Generator Buses;

(6) A direction for the desired flow for CTS Interface Bids submitted at the CTS Enabled Proxy Generator Buses; and

(7) Other data required by the ISO.

16.3.2 ISO's General Responsibilities

The ISO shall evaluate requests for Bilateral Transactions, and associated Transmission Service, submitted in the Day-Ahead scheduling process using Security Constrained Unit Commitment ("SCUC"), and will subsequently establish a Day-Ahead schedule. During the Dispatch Day, the ISO shall use the Real-Time Market to establish schedules for each hour of dispatch in that day.

The ISO shall use the information provided by Real-Time Market when making Curtailment decisions pursuant to the Curtailment rules described in Section 16.3.4 of this Attachment J.

16.3.3 Scheduling of Bilateral Transactions in the Day-Ahead Market and Real-Time Market

16.3.3.1 ISO Responsibilities

The ISO shall model Bids for Import Bilateral Transactions and Bids for Export Bilateral Transactions as Bids to buy or sell a block of MW at a single price at their respective buses.

The ISO shall compute all NYCA Interface Transfer Capabilities and interface Ramp and NYCA Ramp capabilities prior to scheduling Transmission Service Day-Ahead and in real-time. The ISO shall evaluate (i) Decremental Bids from entities engaged in Bilateral Import Transactions and Wheels Through, (ii) Bids from entities engaged in Imports to the LBMP Market,; (iii) CTS Interface Bids from entities engaged in Imports and Exports at CTS Enabled Proxy Generator Buses; (iv) Energy Bids from internal Generators; (v) Sink Price Cap Bids from entities engaged in Bilateral Export Transactions; and (vi) Bids from entities engaged in Exports from the LBMP Market simultaneously when committing internal Generators and scheduling Import, Export and Wheel Through Transactions and Imports and Exports to and from the LBMP Market in the Day Ahead and Real-Time Markets, provided however, the ISO shall also evaluate Price Capped Load Bids simultaneously with (i) through (vi) in the Day Ahead Market.

16.3.3.2 Scheduling Internal Bilateral Transactions

The ISO shall schedule Firm Transmission Service between the Point of Injection at the Generator bus to the Point of Withdrawal at the Load bus equal to the request for Transmission Service in both the Day-Ahead and Real-Time Markets. The ISO shall use Energy Bids to determine commitment and dispatch schedules for internal Generators including those providing Energy for an Internal Bilateral Transaction.

16.3.3.3 Scheduling Export Bilateral Transactions and Firm Point-to-Point Transmission Service to Support Them

The ISO shall use Bids supplied by Transmission Customers proposing Export Bilateral Transactions in the Day Ahead and Real-Time Markets to determine the amount of Energy scheduled to be exported under those Transactions in the Day-Ahead and Real-Time Markets respectively. The ISO shall not schedule Energy to be exported in amounts that exceed the Transfer Capability of the Interface.

The ISO shall schedule in the Day-Ahead and Real-Time Markets Firm Transmission Service for Export Bilateral Transactions between the Point of Receipt at the internal Generator bus and the Point of Delivery at the Proxy Generator Bus in an amount equal to the amount of Energy scheduled to be exported under those Transactions Day-Ahead and in real-time respectively.

The ISO shall use Energy Bids supplied by internal Generators designated as supporting Export Bilateral Transactions scheduled with Firm Transmission Service in the Day Ahead and Real-Time Markets to determine the Generator's commitment and dispatch schedule.

16.3.3.4 Scheduling Import Bilateral Transactions and Firm Point-to-Point Transmission Service to Support Them

The ISO shall use Bids from Transmission Customers proposing Import Bilateral Transactions in the Day Ahead and Real-Time Markets to determine the amount of Energy scheduled to be imported under those Transactions in the Day-Ahead and Real-Time Markets respectively. The ISO shall not schedule Energy to be imported in amounts that exceed the Transfer Capability of the Interface. The ISO shall schedule Firm Transmission Service in the

Day-Ahead and Real-Time Markets for Import Bilateral Transactions between the Point of Receipt at the Proxy Generator Bus and the Point of Delivery at the Load bus equal to the amount of Transmission Service requested to support those Transactions Day-Ahead and in real-time respectively.

16.3.3.5 Scheduling Wheel Through Bilateral Transactions and Firm Point-to-Point Transmission Service to Support Them

The ISO shall use Decremental Bids supplied by Transmission Customers proposing Wheel-Through Transactions in the Day Ahead and Real-Time Markets to determine the amount of Energy scheduled to be wheeled under those Transactions Day-Ahead and in real-time respectively. The ISO shall schedule Firm Transmission Service in the Day-Ahead and Real-Time Markets between the Point of Receipt at ~~the~~ a Proxy Generator Bus designated for Imports and the Point of Delivery at ~~the~~a Proxy Generator ~~b~~Bus designated for Exports equal to the amount of Energy scheduled to be imported and Wheeled Through under those Transactions Day-Ahead and in real-time respectively.

16.3.3.6 Scheduling Non Firm Transmission Service

Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers.

16.3.3.7 Scheduling External Transactions at the Proxy Generator Buses Associated with Scheduled Lines

Scheduling External Transactions at the Proxy Generator Buses that are associated with the Cross-Sound Scheduled Line, the Neptune Scheduled Line, the Linden VFT Scheduled Line, and the HTP Scheduled Line shall also be governed by Section 29, Attachment N to the ISO Services Tariff.

16.3.3.8 Prohibited Transmission Paths

The ISO shall not permit Market Participants to schedule External Transactions over the following prohibited scheduling paths:

1. External Transactions that are scheduled to exit the NYCA at the Proxy Generator Bus that represents its Interface with the Control Area operated by the Independent Electricity System Operator of Ontario ("IESO"), and to sink in the Control Area operated by PJM Interconnection, LLC ("PJM");
2. External Transactions that are scheduled to exit the NYCA at the Proxy Generator Buses that represent the NYCA's common border with the Control Area operated by PJM, and to sink in the Control Area operated by IESO;
3. External Transactions that are scheduled to enter the NYCA at the Proxy Generator Buses that represent the NYCA's common border with the Control Area operated by PJM, and to source from the Control Area operated by IESO;
4. External Transactions that are scheduled to enter the NYCA at the Proxy Generator Bus that represents the NYCA's Interface with the Control Area operated by IESO, and to source from the Control Area operated by PJM;
5. Wheels Through the NYCA that are scheduled to enter the NYCA at the Proxy Generator Buses that represent the NYCA's common border with the Control Area operated by PJM, and to sink in the Control Area operated by the Midwest Independent Transmission System Operator, Inc. ("MISO");
6. Wheels Through the NYCA that are scheduled to exit the NYCA at the Proxy Generator Buses that represent the NYCA's common border with the Control Area operated by PJM, and to source from the Control Area operated by the MISO;

7. Wheels Through the NYCA that are scheduled to enter the NYCA at the Proxy Generator Bus that represents the NYCA's Interface with the Control Area operated by IESO, and to sink in the Control Area operated by the MISO; and

8. Wheels Through the NYCA that are scheduled to exit the NYCA at the Proxy Generator Bus that represents the NYCA's Interface with the Control Area operated by IESO, and to source from the Control Area operated by the MISO.

The ISO may add additional prohibited scheduling paths to the above list when the ISO, acting in consultation with its Market Monitoring Unit, determines that one or more scheduling paths are being used to schedule External Transactions in a manner that is not consistent with the manner in which power is actually expected to flow. The ISO shall inform its Market Participants of the additional prohibited scheduling path or paths by providing notice at least one week in advance of the implementation of any such prohibition. At the time the NYISO provides notice to its Market Participants the ISO shall submit a compliance filing in FERC Docket No. ER13-780 requesting authority to update the above list to reflect the additional prohibited scheduling path or paths. Any such compliance filing will include: (1) an explanation of the scheduling behavior the ISO has identified and why that behavior presents a concern to the ISO and its Market Monitoring Unit; and (2) an explanation of why the ISO believes that the problem it has identified can be remedied or mitigated by adding one or more new prohibited scheduling paths. The compliance filing will also include, or be accompanied by, a discussion of the Market Monitoring Unit's position regarding the ISO's proposal to add a new prohibited scheduling path or new prohibited scheduling paths. Unless FERC acts on the ISO's compliance filing, the ISO shall implement the new scheduling path prohibition(s) on the date proposed in its compliance filing.

The responsibilities of the Market Monitoring Unit that are addressed in this Section are also addressed in Section 30.4.6.8.1 of the Market Monitoring Plan, Attachment O to the ISO Services Tariff.

16.3.4 Bilateral Transaction Adjustments, Curtailments and Settlements

The DNI between the NYCA and adjoining Control Areas will be adjusted as necessary to reflect the effects of any Curtailments of Import or Export Transactions.

To the extent possible, Curtailments of External Transactions at the Proxy Generator Bus associated with the Cross-Sound Scheduled Line, the Neptune Scheduled Line, the Linden VFT Scheduled Line, and the HTP Scheduled Line shall be based on the transmission priority of the associated Advance Reservation for use of the Cross-Sound Scheduled Line, the Neptune Scheduled Line, the Linden VFT Scheduled Line, and the HTP Scheduled Line (as appropriate).

If a Transmission Customer's Firm Point-to-Point Transmission Service or Network Integration Transmission Service is supporting an Internal Bilateral Transaction, or an Import Bilateral Transaction, the ISO shall not reduce the Transmission Service. If a Transmission Customer's Firm Point-to-Point Transmission Service or Network Integration Transmission Service is supporting an Export Bilateral Transaction or a Wheel Through, the ISO shall reduce Transmission Service to the extent the amount of Energy scheduled to be exported or wheeled is reduced.

16.3.4.1 Import Bilateral Transactions

If the amount of Energy scheduled to be imported in an Import Bilateral Transaction in the Day-Ahead Market is less than the amount of Transmission Service requested and scheduled Day-Ahead in association with that Import Bilateral Transaction, the Transmission Customer shall pay the Energy Imbalance Service Charge pursuant to Rate Schedule 4 of this OATT. The

Transmission Customer shall continue to pay the Day-Ahead TUC for the amount of Transmission Service scheduled.

If the Import Bilateral Transaction was scheduled following the Day-Ahead Market, or the schedule for the Import Bilateral Transaction was revised following the Day-Ahead Market, and the amount of Energy scheduled to be imported in real-time (modified for within-hour changes in DNI, if any) is less than the amount of Transmission Service requested in real-time in association with that Transaction, then the Transmission Customer shall pay an Energy Imbalance Service Charge pursuant to Rate Schedule 4 of this OATT. If the Import Bilateral Transaction was scheduled following the Day-Ahead Market, or the schedule for the Import Bilateral Transaction was revised following the Day-Ahead Market, the Transmission Customer shall pay or be paid the Real-Time TUC for the amount of Transmission Service requested in real-time in association with that Transaction minus the amount of Transmission Service requested Day-Ahead in association with that Transaction.

16.3.4.2 Export Bilateral Transactions, Internal Bilateral Transactions and Wheel Through Transactions

If the internal Generator designated to supply the Export Bilateral Transaction or internal Bilateral Transaction has been scheduled Day-Ahead to produce Energy in an amount that is less than the amount of Transmission Service scheduled Day-Ahead in association with that internal or Export Bilateral Transaction, the internal Generator shall pay an Energy Imbalance Service Charge pursuant to Rate Schedule 4 of this OATT.

If the internal Generator designated to supply the Export Bilateral Transaction or internal Bilateral Transaction has been dispatched in real-time to produce Energy in an amount that is less than the amount of Transmission Service scheduled in real-time in association with that internal or Export Bilateral Transaction, the internal Generator shall pay an Energy Imbalance Service Charge pursuant to Rate Schedule 4 of this OATT.

If the Export Bilateral Transaction or internal Bilateral Transaction was scheduled following the Day-Ahead Market, or the schedule for the Export Bilateral Transaction or internal Transaction was revised following the Day-Ahead Market, the Transmission Customer shall pay or be paid the Real-Time TUC for the amount of Transmission Service scheduled in real time in association with that Transaction minus the amount of Transmission Service scheduled Day-Ahead in association with that Transaction.

If a Wheel-Through Transaction was scheduled following the Day-Ahead Market, or the schedule for the Wheel-Through transaction was revised following the Day-Ahead Market, the Transmission Customer shall pay or be paid the Real-Time TUC for the amount of Transmission Service scheduled in real time in association with that Transaction minus the amount of Transmission Service scheduled Day-Ahead in association with that Transaction.

16.3.4.2.1 Generators

Notwithstanding the foregoing, the amount of Transmission Service scheduled in real-time for internal Bilateral Transactions supplied by one of the following Generators shall retroactively be set equal to that Generator's actual output in each RTD interval:

16.3.4.2.1.1 Generators providing Energy under contracts executed and effective on or before November 18, 1999 (including PURPA contracts) in which the power purchaser does not control the operation of the supply source but would be responsible for penalties for being off-schedule;

16.3.4.2.1.2 Existing topping turbine Generators and extraction turbine Generators producing electric Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) in operation on or before November 18, 1999 and/or topping or extraction turbine Generators utilized in replacing or repowering existing steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 499 MW of such units; and

16.3.4.2.3 Intermittent Power Resources that depend on landfill gas or solar for their fuel, existing Intermittent Power Resources that depend on wind as their fuel, other than those for which the NYISO has imposed a Wind Output Limit, and Limited Control Run of River Hydro Resources in operation on or before November 18, 1999 within the NYCA, plus up to an additional 3300 MW of such Generators.

This procedure shall not apply for those hours the Generator supplying that Transaction has bid in a manner that indicates it is available to provide Regulation Service or Operating Reserves.

16.3.4.3 Non-Firm Transmission

Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers.

16.3.4.4 Procedure for Relieving Security Violations

If a security violation occurs or is anticipated to occur, the ISO shall attempt to relieve the violation using the following procedures:

16.3.4.4.1 Dispatch Internal Generators, based on Incremental Energy Bids , including committing additional resources, if necessary;

16.3.4.4.2 Adjust the DNI associated with External Transactions: Curtail External Firm Transactions until the Constraint is relieved by (1) Curtailing based on , CTS Interface Bids, Decremental Bids and Sink Price Cap Bids; and (2) except for External Transactions with minimum run times, prorating Curtailment of equal cost transactions;

16.3.4.4.3 Request Internal Generators to voluntarily operate in manual mode below minimum or above maximum dispatchable levels. When operating in manual mode, Generators will not be required to adhere to minimum ramp rates, nor will they be required to be respond to RTD Base Point Signals;

16.3.4.4.4 In over generation conditions, decommit Internal Generators based on Minimum Generation Bid rate in descending order; and

16.3.4.4.5 Invoke other emergency procedures including involuntary load Curtailment, if necessary.

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THIS AGREEMENT was made the 1st day of January 2006 and is hereby restated on the __ day of __

BETWEEN:

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC., a not-for-profit corporation established under the laws of New York State, hereinafter called the "NYISO".

and

ISO NEW ENGLAND INC., a not-for-profit, private corporation established under the laws of the State of Delaware, hereinafter called "ISO-NE".

