

15.1 Rate Schedule 1 - Market Administration and Control Area Services Charge

15.1.1 Parties to Which Charges Apply

15.1.1.1 The ISO shall charge and each Customer taking service under the ISO Services Tariff, the ISO OATT, or both, shall pay the applicable "ISO Services Charge" on all services provided under the Tariff. Market Participants taking service under both the ISO Services Tariff and the ISO OATT shall pay the applicable ISO Services Charges as calculated under Sections 15.1.3.1 through 15.1.3.3 of this Rate Schedule and under Sections 6.1.2.2.3 and 6.1.2.2.4 of Rate Schedule 1 of the ISO OATT. Market Participants taking service under the ISO OATT only shall pay the applicable ISO Services Charges as calculated under Rate Schedule 1 of the ISO OATT.

15.1.1.2 Each Market Participant that sells or purchases Energy, including Demand Side Resources, Special Case Resources and Emergency Demand Response Program participants, sells or purchases Capacity, or provides Ancillary Services in the ISO Administered Markets utilizes Market Services and must enter into a Service Agreement under the Tariff, as set forth in Attachment A; and each entity that withdraws Energy to supply Load within the NYCA or provides Installed Capacity to an LSE serving Load within the NYCA utilizes the Control Area Services provided by the ISO and benefits from the reliability achieved as a result of ISO Control Area Services, and must enter into a Service Agreement under this Tariff, as set forth in Attachment A; each entity that has its virtual bids accepted and thereby engages in Virtual Transactions and each entity that purchases Transmission Congestion Contracts, excluding Transmission Congestion Contracts that are created prior to [the date that the Commission issues an order

approving these revisions], utilizes Market Services and must enter into a Services Agreement under this Tariff, as set forth in Attachment A.

15.1.2 Billing

For the ISO Services Charges calculated under Section 15.1.3.1 of this Rate Schedule, the ISO shall charge each Customer based on the product of: (i) the applicable ISO Services Charges rates; and (ii) the Customer's applicable injection billing units and/or withdrawal billing units for the month. The Customer's injection billing units shall be based on its Actual Energy Injections (for all internal injections) or Scheduled Energy Injections (for all Import Energy injections) in the New York Control Area, including injections for wheel throughs. The Customer's withdrawal billing units shall be based on the Actual Energy Withdrawals for all Transactions to supply Load in the NYCA and hourly Energy schedules for all Wheels Through and Exports.

For the ISO Services Charges calculated under Section 15.1.3.2 and 15.1.3.3 of this Rate Schedule, the ISO shall charge each Customer based on the product of: (i) the applicable ISO Services Charges rate; and (ii) the Customer's Actual Energy Withdrawals for all Transactions to supply Energy to the LBMP market in the NYCA and all other purchases from the LBMP markets to supply Load outside the NYCA.

For Customers participating in the ISO's Special Case Resources program or its Emergency Demand Response Program the ISO Services Charges calculated under Section 15.1.3.1 of this Rate Schedule shall be the product of: (i) the applicable ISO Services Charge rates and (ii) the Customer's applicable billing units for the month. The Customer's billing units shall be based on the total compensable injection MWh.

For Customers purchasing Transmission Congestion Contracts or engaged in Virtual Transactions, the ISO Services Charges calculated under Section 15.1.3.1 of this Rate Schedule shall be

the product of: (i) the applicable ISO Services Charges rate; and (ii) the Customer's applicable billing units for the month.

For Customers purchasing Transmission Congestion Contracts, the Customer's billing units shall be based on the settled Transmission Congestion Contract MWh. For Customers engaging in Virtual Transactions, the Customer's billing units shall be based on total cleared virtual bid MWh.

15.1.3 Computation of Rate

The ISO Services Charge shall consist of three components and shall be recovered on a monthly basis in accordance with the following processes:

15.1.3.1 ISO Annual Budget and FERC Regulatory Fees Component

15.1.3.1.1 The responsibility for the sum of (i) the ISO's annual budget including the costs listed in Section 15.1.4.1 of this Rate Schedule; and (ii) the ISO's FERC Regulatory fees, shall be allocated 20% to all injection billing units as described in Section 15.1.2 of this Rate Schedule and 80% to all withdrawal billing units as described in Section 15.1.2 of this Rate Schedule. The current 80%/20% cost allocation shall remain unchanged through at least December 31, 2011 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 80%/20% 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 80%/20% cost allocation on a going forward basis:

15.1.3.1.1.1 A vote of the Management Committee will be taken in the third calendar quarter of 2010 on whether a new study should be conducted during late-2010 and 2011 to allow modification of the 80%/20% cost allocation, if warranted by the results of

the study, to be implemented by January 1, 2012. 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.

15.1.3.1.1.2 If the Management Committee vote discussed in Section 15.1.3.1.1.1 above determines that a study should not be conducted, the 80%/20% cost allocation between withdrawal billing units and injection billing units shall be extended through at least December 31, 2012. In the third calendar quarter of 2011, a vote will be taken on whether a new study should be conducted during late-2011 and 2012 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2013. 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.

15.1.3.1.1.3 If the Management Committee vote in the third calendar quarter of 2011 discussed in Section 15.1.3.1.1.2 above determines that a study should not be conducted, the current 80%/20% 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 2011 discussed in Section 15.1.3.1.1.2 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 gets 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 2011 discussed in Section 15.1.3.1.1.2 above.

15.1.3.1.1.4 If, and when, the Management Committee determines a study shall be conducted:

15.1.3.1.1.4.1 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

15.1.3.1.1.4.2 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.

