Attachment I

1.2 Definitions - B

Back-Up Operation: The procedures for operating the NYCA in a safe and reliable manner when the ISO's normal communication or computer systems are not fully functional as set forth in Section 2.12 of this ISO OATT and Section 5.3 of the ISO Services Tariff.

Base Point Signals: Electronic signals sent from the ISO and ultimately received by Generators specifying the scheduled MW output for the Generator. Real-Time Dispatch ("RTD") Base Point Signals are typically sent to Generators on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators on a nominal six (6) second basis.

Basis Amount: As defined in the ISO Services Tariff.

Basis Month: As defined in the ISO Services Tariff.

Bid/Post System: An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post Locational Based Marginal Prices and schedules.

Bid: Offer to purchase and/or sell Energy, Demand Reductions, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.

Bid Price: The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

Bid Production Cost: Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running and Minimum Generation Bid, and Start-Up Bid).

Bidding Requirement: As defined in the ISO Services Tariff.

Bilateral Transaction: A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the ISO Administered Markets.

Billing Period: The period of time designated in Sections 2.7.3.2.1, 2.7.3.3.1, or 2.7.3.3.2 of this ISO OATT over which the ISO will aggregate and settle a charge or a payment for services furnished under this ISO OATT or the ISO Services Tariff.

Board of Directors ("Board"): The governing body of the ISO which is comprised of ten (10) persons (Directors) that are unaffiliated with any Market Participants, as described in the ISO Agreement.

Business Issues Committee: A standing committee of the ISO created pursuant to the ISO Agreement to establish rules related to business issues and provide a forum for discussion of those rules and issues.

2.7 Billing and Payment

2.7.1 ISO Clearing Account

The ISO will establish one or more accounts (the "ISO Clearing Account"), and Transmission Customers shall make payments into or receive payments from the ISO Clearing Account in accordance with their settlement information provided by the ISO as described in Section 2.7.3 of this ISO OATT.

The ISO Clearing Account established herein shall be opened and operated by the ISO as trustee in trust for ISO creditors and ISO debtors in accordance with this ISO OATT.

The account shall be maintained at a bank or other financial institution in New York State as a trust account. The ISO Clearing Account shall not be commingled with any other ISO accounts. The ISO will not take title to the funds held in the ISO Clearing Account. Nor will the ISO take title to any Energy, Capacity, Ancillary Services or TCCs.

2.7.2 Determination and Payment of Charges Associated with Transmission Service

This Section 2.7.2 applies to all Transmission Services except Transmission Service pursuant to Grandfathered Agreements listed in Attachment L. Charges applicable to Grandfathered Agreements are described in Attachment K.

2.7.2.1 Transmission Service Charge - General Applicability

The TSC charge is applied to all Actual Energy Withdrawals from the NYS Power System under Part 3 or Part 4 of this Tariff, except for withdrawals by a Transmission Owner to provide bundled retail service or scheduled withdrawals associated with grandfathered transactions as specified in Attachments K and L. The TSC charge also is applied to Transactions to destinations outside the NYCA (Export or Wheel-Through Transactions), except

as provided for in Section 2.7.2.1.4 of this Tariff.

Subject to the foregoing, the TSC applies to all Actual Energy Withdrawals regardless of whether the withdrawals occur in conjunction with a Bilateral Transaction or through the purchase of Energy from an LBMP Market. The TSC is payable under this Section regardless of whether the withdrawal is scheduled under Part 3 or Part 4 of this Tariff. Customers buying Energy from a Transmission Owner as part of a bundled retail rate will pay a portion of the Transmission Owner's transmission revenue requirement as part of their retail rates. Sales to these customers will be included in the billing units used to calculate each Transmission Owner's TSC under this Tariff in accordance with Attachment H.

Transmission Customers who are parties to grandfathered agreements specified in Attachment L will pay the applicable contract rate in those agreements. Revenues from these agreements will be credited against the Transmission Owners' individual revenue requirements in calculating the TSC.

2.7.2.1.1 Payable to Transmission Owners: The TSC will be payable to Transmission Owners, in the manner described below in the remainder of Section 2.7.2.1.

2.7.2.1.2 Payable by Retail Access Customers: Retail access customers or LSEs scheduling on their behalf will pay a TSC to their respective Transmission Owners under the provisions described in Part 5 of this Tariff. The TSC is payable under Part 5 (Retail Access Service) regardless of whether the LSE takes service under Part 3 (Point-to-Point Service) or Part 4 (Network Integration Service) of this Tariff.

2.7.2.1.3 Payable by LSEs Serving Non-Retail Access Load in NYCA: LSEs serving NYCA Load that is not part of a retail access program, such as customers of municipal electric systems, will pay a TSC to the Transmission Owner in whose Transmission District the Load is located. The TSC shall apply to Actual Energy Withdrawals by the Load, regardless of whether such withdrawals are associated with Transmission Service under Part 3 or Part 4 of this Tariff or purchases from an LBMP Market, whether the withdrawals are scheduled or unscheduled, and regardless of whether the withdrawals were made on the Load's behalf by the LSE or by another Transmission Customer.

2.7.2.1.4 Payable by Transmission Customers Scheduling Export or Wheel-Through Transactions: Transmission Customers scheduling Transactions to destinations outside the NYCA (Export or Wheel-Through Transactions) are subject to a TSC as calculated in Attachment H. The TSC charge shall be eliminated on all Exports and Wheel-Through Transactions scheduled with the ISO to destinations within the New England Control Area; provided that the following conditions shall continue to be met: (1) a Commission approved tariff provision is in effect that provides for unconditional reciprocal elimination of charges on Exports and Wheel-Through Transactions from the New England Control Area to the New York Control Area; (2) no change in the provisions in this Tariff related to Local Furnishing Bonds and Other Tax Exempt Financing shall be required for the reciprocal elimination of charges on Export and Wheel-Through Transactions to the New York Control Area; and (3) the New York Transmission Owners have the ability to fully

recover the revenues related to the charges on Export and Wheel-Through Transactions that are eliminated. The ISO and the New York Transmission Owners, jointly or separately, shall have the right to make a Section 205 filing with the Commission to reimpose the charge on Exports and Wheel-Through Transactions if at any time any of the foregoing conditions is no longer satisfied. The ISO will perform the requisite calculation and inform the Transmission Customer of the applicable Transmission Owner(s) of the TSC charge. The TSC will be payable by the Transmission Customer directly to the Transmission Owner(s).

2.7.2.2 Transmission Usage Charge (TUC)

2.7.2.2.1 Payable to the ISO: Transmission Usage Charges include Congestion Rents and charges for Marginal Losses. They are payable directly to the ISO. Attachment J explains the calculation of the TUC.

2.7.2.2.2 Payable by Transmission Customers Scheduling Transmission Service: All Transmission Customers scheduling Transmission Service under Part 3 or Part 4 of this Tariff shall pay the applicable TUC charge as calculated in the Attachment J hereto. Transmission Customers scheduling non-firm transactions under Part 3 will be subject to the Losses Component of the TUC only except as noted in Section 3.2.7 of this Tariff.

2.7.2.2.3 Payable by Transmission Owners Scheduling Bilateral Transactions on Behalf of Bundled Retail Customers: Transmission Owners scheduling Transmission Service to supply bundled retail customers shall pay the applicable TUC charge.

2.7.2.2.4 Payable by Customers Scheduling Direct LBMP Purchases from the LBMP Market: Any Customer purchasing from the LBMP Market to supply bundled retail customers, will pay the Congestion Rent and Marginal Losses charge applicable to its location. These Congestion Rent and Marginal Losses charges will be included in the calculation of the LBMP charged by the ISO for the purchase of Energy from the LBMP Market.

2.7.2.3 Ancillary Services

2.7.2.3.1 Payable to the ISO: All Ancillary Services charges are payable directly to the ISO.

2.7.2.3.2 Payable by LSEs: All LSEs scheduling Transmission Service under Part 3 or Part 4 or purchases from the LMBP Market to supply Load in the NYCA shall pay Ancillary Services charges as described in Schedules 1 through 6. The charges will be assessed on the basis of all Actual Energy Withdrawals by the Load, regardless of whether such withdrawals are scheduled or unscheduled, and regardless of whether they are scheduled on the Load's behalf by the LSE or by another Transmission Customer. As explained in Schedule 1, in certain circumstances the Schedule 1 charge may vary depending upon the Transmission District in which the Load is located.

2.7.2.3.3 Payable by Customers Scheduling External Transactions: Transmission Customers scheduling Export or Wheel-Through Transactions to destinations outside the NYCA, or purchases from the LBMP Market to serve Load outside the NYCA shall pay Ancillary Services charges under Schedules 1, 2, 4, and 5 of this Tariff. The charges will be assessed on the basis of all

Scheduled Energy Withdrawals from the NYCA.

2.7.2.3.4 Payable by Transmission Owners Serving Bundled Retail Customers: Transmission Owners scheduling Transmission Service or purchases from the LBMP Market to serve of bundled retail customers shall pay the ISO Ancillary Services charges as described in Schedules 1 to 6 based on Actual Energy Withdrawals.