RECITALS

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Section 1.0 hereof;

WHEREAS, ISO-NE and the NYISO are sometimes hereinafter referred to, collectively, as the "Parties" and, individually, as a "Party";

WHEREAS, the NYISO is an independent, not-for-profit corporation established pursuant to the ISO Agreement, responsible for providing transmission service, maintaining the Reliability of the electric power system and facilitating efficient markets for capacity, energy and ancillary services in the New York Balancing Authority Area in accordance with its filed NYISO Tariffs;

WHEREAS, ISO-NE is a not-for-profit, independent corporation that serves as the RTO for New England, in which capacity it operates New England's wholesale electricity markets, manages a comprehensive regional bulk power system planning process and is responsible for the day-to-day reliable operation of New England's bulk power system;

WHEREAS, ISO-NE, as RTO for the New England Transmission System and administrator of the New England markets, and the NYISO as the ISO for the New York Transmission System, enter into coordination agreements and operating arrangements with the operators of neighboring Reliability Coordinator Areas and Balancing Authority Areas, and coordinate system operation and Emergency procedures with neighboring Reliability Coordinator Areas and Balancing Authority Areas;

WHEREAS, the NYISO and ISO-NE desire to coordinate interconnected operation to maintain Reliability for both of the power systems of New York State and the New England States, recognizing the Parties' desire to maximize interconnected capability under the terms and conditions contained in this Agreement; and

WHEREAS, related to the Interconnection Facilities:

A. ISO-NE is the Reliability Coordinator, Balancing Authority, Transmission Operator, market operator, and Planning Authority for the six New England States and operates and is responsible for the secure operation of the New England Transmission System in accordance with its Transmission Operating Agreements with New England Transmission Owners and in compliance with the FERC-accepted ISO-NE Tariff , and the requirements and criteria set forth by NERC or NPCC and, as such, has the power and authority to enter into this Agreement and perform its obligations under it;

B. NYISO is the Reliability Coordinator, Balancing Authority, Transmission Operator, market operator, and Planning Authority for New York State and operates and is responsible for the secure operation of the New York Transmission System in accordance with its Transmission Operating Agreements with New York Transmission Owners and in compliance with the FERC-accepted New York Independent System Operator Agreement ("ISO Agreement"), the Agreement Between New York Independent System Operator and Transmission Owners ("ISO/TO Agreement"), the Agreement Between New York Independent System Operator and the New York State Reliability Council ("ISO/NYSRC Agreement"), NYISO Tariffs, and the requirements and criteria set forth by NERC, NPCC and the NYSRC and, as such, has the power and authority to enter into this Agreement and perform its obligations under it; and

C. The New England Transmission System and the New York Transmission System interconnect by way of the Interconnection Facilities, which are described in Schedule A of this Agreement; and

D. The Parties wish to record their agreement as to the operational and other matters addressed herein and pertaining to the Interconnection Facilities; and

WHEREAS the Parties desire to manage the operational aspects of their interconnected operations by developing, administering and implementing practices, procedures and sharing information relating to Reliability coordination and power system operation that will be managed and approved by a committee formed under this Agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSES THAT in consideration of the mutual agreements and obligations between the Parties and for other good and valuable consideration ISO-NE and the NYISO agree as follows:

ARTICLE 1.0: DEFINITIONS

In this Agreement, the following words and terms shall have the meanings (such meanings to be equally applicable to both the singular and the plural forms) ascribed to them in this Article 1.0.

"Adequacy" means the ability of the electric system to supply the aggregate electrical demand and energy requirements of the end-use customers at all times, taking into account scheduled and reasonably expected unscheduled outages of system elements.

"Agreement" means this Agreement and the Schedule(s) attached hereto and incorporated herein.

"Balancing Authority" means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

"Balancing Authority Area" means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

"Confidential Information" has the meaning stated in Section 6.5 of this Agreement.

"Confirmed Trust Relationship" means that one Responsible Settlement Party has granted another Responsible Settlement Party permission to confirm, modify or withdraw its CTS Interface Bids.

"Control Area" means an electric system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the Generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of the applicable regional reliability council or the North American Electric Reliability Corporation; and (4) provide sufficient capacity to maintain Operating Reserves in accordance with Good Utility Practice.

"Coordination Committee" means the jointly constituted ISO-NE and NYISO committee established to administer the terms and provisions of this Agreement pursuant to Article 7.0 of this Agreement.

"Coordinated Transaction Scheduling" or "CTS" means an external transaction scheduling process between the NYCA and NECA in which Market Participants' bid, to buy energy in one region and sell in another region, is economically and simultaneously cleared by ISO-NE and NYISO. This process takes place pursuant to market rules in the Parties' respective tariffs that allow transactions to be scheduled over a CTS Enabled Interface based on a bidder's willingness to purchase energy from the NYCA or NECA (the source) and sell it to the other Control Area (the sink) if the bid price is less than or equal to the expected LMP difference across the interface in the requested direction, as of the time the interface is scheduled.

"CTS Enabled External Proxy Bus" shall mean an External Proxy Bus at which the Parties accept CTS Interface Bids to schedule external transactions in the real-time energy market.

"CTS Enabled Interface" means an Interconnection at which the Parties accept CTS Interface Bids for all import offers, for all export bids, and for wheels through the NECA. The CTS Enabled Interfaces are specified in Section 4.4.4 of the NYISO's Market Administration and Control Area Services Tariff and in Section III.1.10.7.A of the ISO-NE Tariff.

"CTS Interface Bid" means: (1) in ISO-NE, an Interface Bid as defined in the ISO-NE Tariff, and an hourly spread bid associated with the wheeling of energy through the NECA, and (2) in NYISO, a CTS Interface Bid as defined in the NYISO Tariff.

"Delivery Point" means a point on each of the three Interconnections between the New England Balancing Authority Area and the NYISO Balancing Authority Area and such other points of Interconnection as may be established. Such Delivery Point(s) shall include the Interconnection Facilities between ISO-NE and the NYISO.

"Dispute" has the meaning attributed thereto in Article 19.0 of this Agreement.

"Effective Date" means the reference date of this Agreement as shown on the first page of this Agreement.

"Emergency" means any abnormal system condition that requires automatic or immediate manual action to prevent or limit the failure of transmission facilities or generation supply that could adversely affect the Reliability of the Bulk Electric System (as defined by NERC).

"Emergency Energy" means energy supplied from Operating Reserve or electrical generation available for sale in New York or New England or available from another Balancing Authority Area. Emergency Energy may be provided in cases of sudden and unforeseen outages of generating units, transmission lines or other equipment, or to meet other sudden and unforeseen circumstances such as forecast errors, or to provide sufficient Operating Reserve. Emergency Energy is provided pursuant to this Agreement and priced according to Attachment A of Schedule C of this Agreement.

"External Interface Congestion" means the portion of the congestion component of the LMP at an External Proxy Bus that is associated with an External Proxy Bus Constraint.

"External Proxy Bus" means a location that is selected to represent an Interconnection with a Party's Control Area for which LMPs are calculated. In NYISO, this is a Proxy Generator Bus as defined in the NYISO Services Tariff. In ISO-NE, this is an External Node as defined in the ISO-NE Tariff.

"External Proxy Bus Constraint" has the meaning set forth in Section 4.2 of Schedule D to this Agreement.

"FERC" means the Federal Energy Regulatory Commission.

"Force Majeure" means an event of force majeure as described in Section 13.1 of this Agreement.

"Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the North American electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result consistent with good business practices, Reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted by NERC and the FERC.

"Intentional Wrongdoing" means an act or omission taken or omitted by a Party with knowledge or intent that injury or damage could reasonably be expected to result.

"Interconnection" means a connection(s) between two or more individual Transmission Systems that have interconnecting Intertie(s).

"Interconnection Facilities" means the Interconnections described in Schedule A.

"Interconnection Reliability Operating Limit" or "IROL" means a System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading Outages (as defined by NERC) that adversely impact the reliability of the Bulk Electric System.

"Intertie" means a transmission line that forms part of an Interconnection.

"ISO" means independent system operator, as designated by FERC.

"ISO Agreement" means the agreement that establishes the NYISO.

"ISO-NE Supply Price Points" means a set of increasing MW and price pairs, as described in Section 3 of Schedule D.

"ISO-NE Tariff" means the ISO New England Inc. Transmission, Markets and Services Tariff, which includes the ISO-NE Open Access Transmission Tariff and ISO-NE market rules.

"Locational Marginal Price" or "LMP" shall mean the market price for energy at a given location in a Party's Control Area, calculated in accordance with the requirements of the Party's tariff, and "Locational Marginal Pricing" shall mean the processes related to the determination of the LMP.

"Market Participant" means a participant in either the ISO-NE- or NYISO-administered wholesale power markets. Market Participants include transmission service customers, power exchanges, Transmission Owners, load serving entities, loads, holders of energy derivatives, generators and other power suppliers and their designated agents.

"Metered Quantity" means apparent power, reactive power, active power, with associated time tagging and any other quantity that may be measured by a Party's Metering Equipment and that is reasonably required by either Party for Security reasons or revenue requirements.

"Metering Equipment" means the potential transformers, current transformers, meters, interconnecting wiring and recorders used to meter any Metered Quantity.

"Mutual Benefits" as described in Article 3.0 of this Agreement, means the transient and steady-state support that the integrated generation and transmission facilities in the New England and New York Transmission Systems provide to each other inherently by virtue of being interconnected.

"NERC" means the North American Electric Reliability Corporation or the successor organization.

"New England Control Area" or "NECA" is the Control Area for New England as defined in the ISO-NE Tariff.

"New England Transmission System" for the purpose of this Agreement means the entire system of transmission facilities, within the New England Reliability Coordinator Area and Balancing Authority Area that are under ISO-NE's operational jurisdiction, as defined in Transmission Operating Agreements and the ISO-NE Tariff.

"New York Control Area" or "NYCA" means the Control Area that is under the operational control of the NYISO, as defined in the NYISO Tariffs.

"New York State Reliability Council" or "NYSRC" means the organization that promotes and preserves the Reliability of electric service on the New York Transmission System by developing and maintaining NYSRC Reliability Rules which are complied with by the NYISO, and for monitoring and assuring compliance with such rules.

"New York Transmission System" for the purpose of this Agreement means the "NYS Transmission System" as that term is defined in the NYISO OATT.

"NPCC" means the Northeast Power Coordinating Council Inc. or its successor organization.

"NPCC Criteria, Guides and Procedures" are documents, or the successor of these documents, that contain the Reliability Standards of the NPCC and which detail the principles of interconnected planning and operations that define and direct the efforts of the NPCC and its members. These documents are essential to maintaining the Security, Adequacy, Reliability and efficient operation of the interconnected bulk power supply system of NPCC members.

"NYISO Open Access Transmission Tariff" or "NYISO OATT" means the NYISO Open Access Transmission Tariff accepted by FERC.

"NYISO Services Tariff" means the NYISO Market Administration and Control Area Services Tariff accepted by FERC.

"NYISO Tariffs" means the NYISO OATT and the NYISO Services Tariff, collectively.

"NYSRC Reliability Rules" means the rules applicable to the operation of the New York Transmission System by the NYISO. These rules are based on Reliability Standards adopted by NERC and NPCC, but also include more specific and more stringent rules to reflect the particular requirements of the New York Transmission System.

"Operating Instructions" means the joint operating procedures, steps, and instructions that are to be utilized by both Parties for the operation of the Interconnection Facilities established and modified from time to time by the Coordination Committee in accordance with (a) the ISO-NE Tariff and the NYISO Tariffs, (b) Schedule B of this Agreement and (c) the ISO-NE and NYISO individual procedures and processes. Operating Instructions are separate from the ISO-NE and NYISO individual procedures and processes.

"Operating Reserve" means: (1) in ISO-NE, an Operating Reserve as defined in Section I.2.2 of the ISO-NE Tariff, and (2) in NYISO, an Operating Reserve as defined in Section 2.2 of the NYISO Services Tariff. For purposes of Schedule D to this Agreement, 10-minute Operating Reserve is considered a higher quality product than 30-minute Operating Reserve.

"Operational Control" for the purpose of this Agreement, means Security monitoring, adjustment of generation and transmission resources, coordinating and approval of changes in transmission status for maintenance, determination of changes in transmission status for Reliability, coordination with other Balancing Authority Areas and Reliability Coordinators, voltage reductions and load shedding, except that each legal owner of generation and transmission resources continues to physically operate and maintain its own facilities.

"Parties" means ISO-NE and NYISO, and "Party" means either one of them.

"Planning Authority" means the responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.

"Ramp Limit" means, for purposes of Schedule D to this Agreement, either: (1) the maximum allowable amount of change in net interchange at a CTS Enabled Interface over a defined period of time, established in accordance with Section 5.1 of Schedule D; or (2) the maximum allowable amount of change in net interchange across all NYISO Proxy Generator Buses over a defined period of time, established in accordance with the NYISO Tariffs.

"Real-Time Commitment" or "RTC" means the NYISO's multi-period security constrained unit commitment and dispatch model, as defined in the NYISO Tariffs.

"Reliability" means the degree of performance of the bulk electric system that results in electricity being delivered within Reliability Standards and in the amount desired. Electric system Reliability can be addressed by considering two basic and functional aspects of electric systems, which are Adequacy and Security.

"Reliability Coordinator" means the entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area (as defined by NERC) view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority, to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.

“Reliability Coordinator Area” means the collection of generation, transmission, and loads within the boundaries of the Reliability Coordinator. Its boundary coincides with one or more Balancing Authority Areas.

“Reliability Standards” means the criteria, standards and requirements relating to Reliability established by a Standards Authority.

“Responsible Settlement Party” or “RSP” means a Market Participant that is responsible for the financial settlement of one or more transactions at a CTS Enabled Interface, as determined in accordance with the requirements of the Parties’ respective tariffs that address the settlement of external transactions at CTS Enabled Interfaces.

“RTO” means a regional transmission organization, as designated by FERC.

“Schedule” means a schedule attached to this Agreement and all amendments, attachments, supplements, replacements and/or additions thereto.

“Security” means the ability of the electric system to withstand sudden disturbances including, without limitation, electric short circuits or unanticipated loss of system elements.

“Standards Authority” means NERC, NPCC, NYSRC or any other agency with authority over either Party regarding standards or criteria relating to the Reliability of Transmission Systems.

“System Operating Limit” means the value (such as MW, MVar, Amperes, Frequency or Volts) that satisfies the most limiting of the prescribed operating criteria for a specified system configuration to ensure operation within acceptable Reliability criteria. System Operating Limits are based upon certain operating criteria. These include, but are not limited to the following NERC-defined ratings or limits: Facility Ratings (applicable pre- and post-Contingency equipment or facility ratings); Transient Stability Ratings (applicable pre- and post-Contingency Stability Limits); Voltage Stability Ratings (applicable pre- and post-Contingency Voltage Stability); and System Voltage Limits (applicable pre- and post-Contingency Voltage Limits).

“Third Party” means a person or entity that is not a Party to this Agreement.

“Transfer Limit” means the maximum net interchange that can be scheduled on a CTS Enabled Interface and is established in accordance with Section 5.0 of Schedule D.

“Transmission Operating Agreement(s)” means the respective agreements that establish the terms and conditions under which the Transmission Owners transferred to the NYISO and ISO-NE Operational Control over the Interconnection Facilities. For the NYISO, these agreements are the ISO Agreement, the ISO/TO Agreement, and the ISO/NYSRC Agreement. For ISO-NE, this is the Transmission Operating Agreement, which provides operating authority over certain Interconnection Facilities (i.e., the NY/NE Northern AC Interconnection and the NNC Interconnection), and Attachment K to Section II of the ISO-NE Tariff, which provides operating authority over other Interconnection Facilities (i.e., the CSC Interconnection).

“Transmission Operator” means the entity responsible for the Reliability of its “local” transmission system, and that operates or directs the operations of the transmission facilities in accordance with applicable Transmission Operating Agreements.

“Transmission Owner” means the entity that owns and maintains transmission facilities.

“Transmission System” means a system for transmitting electricity, and includes any structures, equipment or other facilities used for that purpose.

ARTICLE 2.0: SCOPE OF AGREEMENT

2.1 Restatement of Prior Agreement

The terms of the prior agreement made between the Parties dated January 1, 2006, are hereby amended, restated and superseded by the terms of this Agreement, to be effective on the Effective Date of this Agreement.

2.2 Purpose of This Agreement

This Agreement provides for the reliable operation of the interconnected New England and New York Transmission Systems in accordance with the requirements of the Standards Authority.