15.1.3.1.2 The rate for injection billing units shall be the quotient of 20% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated injection billing units, as described in Section 15.1.2 of this Rate Schedule. The rate for withdrawal billing units shall be the quotient of 80% of the sum of the ISO's annual budget and FERC regulatory fees divided by the total annual estimated withdrawal billing units as described in Section 15.1.2 of this Rate Schedule.

15.1.3.1.3 The rates derived in pursuant to Sections 15.1.3.1.1 and 15.1.3.1.2 above shall then be multiplied by each customer's injection billing units and withdrawal billing units, as appropriate, for the month, as described in Section 15.1.2 of this Rate Schedule.

15.1.3.1.4 For Customers that purchase Transmission Congestion Contracts or engage in Virtual Transactions their portion of the sum of (i) the ISO's annual budget including the costs listed in Section 15.1.4.1 of this Rate Schedule; and (ii) the ISO's FERC Regulatory fees, shall be calculated and billed as follows:

15.1.3.1.4.1 For Calendar Year 2010:

15.1.3.1.4.1.1 \$0.020 per MWh for Transmission Congestion Contracts for calendar year 2010, based on a \$6.7 million projected 2010 annual revenue requirement.

15.1.3.1.4.1.2 \$0.065 per cleared MWh for Virtual Transactions for calendar year 2010 based on a \$2.0 million projected 2010 annual revenue requirement.

15.1.3.1.4.2 For Subsequent Calendar Years

Each Customer shall be charged a rate computed annually based on the product of the annual revenue requirement adjusted for the over or under collection of the prior year's annual revenue requirement, divided by the three year rolling average of the billing units, where:

15.1.3.1.4.2.1 the annual revenue requirement is determined using an escalation factor calculated as the percentage change in the originally-approved ISO budget between the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and the calendar year one year prior the current calendar year ("Calendar Year Minus 1");

15.1.3.1.4.2.2 the over/under collection of the prior year's annual revenue requirement is calculated for the period between July of Calendar Year Minus 2 and June of Calendar Year Minus 1. For the purpose of this calculation the annual revenue requirement will be converted to a monthly requirement and then aggregated across the 12 months;

15.1.3.1.4.2.3 the three year rolling average of billing units is calculated using an annual average of the 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.

However, the annual rate computed will be subject to a 25% maximum increase or decrease for each year. Revenue collected pursuant to this Section 15.1.3.1.4 will be disbursed monthly to all withdrawal billing units as described in Section 15.1.2 of this Rate Schedule and to all injection billing units as described in Section 15.1.2 of this Rate Schedule on the same basis described in Section 15.1.3.1.1 of this Rate Schedule.

15.1.3.1.5 For Customers participating in the ISO’s Special Case Resource program or its Emergency Demand Response Program their portion of the sum of (i) the ISO’s annual budget including the costs listed in Section 15.1.4.1 of this Rate Schedule; and (ii) the ISO’s FERC Regulatory fees, shall be billed at the same rate charged to injection billing units as described in Section 15.1.2 of this Rate Schedule. The rate will be reset annually to match the current calendar year’s rate for injections. Revenue collected pursuant to this Section 15.1.3.1.5 will be disbursed monthly to all withdrawal billing units as described in Section 15.1.2 of this Rate Schedule and to all injection billing units as described in Section 15.1.2 of this Rate Schedule on the same basis described in Section 15.1.3.1.1 of this Rate Schedule.

15.1.3.2 Unbudgeted Costs Component

Except with respect to bad debt loss and working capital contribution costs, the responsibility for those costs listed in Section 15.1.4.1 of this Rate Schedule that are neither (i) included in the ISO’s annual budget nor (ii) FERC assessed regulatory fees, shall be allocated 100% to all withdrawal billing

units. The rate to be applied to withdrawal billing units in each month shall be the quotient of the amount of these costs to be included in the month, as determined by the ISO, divided by the total estimated withdrawal billing units for the month, as described in Section 15.1.2 of this Rate Schedule. This rate shall then be multiplied by each Customer's withdrawal billing units for the month. The responsibility for costs associated with bad debt losses and working capital contributions shall be allocated pursuant to Attachments U and V of the ISO OATT.

15.1.3.3 ISO Start-Up and Formation Costs Component

The costs listed in Section 15.1.4.2 of this Rate Schedule shall be estimated each month for the following month, shall be divided by the total estimated withdrawal billing units as described in Section 15.1.2 of this Rate Schedule, for the following month and shall be posted on the ISO's website prior to the start of the subject month. This rate is then multiplied by each customer's withdrawal billing units for the subject month.

15.1.4 ISO Costs

15.1.4.1 ISO costs to be recovered through this ISO Services Charge shall include the costs listed in Section 6.1.3.1 of Rate Schedule 1 of the ISO OATT and the costs incurred by the ISO that are "directly assignable" to the services provided by the ISO under this Tariff that are not recoverable under Rate Schedule 1 of the ISO OATT. Costs recoverable under this charge shall include costs related to: the ISO's administration of the LBMP Markets; the ISO's administration of Installed Capacity requirements and an Installed Capacity Market; the ISO's administration of Control Area Services, other than Ancillary Services provided under the ISO OATT; the ISO's administration of the ISO Market Power Monitoring Program; other activities related to the maintenance of

reliability in the NYCA; and costs related to any indemnification of or by the ISO pursuant to Section 12.4 of this Tariff, together the annual ISO budget; and

15.1.4.2 Fifty (50) percent of the costs associated with the start-up and formation of the ISO, plus interest, equaling \$27.45 million, plus interest, less one-half of the start-up costs already collected by the ISO under the ISO OATT. These costs will be amortized over a period from September 1, 2000 through December 31, 2004.

Where costs or expenses or receipts are incurred on a basis other than a monthly basis, the ISO shall use reasonable judgment consistent with commonly accepted accounting practices to develop the monthly components.