2.7.2.4 NYPA Transmission Adjustment Charge (NTAC)

2.7.2.4.1 Payable to the ISO: NTAC charges are calculated in Attachment H. All NTAC charges are payable to the ISO.

2.7.2.4.2 Payable by LSEs Serving Load in the NYCA: Each LSE serving Load in the NYCA shall pay an NTAC to the ISO based on the LSE's Actual Energy Withdrawals.

2.7.2.4.3 Payable by Transmission Customers Scheduling Export or Wheel-Through Transactions: Transmission Customers scheduling Export or Wheel-Through Transactions shall pay an NTAC based on their Transaction schedules. The NTAC charge shall not apply to Exports and Wheel-Through Transactions scheduled with the ISO to destinations within the New England Control Area provided that the conditions listed in Section 2.7.2.1.4 of this Tariff are satisfied.

2.7.2.5 Reliability Facilities Charge ("RFC") and LIPA RFC

2.7.2.5.1 Payable through the ISO: All RFC and LIPA RFC charges are calculated, collected and payable through the NYISO pursuant to Rate Schedule 10.

2.7.3 Billing and Payment Procedures

For purposes of this Section 7.2.3:

(i) the term "Complete Week Settlement Period" shall mean the seven day period between Saturday and Friday for which all of the days are in the same month; and

(ii) the term "Stub Week Settlement Period" shall mean the six or fewer day period between Saturday and Friday for which all of the days are in the same month.

2.7.3.1 Invoices and Settlement Information

The ISO shall provide settlement and billing information to Transmission Customers. The ISO shall inform each Transmission Customer that provides or is provided services furnished under this ISO OATT or the ISO Services Tariff of the payments due for such service. For each service provided for under this ISO OATT or the ISO Services Tariff, the payments due to the ISO shall be netted against the corresponding amounts due to the Transmission Customer for providing service. Such information shall be made electronically available to the Transmission Customer.

2.7.3.2 Billing and Payment Procedures for Services Furnished Before October 1, 2011

2.7.3.2.1 ISO Issuance of Monthly Invoice

Within five (5) business days after the first day of each month, the ISO shall submit an invoice to the Transmission Customer that indicates the net amount owed by or owed to the Transmission Customer for each of the services furnished under this ISO OATT and the ISO Services Tariff during the preceding month, except for those services described in Sections 2.7.3.7, 2.7.3.8, and 2.7.3.9 of this ISO OATT.

2.7.3.2.2 Payment by the Transmission Customer

A Transmission Customer owing payments on net shall make those payments to the ISO Clearing Account by the first banking day common to all Transmission Customers after the 15th day of the month that the invoice is rendered by the ISO. The ISO may net any overpayment by the Transmission Customer for past estimated charges against current amounts due from the Transmission Customer or, if the Transmission Customer has no outstanding amounts due, the ISO may pay to the Transmission Customer an amount equal to the overpayment.

2.7.3.2.3 Payment by the ISO

The ISO shall pay all net monies owed to a Transmission Customer from the ISO Clearing Account by the first banking day common to all Transmission Customers after the 19th day of the month that the invoice is rendered by the ISO.

2.7.3.3 Billing and Payment Procedures for Services Furnished On or After October 1, 2011

2.7.3.3.1 Weekly Invoice

On or about each Wednesday, as set forth in ISO Procedures, the ISO shall submit an invoice to a Transmission Customer that indicates the net amount owed by or owed to the Transmission Customer for those services furnished under this ISO OATT or the ISO Services Tariff for the previous Complete Week Settlement Period or Stub Week Settlement Period that are designated as Weekly Invoice Components in ISO Procedures; *provided, however*, that the net amount owed by or owed to the Transmission Customer for those services furnished for a Stub Week Settlement Period that concludes a month shall be included in the next monthly invoice issued in accordance with Section 2.7.3.3.2 of this ISO OATT.

2.7.3.3.2 Monthly Invoice

Within five (5) business days after the first day of each month, the ISO shall submit an invoice to a Transmission Customer that indicates the net amount owed by or owed to the Transmission Customer:

(i) for those services furnished under this ISO OATT or the ISO Services Tariff for a Stub Week Settlement Period that concludes the previous month that are designated as Weekly Invoice Components in ISO Procedures;

(ii) for any adjustments to amounts contained in the weekly invoices issued in the previous month pursuant to Section 2.7.3.3.1 of this ISO OATT;

(iii) for those services furnished under this ISO OATT or the ISO Services Tariff in the previous month that are designated as Monthly Invoice Components in ISO Procedures;

(iv) for any adjustments to amounts contained in a previously issued monthly invoice that was issued on or about one hundred twenty (120) days prior to the issuance of this invoice; and

(v) for any adjustments to amounts contained in a previously issued monthly invoice as part of the Close-Out Settlement of that monthly invoice pursuant to Section 2.7.4.2.2 of this ISO OATT.

2.7.3.3.3 Payment by the Transmission Customer

A Transmission Customer owing payments on net in its weekly invoice or its monthly invoice shall make those payments to the ISO Clearing Account by the first banking day common to all Transmission Customers that falls on or after the second business day after the date on which the weekly invoice or monthly invoice is rendered by the ISO. The ISO may net

any overpayment by the Transmission Customer for past estimated charges against current amounts due from the Transmission Customer or, if the Transmission Customer has no outstanding amounts due, the ISO may pay to the Transmission Customer an amount equal to the overpayment.

2.7.3.3.4 Payment by the ISO

The ISO shall pay all net monies owed to a Transmission Customer in its weekly invoice or its monthly invoice from the ISO Clearing Account by the first banking day common to all Transmission Customers that falls on or after the second business day after the due date for Transmission Customer payments set forth in Section 2.7.3.3.3 of this ISO OATT.

2.7.3.4 Use of Estimated Data and Meter Data

The ISO may use estimates, including estimated meter data, in whole or in part to settle a weekly or monthly invoice in accordance with ISO Procedures. The ISO shall use meter data submitted to the ISO in accordance with Section 3.16 of this ISO OATT. Any charges based on estimates shall be subject to true-up in invoices subsequently issued by the ISO after the ISO has obtained the requisite actual information, provided that the ISO shall only true-up charges based on meter data prior to the deadline for finalizing the meter data established in Section 2.7.4.2 of this ISO OATT. A trued-up charge shall include interest amounts calculated at the rate set forth in Section 2.7.4 of this ISO OATT from the weekly or monthly due date for the charge until the date of payment of the trued-up amount for that charge.

2.7.3.5 Method of Payment

All payments by the Transmission Customer shall be made by either (i) wire transfer in immediately available funds payable to the ISO as trustee of the ISO Clearing Account or (ii)

any other method set forth in ISO Procedures. All payments by the ISO shall be made either (i) by wire transfer in immediately available funds payable to the Transmission Customer by the ISO as trustee of the ISO Clearing Account or (ii) any other method set forth in ISO Procedures.

2.7.3.6 Verification of Payments

The ISO shall verify that all payments owed by Transmission Customers in accordance with this ISO OATT and the ISO Services Tariff to the ISO Clearing Account have been paid in a timely manner. If a Transmission Customer fails to make a payment within the time period established in Sections 2.7.3.2.1, 2.7.3.3.1, 2.7.3.3.2, and 2.7.3.7 of this ISO OATT or pays less than the amount due, the ISO shall take measures pursuant to Section 2.7.5 of this ISO OATT. The ISO shall also ensure that monies owed to Transmission Customers in accordance with this ISO OATT and the ISO Services Tariff are paid through the ISO Clearing Account in a timely manner.

2.7.3.7 TCC Auction Settlements

Notwithstanding Sections 2.7.3.2.1, 2.7.3.3.1, and 2.7.3.3.2 of this ISO OATT, the ISO shall make settlements related to the Centralized TCC Auction and the Reconfiguration Auction as set forth in this Section 2.7.3.7.

2.7.3.7.1 The ISO shall submit invoices to, and make settlements with, Transmission Owners in connection with the allocation of Net Auction Revenues in accordance with the timeline set forth in ISO Procedures.

2.7.3.7.2 Transmission Customers owing payments as a result of their activity in or related to a Centralized TCC Auction or Reconfiguration Auction, pursuant to an award notice or a comparable invoice rendered by the ISO, shall make those payments to the ISO Clearing Account in accordance with the timeline set forth in ISO Procedures.

2.7.3.7.3 The ISO shall pay all net monies owed to Transmission Customers as a result of their activity in or related to a Centralized TCC Auction or a Reconfiguration Auction, pursuant to an award notice or a comparable invoice rendered by the ISO, from the ISO Clearing Account in accordance with ISO Procedures.

2.7.3.7.4 Sections 2.7.3.1, 2.7.3.4, 2.7.3.5 and 2.7.3.6 of this ISO OATT and Section 19.9.6 of Attachment M of this ISO OATT shall apply to settlements calculated in accordance with this Section 2.7.3.7.

2.7.3.8 Settlement Information and Billing Procedures for TSCs

The ISO shall provide each Transmission Owner with information to facilitate TSC billing. Settlement information and billing procedures for payments of the TSC by retail access customers or LSEs serving retail access customers in accordance with Section 5 of this ISO OATT shall be separately issued, paid and collected in accordance with Section 5 of this ISO OATT. Settlement information and billing procedures for payments for TSCs for customers other than retail access customers and LSEs serving retail access customers shall be separately issued, paid and collected in accordance with the terms and conditions set forth in Attachment H of this ISO OATT in accordance with Section 5 of this ISO OATT.