This Agreement establishes a structure and framework for the following functions related to the Reliability of interconnected operations between the Parties:

(a) developing and issuing Operating Instructions and System Operating Limits;

(b) coordinating operation of their respective Transmission Systems;

(c) developing and adopting operating criteria and standards;

(d) conducting operating performance reviews of the Interconnection Facilities;

(e) considering matters related to transmission service and access;

(f) implementing each Party's respective NERC and NPCC requirements with regard to the New England Transmission System and New York Transmission System;

(g) exchanging operations information regarding the Interconnection;

(h) exchanging information and coordinating regarding system planning;

(i) providing mutual assistance in an Emergency and during system restoration;

(j) administering Coordinated Transaction Scheduling; and

(k) implementing other arrangements between the Parties for the coordination of their systems.

The Parties shall, consistent with NPCC Criteria, Guides and Procedures and the Parties' respective tariffs, rules and standards, including with respect to the NYISO, the NYSRC Reliability Rules, to the maximum extent they deem consistent with the safe and proper operation of their respective Reliability Coordinator Area and Balancing Authority Area and necessary coordination with other interconnected systems, and with the furnishing of dependable and satisfactory service to their own customers, operate their systems in accordance with the following procedures and principles.

ARTICLE 3.0: MUTUAL BENEFITS

3.1 No Charge for Mutual Benefits of Interconnection

Both the New England Transmission System and New York Transmission System, by virtue of being connected to each other and with a much larger Interconnection, share Mutual Benefits such as transient and steady-state support. NYISO and ISO-NE shall not charge one another for such Mutual Benefits.

3.2 Maintenance of Mutual Benefits

The Parties shall endeavor to operate or direct the operation of the Interconnection Facilities to realize the Mutual Benefits. The Parties recognize circumstances beyond their control, such as a result of operating configurations, contingencies, maintenance, or actions by Third Parties, may result in a reduction of Mutual Benefits.

ARTICLE 4.0: INTERCONNECTED OPERATION

4.1 Obligation to Remain Interconnected

The Parties shall at all times during the term of this Agreement operate or direct the operation of their respective Transmission Systems so that they remain interconnected except:

(a) during the occurrence of an event of Force Majeure which renders a Party unable to remain interconnected;

(b) when an Interconnection is opened in accordance with the terms of an Operating Instruction;

(c) when an Interconnection is opened in accordance with Good Utility Practice in a particular circumstance where there is an imminent risk of equipment failure, or of danger to personnel or the public, or a risk to the environment, or risk to the Reliability of a Transmission System that is not anticipated and addressed within an Operating Instruction; or

(d) during planned maintenance where notice has been given in accordance with outage procedures as implemented by the Coordination Committee.

4.2 Adherence to NPCC Criteria, Guides and Procedures

The Parties are participants in the NPCC and are required to comply with NPCC Criteria, Guides and Procedures. Such NPCC Criteria, Guides and Procedures detail the many coordinating functions carried out by the Parties and this Agreement is intended to enhance this arrangement.

Such NPCC Criteria include, and the Parties agree to comply with, “Emergency Operation Criteria” (Document A-3), which describes the basic factors to be considered by a Reliability Coordinator and Balancing Authority in formulating plans and procedures to be followed in an Emergency. A principle of operation in this NPCC Criterion is that upon receiving a request for assistance to avoid or mitigate an Emergency, a Balancing Authority Area would provide “maximum reasonable assistance” to a neighboring Balancing Authority Area. Such reasonable assistance would not normally require the shedding of firm load.

4.3 Notification of Circumstances

In the event that a component of the Interconnection Facilities is opened or if the transfer capability of a component of the Interconnection Facilities is changed, or if a Party plans to initiate the opening of any component of the Interconnection Facilities, or to change the transfer capability of any component of the Interconnection Facilities, such Party shall immediately provide the other Party with notification indicating the circumstances of the opening or transfer capability change and expected restoration time, in accordance with procedures implemented by the Coordination Committee or applicable NPCC Criteria, Guides and Procedures.

4.4 Compliance with Coordination Committee Direction

ISO-NE shall direct the operation of the New England Transmission System and the NYISO shall direct the operation of the New York Transmission System in accordance with the obligations of their respective tariffs, rules and standards and applicable directions of the Coordination Committee that conform with their respective tariffs, rules and standards, including with respect to the NYISO, the NYSRC Reliability Rules, except where prevented by Force Majeure. The Coordination Committee direction includes decisions and jointly developed and approved Operating Instructions. If decisions or Operating Instructions of the Coordination Committee do not anticipate a particular circumstance, the Parties shall act in accordance with Good Utility Practice.

4.5 Control and Monitoring

Each Party shall provide or arrange for 24-hour control and monitoring of their portion of the Interconnection Facilities.

4.6 Reactive Transfer and Voltage Control

The Parties agree to determine reactive transfers and control voltages in accordance with the provisions of NPCC "Guidelines for Inter-Area Voltage Control" (Document B-03). Real and reactive power will be transferred over the Interconnection Facilities, which are described in Schedule A of this Agreement.

4.7 Inadvertent

Inadvertent power transfers on all Interconnection Facilities shall be controlled and accounted for in accordance with the standards and procedures developed by NERC and NPCC and implemented by the Coordination Committee and the system operators of each Party to this Agreement.

4.8 Adoption of Standards

The Parties hereby agree to adopt, enforce and comply with requirements and standards that will safeguard Reliability of the interconnected Transmission Systems. Such Reliability requirements and Reliability Standards shall be:

(a) adopted and enforced for the purpose of providing reliable service;

(b) not unduly discriminatory in substance or application;

(c) applied consistently to both Parties (with the exception of subsection (e) below);

(d) consistent with the Parties' respective obligations to applicable Standards Authorities including, without limitation, any relevant requirements or guidelines from each of NERC, NPCC or any other Standards Authority to which the Parties are required to adhere; and

(e) with respect to the NYISO, consistent with the NYSRC Reliability Rules.

4.9 New York - New England IROL Interface

The Parties share a joint Interconnection Reliability Operating Limit ("IROL") related to transfers on the interconnecting transmission lines between their respective Reliability Coordinator Areas and Balancing Authority Areas. This IROL is adhered to in order to ensure acceptable steady-state and transient performance of the New York and New England Transmission Systems. Both Parties will monitor this limit in accordance with this Agreement and independently determine the applicable import and export transfer limits. Both Parties agree to operate the interface to the most conservative limits developed in real-time and the day-ahead planning process. These operating limits shall be determined in accordance with NERC Reliability Standards and NPCC Criteria, Guides and Procedures. Both Parties will take coordinated corrective actions to avoid a violation of the IROL. If a violation occurs, coordinated corrective actions shall be taken to ensure that the violation is cleared as soon as possible, and in accordance with NERC Reliability Standards.

4.10 Coordination and Exchange of Information Regarding System Operations and Planning

Each Party shall have operating procedures, processes or plans in place for activities that require notification, exchange of information or coordination of actions with the other Party to support Interconnection reliability. Each Party shall have communications capabilities with the other Party, for both voice and data exchange as required to meet reliability needs of the Interconnection.

The Parties shall exchange information and coordinate regarding system operations and planning and inter-regional planning activities in a manner consistent with NERC and NPCC requirements, and consistent with the requirements of Section 6 of this Coordination Agreement.

ARTICLE 5.0: EMERGENCY ASSISTANCE

5.1 Emergency Assistance

Both Parties shall exercise due diligence to avoid or mitigate an Emergency to the extent practicable as per each Party's requirements related to the mitigation of an Emergency, in applicable policies and procedures imposed by NERC, NPCC, or (for the NYISO) the NYSRC, or contained in the ISO-NE Tariff and NYISO Tariffs. In avoiding or mitigating an Emergency, both Parties shall strive to allow for commercial remedies, but if commercial remedies are not successful, the Parties agree to be the suppliers of last resort to ensure Reliability on the system. For each hour during which Emergency conditions exist in a Party's Balancing Authority Area, that Party (while still ensuring operations within applicable Reliability Standards) shall determine what commercial remedies are available and make use of those that are available and needed to avoid or mitigate the Emergency before any Emergency Energy is scheduled in that hour.

5.2 Emergency Energy Transactions

Each Party shall, to the maximum extent it deems consistent with the safe and proper operation of its respective Transmission System, provide Emergency Energy to the other Party in accordance with the provisions of Schedule C of this Agreement.

ARTICLE 6.0: EXCHANGE OF INFORMATION AND CONFIDENTIALITY

ISO-NE and NYISO are authorized and agree to exchange and share such information as is required for the Coordination Committee to perform its duties and for the Parties to fulfill their obligations under this Agreement.

Any Party that receives Confidential Information or Critical Energy Infrastructure Information ("CEII") pursuant to this Article 6 (the "Receiving Party") shall treat such information as confidential subject to the terms and conditions set forth in Section 6.5 of this Agreement.

6.1 Information

The Parties are authorized and agree to share the following information:

(a) Information required to develop Operating Instructions;

(b) Transmission System facility specifications and modeling data required to perform Security analysis;

(c) Functional descriptions and schematic diagrams of Transmission System protective devices and communication facilities;

(d) Ratings data and associated ratings methodologies for the Interconnection Facilities;

(e) Telemetry points, equipment alarms and status points required for real-time monitoring of Security dispatch;

(f) Data required to reconcile accounts for inadvertent energy, and for Emergency Energy transactions;

(g) Transmission System information that is consistent with the information sharing requirements imposed by the NERC and NPCC;

(h) Such other information as may be required for the Parties to maintain the reliable operation of their interconnected Transmission Systems and fulfill their obligations under this Agreement and to any Standards Authority of which either Party is a member, provided, however, that this other information will be exchanged only if it can be done in accordance with applicable restrictions on the disclosure of information to any Market Participant; and

(i) Information related to the administration of CTS including:

- ISO-NE Market Participant user and organization information;
- ISO-NE Supply Price Points for each CTS Enabled Interface;
- ISO-NE Transfer Limits for each CTS Enabled Interface;
- NYISO and ISO-NE Operating Reserves and reserve requirements;

- Day-ahead schedules, and real-time actual output and limits for NYCA generators that have capacity obligations in the ISO-NE market and for NECA generators that have capacity obligations in the NYISO market;
- Real-time bids, including real-time bids to wheel energy, submitted at a CTS Enabled Interface between the NYCA and the NECA (to be provided by NYISO);
- NYISO Day Ahead Operating Plan; and
- NYISO RTC results, including cleared MWs for all bids at a CTS Enabled Interface between the NYCA and the NECA, as well as LMPs, Transfer Limits and constraint information related to the scheduling of real-time energy transactions between the NYCA and the NECA.

6.2 Data Exchange Contact

To facilitate the exchange of all such data, each Party will designate to the other Party's Vice President in charge of operations a contact(s), plus one or more alternate contacts, to be available twenty-four (24) hours each day, seven (7) days per week to respond to data inquiries. An alternate contact of each Party shall be its Operations Control Room. Each Party shall provide the name, telephone number, e-mail address, and fax number of each contact and alternate. Each Party may change the designated contact by notifying the other Party's Vice President in charge of operations in advance of the change.

The Parties agree to exchange data in a timely manner consistent with existing defined formats or such other formats to which the Parties may agree. Each Party shall provide notification to the other Party thirty (30) days prior to modifying an established data exchange format.

6.3 Cost of Data and Information Exchange

Each Party shall bear its own cost of providing information to the other Party.

6.4 Other Data

The Parties may share Confidential Information not listed in this Article 6 that is necessary for the coordinated operation of their systems, subject to the protections set forth in Section 6.5, below.

6.5 Treatment of Confidential Information and Critical Energy Infrastructure Information

(a) Definitions. For purposes of addressing information shared or exchanged pursuant to this Agreement, the term "Confidential Information" shall mean: (i) all information, whether furnished before or after the mutual execution of this Agreement, whether oral, written or recorded/electronic, and regardless of the manner in which it is furnished, that is marked "confidential" or "proprietary" or which under all of the circumstances should be treated as confidential or proprietary; (ii) information that is Confidential Information or Strategic Information under the ISO New England

Information Policy or the NYISO Code of Conduct; (iii) information that is Protected Information under the NYISO Market Monitoring Plan; (iv) all reports, summaries, compilations, analyses, notes or other information of a Party hereto which are based on, contain or reflect any Confidential Information; or (v) any information which, if disclosed by a transmission function employee of a utility regulated by the FERC to a market function employee of the same utility system, other than by public posting, would violate the FERC's Standards of Conduct set forth in 18 C.F.R. § 37 *et. seq*. and the Parties' Standards of Conduct on file with the FERC.

(b) Labeling of Confidential Information. In circumstances where it may not be clear that information that is provided or exchanged between the Parties pursuant to the authority provided in this Agreement is Confidential Information, the information being provided should be clearly marked "confidential" or "proprietary." Such labeling is not required for the regular, automated exchange of Confidential Information that occurs, for example, to permit the Parties to administer CTS.

(c) Protection. Except as set forth herein, the Receiving Party shall not, at any time during or after the term of this Agreement, in any manner, either directly or indirectly, divulge, disclose, or communicate to any person, firm, corporation or other entity, or use for any purposes other than those set forth herein, any Confidential Information acquired from the party disclosing the information (the "Disclosing Party"), without the express prior written consent of the Disclosing Party. The Receiving Party shall not disclose any Confidential Information to anyone except to officers and employees of the Receiving Party and to its outside consultants, advisers and/or attorneys, in each case who have a need to know to further the purposes set forth herein and who have been advised of the confidential nature of the Confidential Information and who have agreed to abide by the terms of this Agreement or are bound by equally restrictive covenants (collectively, "Authorized Representatives"). The Receiving Party agrees that it shall be liable for any breach of this Agreement by its Authorized Representatives.

(d) Notwithstanding anything in this Section to the contrary, if the FERC or its staff, during the course of an investigation or otherwise, request information from one of the Parties that is otherwise required to be maintained in confidence pursuant to the Agreement, the Party shall provide the requested information to the FERC or its staff, within the time provided for in the request for information.

(e) Survival. The obligation of each Party and each Authorized Representative under this Article 6 continues and survives the termination of this Agreement.

(f) Scope. This obligation of confidentiality shall not extend to data and information that, at no fault of the Receiving Party, is or becomes: (a) in the public domain or generally available or known to the public; (b) disclosed to a recipient by a non-Party who had a legal right to do so; or (c) independently developed by the Receiving Party or known to such Party prior to its disclosure hereunder.

(g) Required Disclosure or Submission on a Confidential Basis. If a governmental authority requests or requires the Receiving Party to publicly disclose any of the Disclosing Party's Confidential Information, or if a request from another person or entity is made in writing pursuant to a legal discovery process, the Receiving Party shall provide the Disclosing Party with prompt notice of such request or requirement. The Disclosing Party shall in turn, to the extent required by the terms of its tariff, provide any Market Participant whose Confidential Information is the subject of possible disclosure with prompt written notice of the circumstances that may require such disclosure so that the Market Participant has a reasonable opportunity to seek a protective order or other appropriate remedy to prevent disclosure.

If a Receiving Party is required to publicly disclose any Confidential Information under this Section, the Parties shall meet as soon as practicable in an effort to resolve any and all issues associated with the required disclosure, and the possibility of further requested or required disclosures of the Disclosing Party's Confidential Information.

The process described above shall also be followed if a governmental authority requests or requires the Receiving Party to submit any of the Disclosing Party's Confidential Information on a confidential basis (with the exception of requests for Confidential Information from FERC or the Commodity Futures Trading Commission ("CFTC") to the NYISO). The Receiving Party shall notify the governmental authority that the requested or required information contains NYISO or ISO-NE Market Participant specific Confidential Information, if applicable, and shall use reasonable efforts to protect the Confidential Information from public disclosure.

If FERC or the CFTC request or require the NYISO to submit any Confidential Information it received from ISO-NE on a confidential basis, the NYISO will seek permission to inform ISO-NE of the requirement or request and, if granted, will follow the procedures outlined above. In the event FERC or the CFTC does not permit the NYISO to notify ISO-NE of the request, NYISO shall inform FERC or the CFTC in writing that the disclosed information includes Confidential Information, and shall request that FERC or the CFTC inform NYISO before releasing to a third party any of the Confidential Information.

