

12 Liability and Indemnification

12.1 Force Majeure

The ISO, the NYSRC, the Transmission Owners and any Customer or Market Participant shall not be considered to be in default or breach under the ISO Services Tariff or a Service Agreement, and shall be excused from performance, or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of the ISO Services Tariff or a Service Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment, or by 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 the making of repairs necessitated by an Emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this section shall relieve any entity of the obligation to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except the settlement of all labor disturbances shall be in the sole judgment of the affected party.

Nothing contained in this section shall relieve a party to a Service Agreement of its obligations to pay all charges due under the Tariff, even if such charges would not have been due had the party claiming force majeure not experienced the force majeure.

12.2 Claims by Employees and Insurance

Each Transmission Owner, Customer, Market Participant and the ISO shall be solely responsible for and shall bear all of the costs of claims by its own employees, contractors, or agents arising under, and covered by, any workers' compensation law. Each of the parties shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this section.

12.3 Limitation on Liability

The ISO, Transmission Owners and NYSRC shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise, to any Customer, Market Participant, or any third party or other party for any damages whatsoever including, without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages resulting from any act or omission in any way associated with a Service Agreement or the ISO Services Tariff, except to the extent that the ISO, Transmission Owner or NYSRC is found liable for gross negligence or intentional misconduct, in which case the ISO, Transmission Owner or NYSRC will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages. This section, however, does not limit in any way the ISO's obligation to indemnify the Transmission Owners pursuant to the ISO/TO Agreement or any other agreement.

Nothing in the ISO Services Tariff, or any Service Agreement pursuant to the ISO Services Tariff, express or implied, is intended to confer on any person, other than the parties to a Service Agreement, any rights or remedies under or by reason of the ISO Services Tariff.

The protections provided to the ISO, Transmission Owners and NYSRC in this Section 12.3 regarding limitation of liability and damages shall be applicable to Generators acting in good faith to implement or comply with the directives of the ISO, Transmission Owner or

NYSRC.

12.4 Indemnification

For the purpose of this section, the terms Market Participant(s) and Customer(s) shall not include a Transmission Owner with respect to acts or omissions related in any way to the Transmission Owner's ownership or operation of its transmission facilities when such acts or omissions are either (1) pursuant to or consistent with ISO Procedures or direction or (2) in any way related to the Transmission Owner's or the ISO's performance under this Tariff.

Subject to the ISO's obligations to the Transmission Owners under the ISO/TO Agreement, the Operating Agreements, and/or the ISO Agreement, each Customer and Market Participant shall indemnify, save harmless and defend the ISO, the Transmission Owners and the NYSRC including their directors, members, managers, officers, employees, trustees, committee members and agents, or each of them (individually the "Indemnitee" or collectively the "Indemnites") from and against all claims, demands, losses, liabilities, judgments, damages, and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by the Indemnites in any actions or proceedings between the Indemnites and a third party, the Customer or Market Participant or any other party) arising out of or related to the Indemnitee's or the Customer's acts or omissions related in any way to performance under the ISO Services Tariff, a Service Agreement, an ISO Related Agreement, or ISO Procedures except to the extent that the Indemnites are found liable for gross negligence or intentional misconduct.

The ISO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the carrying out of its responsibilities under this Tariff. The proceeds from such insurance shall be used prior to the invocation by the ISO of its right to

indemnification under this section through the Rate Schedule 1 charge. Except to the extent that indemnification of the ISO is required from a particular Market Participant or Customer because of the acts or omissions of that Market Participant or Customer, indemnification of or by the ISO shall be effected through the Rate Schedule 1 charge of the ISO OATT.

Nothing in this section shall preclude the ISO from seeking indemnification of penalty costs against Customers and Market Participants, including Transmission Owners, as provided in Schedule 11 of the ISO OATT, except that the ISO shall not be indemnified in instances of its gross negligence or intentional misconduct.

12.5 Other Remedies

Nothing in the ISO Services Tariff shall be construed as in any way to limit the Transmission Owner's rights and remedies, at law or in equity, with respect to a party in the event of an act or omission related to the ISO Services Tariff by such party.

12.6 Survival

The provisions of this Article 12, "Liability and Indemnification," shall survive termination or expiration of the ISO Services Tariff or any associated Service Agreement.