2.7.3.9 Billing Procedures for Retail Access Programs

The billing procedures for customers participating in retail access programs shall be in accordance with Part IV of this ISO OATT.

2.7.4 Interest on Unpaid Balances:

Interest on any unpaid amount whether owed to a Transmission Customer or to the ISO as trustee of the ISO Clearing Account (including amounts placed in escrow) shall be calculated

in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a (a)-(2)-(iii). Interest on unpaid amounts shall be calculated from the due date of the bill to the date of payment. Invoices shall be considered as having been paid on the date of receipt by the ISO.

If the ISO is unable to provide settlement information on time due to the actions or inactions of the Transmission Customer, in addition to any other remedies the ISO may have at law or in equity, the Transmission Customer shall pay interest on amounts due, as calculated above, from the first day of the Billing Period following the Billing Period in which charges are accrued, to the time of payment of those charges.

2.7.4.1 Billing Disputes:

This Section 2.7.4.1 establishes the process and timeframe for review, challenge, and correction of Transmission Customer invoices. For purposes of this Section 2.7.4.1, any deadline that falls on a Saturday, Sunday, or holiday for which the ISO is closed shall be observed on the ISO's next business day.

For purposes of this Section 2.7.4.1, "finalized" data and invoices shall not be subject to further correction, including by the ISO, except as ordered by the Commission or a court of competent jurisdiction; *provided, however*, that nothing herein shall be construed to restrict any stakeholder's right to seek redress from the Commission in accordance with the Federal Power Act.

2.7.4.2 Settlement Cycle for Services Furnished On and After January 1, 2009

2.7.4.2.1 ISO Corrections or Adjustments and Transmission Customer Challenges to the Accuracy of Settlement Information

Settlement information for services furnished beginning January 1, 2009, and thereafter shall be subject to review, comment, and challenge by a Transmission Customer and correction

or adjustment by the ISO for errors at any time for up to five (5) months from the date of the initial invoice for the month in which service is rendered as set forth in Sections 2.7.3.2.1 and 2.7.3.3.2 of this ISO OATT, as applicable, and as further provided in Section 2.7.4.2.2, subject to the following requirements and limitations:

(i) A Supplier or meter authority may review, comment on, and challenge Generator, tie-line, and sub-zone Load metering data for fifty-five (55) days from the date of the initial invoice for the month in which service is rendered. Following this review period, the ISO shall then have five (5) days to process and correct Generator, tie-line, and sub-zone Load metering data, after which time it shall be finalized.

(ii) The meter authority shall provide to the ISO all LSE bus metering data then available within seventy (70) days from the date of the initial invoice and shall provide any necessary updates to the LSE bus metering data as soon as possible thereafter. The ISO shall post all available LSE bus metering data within approximately seventy-one (71)seventy-five (75) days from the date of the initial invoice and shall continue to post incoming LSE bus metering data as soon as practicable after it is received.

(iii) The ISO shall post advisory settlement information, including available LSE bus metering data, within ninety (90) days from the date of the initial invoice. Transmission Customers may review, comment on, and challenge this settlement information, except for Generator, tie-line, and sub-zone Load metering data, after which the ISO shall process and correct the data and issue a corrected invoice with the regular monthly invoice issued on or about one hundred twenty (120)

days from the date of the initial invoice. Following the ISO's issuance of a corrected invoice, Transmission Customers may continue to review, comment on, and challenge their settlement information, excepting Generator, tie-line, and sub-zone Load metering data, until the end of the five-month review period.

(iv) The meter authority shall provide to the ISO any final updates or corrections to LSE bus metering data within one hundred thirty (130) days from the date of the initial invoice. The ISO shall then post any updated and corrected LSE bus metering data within one hundred thirty-five (135) days from the date of the initial invoice. Transmission Customers may then review, comment on, and challenge the LSE bus metering data for an additional ten (10) days. Following this review period, the ISO shall have five (5) days to process and correct the LSE bus metering data, after which it shall be finalized.

The ISO shall use reasonable means to post metering revisions for review by Transmission Customers and to notify Transmission Customers of the approaching expiration of review periods. To challenge settlement information contained in an invoice, a Transmission Customer shall first make payment in full, including any amounts in dispute. Transmission Customer challenges to settlement information shall: (i) be submitted to the ISO in writing, (ii) be clearly identified as a settlement challenge, (iii) state the basis for the Transmission Customer's challenge, and (iv) include supporting documentation, if applicable. The ISO shall notify all Transmission Customers of errors identified and the details of corrections or adjustments made pursuant to this Section 2.7.4.2.1.

2.7.4.2.2 Review and Correction of Challenged Invoices

The ISO shall evaluate a settlement challenge as soon as possible within two (2) months

following the conclusion of the challenge period specified in Section 2.7.4.2.1; *provided, however,* the ISO may, upon notice to Transmission Customers within this time of extraordinary circumstances requiring a longer evaluation period, take up to six (6) months to evaluate a settlement challenge. The ISO shall not be limited to the scope of Transmission Customer challenges in its review of a challenged invoice and may, at its discretion, review and correct any other elements and intervals of a challenged invoice, except Load and meter data as specified in Section 2.7.4.2.1. Corrections to a challenged invoice shall be applied to all Transmission Customers that were or should have been affected by the original settlement and shall not be limited to the Transmission Customer challenging the invoice; *provided, however,* that the ISO may recover *de minimis* amounts or amounts that the ISO is unable to collect from individual Transmission Customers through Rate Schedule 1 of this ISO OATT.

Upon completing its evaluation, the ISO shall provide written notice to the challenging Transmission Customer of the ISO's final determination regarding the Transmission Customer's settlement challenge. If the ISO determines that corrections or adjustments to a challenged invoice are necessary and can quantify them with reasonable certainty, the ISO shall provide all Transmission Customers with the details of the corrections or adjustments within the timeframe established in this Section 2.7.4.2.2. The ISO shall then provide a period of twenty-five (25) days for Transmission Customers to review the corrected settlement information and provide comments to the ISO regarding the implementation of those corrections or adjustments; *provided, however,* that in the event of a dispute resolution proceeding conducted in accordance with Section 2.7.4.3 of this ISO OATT, this twenty-five (25) day period shall not start or, if it has already started, shall be suspended until the conclusion of the dispute resolution proceeding. Following the conclusion of the dispute resolution proceeding, the ISO shall make any

corrections to Transmission Customers' settlement invoices that it determines to be necessary and shall then start or re-start the twenty-five (25) day Transmission Customer comment period.

If no errors in the implementation of corrections or adjustments are identified during the twenty-five (25) day Transmission Customer comment period, the ISO shall issue a finalized close-out settlement ("Close-Out Settlement"), clearly identified as such, in the next regular monthly billing invoice. If an error in the implementation of a correction or adjustment is identified during the twenty-five (25) day Transmission Customer comment period, the ISO shall have one (1) month to make such further corrections as are necessary to address the error and provide Transmission Customers with one additional period of twenty-five (25) days to review and comment on the implementation of those further corrections. If an error in the implementation of those further corrections is identified, the ISO shall then have one (1) month to make any final corrections that are necessary and shall issue a finalized Close-Out Settlement in the next regular monthly billing invoice.

2.7.4.3 Expedited Dispute Resolution Procedures for Unresolved Settlement Challenges

2.7.4.3.1 Applicability of Expedited Dispute Resolution Procedures

This Section 2.7.4.3 establishes expedited dispute resolution procedures applicable to address any dispute between a Transmission Customer and the ISO regarding a Transmission Customer settlement that was not resolved in the ordinary settlement review, challenge, and correction process; *provided, however*, that nothing herein shall restrict a Transmission Customer or the ISO from seeking redress from the Commission in accordance with the Federal Power Act.

A Transmission Customer may request expedited dispute resolution if it has previously presented a settlement challenge consistent with the requirements of Section 2.7.4.2.1 of this ISO

OATT and has received from the ISO a final, written determination regarding the settlement challenge pursuant to Section 2.7.4.2.2 of this ISO OATT. The scope of an expedited dispute resolution proceeding shall be limited to the subject matter of the Transmission Customer's prior settlement challenge. Transmission Customer challenges regarding Generator, tie-line, sub-zone Load, and LSE bus metering data shall not be eligible for formal dispute resolution proceedings under this ISO OATT. To ensure consistent treatment of disputes, separate requests for expedited dispute resolution regarding the same issue and the same service month or months may be resolved on a consolidated basis, consistent with applicable confidentiality requirements.

2.7.4.3.2 Initiation of Expedited Dispute Resolution Proceeding

To initiate an expedited dispute resolution proceeding, a Transmission Customer shall submit a written request to the ISO Chief Financial Officer within eleven (11) business days from the date that the ISO issues a final, written determination regarding a Transmission Customer settlement challenge pursuant to Section 2.7.4.2.2 of this ISO OATT. A Transmission Customer's written request for expedited dispute resolution shall contain: (i) the name of the Transmission Customer making the request, (ii) an indication of other potentially affected parties, to the extent known, (iii) an estimate of the amount in controversy, (iv) a description of the Transmission Customer's claim with sufficient detail to enable the ISO to determine whether the claim is within the subject matter of a settlement challenge previously submitted by the Transmission Customer, (v) copies of the settlement challenge materials previously submitted by the Transmission Customer to the ISO, and (vi) citations to the ISO Tariffs and other relevant materials upon which the Transmission Customer's settlement challenge relies.