If a governmental authority (including FERC and the CFTC) that requested or required the submission, on a confidential basis, of Confidential Information by a Receiving Party issues a notice indicating that it is considering disclosing, or intends to disclose any Confidential Information provided by the Disclosing Party, or if the governmental authority (including FERC and the CFTC) receives a public records demand or other legal discovery request seeking disclosure of any Confidential Information provided by the Disclosing Party, the Receiving Party shall notify the Disclosing Party so that the Disclosing Party may seek an appropriate protective order or other appropriate remedy. The Disclosing Party shall in turn, to the extent required by the terms of its tariff, provide any Market Participant whose Confidential Information is the subject of possible disclosure under this provision with prompt written notice of the circumstances that may require such disclosure so that the Market Participant has a reasonable opportunity to seek a protective order or other appropriate remedy to prevent disclosure.

(h) In providing the information to FERC or its staff, the Party may, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by the FERC and its staff and that the information be withheld from public disclosure. The Party shall notify the other Party to the Agreement when it is notified by FERC or its staff that a request for disclosure of, or decision to disclose, confidential information has been received, at which time either of the Parties may respond before such information is made public, pursuant to 18 C.F.R.§ 388.112.

(i) Return of Confidential Information. Information provided pursuant to this Section 6 is deemed to be on loan, and remains the property of the Disclosing Party notwithstanding the disclosure of such Confidential Information to the Receiving Party hereunder. All Confidential Information provided by the Disclosing Party shall be returned by the Receiving Party to the Disclosing Party or destroyed, erased or deleted by the Receiving Party, with written confirmation provided to the Disclosing Party, promptly upon request. Upon termination of this Agreement, a Party shall use reasonable efforts to destroy, erase, delete or return to the Disclosing Party any and all written or electronic Confidential Information. Unless otherwise expressly agreed in a separate license agreement, the disclosure of Confidential Information to the Receiving Party will not be deemed to constitute a grant, by implication or otherwise, of a right or license to the Confidential Information or in any patents or patent applications of the Disclosing Party.

(j) Relief. Each Party acknowledges that remedies at law are inadequate to protect against breach of the covenants and agreements in this Article, and hereby in advance agrees, without prejudice to any rights to judicial relief that it may otherwise have, to the granting of equitable relief, including injunction, in the Disclosing Party’s favor without proof of actual damages. In addition to the equitable relief referred to in this Section, a Disclosing Party shall only be entitled to recover from a Receiving Party any and all gains wrongfully acquired, directly or indirectly, from a Receiving Party’s unauthorized disclosure of Confidential Information.

(k) Existing Confidential Information Obligations**.** Notwithstanding anything to the contrary in this Agreement, the Parties shall have no obligation to disclose Confidential Information or data to the extent such disclosure of information or data would be a violation of or inconsistent with applicable state or federal regulation or law. This Agreement requires the Parties to exchange Confidential Information that is necessary for the Coordination Committee to perform its duties, or for the Parties to fulfill their obligations under this Agreement. The Parties are not obligated to share Confidential Information for other purposes.

(l) The term “CEII” or “Critical Energy Infrastructure Information” shall mean all information, whether furnished before or after the mutual execution of this Agreement, whether oral, written or recorded/electronic, and regardless of the manner in which it is furnished, that is marked "CEII" or "Critical Energy Infrastructure Information" or which under all of the circumstances should be treated as such in accordance with the definition of CEII in 18 C.F.R. § 388.13(c)(1). The Receiving Party shall maintain all CEII in a secure place. The Receiving Party shall treat CEII received under this agreement in accordance with its own procedures for protecting CEII and shall not disclose CEII to anyone except its Authorized Representatives.

6.6 Unauthorized Transfer of Third-Party Intellectual Property

In the performance of this Agreement, no Party shall transfer to the other Party any Intellectual Property, the use of which by the other Party would constitute an infringement of the rights of another entity (including the Parties). In the event such transfer occurs, whether or not inadvertent, the transferring Party shall, promptly upon learning of the transfer, provide Notice to the receiving Party and upon receipt of such Notice the receiving Party shall take reasonable steps to avoid claims and mitigate losses.

ARTICLE 7.0: COORDINATION COMMITTEE

7.1 Coordination Committee Inauguration and Authorization

The Parties shall form a Coordination Committee under this Agreement. Within 30 days of the Effective Date, each of the Parties shall appoint two representatives, a principal and an alternate, to serve as members of the Coordination Committee with the authority to act on their behalf with respect to actions or decisions taken by the Coordination Committee. A Party may, at any time upon providing prior notice to the other Party, designate a replacement principal member or alternate member to the Coordination Committee.

7.2 Coordination Committee Duties and Responsibilities

The Coordination Committee exists to administer or assist the Parties' implementation of the provisions of this Agreement. The Coordination Committee shall develop and adopt policies, instructions, and recommendations relating to the Parties' performance of their obligations under this Agreement, attempt to resolve Disputes between the Parties pursuant to Article 17.0 of this Agreement, and shall undertake any other actions specifically delegated to it pursuant to this Agreement.

The Coordination Committee shall undertake to assist the Parties' efforts to jointly develop Operating Instructions to implement the intent of this Agreement in accordance with Schedule B of this Agreement, 'Procedures for Development and Authorization of Operating Instructions'. The Coordination Committee shall authorize such Operating Instructions once developed. To the extent that the Operating Instructions require participation by local control centers and Transmission Owners in the New England or the New York Reliability Coordinator Areas, those entities will be involved in the development process.

Should the terms and conditions contained in this Agreement be found to conflict with or fail to recognize obligations of a Standards Authority of which either Party is a member or other regulatory requirements, the Parties agree to amend this Agreement accordingly.

Any recommendations on revisions to this Agreement shall be provided to each Party's appropriate corporate officers for approval.

7.3 Limitations of Coordination Committee Authority

The Coordination Committee is not authorized to modify or amend any of the terms of this Agreement. The Coordination Committee is also not authorized to excuse any obligations under this Agreement or waive any rights pertaining to this Agreement. The Coordination Committee has no authority to commit either Party to any expenditure that is beyond those expenses described herein.

7.4 Exercise of Coordination Committee Duties

The Coordination Committee shall hold meetings no less frequently than once each calendar year. The matters to be addressed at all meetings shall be specified in an agenda, which shall contain items specified by either Party in advance of the meeting and sent to the representatives of the other Party. All decisions of the Coordination Committee must be unanimous. Special meetings may be called at any time if the Coordination Committee deems such meetings to be necessary or appropriate.

Subject to the limitations on its authority as described in Section 7.3 of this Agreement, the Coordination Committee has the responsibility and authority to take action on all aspects of this Agreement, including, but not limited to the following:

(a) amending, adding or canceling Operating Instructions and providing written notice in accordance with Article 18.0 of this Agreement;

(b) assessment of non-compliance with this Agreement and, subject to Article 19.0 of this Agreement, the taking of appropriate action in respect thereof;

(c) documentation of decisions related to the initial resolution of Disputes as set out in Article 19.0 of this Agreement, or in cases of unresolved Disputes, the circumstances relevant to the Dispute in question as contemplated by the requirements of Article 19.0 of this Agreement; and

(d) preparation, documentation, retention and distribution of Coordination Committee meeting minutes and agendas.

ARTICLE 8.0: RELIABILITY COORDINATION AND RELIABILITY ASSESSMENT OF OUTAGES

Both Parties agree to provide each other with updates on planned outage schedules and other activities in accordance with NPCC Criteria, Guides and Procedures that may impact on the Reliability or availability of the interconnected New York Transmission System and New England Transmission System. As Reliability Coordinators and Balancing Authorities, the NYISO and ISO-NE, shall interact with each other as required, and with other Balancing Authorities and Reliability Coordinators, to establish System Operating Limits and to perform Reliability coordination and Reliability assessments of outages.

ARTICLE 9.0: OPERATIONAL INFORMATION

9.1 Obligation to Provide Operational Data and Status Points

The Parties shall ensure that appropriate monitoring facilities are installed as required to provide for electric power quantities or equipment loading to enable monitoring of System Operating Limits, meet requirements of each of NERC and NPCC, and for determining Interconnection Facilities inadvertent energy accounting.

ARTICLE 10.0: INTERCONNECTION REVENUE METERING

10.1 Obligation to Provide Inadvertent Energy Accounting Metering

The Parties shall ensure appropriate electric metering devices are installed as required to measure electric power quantities for determining Interconnection Facilities inadvertent energy accounting.

10.2 Standards for Metering Equipment

Any Metering Equipment used to meter Metered Quantities for inadvertent energy accounting shall be designed, verified, sealed and maintained in accordance with the Party's respective metering standards or as otherwise agreed to by the Coordination Committee.

10.3 Meter Compensation to the Point of Interconnection

The metering compensation for transmission line losses to the Interconnection Facilities Delivery Point shall be determined by the Party's respective standards or otherwise agreed to by the Coordination Committee.

10.4 Metering Readings

The Parties shall ensure that integrated meter readings are provided at least once each hour for Interconnection Facilities accounting purposes and meter registers are read at least monthly, as close as practicable to the last hour of the month. An appropriate adjustment shall be made to register readings not taken on the last hour of the month.

ARTICLE 11.0: JOINT CHECKOUT PROCEDURES

11.1 Scheduling Checkout Protocols

Both Parties shall require all real-time energy market transaction schedules over Interconnections to be tagged in accord with the NERC tagging standard. For Simultaneous Activation of Reserves ("SAR") and other emergency schedules that are not tagged, the Parties will enter manual schedules into their respective operating systems.

When there is a real-time energy market transaction scheduling conflict, the Parties will work to modify the schedule as soon as practical.

Consistent with the foregoing requirements, the Parties will perform the following types of checkouts:

(a) Day-ahead checkout shall be performed daily on the day before the transaction is to flow. Day-ahead checkout includes the verification of net interchange totals and individual transaction schedules;

(b) Real-time checkout shall be performed during the period before the transaction is to flow. Real-time checkout includes the verification of net interchange totals and individual transaction schedules;

(c) After-the-fact checkout of real-time transactions shall be performed the next business day following the day of the transactions;

(d) After-the-fact reporting of scheduled energy interchange and actual energy interchange shall be updated by each Party each day and exchanged with the other Party. Within ten (10) business days of the end of each month, the previous month's data shall be reconciled.

ARTICLE 12.0: COORDINATED TRANSACTION SCHEDULING

CTS is addressed in Schedule D to this Agreement and in the ISO-NE and NYISO Tariffs.

ARTICLE 13.0: LIABILITY

13.1 Force Majeure

A Party shall not be considered to be in default or breach of this Agreement, and shall be excused from performance or liability for damages to the other Party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, arising out of or from any act, omission, or circumstance by or in consequence of any act of God, labor disturbance, sabotage, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, earthquake, explosion, epidemic, breakage or accident to machinery or equipment or any other cause or causes beyond such Party's reasonable control, including any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the Party or property or equipment of others which is deemed under the Operational Control of the Party. A Force Majeure event does not include an act of negligence or Intentional Wrongdoing by a Party. Any Party claiming a Force Majeure event shall use reasonable diligence to remove the condition that prevents performance and shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the Force Majeure event. Each Party shall use its best efforts to mitigate the effects of such Force Majeure event, remedy its inability to perform, and resume full performance of its obligations hereunder.

A Party suffering a Force Majeure event ("Affected Party") shall notify the other Party ("Non-Affected Party") in writing ("Notice of Force Majeure Event") as soon as reasonably practicable specifying the cause of the event, the scope of commitments under the Agreement affected by the event, and a good faith estimate of the time required to restore full performance. Except for those commitments identified in the Notice of Force Majeure Event, the Affected Party shall not be relieved of its responsibility to fully perform as to all other commitments in the Agreement. If the Force Majeure event continues for a period of more than 90 days from the date of the Notice of Force Majeure Event, the Non-Affected Party shall be entitled, at its sole discretion, to terminate the Agreement.

13.2 Liability to Third Parties

Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person or entity that is not a Party or a permitted successor or assign.

13.3 Indemnification

(a) Definitions. An "Indemnifying Party" means a Party who holds an indemnification obligation hereunder. An "Indemnitee" means a Party entitled to receive indemnification under this Agreement.

(b) Third Party Losses. Each Party will defend, indemnify, and hold the other Party harmless from all losses, damages, liabilities, obligations, claims, demands, suits, proceedings, recoveries, settlements, costs and expenses, court costs, attorney fees, causes of action, judgments and other obligations (collectively, "Losses") brought or obtained by any Third Party against such other Party, only to the extent that such Losses arise directly from the:

(i) Gross negligence, recklessness, or willful misconduct of the Indemnifying Party or any of its agents or employees, in the performance of this Agreement; except to the extent such Losses arise (i) from gross negligence, recklessness, willful misconduct or breach of contract or law by the Indemnitee or such Indemnitee's agents or employees, or (ii) as a consequence of strict liability imposed as a matter of law upon the Indemnitee, or such Indemnitee's agents or employees; or

(ii) Breach of the Parties' obligations in Article 6 hereof.

(c) Process. The Indemnitee shall give Notice to the Indemnifying Party as soon as reasonably practicable after the Indemnitee becomes aware of the indemnifiable Losses or any claim, action or proceeding that may give rise to an indemnification. Such notice shall describe the nature of the Losses or proceeding in reasonable detail, explain how the Losses relate to the performance of this Agreement, and shall indicate, if practicable, the estimated amount of the Losses that has been sustained by the Indemnitee. A delay or failure of the Indemnitee to provide the required notice shall release the Indemnifying Party (i) from any indemnification obligation to the extent that such delay or failure materially and adversely affects the Indemnifying Party's ability to defend such claim or materially and adversely increases the amount of the indemnifiable Losses, and (ii) from any responsibility for any costs or expenses of the Indemnitee in the defense of the claim during such period of delay or failure.

(d) Indemnification shall be limited to the extent that the liability of the Indemnitee would be limited by any applicable law.

13.4 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other shall be no greater than as expressly stated herein. Neither Party, its directors, officers, trustees, employees or agents, shall be liable to the other Party for any Losses, whether direct, indirect, incidental, punitive, special, exemplary or consequential, arising from that Party's performance or nonperformance under this Agreement, except to the extent that the Party is found liable for gross negligence or willful misconduct, in which case the Party responsible shall be liable only for direct and ordinary damages and not for any incidental, consequential, punitive, special, exemplary or indirect damages.

This section shall not limit amounts required to be paid for Emergency Energy under Schedule C to this Agreement. This section shall not apply to adjustments or corrections for errors in invoiced amounts due under Schedule C to this Agreement.

13.5 Liability for Interruptions

Except as set forth herein, neither Party shall be liable to the other Party for any Losses or damage, whether direct, indirect, incidental, punitive, special, exemplary or consequential, resulting from an occurrence on the circuits and system that are under the Operational Control of the other Party and which results in damage to or renders inoperative such circuits and system, or the separation of the systems in an Emergency, or interrupts or diminishes service, or increases, decreases or in any way affects for whatever length of time the voltage or frequency of the energy delivered hereunder to the other Party.

ARTICLE 14.0: APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

ARTICLE 15.0: LICENSE AND AUTHORIZATION

The agreements and obligations expressed herein are subject to such initial and continuing governmental permission and authorization as may be required. Each Party shall be responsible for securing and paying for any approvals required by it from any regulatory agency of competent jurisdiction relating to its participation in this Agreement and will reasonably cooperate with the other Party in seeking such approvals.

ARTICLE 16.0: ASSIGNMENT

This Agreement shall inure to the benefit of, and be binding upon and may be performed by, the successors and assigns of the Parties hereto respectively, but shall not be assignable by either Party without the written consent of the other.

ARTICLE 17.0: AMENDMENT

17.1 Review of Agreement

The terms of this Agreement are subject to review for potential amendment at the request of either Party. If, consequent to such review, the Parties agree that any of the provisions hereof, or the practices or conduct of either Party impose an inequity, hardship or undue burden upon the other Party, or if the Parties agree that any of the provisions of this Agreement have become obsolete or inconsistent with changes related to the Interconnection Facilities, the Parties shall endeavor in good faith to amend or supplement this Agreement in such a manner as will remove such inequity, hardship or undue burden, or otherwise appropriately address the cause for such change. Any amendment of this Agreement by the Parties must be done in accordance with Section 17.2.