The ISO Chief Financial Officer shall acknowledge in writing receipt of the Transmission Customer's request to initiate an expedited dispute resolution proceeding. If the ISO determines

that the proceeding would be likely to aid in the resolution of the dispute, the ISO shall accept the Transmission Customer's request and provide written notice of the proceeding to all Transmission Customers through the ordinary means of communication for settlement issues. The ISO shall provide written notice to the Transmission Customer in the event that the ISO declines its request for expedited dispute resolution.

2.7.4.3.3 Participation by Other Interested Transmission Customers

Any Transmission Customer with rights or interests that would be materially affected by the outcome of an expedited dispute resolution proceeding may participate; *provided, however*, that a Transmission Customer seeking or supporting a change to the NYISO's determination regarding a Transmission Customer settlement challenge must have previously raised the issue in a settlement challenge consistent with the requirements of Section 2.7.4.2.1 of this ISO OATT. To participate, such Transmission Customer shall submit to the ISO Chief Financial Officer a written request to participate that meets the requirements for an initiating request for expedited dispute resolution within eleven (11) business days from the date that the ISO issues notice of the expedited dispute resolution proceeding. If the ISO determines that the Transmission Customer has met the requirements of this Section 2.7.4.3.3, the ISO will accept the Transmission Customer's request to participate in the dispute resolution proceeding.

2.7.4.3.4 Selection of a Neutral

As soon as reasonably possible following the ISO's acceptance of a Transmission Customer's request for expedited dispute resolution under Section 2.7.4.3.2, the ISO shall appoint a neutral to preside over the proceeding by randomly selecting from a list (i) provided to the ISO by the American Arbitration Association or (ii) developed by the ISO with input from the appropriate stakeholder committee, until an available neutral is found. To the extent

possible, the neutral shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues and the financial settlement of electric markets.

No person shall be eligible to act as a neutral who is a past or present officer, employee, or consultant to any of the disputing parties, or of an entity related to or affiliated with any of the disputing parties, or is otherwise interested in the matter in dispute except upon the express written consent of the parties. Any individual appointed as a neutral shall make known to the disputing parties any such disqualifying relationship or interest and a new neutral shall be appointed, unless express written consent is provided by each party.

2.7.4.3.5 Conduct of the Expedited Dispute Resolution Proceeding

The neutral shall schedule the initial meeting of the disputing parties within five (5) business days of appointment. Except as otherwise provided in this Section 2.7.4.3, the neutral shall have discretion over the conduct of the dispute resolution process including, but not limited to: (i) requiring the disputing parties to meet for discussion, (ii) allowing or requiring written submissions, (iii) establishing guidelines for such written submissions, and (iv) allowing the participation of Transmission Customers that have requested an opportunity to be heard.

Within sixty (60) days of the appointment of the neutral, if the dispute has not been resolved, the neutral shall provide the disputing parties with a written, confidential, and non-binding recommendation for resolving the dispute. The disputing parties shall then meet in an attempt to resolve the dispute in light of the neutral's recommendation. If the disputing parties have not resolved the dispute within ten (10) days of receipt of the neutral's recommendation, the dispute resolution process will be concluded.

Neither the recommendation of the neutral, nor statements made by the neutral or any party, including the ISO, or their representatives, nor written submissions prepared for the

dispute resolution process, shall be admissible for any purpose in any proceeding.

2.7.4.3.6 Allocation of Costs

Each party to a dispute resolution proceeding shall be responsible for its own costs incurred during the process and for a pro rata share of the costs of a neutral.

2.7.5 Customer Default

2.7.5.1 Events of Default

A Transmission Customer shall be in default, upon written notice from the ISO, in the event that: (i) the Transmission Customer fails to timely make a payment due to the ISO, regardless of whether such payment obligation is in dispute, (ii) the Transmission Customer fails to comply with the ISO's creditworthiness requirements, or (iii) the Transmission Customer fails to cure its default in another independent system operator/regional transmission organization market. In the event of a billing dispute between the ISO and the Transmission Customer, the ISO will continue to provide service under the Service Agreement as long as the Transmission Customer continues to make all payments.

2.7.5.2 Cure

Unless otherwise provided in Attachment W to this OATT, a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to timely make a payment due to the ISO. A Transmission Customer shall have two (2) business days to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements; *provided*, *however*, that a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to comply with the ISO's creditworthiness requirements following termination of a Prepayment Agreement.

2.7.5.3 ISO Remedies

In addition to any and all other remedies available under the ISO Tariffs or pursuant to law or equity, the ISO shall have the following remedies:

(i) **Event of Default.** Upon an event of default and expiration of the relevant cure period, the ISO may terminate service to a Transmission Customer immediately upon notice to the Commission. In addition, in the event of a default, the ISO may initiate debt collection procedures on behalf of the ISO Clearing Account. The process for declaring and recovering bad debt losses is set forth in Attachment U to this OATT.

(ii) **Financial Distress.** In the event of a reduction in the amount of a Transmission Customer's Unsecured Credit (a) by fifty percent (50%) or more as determined in accordance with Section 26.5 of Attachment K to the ISO Services Tariff, or (b) as a result of a material adverse change as determined in accordance with Section 26.12 of Attachment K to the ISO Services Tariff, then the ISO shall have the right to: (1) immediately issue an invoice to such Transmission Customer requiring payment within two (2) business days from the invoice date for initial settlements representing the sum of that Billing Period's daily billing data available as of the invoice date, and/or (2) require such Transmission Customer to prepay estimated charges weekly for up to twelve months in accordance with ISO Procedures.

(iii) **Default in Another ISO/RTO.** In the event a Transmission Customer fails to cure its default in another independent system operator/regional transmission organization market, then the ISO shall have the right to: (1) demand immediate payment by the Transmission Customer to the ISO for any amounts owed as of

the date of the demand, and/or (2) require the Transmission Customer to prepay estimated charges weekly for up to twelve months in accordance with ISO Procedures, and/or (3) reduce or eliminate the amount of the Transmission Customer's Unsecured Credit.

(iv) **Two Late Payments.** In the event a Transmission Customer fails to pay its invoice when due on two occasions within a rolling twelve (12) month period, then the ISO shall have the right to: (1) require the Transmission Customer to prepay estimated charges weekly, based on the charges incurred by the Transmission Customer in the previous week, for up to twelve months, and/or (2) reduce or eliminate the amount of the Transmission Customer's Unsecured Credit for up to twelve (12) months.

2.7.5.4 Notice to Transmission Customers

The ISO shall notify all Transmission Customers in the event that a Transmission Customer is in default and shall also notify all Transmission Customers in the event that the Transmission Customer subsequently cures the default or the ISO terminates the Transmission Customer due to the default.

2.7.6 Stranded Costs

The Transmission Owners other than NYPA may seek to recover stranded costs from the Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in Commission Order No. 888. However, the Transmission Owners must separately file any proposal to recover stranded costs under Section 205 of the FPA. This provision shall not supersede or otherwise affect a Transmission Owner's right to recover stranded costs under other authority. To the extent that LIPA's rates for service are established

by LIPA's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s and are not subject to Commission and/or PSC jurisdiction, LIPA's recovery of stranded costs will not be subject to the foregoing requirements.

Upon filing of a proposal to recover stranded costs under the FPA, the Transmission Owner shall immediately provide the ISO with a copy of the appropriate rate schedule which will be incorporated as a new Stranded Service and Point-to-Point Service Customers and remit the collected amounts to the applicable Transmission Owner(s). Any SIRC rate schedule developed by LIPA under this Tariff will be effective upon receipt by the ISO, subject to any applicable laws and orders.

2.14 Creditworthiness

All Transmission Customers and applicants seeking to become Transmission Customers shall be subject to the creditworthiness requirements contained in Attachment K to the ISO Services Tariff, including the minimum participation criteria set forth in Section 26.1 of Attachment K. "Customer," as used in Attachment K to the ISO Services Tariff, shall also mean "Transmission Customer" and an applicant seeking to become a Transmission Customer.

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 Article 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 as set forth in Article 6.1.3 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 Article 6.1.4;

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

(iii) non-ISO facilities payment charges as set forth in Article 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 Article 6.1.7;

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

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

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

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

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

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

(xi) payments to allocate financial penalties collected by the ISO as set forth in Article 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 credit the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 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 Article 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.

$$\text{ISO Annual Budget Charge}_{c,P} = \left(\text{InjectionUnits}_{c,P} \times \left(.2 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}}\right)\right) + \left(\text{WithdrawalUnits}_{c,P} \times \left(.8 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}}\right)\right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$\text{ISO Annual Budget Charge}_{c,P}$ = 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.

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

$TotalEstWithdrawalUnits_{Annual}$ = 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.

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

The current 80%/20% 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, 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:

(i) 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.

(ii) If the Management Committee vote discussed in (i) 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.

(iii) If the Management Committee vote in the third calendar quarter of 2011 discussed in (ii) 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 (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 2011 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.

$$VTCharge_{c,P} = VTRate \times VTCleared_{c,P}$$

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 2010, the applicable rate shall be $0.065 per cleared MWh of Virtual Transactions, based on a $2.0 million projected 2010 annual revenue requirement.

For calendar years following 2010, 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.

$$TCCCharge_{c,P} = TCCRate \times TCCSettled_{c,P}$$

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 2010, the applicable rate shall be $0.020 per settled MWh of Transmission Congestion Contracts, based on a $6.7 million projected 2010 annual revenue requirement. For calendar years following 2010, 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.

$$\text{SCR and EDR Charge}_{c,P} = \text{DRInjections}_{c,P} \times \left(.2 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

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

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

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

$\text{TotalEstWithdrawalUnits}_{\text{Annual}}$ = 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.

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 2010, 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.

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

Where:

ResetRate = For each calendar year after calendar year 2010, 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

The ISO shall distribute each Billing Period the revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

$$\text{ISO Annual Budget Credit}_{c,P} = \left(\text{NonPhysicalActivityRevenue}_P \times \left(.2 \times \frac{\text{InjectionUnits}_{c,P}}{\text{TotalInjectionUnits}_P}\right)\right) + \left(\text{NonPhysicalActivityRevenue}_P \times \left(.8 \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}\right)\right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

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

$\text{NonPhysicalActivityRevenue}_P$ = 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.

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

$\text{WithdrawalUnits}_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$\text{TotalInjectionUnits}_P$ = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period P.

$\text{TotalWithdrawalUnits}_P$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period P.

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.

$$\text{NERC\&NPCC Charge}_{c,Q} = \text{NERC\&NPCCCosts}_{Q} \times \frac{\text{TUWithdrawalUnits}_{c,M}}{\text{TUTotalWithdrawalUnits}_{M}}$$

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 collection of costs related to 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 Part 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-ISO Facilities Payment Charge$_{c,h}$ =

$$\frac{\text{NonISOFacilitiesCosts}_{M}}{N} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_{h}}$$

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-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.

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.

6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 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-ISO Facilities Payment Charge$_{c,d}$ =

$$\frac{\text{NonISOFacilitiesCosts}_{M}}{N} \times \frac{\text{StationPower}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

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

N = Number of days d in month M.

$\text{StationPower}_{c,d}$ = 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.

$\text{Non-ISO Facilities Payment Credit}_{c,d}$ =

$$\text{NonISOFacPayCharge}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

d = A given day in the relevant Billing Period.

$\text{Non-ISO Facilities Payment Credit}_{c,d}$ = 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 $Charge_{c,d}$ =

$$LRRPayment_d \times \frac{TDWithdrawalUnits_{c,d}}{TDTotalWithdrawalUnits_d}$$

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 Part 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.

$$\text{Residual Costs Payment/Charge}_{c,h} =$$

$$\left(\text{CustomerPayments}_{h} - \text{ISOPayments}_{h}\right) \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_{h}}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

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

$\text{WithdrawalUnits}_{c,h}$ = 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.

$\text{TotalWithdrawalUnits}_{h}$ = 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.

$\text{CustomerPayments}_{h}$ = 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.

$ISOPayments_h$ = 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 Part 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$_{c,d}$ =

$$\frac{\left(\text{CustomerPayments}_{d}\text{-ISOPayments}_{d}\right)}{\text{TotalWithdrawalUnits}_{d}} \times \text{StationPower}_{c,d}$$

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.

$$\text{Residual Costs Adjustment}_{c,d} = \text{ResidCharge/PaymentCosts}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

d = A given day in the relevant Billing Period.

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

$\text{ResidCharge/PaymentCosts}_{d}$ = (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.

$$\text{Local Reliability SCR and CSP Charge}_{c,h} =$$

$$\text{LocalReliabilityCosts}_{h} \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_{h}}$$

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 that serves Load in the NYCA 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.

NYCA Reliability SCR and CSP $Charge_{c,h}$ =

$$NYCAReliabilityCosts_h \times \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

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 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 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 Part 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.

$$\text{Local Reliability DAMAP Charge}_{c,h} = \text{DAMAPCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

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 Part 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.

$$\text{Local Reliability DAMAP Charge}_{c,d} = \frac{\text{DAMAPCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

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 $\text{Credit}_{c,d}$ =

$$\text{LocRelDAMAPCharge}_{d} \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_{d}}$$

Where:

d = A given day in the relevant Billing Period.

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

$\text{LocRelDAMAPCharge}_{d}$ = 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 Part 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.

$$\text{Remaining DAMAP Charge}_{c,h} = \text{RemainingDAMAPCosts}_{h} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_{h}}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

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

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

$\text{WithdrawalUnits}_{c,h}$ = 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.

$\text{TotalWithdrawalUnits}_{h}$ = 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.

6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 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.

$$\text{Remaining DAMAP Charge}_{c,d} = \frac{\text{RemainingDAMAPCosts}_{d}}{\text{TotalWithdrawalUnits}_{d}} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$\text{StationPower}_{c,d}$ = 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.

$$\text{Remaining DAMAP Credit}_{c,d} = \text{RemainingDAMAPCharge}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

d = A given day in the relevant Billing Period.

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

$\text{RemainingDAMAPCharge}_{d}$ = 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 Part 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.

$$\text{Import Curtailment Guarantee Charge}_{c,h} = \text{ImportCurtGuarCosts}_{h} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_{h}}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

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

$\text{ImportCurtGuarCosts}_{h}$ = The costs, in $, for the Import Curtailment Guarantee Payments to Import Suppliers for hour h.

$\text{WithdrawalUnits}_{c,h}$ = 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.

$\text{TotalWithdrawalUnits}_{h}$ = 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.

6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 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.

$$\text{Import Curtailment Guarantee Charge}_{c,d} = \frac{\text{ImportCurtGuarCosts}_{d}}{\text{TotalWithdrawalUnits}_{d}} \times \text{StationPower}_{c,d}$$

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.

$$\text{Import Curtailment Guarantee Credit}_{c,d} = \text{ImpCurtGuarCharge}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

d = A given day in the relevant Billing Period.

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

$\text{ImpCurtGuarCharge}_{d}$ = 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 Part 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.

$$\text{Local Reliability BPCG Charge}_{c,d} = \text{BPCGCosts}_{d} \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_{d}}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$\text{Local Reliability BPCG Charge}_{c,d}$ = 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.

$\text{SZWithdrawalUnits}_{c,d}$ = 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 Part 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.

$$\text{Local Reliability BPCG Charge}_{c,d} = \frac{\text{BPCGCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

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.

$$\text{Local Reliability BPCG Credit}_{c,d} = \text{LocRelBPCGCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

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.

$$\text{Local Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_{d} \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_{d}}$$

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 that serves Load in the NYCA 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.

$$\text{NYCA Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$\text{NYCA Reliability SCR BPCG Charge}_{c,d}$ = 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.

$\text{WithdrawalUnits}_{c,d}$ = 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.

$\text{TotalWithdrawalUnits}_d$ = 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.

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 Part 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.

$$\text{Remaining BPCG Charge}_{c,d} = \text{RemainingBPCGCosts}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

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

$\text{RemainingBPCGCosts}_{d}$ = 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.

$\text{WithdrawalUnits}_{c,d}$ = 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.

$\text{TotalWithdrawalUnits}_{d}$ = 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.

6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 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.

$$\text{Remaining BPCG Charge}_{c,d} = \frac{\text{RemainingBPCGCosts}_{d}}{\text{TotalWithdrawalUnits}_{d}} \times \text{StationPower}_{c,d}$$

Where:

$\text{StationPower}_{c,d}$ = 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.

$$\text{Remaining BPCG Credit}_{c,d} = \text{RemainingBPCGCharge}_{d} \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{d}}$$

Where:

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

$\text{RemainingBPCGCharge}_{d}$ = 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.

$$\text{Dispute Resolution Payment/ Charge}_{c,P} = \text{DisputeResolutionCosts}_{P} \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_{P}}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$\text{Dispute Resolution Payment/Charge}_{c,P}$ = 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.

$\text{DisputeResolutionCosts}_{P}$ = 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.

$\text{WithdrawalUnits}_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$\text{TotalWithdrawalUnits}_{P}$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period P.

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.

$$\text{Financial Penalties Credit}_{c,P} = \text{PenaltyRevenue}_{P} \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_{P}}$$

Where:

c = Transmission Customer.

P = A given day in the relevant Billing Period.

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

$\text{PenaltyRevenue}_{P}$ = 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 this Article 6.1.14 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,P}$ = The Withdrawal Billing Units, in MWh, for Transmission Customer c for Billing Period P.

$\text{TotalWithdrawalUnits}_{P}$ = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for 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, 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 with respect to the Transmission Customer's Transaction 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 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, Exports and Purchases from the LBMP Market where the Energy is delivered to an NYCA Interconnection with another Control Area 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 all Voltage Support Service from the ISO.