17.2 Authorized Representatives

No amendment of this Agreement shall be effective unless effected by written instrument duly executed by the Parties' authorized representatives. For the purposes of this Section, an authorized person refers to individuals designated as such by Parties in their respective corporate by-laws.

ARTICLE 18.0: NOTICES

Except as otherwise agreed from time to time, any notice, invoice or other communication which is required by this Agreement to be given in writing, shall be sufficiently given at the earlier of the time of actual receipt or deemed time of receipt if delivered personally to a senior official of the Party for whom it is intended or electronically transferred or sent by registered mail, addressed as follows:

In the case of the NYISO to:

New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Attention: Vice President of Operations

In the case of ISO-NE to:

ISO New England Inc.
One Sullivan Road
Holyoke, Massachusetts 01040-2841
Attention: Vice President of System Operations

or delivered to such other person or electronically transferred or sent by registered mail to such other address as either Party may designate for itself by notice given in accordance with this Section or delivered by any other means agreed to by the Parties hereto.

Any notice, or communication so mailed shall be deemed to have been received on the third business day following the day of mailing, or if electronically transferred shall be deemed to have been received on the same business day as the date of the electronic transfer, or if delivered personally shall be deemed to have been received on the date of delivery or if delivered by some other means shall be deemed to have been received as agreed to by the Parties hereto.

The use of a signed facsimile of notices and correspondence between the Parties related to this Agreement shall be accepted as proof of the matters therein set out. Follow-up with hard copy by mail will not be required unless agreed to by the Coordination Committee.

ARTICLE 19.0: DISPUTE RESOLUTION

In the event of a dispute arising out of or relating to this Agreement (a "Dispute") that is not resolved by the representatives of the Parties who have been designated under Section 7.1 of this Agreement within 7 days of the reference to such representatives of such Dispute, each Party shall, within 14 days' written notice by either Party to the other, designate a senior officer with authority and responsibility to resolve the Dispute and refer the Dispute to them. The senior officer designated by each Party shall have authority to make decisions on its behalf with respect to that Party's rights and obligations under this Agreement. The senior officers, once designated, shall promptly begin discussions in a good faith effort to agree upon a resolution of the Dispute. If the senior officers do not agree upon a resolution of the Dispute within 30 days of its referral to them (or within such longer period as the senior officers mutually agree to in writing), or do not mutually agree to submit their Dispute for binding or non-binding arbitration by the Federal Energy Regulatory Commission's Dispute Resolution Service, then the Parties shall request that the Federal Energy Regulatory Commission's Dispute Resolution Service mediate their efforts to resolve the Dispute. At any point in the mediation process, either Party may terminate the mediation and may pursue any and all remedies available to it at law or in equity.

Neither the giving of notice of a Dispute, nor the pendency of any Dispute resolution process as described in this Section shall relieve a Party of its obligations under this Agreement, extend any notice period described in this Agreement or extend any period in which a Party must act as described in this Agreement. Notwithstanding the requirements of this Section, either Party may terminate this Agreement in accordance with its provisions, or pursuant to an order of FERC or a court at equity. The issue of whether such a termination is proper shall not be considered a Dispute hereunder.

ARTICLE 20.0: REPRESENTATIONS

20.1 Good Standing

Each Party represents and warrants that it is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable.

20.2 Authority to Enter Into Agreement

Each Party represents and warrants that it has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

20.3 Organizational Formation Documents

Each Party represents and warrants that the execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, bylaws, operating agreement, or agency agreement of such Party, or any judgment, license, permit, regulatory order, or governmental authorization applicable to such Party.

20.4 Regulatory Authorizations

Each Party represents and warrants that it has, or applied for, all regulatory authorizations necessary for it to perform its obligations under this Agreement.

ARTICLE 21.0: EFFECTIVE DATE AND TERM

Subject to the conditions of Article 13.0 (License and Authorization) above, this Agreement shall take effect as of the date that all of the following have occurred: (i) upon the execution hereof by both Parties on the date set forth above; and (ii) acceptance or approval by the FERC. This Agreement shall continue in force until terminated in accordance with this Article.

This Agreement may be terminated at any time by mutual agreement in writing. It may also be terminated by either Party with prior written notice of at least ninety (90) days to the other Party of its intention to terminate.

ARTICLE 22.0: MISCELLANEOUS

22.1 Performance

The failure of a Party to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any right held by such Party. Any waiver on any specific occasion by either Party shall not be deemed a continuing waiver of such right, nor shall it be deemed a waiver of any other right under this Agreement.

22.2 Agreement

This Agreement, including all Schedules and Attachments hereto, is the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous understandings or agreements, oral or written, with respect to the subject matter of this Agreement.

22.3 Governmental Authorizations

This Agreement, including its future amendments is subject to the initial and continuing Federal Energy Regulatory Commission authorizations required to establish, operate and maintain the Interconnection Facilities as herein specified. Each Party shall take all actions necessary and reasonably within its control to maintain all rights and Federal Energy Regulatory Commission approvals required to perform its respective obligations under this Agreement.

If one Party determines that it is required to self-report a potential violation to the Commission's Office of Enforcement regarding its compliance with this Agreement or the administration of CTS, the reporting Party shall inform, and provide a copy of the self-report to the other Party. Any such report provided by one Party to the other shall be Confidential Information. Each Party shall make reasonable efforts to cooperate and assist in remedying any such violation, to the extent such assistance is necessary to resolve the matter and to the extent doing so is consistent with maintaining the Party's legal privilege.

22.4 Unenforceable Provisions

If any provision of this Agreement is deemed unenforceable, the rest of the Agreement shall remain in effect and the Parties shall negotiate in good faith and seek to agree upon a substitute provision that will achieve the original intent of the Parties.

22.5 Execution

This Agreement may be executed in multiple counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same Agreement, and shall become binding when all counterparts have been signed by each of the Parties and delivered to each Party hereto. Delivery of an executed signature page counterpart by telecopier shall be as effective as delivery of a manually executed counterpart.

22.6 Regulatory Authority

If any Regulatory Authority having jurisdiction (or any successor boards or agencies), a court of competent jurisdiction or other governmental entity with the appropriate jurisdiction (collectively, the "Regulatory Bodies") issues a rule, regulation, law or order that has the effect of cancelling, changing or superseding any term or provision of this Agreement, including changes to section headings or numbering (the "Regulatory Requirement"), then this Agreement will be deemed modified to the extent necessary to comply with the Regulatory Requirement. Notwithstanding the foregoing, if the Regulatory Authority materially modifies the terms and conditions of this Agreement and such modification(s) materially affect the benefits flowing to one or both of the Parties, as determined by either of the Parties within twenty (20) business days of the receipt of the Agreement as materially modified, the Parties agree to attempt in good faith to negotiate an amendment or amendments to this Agreement or take other appropriate action(s) so as to put each Party in effectively the same position in which the Parties would have been had such modification not been made. In the event that, within sixty (60) days or some other time period mutually agreed upon by the Parties after such modification has been made, the Parties are unable to reach agreement as to what, if any, amendments are necessary and fail to take other appropriate action to put each Party in effectively the same position in which the Parties would have been had such modification not been made, then either Party shall have the right to unilaterally terminate this Agreement forthwith.

22.7 Headings

The headings used for the Articles and Sections of this Agreement are for convenience and reference purposes only, and shall not be construed to modify, expand, limit, or restrict the provisions of this Agreement.

IN WITNESS WHEREOF

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed in duplicate as of the day and year first written above.

NEW YORK INDEPENDENT SYSTEM OPERATOR

By: ____________________________________

Ricardo T. Gonzales, Senior Vice President and Chief Operating Officer

ISO NEW ENGLAND INC.

By: _______________________________________

Vamsi Chadalavada, Senior Vice President and Chief Operating Officer

Schedule A: Description of Interconnection Facilities

The Coordination Agreement between ISO-NE and the NYISO covers the New England – NYISO Interconnection Facilities under the Operational Control of the NYISO and ISO-NE.

For Operational Control purposes, the point of demarcation for each of the Interconnection Facilities listed below is the point at which each Interconnection crosses the New England-New York State boundary, except as noted below.

There are presently three (3) ISO-NE-NYISO Interconnections. The three Interconnections are comprised of eight (8) alternating current ("AC") Interties and one (1) high-voltage direct current ("HVDC") Intertie. The first Interconnection (the "NY/NE Northern AC Interconnection") is comprised of seven (7) of the eight (8) AC Interties. The second Interconnection (the "NNC Interconnection") is comprised of the remaining AC Intertie. The third and final Interconnection (the "CSC Interconnection") is comprised of a single HVDC Intertie. For each Interconnection, NYISO and ISO-NE have identified respective associated external nodes for scheduling and pricing purposes. The nodes associated with each of the Interconnections are listed in Table 1 of Attachment A of Schedule C of this Agreement.

List of Interconnections

NY/NE Northern AC Interconnection - The NY/NE Northern AC Interconnection is comprised of the following seven (7) Interties (as ordered from North to South):

1. PV-20 Intertie (115 kV AC),
2. K7 Intertie (115 kV AC),
3. K6 Intertie (115 kV AC),
4. E205W Intertie (230 kV AC),
5. 393 Intertie (345 kV AC),
6. 690/FV Intertie (69 kV AC), and
7. 398 Intertie (345 kV AC).

NNC Interconnection - The Northport-Norwalk Harbor Cable ("NNC") Interconnection is comprised of the following Intertie:

1. NNC Intertie (138 kV AC).

CSC Interconnection - The Cross Sound Cable ("CSC") Interconnection is comprised of the following Intertie:

1. CSC Intertie (150 kV HVDC).

List of Interties (as ordered from North to South)

PV-20 Intertie - A 115 kV AC transmission circuit, designated PV-20, series switched reactor and phase shifting transformers, connecting the Plattsburgh transmission substation in NY to the Sandbar transmission substation in VT. The common meter point for this Intertie is located at the Plattsburg transmission substation.

K7 Intertie - A 115 kV AC transmission circuit, designated K7, and phase shifter transformer connecting the Whitehall transmission substation in NY to the Blissville transmission substation in VT. The common meter point for this Intertie is located at the Whitehall transmission substation.

K6 Intertie - A 115 kV AC transmission circuit, designated K6, connecting the Hoosick transmission substation in NY to the Bennington transmission substation in VT. The common meter point for this Intertie is located at the Hoosick transmission substation.

E205W Intertie - A 230 kV AC transmission circuit, designated E205W, connecting the Eastover Road transmission substation in NY to the Bear Swamp transmission substation in MA. The common meter point for this Intertie is located at the Bear Swamp transmission substation.

393 Intertie - A 345 kV AC transmission circuit, designated 393, connecting the Alps transmission substation in NY to the Berkshire transmission substation in MA. The common meter point for this Intertie is located at the Alps transmission substation.

690/FV Intertie - A 69 kV AC transmission circuit, designated 690/FV, connecting the Smithfield transmission substation in NY to the Salisbury transmission substation in CT. The common meter point for this Intertie is located at the Salisbury transmission substation.

398 Intertie - A 345 kV AC transmission circuit, designated 398, connecting the Pleasant Valley transmission substation in NY to the Long Mountain transmission substation in CT. The common meter point for this Intertie is located at the Pleasant Valley transmission substation.

NNC Intertie - Three 138 kV AC transmission circuits (designated 601, 602 and 603), transformer and phase shifting transformer, initially designated as the 1385 Cable Intertie and now the NNC Intertie, connecting the Northport transmission substation in NY to the Norwalk Harbor transmission substation in CT.[1] The common meter point for this Intertie is located at the Norwalk Harbor transmission substation.

CSC Intertie - A 150+/- kV HVDC transmission circuit and associated converter facilities, designated CSC, connecting the Tomson converter at Shoreham, NY to the Halvarsson converter at New Haven, CT. This entire facility is under ISO-NE operating authority, pursuant to the FERC Order containing approvals regarding the HVDC Cross Sound Cable. For Operational Control purposes, the point of demarcation for the HVDC Interconnection CSC is within New York State at the point where the converter facilities interconnect with LIPA's 138 kV AC facilities at Shoreham, NY. The common meter point for this Intertie is located at the Shoreham transmission substation.

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1 The NNC Intertie may be referenced in the Parties individual operating documents as the Northport-Norwalk Harbor Cable ("NNC"), the 1385 Cable/Line or the 601, 602 and 603 Cables.

Schedule B: Procedures for Development and Authorization of Operating Instructions

Overview

Operating Instructions (a) will be developed and recorded by the Parties, with assistance from the Coordination Committee, in accordance with this Schedule B, (b) will be contained in a document separate from this Agreement, and (c) may be modified by the Parties, with assistance from the Coordination Committee, without amending this Agreement.

The Parties, with assistance from the Coordination Committee, shall jointly develop Operating Instructions and review them at least annually. The Parties, with assistance from the Coordination Committee, shall submit draft material to one another for review and comment. The Parties, with assistance from the Coordination Committee, shall provide comment on the draft material promptly. The Parties, with assistance from the Coordination Committee, shall promptly provide such information as may reasonably be required in connection with establishing, or reviewing, the material. The Coordination Committee shall be responsible for approving final versions of Operating Instructions.

In the event that any conflicts arise or are made apparent to a Party regarding any Operating Instructions, they shall notify the other Party and engage the Coordination Committee, if necessary, to resolve such conflicts.

The Coordination Committee will periodically review applicable ISO-NE and NYISO individual procedures and processes to determine any benefits of sharing these procedures and processes. These benefits may be for the purpose of training or to satisfy Reliability Standards. The Coordination Committee will determine how best to share these individual procedures and processes.

A list of Operating Instructions and applicable ISO-NE and NYISO individual procedures will be maintained by the Coordination Committee.

Outlined below are the key principles and items of methodology to be observed while the Parties, with assistance from the Coordination Committee, are engaged in developing Operating Instructions, and issuing them to their respective operations staff.

Principles

Given that the Parties' respective operations staff benefit from following a single instruction for all aspects of their execution of interconnected operations, it is an acceptable practice to combine this content to achieve the single Operating Instructions for use by a respective Party's operations staff. The preferred methodology when appropriate is to use the NPCC Criteria, Guides and Procedures for the coordination and operation of the interconnected Transmission Systems. When the NPCC documentation is insufficient to accomplish this task separate instructions will be developed in accordance with this Schedule.

Each Party shall coordinate the issuance internally of any Operating Instructions developed and agreed to by the Parties, with assistance from the Coordination Committee, to ensure that their respective operations staff has these

Operating Instructions. In addition, annual review of the Operating Instructions and the Parties' internal procedures associated with the Operating Instructions shall be conducted by the Parties, with assistance from the Coordination Committee, to ensure consistency.

Operating Instructions, when approved by the Parties, shall be binding on the Parties insofar as they relate to the Interconnection Facilities until they expire, are changed, deleted, or superseded by authority of the Parties, with assistance from the Coordination Committee.

Items of Methodology

By mutual agreement of the Coordination Committee, one of the Parties shall be designated by the Coordination Committee to control the revision process of the Operating Instruction from the initial drafting of material through to the conversion of the Operating Instruction into its final form.