6.2.2 Payments

6.2.2.1 Payments made by Transmission Customers and LSEs

Transmission Customers 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

$$Rate_{VSS} = \frac{\sum^{All} NYISO_{VSSPayments} + PYA_{VSS}}{Energy_{NYISO}}$$

Where:

$Rate_{VSS}$ = Voltage Support Service Rate

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

$\Sigma^{All} NYISO_{VSSPayments}$ = The sum of the projected ISO payments to generation facilities 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} = Total of prior year payments to generation facilities 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 and LSEs in the prior year for Voltage Support Service (including all payments for penalties).

Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to a NYCA interconnection with another Control Area 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. The ISO shall credit Revenue collected by application of this charge, on a Load ratio share basis, to Transmission Customers engaging in Wheels Through, Exports and Purchases from the LBMP Market where the Energy is delivered to a NYCA interconnection with another Control Area in the day and LSEs serving New York Control Area Load in the day. For LSEs and all Wheels Through, Exports and Purchases from the LBMP Market for Energy delivered to a NYCA interconnection with another Control Area, 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.

6.3 Schedule 3 - Charges for Regulation Service

Regulation Service is necessary to provide for the continuous balance of resources (generation and interchange) with Load. Regulation Service is accomplished by committing on-line Generators whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in Load. The obligation to maintain this balance between Resources and Load lies with the ISO. The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements to satisfy its Regulation Service obligation. The charges for Regulation Service are set forth below.

6.3.1 Customer Obligations and Responsibilities

Transmission Customers and LSEs shall either purchase this service from the ISO, Self-Supply or purchase this service from alternate Suppliers.

6.3.2 Charges to Transmission Customers

6.3.2.1 For all Actual Energy Withdrawals for Load located in the NYCA, the LSE is considered the Transmission Customer taking service under Sections 3, 4 and 5 of this Tariff for purposes of this Rate Schedule and shall pay a charge for this service on all Transmission Service in accordance with this Tariff and purchases in the LBMP Markets in accordance with the ISO Services Tariff, when such service serves Load located in the NYCA.

6.3.2.2 The ISO shall charge Transmission Customers and LSEs serving Load in the NYCA for Regulation and Frequency Response for each hour. The ISO shall

charge Transmission Customers or LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for Regulation and Frequency Response for each day. The charge shall be calculated as the Regulation and Frequency Response Rate, determined as an hourly or a daily rate as appropriate, multiplied by the LSE's or Transmission Customer's Load for the hour or by the Transmission Customers or LSEs withdrawals to provide Station Power as a third party provider for the day. The ISO shall calculate the Regulation and Frequency Response Rate, for an hour or for a day as appropriate, as follows:

$$Rate_{RFR} = \frac{\text{(Supplier Payment - Supplier Charge - Generator Charge)}}{Load_{NYCA}}$$

where: $Rate_{RFR}$ is the hourly or daily rate for Regulation and Frequency Response; Supplier Payment is the aggregate of all Day-Ahead Market and Real-Time Market payments (including Regulation Revenue Adjustment Payments) made by the ISO to all Suppliers of this Regulation Service as described in Sections 15.3.4, 15.3.5, 15.3.6 and 15.3.7 of Rate Schedule 3 of the ISO Services Tariff for the hour or for the day;

Supplier Charge is the aggregate of: (i) charges paid by all Suppliers for poor Regulation Service performance, as described in Section 15.3.5.5 and, if its provisions are re-instituted, Section 15.3.8 of Rate Schedule 3 of the ISO Services Tariff; (ii) all real-time imbalance charges paid by Suppliers under Section 15.3.5.3(a) of that Rate Schedule; and (iii) all Regulation Revenue Adjustment Charges assessed pursuant to Section 15.3.6 of that Rate Schedule for the hour or for the day.

Generator Charge is the aggregate of charges paid by all Generators that do not provide Regulation Service and do not follow their RTD Base Points sufficiently accurately, as described

in Rate Schedule 3A of the ISO Services Tariff for the hour or for the day; and $Load_{NYCA}$ is the total Load in the NYCA for the hour or for the day, as appropriate.

6.3.2.3 In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services Tariff, exceed the payments made to Suppliers of this service (i) the ISO shall not assess a charge against any LSE, and (ii) the surplus will be applied to the following hour as an offset to subsequent payments.

6.3.2.4 Charges to be paid by Transmission Customers for this service shall be aggregated to render a charge for each Billing Period. The ISO shall credit charges paid for Regulation and Frequency Response by Transmission Customers or LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for the day on a Load ratio share basis to Transmission Customers and LSEs serving Load in the NYCA for the day.

6.7 Schedule 7 - Firm Point-To-Point Transmission Service

The charges for Firm Point-To-Point Transmission Service are described below. Section 2.7 of this Tariff contains the billing and settlement terms and identifies which customers are responsible for paying each of the charges. Charges are based on actual transmission use with billing units measured in MWh.

6.7.1 Transmission Usage Charge ("TUC")

The TUC (in $) for each Billing Period shall be the sum of the hourly values for each hour in that Billing Period of (i) the hourly Day-Ahead TUCs for Firm Point-To-Point Transmission Service scheduled in the Day-Ahead Market, and (ii) the hourly Real-Time TUCs for Firm Point-To-Point Transmission Service scheduled before the close of the Real-Time Scheduling Window.

6.7.1.1 The hourly Day-Ahead TUC shall be calculated as follows:

Hourly Day-Ahead TUC = Scheduled Amount x ($DALBMP_{DP}$ - $DALBMP_{RP}$)

Where:

Scheduled Amount is the quantity of MWh scheduled for Firm Point-To-Point Transmission Service in the Day-Ahead Market by the Transmission Customer for that hour.

$DALBMP_{DP}$ is the Day-Ahead LBMP price of Energy (in $/MWh) in that hour measured at the Point of Delivery (or withdrawal) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

$DALBMP_{RP}$ is the Day-Ahead LBMP price of Energy (in $/MWh) in that hour measured at the Point of Receipt (or injection) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

6.7.1.2 The hourly Real-Time TUC shall be calculated as follows:

$$TUC \ \ for\ hour\ k\ For\ transaction\ j = \frac{1}{3600}\sum_{i=1}^{n} MW_{ij} * t_i * \left(LBMP_{ij}^{r} - LBMP_{ij}^{s}\right)$$

where:

MW_{ij} = MW of the Transmission Service for RTD execution interval i, for transaction j

n = Number of RTD intervals in an hour

t_i = Number of seconds in interval i which are part of hour k

$LBMP_{ij}^{r}$ = LBMP at withdrawal location r for RTD execution interval i, for transaction j

$LBMP_{ij}^{s}$ = LBMP at injection locations for RTD execution interval i, for transaction j

3600 = number of seconds in each hour

6.7.1.2.1 A Transmission Customer that submits a real-time Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is less than the Scheduled Amount, shall be credited for the difference at the Real-Time TUC.

6.7.1.2.2 A Transmission Customer that submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is

greater than the Scheduled Amount, shall be charged for the difference at the Real-Time TUC.

6.7.1.3 Exceptions

6.7.1.3.1 A Transmission Customer's Transmission Service schedule associated with an Export Bilateral Transaction shall be set equal to the physical schedule of the Export Bilateral Transaction for any hour in which the ISO physically curtails the customer's scheduled Transmission Service.

6.7.1.3.2 Transmission Customers with Grandfathered Rights that take Transmission Service in the Day-Ahead Market that corresponds to that customer's Grandfathered Rights shall pay for Marginal Losses associated with the hourly Day-Ahead LBMP in lieu of the TUC in accordance with Attachment K.

6.7.2 Marginal Losses

Payments for Marginal Losses (the "Marginal Losses Cost") shall equal the sum of the Hourly Day-Ahead Marginal Losses Cost and any adjustment to that cost as a result of subsequent schedule changes in the Real-Time Market (the "Hourly Real-Time Marginal Losses Cost")

6.7.2.1 Hourly Day-Ahead Marginal Losses Cost is calculated as follows:

Hourly Day-Ahead Marginal Losses Cost = Scheduled Amount x ($DAMLC_{DP}$ - $DAMLC_{RP}$)

Where:

$DAMLC_{DP}$ is the Marginal Losses Component of the Day-Ahead LBMP measured at the Delivery Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

$DAMLC_{RP}$ is the Marginal Losses Component of the Day-Ahead LBMP measured at the Receipt Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

6.7.2.2 Hourly Real-Time Marginal Losses Cost is calculated as follows:

Hourly Real-Time Marginal Losses Cost = Scheduled Amount x ($RTMLC_{DP}$ - $RTMLC_{RP}$)

Where:

$RTMLC_{DP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Delivery Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

$RTMLC_{RP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Receipt Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

6.7.2.2.1 If the Transmission Customer submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is less than the Scheduled Amount in the Day-Ahead Market, the ISO shall credit that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

6.7.2.2.2 If the Transmission Customer submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is

greater than the Scheduled Amount in the Day-Ahead Market, the ISO shall charge that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

6.7.3 Wholesale Transmission Service Charge ("WTSC")

The Wholesale Transmission Service Charge (in $) is calculated as follows:

6.7.3.1 For Exports and Wheels Through

WTSC = Schedule Amount x WTSC Rate

Where:

Scheduled Amount is the quantity of MWh scheduled in each hour for that month for Firm Point-To-Point Transmission Service by the Transmission Customer.

WTSC Rate is the Wholesale Transmission Service Charge Rate or combination of rates that applies to the Transmission Customer's Transmission Service as determined in Attachment H.

6.7.3.2 For Imports and Internal Wheels

WTSC = Actual Energy Withdrawals x WTSC Rate

6.7.4 Retail Transmission Service Charge ("RTSC")

The rates and charges for retail transmission service are described in Part 5 of this Tariff.

6.7.5 NYPA Transmission Adjustment Charge ("NTAC")

LSEs serving retail access Load will be charged an NTAC consistent with each Transmission Owner's retail access program pursuant to Section 2.7 of this Tariff. The Transmission Customer shall pay to the ISO each Billing Period the NTAC. NTAC (in $) is calculated as follows:

6.7.5.1 For Exports and Wheels Through

NTAC = Scheduled Amount x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

Scheduled Amount is the amount of MWh scheduled in each hour for that Billing Period for Firm Point-To-Point Transmission Service by the Transmission Customer.

6.7.5.2 For Imports and Internal Wheels

NTAC = Actual MWh Withdrawals x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

6.8 Schedule 8 - Non-Firm Point-To-Point Transmission Service

The charges for Non-Firm Point-To-Point Transmission Service are described below. Section 2.7 of this Tariff contains the billing and settlement terms and identifies which customers are responsible for paying each of the charges. Charges are based on actual transmission use with billing units measured in MWh.

6.8.1 Marginal Losses

Hourly Real-Time Marginal Losses Cost is calculated as follows:

Hourly Real-Time Marginal Losses Cost = Scheduled Amount x

($RTMLC_{DP}$ - $RTMLC_{RP}$)

Where:

$RTMLC_{DP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Delivery Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

$RTMLC_{RP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Receipt Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

6.8.2 Wholesale Transmission Service Charge ("WTSC")

The Wholesale Transmission Service Charge (in $) is calculated as follows:

6.8.2.1 For Exports and Wheels Through

WTSC = Schedule Amount x WTSC Rate

Where:

Scheduled Amount is the quantity of MWh scheduled in each hour for that month for Non-Firm Point-To-Point Transmission Service by the Transmission Customer.

WTSC Rate is the Wholesale Transmission Service Charge Rate or combination of rates that applies to the Transmission Customer's Transmission Service as determined in Attachment H.

6.8.2.2 For Imports and Internal Wheels

WTSC = Actual Energy Withdrawals x WTSC Rate

6.8.3 Retail Transmission Service Charge ("RTSC")

The rates and charges for retail transmission service are described in Section 5 of this Tariff.

6.8.4 NYPA Transmission Adjustment Charge ("NTAC")

LSEs serving retail access load will be charged an NTAC consistent with each Transmission Owner's retail access program pursuant to Section 2.7 of this Tariff. The Transmission Customer shall pay to the ISO each Billing Period the NTAC. NTAC (in $) is calculated as follows:

6.8.4.1 For Exports and Wheels Through

NTAC = Scheduled Amount x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

Scheduled Amount is the amount of MWh scheduled in each hour for that Billing Period for Non-Firm Point-To-Point Transmission Service by the Transmission Customer.

6.8.4.2 For Imports and Internals Wheels

NTAC = Actual MWh Withdrawals x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

6.9 Schedule 9 - Network Integration Transmission Service

The charges for Network Integration Transmission Service are described below. Article 2.7 of this Tariff contains the billing and settlement terms and identifies which customers are responsible for paying each of the charges. Charges are based on actual transmission use with billing units measured in MWh.

6.9.1 Transmission Usage Charge ("TUC")

The TUC (in $) for each Billing Period shall be the sum of the hourly values for each hour in that Billing Period of (i) the hourly Day-Ahead TUCs for Network Integration Transmission Service scheduled in the Day-Ahead Market, and (ii) the hourly Real-Time TUCs for Network Integration Transmission Service scheduled no later than ninety (90) minutes prior to such hour in the Dispatch Day.

6.9.1.1 The hourly Day-Ahead TUC shall be calculated as follows:

Hourly Day-Ahead TUC = Scheduled Amount x ($DALBMP_{DP}$ - $DALBMP_{RP}$)

Where:

Scheduled Amount is the quantity of MWh scheduled for Network Integration Transmission Service in the Day-Ahead Market by the Transmission Customer for that hour.

$DALBMP_{DP}$ is the Day-Ahead LBMP price of energy (in $/MWh) in that hour measured at the Point of Delivery (or withdrawal) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

$DALBMP_{RP}$ is the Day-Ahead LBMP price of energy (in $/MWh) in that hour measured at the Point of Receipt (or injection) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

6.9.1.2 The hourly Real-Time TUC shall be calculated as follows:

$$TUC \ \ for\ hour\ k\ For\ transaction\ j = \frac{1}{3600}\sum_{i=1}^{n} MW_{ij} * t_i * \left(LBMP_{ij}^{r} - LBMP_{ij}^{s}\right)$$

Where:

Mw_{ij} = MW of the transaction for SCD execution interval i, for transaction j

n = Number of SCD intervals in an hour

t_i = Number of seconds in interval i which are part of hour k

$LBMP_{ij}r$ = LBMP at withdrawal location r for SCD execution interval i, for transaction j

$LBMP_{ij}s$ = LBMP at injection locations for SCD execution interval i, for transaction j

3600 = number of seconds in each hour

6.9.1.2.1 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later then ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is less than the Scheduled Amount, the ISO shall credit that Transmission Customer for the difference at the Real-Time TUC.

6.9.1.2.2 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later then ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is greater than

the Scheduled Amount, the ISO shall charge that Transmission Customer for the difference at the Real-Time TUC.

6.9.1.3 Exceptions to the requirement to pay the hourly TUC.

6.9.1.3.1 The hourly TUC shall not apply in any hour in which the ISO physically and financially Curtails the customer's scheduled Transmission Service during the Dispatch Day.

6.9.1.3.2 Transmission Customers with Grandfathered Rights that take Transmission Service in the Day-Ahead Market that corresponds to that customer's Grandfathered Rights shall, subject to a Section 205 filing under the Federal Power Act, pay for Marginal Losses associated with the hourly Day-Ahead LBMP in lieu of the TUC.

6.9.2 Marginal Losses

Payments for Marginal Losses (the "Marginal Losses Cost") shall equal the sum of the Hourly Day-Ahead Marginal Losses Cost and any adjustment to that cost as a result of subsequent schedule changes in the Real-Time Market (the "Hourly Real-Time Marginal Losses Cost")

6.9.2.1 Hourly Day-Ahead Marginal Losses Cost is calculated as follows:

Hourly Day-Ahead Marginal Losses Cost = Scheduled Amount x ($DAMLC_{DP}$ - $DAMLC_{RP}$)

Where:

$DAMLC_{DP}$ is the Marginal Losses Component of the Day-Ahead LBMP measured at the Delivery Point identified in the Transmission Customer's

schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

$DAMLC_{RP}$ is the Marginal Losses Component of the Day-Ahead LBMP measured at the Receipt Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

6.9.2.2 Hourly Real-Time Marginal Losses Cost is calculated as follows:

Hourly Real-Time Marginal Losses Cost = Scheduled Amount x ($RTMLC_{DP}$ - $RTMLC_{RP}$)

Where:

$RTMLC_{DP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Delivery Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

$RTMLC_{RP}$ is the Marginal Losses Component of the Real-Time LBMP measured at the Receipt Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

6.9.2.2.1 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is less than the Scheduled Amount in the Day-Ahead Market, the ISO shall credit that Transmission Customer for the difference in

Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

6.9.2.2.2 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is greater than the Scheduled Amount in the Day-Ahead Market, the ISO shall charge that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

6.9.3 Wholesale Transmission Service Charge ("WTSC")

The Wholesale Transmission Service Charge (in $) is calculated as follows:

6.9.3.1. For Exports and Wheels Through

WTSC = Schedule Amount x WTSC Rate

Where:

Scheduled Amount is the quantity of MWh scheduled in each hour for that month for Network Integration Transmission Service by the Transmission Customer.

WTSC Rate is the Wholesale Transmission Service Charge Rate or combination of rates that applies to the Transmission Customer's Transmission Service as determined in Attachment H.

6.9.3.2. For Imports and Internal Wheels

WTSC = Actual Energy Withdrawals x WTSC Rate

Where:

Actual MWh Withdrawal is the quantity of MWh withdrawn at the Point of Delivery identified in the Transmission Customer's Transmission Service schedule, in an hour. The amount shall be determined by: (1) measurement with a revenue-quality meter; (2) assessment in accordance with a Transmission Owner's PSC-approved retail access program or LIPA's lawfully established retail access program where the customer's demand is not measured by a revenue-quality meter; or (3) using a method agreed to by the customer and the applicable Transmission Owner until such time as a revenue-quality meter is available.

6.9.4 Retail Transmission Service Charge ("RTSC")

The rates and charges for retail transmission service are described in Section 5 of this Tariff.