Schedule C: Emergency Energy Transactions Schedule

WHEREAS, ISO-NE, as the regional transmission organization for the New England Transmission System and the administrator of the New England markets, arranges for the sale and purchase of Emergency capacity and energy on behalf of Market Participants with neighboring Balancing Authority Areas, all in accordance with the ISO-NE Tariff, which includes the Open Access Transmission Tariff and ISO-NE market rules;

WHEREAS, ISO-NE is the responsible for, among other matters, procuring and acting as supplier of last resort of ancillary services (including arranging for the sale and purchase of Emergency capacity and energy with neighboring Balancing Authority Areas), in accordance with the ISO-NE Tariff;

WHEREAS, the NYISO, as the independent system operator of the New York Transmission System and the administrator of the New York wholesale electricity markets, arranges for the sale and purchase of Emergency capacity and energy on behalf of Market Participants with neighboring Balancing Authority Areas, all in accordance with the NYISO Tariffs;

WHEREAS, the NYISO is the administrator of the NYISO Tariffs and is responsible for, among other matters, procuring and acting as supplier of last resort of ancillary services (including arranging for the sale and purchase of Emergency capacity and energy with neighboring Balancing Authority Areas), in accordance with the NYISO Tariffs;

WHEREAS, either of the Parties may, from time to time, have insufficient Operating Reserve available on the respective systems that they operate, or need to supplement available resources to cover sudden and unforeseen circumstances such as loss of equipment or forecast errors, and such conditions could result in the need to arrange for the purchase of Emergency Energy for Reliability reasons;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties mutually agree as follows:

ARTICLE I

1.0 DELIVERY POINT

The Delivery Point for energy delivered pursuant to the terms of this Schedule shall be at one of three points of Interconnection between the NYISO Balancing Authority Area and the ISO-NE Balancing Authority Area, and at such other points of Interconnection as may be established.

These three points of Interconnection are as follows: (1) the NY/NE Northern AC Interconnection[2]; (2) the NNC Interconnection; and (3) the Cross Sound Cable (CSC) Interconnection, which is a HVDC facility.

Unless otherwise agreed by the Coordination Committee, the price for energy for an hour delivered pursuant to this Schedule shall include all transmission costs of delivering such energy to the Delivery Point in that hour, and the Party taking delivery of such energy for the hour shall be responsible for all transmission costs beyond the Delivery Point for that hour.

ARTICLE II

2.0 CHARACTERISTICS OF EMERGENCY ENERGY

2.1 All Emergency Energy made available under this Schedule shall be three phase, 60 Hz alternating current at operating voltages established at the Delivery Point in accordance with system requirements and appropriate to the Interconnection Facilities or other such characteristics as may be agreed upon by the Parties.

ARTICLE III

3.0 NATURE OF SERVICE

3.1 ISO-NE and the NYISO shall, to the maximum extent each deems consistent with the safe and proper operation of its system, the furnishing of economical, dependable and satisfactory services by its participants, and the obligations of its participants to other parties, make available to the other Party when a system Emergency exists on the other Party's system, Emergency Energy from its system's available generating capability in excess of the system's load requirements (i.e., load requirements alone, not load plus reserve requirements) up to the transfer limits in use between the two Balancing Authority Areas. Emergency Energy is provided in cases of emergency outages of generating units, transmission lines or other equipment, or to meet other sudden and unforeseen circumstances such as forecast errors, or to provide sufficient Operating Reserve. Normally, a Party requests Emergency Energy from the other Party as a last resort, when market-based real-time energy transactions are not available, or not available in a timely

[2] The NY/NE Northern AC *Interconnection*, as defined in *Schedule* A – *Interconnection Facilities* ("*Schedule* A") to the Coordination Agreement between ISO-NE Inc and the NYISO Inc.

fashion in order to maintain its ten-minute reserve requirement. At the time the Emergency Energy sale is being initiated, the Party delivering such

Emergency Energy shall describe the Emergency Energy transaction as being one of the following: (1) “delivered out of ten-minute reserve”; (2) “delivered out of thirty-minute reserve” where such a delivery could reasonably be expected to be recalled if the Party delivering the Emergency Energy needed the generation for a reserve pick-up or other Emergency; or (3) “delivered above and beyond ten-minute and thirty-minute reserves” where the Party delivering such Emergency Energy is normally expected to be able to continue delivering the energy following a reserve pick-up.

3.2 The Parties are participants in the NPCC and are expected to comply with NPCC Criteria, Guides and Procedures. Such NPCC Criteria, Guides and Procedures include “Emergency Operation Criteria” (Document A-3), which describes the basic factors to be considered by a Balancing Authority Area in formulating plans and procedures to be followed in an Emergency. A principle of operation in this NPCC Criteria is that upon receiving a request for assistance to mitigate an Emergency, a Balancing Authority Area would provide “maximum reasonable assistance” to a neighboring Balancing Authority Area. Such reasonable assistance would not normally require the shedding of firm load.

3.3 Normally, the Party experiencing or anticipating an Emergency would request Emergency Energy from the other Party in accordance with this Schedule and applicable NPCC Criteria, Guides and Procedures after all market-based real-time transactions have been scheduled, unless there is an immediate need for such Emergency Energy in order to maintain system Reliability.

3.4 In the event a Party is unable to provide Emergency Energy to the other when needed, but there is energy available from a Third Party Balancing Authority Area supplier, the Party will use reasonable efforts to acquire and transmit such energy to the other Party where feasible.

ARTICLE IV

4.0 RATES AND CHARGES

4.1 The charge for Emergency Energy delivered to the NYISO or to ISO-NE shall be as set forth in Attachment A, attached hereto.

4.2 Should activations of reserve sharing be required by either of the Parties, inadvertent interchanges will intentionally be accumulated with each Balancing Authority Area providing assistance. In accordance with the NPCC “Procedures for Shared Activation of Ten Minute Reserve” (Document C-12), such inadvertent accumulations shall be treated as part of ordinary inadvertent energy.

ARTICLE V

5.0 MEASUREMENT OF ENERGY INTERCHANGED

5.1 All energy supplied at the Delivery Point shall be metered. The metered amounts shall be adjusted for actual losses to the Delivery Point on each of the Interconnection Facilities. This adjustment will be done to compensate for the difference in location between the Delivery Point and the meter.

5.2 Any properly designated representative of either of the Parties hereto shall have access, through coordination with the meter owner, during normal business hours, to all of the billing meters for the purpose of reading the same. The accuracy of the meters shall be verified by proper tests periodically and at any other time upon reasonable notice given by either of the Parties to the other, and each of the Parties shall be entitled to have a representative present at such verification, subject to coordination with the meter owner. In the event errors greater than +/-2% should be discovered, retroactive billing adjustments, if any, shall be determined by the Coordination Committee.

ARTICLE VI

6.0 BILLING AND PAYMENT

6.1 The procedure for rendering and payment of invoices for transactions pursuant to this Schedule shall be as set out hereunder unless otherwise agreed by the Coordination Committee.

6.2 The Party delivering energy pursuant to this Schedule shall promptly prepare, or cause to be prepared, and render an invoice to the other Party covering all transactions conducted under the terms of this Schedule. All transactions will be billed based on the schedule of energy agreed to by the Parties.

6.3 All invoices rendered by a Party shall be payable by the other Party in currency of the United States of America by electronic bank transfer within five (5) business days after the issuance of an invoice (the "Due Date").

6.4 If the rendering of an invoice is unavoidably delayed, a Party may issue an interim invoice based on estimated charges. Each invoice shall be subject to adjustment for any errors in calculation, meter readings, estimating or otherwise. Any such billing adjustments shall be made as promptly as practical, but in no event later than six months after issuing the invoice.

6.5 Any amount not paid by the Due Date shall be subject to interest, calculated from the due date of the invoice to the date of payment, in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19a (a) (2) (iii).

6.6 If any invoice remains unpaid by a Party for thirty (30) days after the Due Date, the Party rendering the invoice may, in addition to all other remedies available to it, and after giving the other Party at least five days written notice of the its intention to do so, present the issue in question to that Party's Board of Directors. The Party's Board of Directors shall contact the other Party's Board of Directors or its designee to develop a solution to a billing Dispute pursuant to Article 17 of this Agreement. The Boards of Directors may also choose to submit the billing Dispute to a form of alternative Dispute resolution to which the Boards of Directors may agree. Such action shall not be construed as a breach of contract by the Party rendering the invoice and shall not relieve the other Party of its obligations to pay for energy in accordance with the provisions of this Schedule.

6.7 The applicable provisions of this Schedule shall continue in effect after termination of this Schedule to the extent necessary to provide for final billing, billing adjustments, payments and disposition of any claims outstanding.

6.8 Each Party warrants that it has, or will have, the agreements and procedures in place to ensure the collection of payments from its participants for the delivery of Emergency Energy to it from the other Party.

ARTICLE VII

7.0 RECORDS

7.1 Each Party hereto shall keep or cause to be kept complete and accurate records and memoranda of its operations hereunder and shall maintain such data as may be necessary to determine with reasonable accuracy any item required hereunder. With respect to invoicing records, each Party shall maintain or cause to be maintained such records, memoranda and data for the current calendar year plus the previous calendar year. The Coordination Committee shall have the right to examine all such records and memoranda that are not confidential in so far as may be reasonably necessary for the purpose of ascertaining the reasonableness and accuracy of any statements of costs relating to transactions hereunder.

Attachment A
To the Emergency Energy Transactions Schedule

Emergency Energy Pricing

In accordance with the Emergency Energy Transactions Schedule between the NYISO and ISO-NE, the charge for Emergency Energy delivered to the Delivery Point by the NYISO or ISO-NE to the other shall be as defined within this Attachment A.

A.1. Direct NYISO/ISO-NE Emergency Energy Transaction

These are requests made by either the NYISO or ISO-NE to receive Emergency Energy in support of Emergency conditions and to protect Reliability in the event that there is a need for energy on its system that could not be supplied through the market.

The charge for Emergency Energy shall be calculated using the following two-part formula. The first part of the formula calculates the Energy Charge portion of the charge and the second part incorporates any Transmission Charge reasonably associated with the delivery of the Emergency Energy to the Delivery Point.

The Energy Charge portion of the Emergency Energy Charge (for an hour)

The Energy Charge portion of the Emergency Energy Charge for an hour =
(Emergency Energy supplied in the hour in megawatthour(s) ("MWh"))
* (Delivering Party's Cost of Energy in $/MWh)
* 110%

In the case of the NYISO as delivering Party, the Cost of Energy shall be the NYISO final external time-weighted/integrated real-time Locational Based Marginal Price ("LBMP") at the external node associated with the Delivery Point (as used in the NYISO market system for energy exports from the NYISO Balancing Authority Area into the New England Balancing Authority Area, as such pricing node is defined in NYISO Tariffs and as summarized in Table 1), for the hour of the Emergency Energy delivery.

In the case of ISO-NE as the delivering Party, the Cost of Energy shall be the ISO-NE final real-time integrated hourly Locational Marginal Price ("LMP") at the external node associated with the Delivery Point (as used in the New England market system for energy exports from the New England Balancing Authority Area into the NYISO Balancing Authority Area, as such pricing node is defined in the ISO-NE Tariff and as summarized in Table 1), for the hour of the Emergency Energy delivery.

Table 1

Delivery Points and Associated Pricing Nodes, as Modeled by the Delivering Party	
	External Nodes for Pricing Node for the Delivering Party (as modeled in the Delivering Party's system)

Delivery Point	Delivering Party: ISO-NE	Delivering Party: NYISO
NY/NE Northern AC Interconnection (excludes the NNC (or 1385 Cable) Intertie)	.I.ROSETON 345 1 (4011)	N.E._GEN_SANDY PD (24062)
NNC Interconnection	.I.NRTHPORT 1385 (4017)	NPX_1385_GEN (323591)
CSC Interconnection	.I.SHOREHAM138 99 (4014)	NPX_GEN_CSC (323557)

The Transmission Charge portion of the Emergency Energy Charge (for an hour)

The Transmission charge portion of the Emergency Energy Charge to the Delivery Point for an hour shall equal the actual ancillary services costs and any transmission costs reasonably associated with the delivery of such Emergency Energy for an hour by the delivering Party to the Delivery Point pursuant to the applicable tariff of the delivering Party, as filed with and accepted by the governmental agency with jurisdiction over such tariff.

A.2. NYISO/ISO-NE Emergency Energy Transaction From Third Party Balancing Authority Area Supplier

These are requests made by NYISO or ISO-NE to deliver Energy to the other to address system balancing or other Reliability conditions present on the exporting system, which could not be accomplished through the market.

The charge for Emergency Energy supplied to a Party from a Third Party Balancing Authority Area supplier shall be calculated using the following two-part formula. The first part of the formula calculates the Energy Charge portion of the charge, which in this case includes the total charge (energy and transmission) that the Third Party Balancing Authority Area supplier charges for delivery of the Emergency Energy to the delivering Party's Balancing Authority Area border. The second part of the formula incorporates any Transmission Charges reasonably associated with the delivery of the Emergency Energy by the delivering Party through its system to the Delivery Point. It is expected that that all such Third Party Balancing Authority Area supplier charges will be in accordance with rates filed and accepted by the governmental body with jurisdiction over such rates.

The Energy Charge portion of the Emergency Energy Charge (for an hour)

The Energy Charge portion of the Emergency Energy Charge for an hour =
(Emergency Energy supplied in the hour in MWh)
* (Third Party Balancing Authority Area supplier's total charge for such energy in $/MWh)

(Note: 10% adder does not apply to pricing of Emergency Energy from Third Party Balancing Authority Area suppliers.)

The Transmission Charge portion of the Emergency Energy Charge (for an hour)

The Transmission Charge portion of the Emergency Energy Charge to the Delivery Point for an hour shall equal the actual ancillary services costs and any transmission costs reasonably associated with the delivery of such energy for an hour to the Delivery Point pursuant to the applicable tariff of the delivering Party, as filed with and accepted by the governmental agency with jurisdiction over such tariff. Transmission costs would include, but not be limited to, any costs for congestion and losses that are associated with the delivery of such Emergency Energy through the delivering Party's Balancing Authority Area for an hour to the Delivery Point, as calculated by the amount of Emergency Energy supplied multiplied by: (1) when NYISO is the delivering Party, (the NYISO real-time LBMP of the external node at which the Emergency Energy exits the NYISO Balancing Authority Area minus the NYISO real-time LBMP of the external node at which the Emergency Energy enters the NYISO Balancing Authority Area); or (2) when ISO-NE is the delivering Party, (the ISO-NE real-time LMP of the external node at which the Emergency Energy exits the ISO-NE Balancing Authority Area minus the ISO-NE real-time LMP of the external node at which the Emergency Energy enters the ISO-NE Balancing Authority Area).

Schedule D: Coordinated Transaction Scheduling

WHEREAS, ISO-NE, as the regional transmission organization for the New England Transmission System and the administrator of the New England wholesale electricity markets, schedules the sale of energy by its Market Participants to, and the purchase of energy by its Market Participants from, neighboring Balancing Authority Areas, all in accordance with the ISO-NE Tariff, which includes the Open Access Transmission Tariff and ISO-NE market rules;

WHEREAS, ISO-NE is the administrator of the ISO-NE Tariff and is responsible for, among other matters, ensuring sufficient reserves are available to provide reliable service in its Balancing Authority Area, in accordance with the ISO-NE Tariff;

WHEREAS, the NYISO, as the independent system operator of the New York Transmission System and the administrator of the New York wholesale electricity markets, schedules the sale of energy by its Market Participants to, and the purchase of energy by its Market Participants from, neighboring Balancing Authority Areas, all in accordance with the NYISO Tariffs;

WHEREAS, the NYISO is the administrator of the NYISO Tariffs and is responsible for, among other matters, ensuring sufficient reserves are available to provide reliable service in its Balancing Authority Area, in accordance with the NYISO Tariffs;

WHEREAS, Coordinated Transaction Scheduling will improve interregional scheduling efficiency by taking into account relative price differences between the regions and scheduling bids and offers on a 15 minute basis at CTS Enabled Interfaces; and

WHEREAS, the Parties desire to schedule energy between their Balancing Authority Areas more efficiently, while continuing to ensure that each Party will maintain sufficient Operating Reserve available on its respective system to ensure the reliable operation thereof;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties mutually agree as follows:

ARTICLE I

1.0 OVERVIEW OF COORDINATED TRANSACTION SCHEDULING

Coordinated Transaction Scheduling or "CTS" is an external transaction scheduling process implemented by the Parties at designated CTS Enabled Interfaces that allow real-time energy transactions to be scheduled based on a Market Participant's willingness to purchase energy at a source External Proxy Bus (in the NECA, or in the NYCA) and sell it at a sink External Proxy Bus in the other Control Area if the forecasted price at the sink minus the forecasted price at the corresponding source is greater than or equal to the bid price. The rules set forth in this Schedule D only apply at CTS Enabled Interfaces.

In accordance with the terms of this Schedule D and the Parties' respective tariffs, CTS Interface Bids are ordinarily evaluated on a 15-minute basis utilizing forecasted real-time prices and forecasted system information from NYISO and forecasted real-time prices and forecasted system information from ISO-NE. The evaluation will be performed by the NYISO's Real-Time Commitment (RTC) optimization consistent with the rules specified in the NYISO Services Tariff and this Schedule D.

As part of the iterative CTS process, NYISO will share forward looking RTC interchange schedules with ISO-NE and these schedules will be used by ISO-NE as an input to develop a new set of forecasted prices and system information, which ISO-NE will then provide to NYISO for use in the next RTC optimization.

In accordance with Section 4 below, the RTC optimization will determine the External Interface Congestion component of the RTC LMP at a CTS Enabled Interface, which will subsequently be incorporated into the Parties' real-time settlement LMPs.

Wheel-through transactions across a CTS Enabled Interface will be scheduled on an hourly basis. Wheels through the NYCA will use decremental or sink price cap bids at CTS Enabled Interfaces. Wheels through the NECA will use hourly CTS Interface Bids at CTS Enabled Interfaces for scheduling by the NYISO.

The Parties agree that CTS and its components will operate in accordance with this Schedule D and the terms of the Parties' respective tariffs.

ARTICLE II

2.0 SUBMITTAL OF CTS INTERFACE BIDS

2.1 CTS Interface Bid Submittal by New England Responsible Settlement Parties and their Representatives

NYISO is hosting the platform used by both New York and New England Responsible Settlement Parties to submit CTS Interface Bids. New York RSPs shall submit and confirm bids at CTS Enabled Interfaces in accordance with the NYISO Tariffs.

Authorized New England RSPs shall have access to the bidding platform for purposes of submitting bids at CTS Enabled Interfaces between the NECA and the NYCA. Such access will be provided under equivalent terms and conditions to New York RSPs.

On an hourly or more frequent basis ISO-NE shall provide NYISO with: (a) a list of all New England RSPs that are authorized to submit or confirm bids at CTS Enabled Interfaces and (b) identification information for each representative (*i.e.*, an individual) that is authorized to submit or confirm bids at CTS Enabled Interfaces on behalf of a New England RSP. Only representatives designated by ISO-NE shall be permitted access to the platform that is used to submit bids at CTS Enabled Interfaces on behalf of a New England RSP. NYISO shall verify the authorization of a New England RSP and its representative at the time a bid is submitted, confirmed, modified or deleted. If it has been more than two hours since the NYISO last received from ISO-NE an updated list of all authorized New England RSPs and identification information for each representative that is authorized to submit or confirm bids at CTS Enabled Interfaces on behalf of a New England RSP, then NYISO shall not allow any New England RSP to access the platform that is used to submit bids at CTS Enabled Interfaces until an updated list is received.

In the event NYISO is not able to implement a new or changed status in a timely fashion, NYISO will inform ISO-NE of any delay it is aware of and the reason for the delay, and will implement the new or changed status as soon as possible.

2.2 Confirmation of New England Responsible Settlement Parties

A representative submitting an initial or revised CTS Interface Bid, or a bid to schedule a wheel through the NYCA at a CTS Enabled External Proxy Bus must belong to an authorized RSP in either NYISO or ISO-NE. In that submittal, the representative must identify the participating RSP in the other area. The other participating RSP must confirm the submittal of the CTS Interface Bid or bid to wheel through the NYCA, in order for the bid to be valid. A CTS Interface Bid or a bid to wheel through the NYCA can be withdrawn by either participating RSP; no confirmation is required.

An RSP may establish a Confirmed Trust Relationship with another RSP such that the required confirmation will be automatically granted for any submittal of a CTS Interface Bid or bid to wheel through the NYCA at a CTS Enabled External Proxy Bus that is submitted by the trusted RSP and includes both RSPs as parties to the transaction. Upon representative action to submit, update or revoke a Confirmed Trust Relationship, NYISO shall verify that (i) the submittal identifies two authorized RSPs, one in New York and one in New England and (ii) the representative belongs to the RSP that is granting the Confirmed Trust Relationship to the other RSP.

Upon representative action to submit or confirm an initial or revised CTS Interface Bid or bid to wheel through the NYCA, or to withdraw a CTS Interface Bid or bid to wheel through the NYCA at a CTS Enabled External Proxy Bus, the NYISO shall verify that (i) the submittal identifies two valid RSPs, one in New York and one in New England, and (ii) the representative belongs to an RSP that is identified on the submittal. If a Confirmed Trust Relationship exists between the two authorized RSPs and the action is taken by a representative that is associated with a trusted RSP to submit or confirm an initial or revised CTS Interface Bid or bid to wheel through the NYCA, the bid shall be deemed submitted and confirmed, or the revision confirmed.

Upon receiving ISO-NE's notice of suspension or termination of a New England RSP, which ISO-NE shall do consistent with its authority under the ISO-NE Tariff, NYISO will promptly:

1. cease honoring Confirmed Trust Relationships associated with the suspended or terminated New England RSP;

2. within the real-time market day on which NYISO receives the instruction from ISO-NE, remove the suspended or terminated New England RSP's bids at CTS Enabled Interfaces that are offered in the NECA to NYCA direction;

3. within the real-time market day on which NYISO receives the instruction from ISO-NE, remove bids at CTS Enabled Interfaces that are offered in the NECA to NYCA direction that include the New England RSP as a trusted RSP;

4. for all real-time market days subsequent to the real-time market day on which NYISO receives the instruction from ISO-NE, remove all of the suspended or terminated New England RSP's bids at CTS Enabled Interfaces; and

5. for all real-time market days subsequent to the real-time market day on which NYISO receives the instruction from ISO-NE, remove all bids at CTS Enabled Interfaces that include the suspended or terminated New England RSP as a trusted RSP.

The five changes enumerated above will be effectuated prospectively. The Parties will not effectuate changes one through three for a real-time market hour in which RSPs are no longer able to submit or modify bids.

ISO-NE will curtail the e-tags for the transactions associated with the bids NYISO is required to remove under the rules set forth above.

In the event NYISO is not able to implement a new or changed status that is addressed in this Section 2.2 in a timely fashion, NYISO will inform ISO-NE of any delay it is aware of and the reasons for the delay, and will implement the new or changed status as soon as possible.

If the NYISO is unable to verify that the required confirmations have been received, then the CTS Interface Bid or bid to wheel through the NYCA shall not be considered in the RTC optimization.

If the NYISO is not able to validate an RSP or a representative, then that entity or person will not be able to submit, modify, confirm or delete a CTS Interface Bid or a bid to wheel through the NYCA.

ARTICLE III

3.0 CALCULATION OF ISO-NE SUPPLY PRICE POINTS

Each quarter-hour, ISO-NE shall calculate a set of forecast energy prices at its External Proxy Buses for each CTS Enabled Interface corresponding to varying interchange levels on that interface. The results will be provided to NYISO as increasing MW-price pairs, where the MW value represents a net interchange level on the CTS Enabled Interface and the price value represents ISO-NE's forecast of its real-time LMP for its External Proxy Bus at that net interchange MW level. ISO-NE will provide no fewer than one and no more than 11 MW-price pairs for each of ten consecutive quarter-hour intervals, which are referred to as the "ISO-NE Supply Price Points."

The ISO-NE Supply Price Points are created with a forward-looking, security-constrained economic dispatch system that co-optimizes energy and reserve requirements. This forward-looking co-optimization will assume the same units are committed as are previously committed, or scheduled to be committed, in ISO-NE's real-time production system. The energy from currently uncommitted fast-start generation will also be considered for dispatch in the forward-looking co-optimization. ISO-NE Supply Price Points shall be calculated using the current production data for load forecasts, active transmission constraints, state estimator data, Market Participant energy re-offers, wind forecasts, forecasted net interchange on all Interconnections (including forward looking RTC interchange schedules provided by NYISO), and operator updates to resource limits.

ARTICLE IV

4.0 SCHEDULING EXTERNAL TRANSACTIONS AT CTS ENABLED INTERFACES

4.1 Evaluation of CTS Interface Bids

The RTC will use the CTS Interface Bids and the ISO-NE Supply Price Points to economically schedule the CTS Interface Bids and determine the net interchange schedules. The economic scheduling of the CTS Interface Bids will be performed simultaneously with the scheduling of internal NYCA resources and external transactions at other NYCA Interconnections.

For an RTC optimization that schedules hourly CTS Interface Bids, the RTC will use the ISO-NE Supply Price Points for each 15-minute interval of the hour. An hourly CTS Interface Bid will be scheduled if it is economic for the hour.

For an RTC optimization that schedules CTS Interface Bids at 15-minute intervals, the RTC optimization will use ISO-NE Supply Price Points that have been adjusted to account for the hourly RTC external transaction schedules established at CTS Enabled Interfaces, including any scheduled Emergency Energy.

When there are multiple CTS Interface Bids at the same bid price but not all of them can be economically scheduled, the CTS Interface Bids with the same price will be scheduled pro-rata.

The RTC optimization incorporates Ramp Limits and Transfer Limits in the manner described in Section 5 of this Schedule D to economically schedule CTS Interface Bids and shall determine: (1) the net interchange schedule for each CTS Enabled Interface, (2) the RTC LMP for each CTS Enabled External Proxy Bus, and (3) the External Interface Congestion at each CTS Enabled Interface.

4.2 External Interface Congestion Price Assignment

The RTC optimization will determine the External Interface Congestion at an External Proxy Bus for a CTS Enabled Interface if the net interchange schedule is limited in the RTC solution due to one or more of the following four reasons: (i) there are more economic transactions offered in a common direction (import or export) than the Transfer Limit of the External Proxy Bus can accommodate, or (ii) there are fewer economic transactions offered in a common direction (import or export) than the Transfer Limit requires, or (iii) the NYCA (system-wide) Ramp Limit prevents the RTC from scheduling one or more external transactions at the External Proxy Bus consistent with the economics of the underlying bids, or (iv) a Ramp Limit prevents the RTC from scheduling one or more external transactions consistent with the economics of the underlying bids (collectively, the "External Proxy Bus Constraints").

Whenever an External Proxy Bus Constraint at a CTS Enabled Interface is limiting in the RTC optimization, the External Interface Congestion at the External Proxy Bus will be assigned, in whole or in part, as set forth below.

ISO-NE Limiting: If the RTC optimization is limited by a Transfer Limit determined by an ISO-NE Operating Reserve limitation, an ISO-NE minimum generation limitation, or an ISO-NE capacity deliverability limit, including when the Transfer Limit is adjusted in accordance with Section 5.4 of this Schedule D to accommodate the Ramp Limit while implementing one of these limitations, then the portion of the External Interface Congestion associated with the External Proxy Bus Constraint shall be assigned to ISO-NE.

NYISO Limiting: If the RTC optimization is limited by NYCA-wide Ramp Limits, then the portion of the External Interface Congestion associated with the External Proxy Bus Constraint shall be assigned to NYISO.

NYISO and ISO-NE Limiting: If the RTC optimization is limited by any Ramp Limit or Transfer Limit that is not specifically addressed in the "ISO-NE Limiting" or "NYISO Limiting" paragraphs above, or by any Transfer Limit or Ramp Limit that results from an operator override, as described in Section 5.2.5 of this Schedule D, the portion of the External Interface Congestion for a CTS Enabled Interface that is associated with an External Proxy Bus Constraint shall be assigned to both Parties equally.

The RTC solution may be limited by multiple External Proxy Bus Constraints simultaneously. If this occurs, the foregoing rules will apply to each External Proxy Bus Constraint.

If there are not sufficient CTS Interface Bid MWs offered to achieve a Transfer Limit, RTC will schedule the available MWs. In these circumstances, RTC will determine the External Interface Congestion at the External Proxy Bus based on the NYISO's Transmission Shortage Costs as defined in the NYISO Tariff.

In order to provide consistent price signals between their respective real-time energy markets, the Parties shall each incorporate the foregoing process into the real-time settlement LMP at their External Proxy Bus for each CTS Enabled Interface.

ARTICLE V

5.0 CTS ENABLED INTERFACE OPERATING RULES

5.1 CTS Enabled Interface Ramp Limits

The default quarter-hour Ramp Limit for the NY/NE Northern AC Interconnection will be mutually agreed to by the Parties and posted on the NYISO's OASIS.

The default top-of-the-hour Ramp Limit for the NY/NE Northern AC Interconnection (for use when quarter-hour scheduling is unavailable) will be mutually agreed to by the Parties and posted on the NYISO's OASIS.

In real-time operations, when necessary to protect reliability, the Parties may mutually agree to temporarily change the Ramp Limit(s) at any CTS Enabled Interface. The Parties shall restore the modified Ramp Limit to the posted default Ramp Limit as soon as reliable system operations permit and it is practicable to do so.

5.2 Transfer Limits Reflecting Reliability Conditions

A Transfer Limit sets the minimum or maximum net interchange that can be scheduled on a CTS Enabled Interface in the RTC solution. Factors that can set the Transfer Limits include the following:

1. normal scheduling limits;
2. Operating Reserve limitations;
3. minimum generation limitations;
4. capacity requests;
5. operator overrides.

5.2.1 Normal Scheduling Limits

The normal scheduling limit for a CTS Enabled Interface is the amount of electric power that can normally be transferred over a CTS Enabled Interface. The Parties may mutually agree to change the normal scheduling limits that are used at CTS Enabled Interfaces due to transmission outages, generation outages or other changes in system conditions. In the event the change to a normal scheduling limit is planned in advance, the Parties will make reasonable efforts to change the values in time to be included in the clearing of their respective day-ahead energy markets and be publicly posted prior to implementation. For the real-time operating day, ISO-NE will send its normal scheduling limits at each CTS Enabled Interface to the NYISO via the electronic data exchange to cover the same ten consecutive quarter-hour intervals as ISO-NE's Supply Price Points.

5.2.2 Operating Reserve Limitations

If one Control Area experiences an Operating Reserve deficiency, the other Control Area is not obligated to go deficient in its reserves of the same or a higher quality product, but may go deficient in a lower-quality reserve product in order to prevent an Operating Reserve deficiency of a higher quality reserve product in the other Control Area. To ensure these mutual reliability objectives can be satisfied, the Parties may modify the Transfer Limits in certain conditions as described below.

The RTC optimization procures reserves to meet the NYISO's reserve requirements and prices shortages of reserves using the NYISO's Operating Reserve demand curves. The RTC does not have information on the amount of Operating Reserve in the NECA. Therefore, at CTS Enabled Interfaces, ISO-NE will use the electronic data exchange to provide to NYISO both the ISO-NE Supply Price Points and Transfer Limit values that reflect the net interchange required to meet ISO-NE's 10-minute and 30-minute reserve requirements. When calculated, these values will reflect the net interchange required to meet ISO-NE's 10-minute and 30-minute reserve requirements for the same ten consecutive quarter-hour intervals for which ISO-NE's Supply Price Points are provided. ISO-NE will calculate these Transfer Limit values for each interval based on the Operating Reserve surplus in the NECA when applying the forecasted RTC net interchange on the CTS Enabled Interface. For the purposes of Schedule D, the ISO-NE Transfer Limit associated with the 10-minute reserve requirement will always be less restrictive than the Transfer Limit associated with the ISO-NE 30-minute reserve requirement. When ISO-NE sends Transfer Limits that are associated with Operating Reserve requirements, the ISO-NE Supply Price Points must also reflect those expected reserve shortage prices. RTC will evaluate whether the ISO-NE Transfer Limit would preclude NYISO from meeting its reserve requirements for an equal or higher quality reserve product. If so, RTC may adjust the Transfer Limit in accordance with Section 5.3 of this Schedule D, based on the principles set forth in the preceding paragraph.

5.2.3 Minimum Generation Limitations

The RTC optimization dispatches the NYISO system's internal generation as needed when the NYCA approaches minimum generation conditions. The RTC does not have information to assess minimum generation conditions within the NECA. Therefore, at CTS Enabled Interfaces, ISO-NE will use the electronic data exchange to provide to NYISO Transfer Limit values that reflect the net interchange level beyond which ISO-NE cannot further dispatch down internal generation while maintaining reliable operations. When ISO-NE sends Transfer Limits for this purpose, the ISO-NE Supply Price Points must also reflect these requirements.

ISO-NE shall not send, and NYISO is not required to enforce, a minimum generation Transfer Limit that would require the NYCA to accept energy from the NECA.

ISO-NE shall not send both a minimum generation Transfer Limit and Operating Reserve Transfer Limits at the same time.

5.2.4 Capacity Transfer Limits

Day-Ahead Coordination

NYISO will provide its day-ahead operating plan to ISO-NE. Once ISO-NE determines that it expects to count on capacity resources located in New York to meet its reserve requirements, ISO-NE shall inform NYISO of the expected capacity call.

Real-Time Coordination

ISO-NE Capacity Requests at CTS Enabled Interfaces:

ISO-NE may request delivery of energy from capacity resources located in the NYCA that have obligations in the ISO-NE capacity market over a CTS Enabled Interface. The ISO-NE operator will call the NYISO operator to initiate the capacity request. Upon receiving the request, the NYISO operator will confirm what amount of the capacity request is deliverable based on projected transmission constraints ("Capacity Deliverable to ISO-NE"). If the Capacity Deliverable to ISO-NE is non-zero, RTC will determine the ISO-NE capacity that is available based on offers submitted by NYCA generators that have sold their capacity to ISO-NE and are projected to be available in real-time, subject to any real-time derates ("Capacity Available to ISO-NE").

Transactions to wheel capacity through the NYCA will be excluded from the ISO-NE/NYISO capacity request process.

NYISO Capacity Requests at CTS Enabled Interfaces:

If the NYISO projects the ISO-NE real-time capacity request could cause the NYISO to become capacity deficient, the NYISO may request delivery of energy associated with capacity resources located in ISO-NE that have an obligation in the NYISO capacity market over a CTS Enabled Interface. The NYISO operator will call the ISO-NE operator to initiate the capacity request. The NYISO will require that its eligible New England-based capacity submit CTS Interface Bids to be evaluated by RTC. It will be up to the supplier of New England-based capacity to ensure that the resource(s) backing capacity transactions are available to deliver their capacity to New York when they are called on to do so. At the time of the request, the ISO-NE operator will determine whether all or any part of the generation supporting the capacity is available and deliverable ("Capacity Available to NYISO").

Section 5.3 of this Schedule D sets forth how capacity data and Operating Reserve limitations are used to establish a Transfer Limit.

5.2.5 Operator Override Transfer Limits

Real-time system conditions may require that a NYISO or ISO-NE operator override the Transfer Limit to establish the flow that can be transferred over a CTS Enabled Interface in a reliable manner. Except when necessary to protect reliability, an operator override shall not be used to submit limits that can be submitted via the electronic data exchange.

5.3 Establishing Transfer Limits for RTC

RTC determines a net interchange for each interval that must be a value between an upper bound and lower bound. In this section, the high Transfer Limit is the upper bound on that range and the low Transfer Limit is the lower bound on that range. The rules in this Section 5.3 detail how the inputs from Section 5.2, which are first tested against the criteria set forth in Section 7.2, are used to determine the high and low Transfer Limits in RTC for each quarter-hour interval. For purposes of this Section 5.3, a positive value represents flow from New England to New York, and a negative value represents flow from New York to New England. The values associated with an ISO-NE capacity request, Capacity Deliverable to ISO-NE and Capacity Available to ISO-NE are all negative.

1. When a Minimum Generation Transfer Limit is provided by ISO-NE in accordance with Section 5.2.3, that value is the low Transfer Limit at a CTS Enabled Interface.

2. When ISO-NE provides Operating Reserve Transfer Limits but has not requested capacity from NYISO, the following rules are applied to determine the high Transfer Limit at a CTS Enabled Interface:

   a) If the ISO-NE 30-minute Operating Reserve Transfer Limit is greater than or equal to zero, then:

   i. If enforcing the ISO-NE 30-minute Operating Reserve Transfer Limit is projected to cause the NYISO to have a deficiency of 10-minute Operating Reserve, the high Transfer Limit is the minimum value that is not projected to result in a NYISO 10-minute Operating Reserve deficiency;

   ii. Otherwise the high Transfer Limit is the ISO-NE 30-minute Operating Reserve Transfer Limit.

   b) If the ISO-NE 30-minute Operating Reserve Transfer Limit is less than zero, then:

   i. If enforcing the ISO-NE 30-minute Operating Reserve Transfer Limit is projected to cause the NYISO to have a deficiency of 30-minute Operating Reserve but is not projected to cause the NYISO to have a deficiency of 10-minute Operating Reserve, then the high Transfer Limit is the lesser of (a) the minimum value that is not projected to result in a NYISO 30-minute Operating Reserve deficiency, or (b) zero;

ii. If enforcing the ISO-NE 30-minute Operating Reserve Transfer Limit is projected to cause the NYISO to have a deficiency of 10-minute Operating Reserve, then the high Transfer Limit is the minimum value that is not projected to result in a NYISO 10-minute Operating Reserve deficiency;

iii. Otherwise the high Transfer Limit is the ISO-NE 30-minute Operating Reserve Transfer Limit.

3. When ISO-NE has requested capacity from NYISO, the high Transfer Limit at a CTS Enabled Interface shall be the greater of:

a) the ISO-NE 30-minute Operating Reserve Transfer Limit, or

b) [the minimum of (i) the total quantity of CTS Interface Bids backing Capacity Available to NYISO or (ii) the Capacity Available to NYISO] plus [the maximum of (iii) the ISO-NE capacity request, (iv) the Capacity Deliverable to ISO-NE or (v) the Capacity Available to ISO-NE].

4. When system conditions require that either a low or high Transfer Limit be overridden by the NYISO or ISO-NE operator to establish the flow that can be transferred over a CTS Enabled Interface in a reliable manner, the override shall establish the low or high Transfer Limit.

5. Otherwise, the NYISO shall use the normal scheduling Transfer Limit at a CTS Enabled Interface, as described in Section 5.2.1.

5.4. Interaction Between Transfer Limits and Ramp Limits

a) Except as provided in 5.4(b), when the NYISO's RTC is provided Transfer Limits that would cause it to develop net interchange schedules at a CTS Enabled Interface with ISO-NE that exceed the Ramp Limits, RTC will reset the provided Transfer Limits to ensure the agreed Ramp Limits are not exceeded.

b) If any Transfer Limit, other than a normal scheduling limit, is implemented via an operator override, then RTC shall permit the agreed Ramp Limits to be exceeded in order to enforce the Transfer Limit.

ARTICLE VI

6.0 SETTLEMENT PROVISIONS

ISO-NE shall settle CTS Interface Bids and other bids and offers scheduled at CTS Enabled Interfaces with its Market Participants in accordance with the rules set forth in the ISO-NE Tariff.

The NYISO shall settle CTS Interface Bids and other bids scheduled at CTS Enabled Interfaces, with its Market Participants in accordance with the rules set forth in the NYISO Tariffs.

Each Party shall address settlement-related corrections and disputes regarding that Party's settlement of CTS transactions in accordance with the settlement correction and dispute resolution provisions set forth in that Party's tariff(s).

Each Party agrees to provide support, including information and data that isn't otherwise available to the other Party, when the requested information is necessary to assist the requesting Party in addressing a settlement (but not price) correction or a settlement-related dispute between the requesting Party and one or more of its Market Participants regarding the settlement of CTS transactions.

If an erroneous price is determined at a CTS Enabled External Proxy Bus, independent of any price correction process ISO-NE may utilize, the NYISO shall follow the price correction process set forth in Attachment E to its Market Administration and Control Area Services Tariff.

If an erroneous price is determined at a CTS Enabled External Proxy Bus, independent of any price correction process NYISO may utilize, ISO-NE shall follow the price correction process set forth in the ISO-NE Tariff.

ARTICLE VII

7.0 NON-STANDARD CTS OPERATION

7.1 Permitted Modifications to ISO-NE Supply Price Points

In the event NYISO does not receive the ISO-NE Supply Price Points before it commences the RTC optimization, then the last set of ISO-NE Supply Price Points used to perform an RTC optimization will be used in the RTC optimization to determine the net interchange schedule until the NYISO receives and successfully validates a new set of ISO-NE Supply Price Points.

If one or more quarter-hour intervals within the ISO-NE Supply Price Points fail the NYISO's input checks, the last set of ISO-NE Supply Price Points used to perform an RTC optimization will be used in the RTC optimization.

When ISO-NE Supply Price Points do not cover the full quantity (in MWs) of bids that are evaluated by RTC, then the last pricing point on either end of the ISO-NE Supply Price Points will be extended by NYISO to cover all the bids and offers that are evaluated by RTC.

7.2 Permitted Modifications to ISO-NE Transfer Limits

In the event NYISO does not receive ISO-NE Transfer Limits or operator override values have not been entered before an RTC optimization commences, then the last set of ISO-NE Transfer Limits used to perform an RTC optimization will be used in the current RTC optimization.

If one or more quarter-hour intervals within the ISO-NE Transfer Limits fail any of the NYISO's input checks, including the input checks listed below, the last set of ISO-NE Transfer Limits used to perform an RTC optimization will be used in the RTC optimization.

- A Minimum Generation Transfer Limit and Operating Reserve Transfer Limits will not be sent at the same time.
- The Minimum Generation Transfer Limit will be less than or equal to zero.
- If an ISO-NE 10-minute Operating Reserve Transfer Limit is provided, an ISO-NE 30-minute Operating Reserve Transfer Limit will also be provided.
- The ISO-NE 30-minute Operating Reserve Transfer Limit will be less than the ISO-NE 10-minute Operating Reserve Transfer Limit.

7.3 Hourly Scheduling Under CTS

The Parties may agree to temporarily employ hourly scheduling in RTC on a CTS Enabled Interface when necessary to ensure or preserve system reliability or when not able to implement schedules as expected due to software or communication issues.

ARTICLE VIII

8.0 JOINT ENERGY SCHEDULING SYSTEM CUSTOMER SERVICE; MAINTENANCE; SUSPENSION OF CTS; COOPERATION

8.1 Joint Energy Scheduling System Customer Service

The NYISO developed and maintains the Joint Energy Scheduling System ("JESS") platform that both New York RSPs and New England RSPs use to submit bids at CTS Enabled Interfaces.

1. Each Party is the primary customer service contact for its respective Market Participants.

2. ISO-NE will have read-only access to bids associated with New England Market Participants at CTS Enabled Interfaces on the JESS platform.

8.2 Maintenance

Subject to reasonable expectations, it is the Parties' goal that the data links, software, and other systems necessary to implement CTS are available continuously. The Parties agree to employ regular maintenance, including scheduled maintenance outages when needed, to meet that goal.

In the event of a problem with a data link, software, computational system or data system, the responsible Party will use reasonable efforts to promptly address the problem. The Parties shall work together and shall keep each other informed regarding the problem and its resolution.

The Parties shall inform each other in advance of any scheduled testing activities or maintenance outages that will affect a CTS Enabled Interface. Notice shall be provided sufficiently in advance to allow each ISO to inform its Market Participants of any impacts on the operation of CTS.

8.3 Suspension of CTS

The Parties may suspend the scheduling of CTS transactions at CTS Enabled Interfaces due to: (1) the inability of the NYISO to receive bids for a CTS Enabled Interface; (2) a failure or outage of the data link between the Parties that prevents the timely exchange of information necessary to implement CTS transactions; (3) the actual or suspected failure of any software, computational, or data system that is necessary to implement CTS transactions; (4) the need to verify the functionality of the tools that are necessary to implement CTS; or (5) when necessary to ensure or preserve NYISO or ISO-NE system reliability.

A Party that determines that any of the foregoing conditions have occurred shall, as soon as practicable, notify the other Party.

The Parties shall resolve issues causing the failure or outage of the data link, software, computational systems, or data systems as soon as possible, and will use reasonable efforts to promptly address the problem. The Parties shall work together and shall keep each other informed regarding the problem and its resolution. The Parties shall resume implementation of CTS following, as applicable, the successful testing of the data link or relevant system(s) after the inability to receive offers or bids, failure, or condition is resolved, or after the resolution of the system reliability issue.

When CTS is suspended the Parties shall mutually agree to interchange schedules at CTS Enabled Interfaces.

8.4 Cooperation

The Parties will cooperate to review the data and mutually identify or resolve errors and anomalies. If one Party determines that it is required to self-report a potential violation to the Commission's Office of Enforcement regarding its compliance with this Schedule D, the reporting Party shall inform, and provide a copy of the self-report to the other Party. Any such report provided by one Party to the other shall be Confidential Information.

ARTICLE IX

9.0 CTS CHANGE MANAGEMENT PROCESS

9.1 Notice

Prior to materially changing any tariff language, software or process that is directly involved in implementing this Schedule D, the Party desiring the change shall notify the other Party's data exchange contact appointed under the Coordination Agreement, in writing or via email, of the proposed change. The notice shall include a complete and detailed description of the proposed change, the reason for the proposed change, and the impacts the proposed change is expected to have on the implementation of CTS.

9.2 Opportunity to Request Additional Information

Following receipt of the Notice described in Section 9.1, the receiving Party may make reasonable requests for additional information/documentation from the other Party. This may include a request by a Party to be involved in the testing of the changes. Absent mutual agreement of the Parties, the submission of a request for additional information under this Section shall not delay the obligation to timely note any objection pursuant to Section 9.3, below.

9.3 Objection to Change

Within ten business days after receipt of the Notice described in Section 9.1 (or within such longer period of time as the Parties mutually agree), the receiving Party may notify in writing or via email the other Party of its disagreement with the proposed change. Any such notice must specifically identify and describe the concern(s) that required the receiving Party to object to the described change.

9.4 Implementation of Change

The Party proposing a change to a process that is directly involved in implementing this Schedule D shall not implement such change until (a) it receives written or email notification from the other Party that the other Party concurs with the change, or (b) the receiving Party fails to notify in writing or via email the other Party of its disagreement with the proposed change within the notice period specified in Section 9.3, or (c) completion of any dispute resolution process initiated pursuant to this Agreement.

ARTICLE X

10.0 AUDITS, CERTIFICATION AND TESTING

Each Party shall provide to the other Party the results of any certification or audit it procures regarding CTS-related software functions, subject to the following conditions: (1) the disclosure may be limited to the portions of the certification or audit that addresses the CTS-related software, and need only include the portions of the certification or audit that address the CTS-related functioning of the software; (2) if the providing Party indicates that the certification or audit is Confidential Information it shall be treated as such by the receiving party; and (3) this provision does not require a Party to disclose information that is subject to a legal privilege.

Before CTS is implemented, and upon any material changes to any components thereof, the Parties shall test the processes and component software.

Each Party shall, at its sole expense, take appropriate actions to address any actual or apparent breach of cyber security related to CTS, and shall provide prompt notification to the other Party of any such incident.

Each party will undertake an annual Service Organization Controls report that covers CTS process-related controls prepared and opined by its external auditors in accordance with Statement on Standards for Attestation Engagements No. 16 or AICPA/CICA Principles and Criterion for

System Reliability (SSAE 16 engagement). The NYISO report will include controls related to the Joint Energy Scheduling System bidding platform.

Each Party shall promptly provide to the other Party the results of its annual Service Organization Controls report, subject to the following conditions: (1) the disclosure may be limited to the portions of the report or audit that address CTS, and need only include the portions of the report or audit that address CTS; (2) if the providing Party indicates that the certification or audit is Confidential Information it shall be treated as such by the receiving party; and (3) this provision does not require a Party to disclose information that is subject to a legal privilege.