6.9.5 NYPA Transmission Adjustment Charge ("NTAC")

LSEs serving retail access Load will be charged an NTAC consistent with each Transmission Owner's retail access program pursuant to Section 2.7 of this Tariff. The Transmission Customer shall pay to the ISO each Billing Period the NTAC. NTAC (in $) is calculated as follows:

6.9.5.1 For Exports and Wheels Through

NTAC = Scheduled Amount x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

Scheduled Amount is the amount of MWh scheduled in each hour for that Billing Period for Network Integration Transmission Service by the Transmission Customer.

6.9.5.2 For Imports and Internals Wheels

NTAC = Actual MWh Withdrawals x NTAC Rate

Where:

NTAC Rate is the rate listed and described in Attachment H.

Actual MWh Withdrawal is the quantity of MWh withdrawn at the Point of Delivery identified in the Transmission Customer's Transmission Service schedule, in an hour. The amount shall be determined by: (1) measurement with a revenue-quality meter; (2) assessment in accordance with a Transmission Owner's PSC-approved retail access program or LIPA's lawfully established retail access program where the customer's demand is not measured by a revenue-quality meter; or (3) using a method agreed to by the customer and the applicable Transmission Owner until such time as a revenue-quality meter is available.

6.10 Schedule 10 - Rate Mechanism for the Recovery of the Reliability Facilities Charge ("RFC")

6.10.1 Applicability.

This rate mechanism establishes the Reliability Facilities Charge ("RFC") for the recovery of costs related to each regulated reliability transmission project undertaken pursuant to a determination by the NYISO that a regulated solution is needed to address reliability needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.6.4 of Attachment Y of the NYISO OATT and the NYISO/TO Reliability Agreement. For purposes of this attachment, a regulated reliability transmission project includes a regulated backstop transmission project or a regulated transmission Gap Solution proposed by a Responsible Transmission Owner, or an alternative regulated transmission project proposed by a TO or an Other Developer, provided that such alternative regulated transmission project has been determined by the appropriate state regulatory agency(ies) as the preferred solution to the identified Reliability Need. The rate mechanism shall not apply to projects undertaken by Transmission Owners pursuant to Local Transmission Owner Planning Processes pursuant to Section 31.1.1.2 and Section 31.2.1 of Attachment Y of the NYISO OATT. The RFC shall be comprised of the revenue requirements related to: (i) each regulated reliability transmission project filed with FERC by a Transmission Owner pursuant to the provisions of this Attachment; (ii) any costs incurred by NYPA and filed with FERC by the NYISO pursuant to the provisions of this Attachment; and (iii) any FERC approved costs incurred by an Other Developer under Section 6.10.5 and filed with FERC by the NYISO or Other Developer pursuant to the provisions of this Attachment. Any costs incurred by LIPA and allocable to other Transmission Districts will be collected under a separate LIPA RFC as set forth in

Section 6.10.4.3 and filed with FERC by the NYISO pursuant to the provisions of Section 6.10.4.3. This RFC will provide for full recovery of all reasonably incurred costs related to the preparation of proposals for, and the development, construction, operation and maintenance of any regulated reliability transmission project undertaken pursuant to Attachment Y of this tariff, including all reasonable costs related to such a project that is halted in accordance with the provisions of the NYISO's tariff and the NYISO/TO Reliability Agreement. Subject to regulatory acceptance, the RFC shall include a reasonable return on investment and any applicable incentives. The RFC established under this Attachment shall be separate from the Transmission Service Charge ("TSC") and the NYPA Transmission Adjustment Charge ("NTAC") determined in accordance with Attachment H of the NYISO OATT. With respect to the recovery of costs incurred by LIPA and NYPA, the provisions of Sections 6.10.1, and 6.10.2 through 6.10.3.4 of this Attachment shall not apply to LIPA or NYPA, except as provided for in Sections 6.10.4.3 and 6.10.4.4 of this Attachment. The recovery of costs related to development, construction, operation and maintenance of a regulated reliability transmission project undertaken by LIPA or NYPA shall be pursuant to the provisions of Sections 6.10.4.3 and 6.10.4.4 of this Attachment**.** The recovery of costs related to development, construction, operation and maintenance of an Alternative Regulated Solution proposed by an Other Developer shall be pursuant to the provisions of Section 6.10.5 of this Attachment.

6.10.2 Recovery of Transmission Owner's Costs Related to Regulated Reliability Transmission Solutions.

Each Transmission Owner shall have on file at FERC the rate treatment that will be used to derive and determine the revenue requirement to be included in the RFC, and for the LIPA RFC as applicable, for regulated transmission projects undertaken pursuant to a determination by

the NYISO that a regulated solution is needed to address reliability needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.6.4 of Attachment Y of the NYISO OATT. The filing will provide for the recovery of the full revenue requirement for a regulated reliability transmission project consistent with FERC regulations including but not limited to any incentives for the construction of transmission projects provided for in Section 219 of the Federal Power Act and the FERC regulations implementing that section. Pursuant to a determination by the NYISO that a regulated solution is needed to address reliability needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.6.4 of Attachment Y of the NYISO OATT, the Responsible Transmission Owner(s) proceeding with a Regulated Transmission Backstop Solution or a Transmission Owner proceeding with an Alternative Regulated Transmission Solution that is selected by the appropriate state agency as the preferred solution, will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this RFC applies.

6.10.2.1 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.10.2.2 Upon completion of the project, the Transmission Owner(s) or the NYISO as applicable, will make an informational filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The final project cost and resulting revenue requirement will be reduced by any amounts that, pursuant to Section 25.7.12.3.3 of Attachment S to the NYISO OATT, have been previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The resulting revenue

requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the making of the information filing with FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner(s)' revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT. This Section 6.10.2.2 also applies to the recovery of all reasonably incurred costs related to either a regulated backstop transmission project or an alternative regulated transmission project that has been selected by the appropriate state agency(ies) as the preferred solution and that is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT and the NYISO/TO Reliability Agreement. Following the information filing, the NYISO will bill the RFC or LIPA RFC, as applicable.

6.10.2.3 The Transmission Owners may propose a non-transmission solution subject to state jurisdiction to address a reliability need included in the Comprehensive Reliability Plan, provided that the appropriate state agency(ies) has established procedures to ensure full and prompt recovery of all reasonably incurred costs related to a project, comparable to those set forth in this tariff for cost recovery for regulated reliability transmission projects.

6.10.3 RFC Revenue Requirement Recovery.

The RFC is to be billed by the NYISO and paid by the LSEs located in load zones to which the cost of the transmission facilities have been allocated in accordance with Attachment Y of the NYISO OATT. All LSEs in the load zones to which costs have been allocated, including Transmission Owners, competitive LSEs and municipal systems, will be billed by the NYISO.

6.10.3.1 The revenue requirement filed pursuant to Section 6.10.2.2 will be the basis for the RFC Rate ($/MWh) for the Billing Period, and shall be applied by the NYISO to each LSE based on its Actual Energy Withdrawals as set forth in Section 6.10.3.4.

6.10.3.2 To the extent that incremental transmission rights owned by the Transmission Owner sponsoring the project are created as a result of a transmission project implemented in accordance with Attachment Y of the NYISO OATT, those incremental transmission rights that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse the associated revenues to the Transmission Owner(s). The associated revenues will be used in the calculation of the RFC as set forth in Section 6.10.3.4. The incremental transmission rights will continue to be sold for the depreciable life of the project, and the revenues offset discussed above will commence upon the first payment of revenues related to a sale of incremental transmission rights on or after the RFC is implemented for a specific project. These incremental revenues shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT.

6.10.3.3 The NYISO will collect the appropriate RFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to Section 2.7.2.5 of the NYISO OATT.

6.10.3.4 The Billing Units for the RFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the prior Billing Period for those zones determined to be allocated the costs of the project in accordance with Attachment Y of the NYISO OATT.

Step 1: Calculate the $ assigned to each Zone

$$RFC_{z,B} = \sum_{p \in P} \left(\left(AnnualRR_{p,B} - IncrementalTransmissionRightsRevenue_{p,B} \right) \times \left(ZonalCostAllocation\%_{p} \right) \right)$$

Step 2: Calculate a per-MWh Rate for each Zone

$$RFCRate_{z,B} = RFC_{z,B} / MWh_{z,B}$$

Step 3: Calculate charge for each Billing Period for each LSE in each Zone

$$Charge_{B,l,z} = RFCRate_{z,B} \times MWh_{l,z,B}$$

Step 4: Calculate charge for each Billing Period for each LSE across all Zones

$$Charge_{B,l} = \sum_{z \in Z} \left(Charge_{B,l,z} \right)$$

Where,

P = set of Projects.

Z = set of NYISO Zones.

B = the relevant Billing Period.

$MWh_{z,B}$ = Actual Energy Withdrawals in zone z aggregated across all hours in Billing Period B.

$MWh_{l,z,B}$ = Actual Energy Withdrawals for LSE l in zone z aggregated across all hours in Billing Period B.

$AnnualRR_{p,B}$ = the pro rata share of the annual Revenue Requirement for each Project as discussed in Section 6.10.2.2 above allocated for Billing Period B.

Incremental Transmission Rights $Revenue_{p,B}$ = the pro rata share of the Incremental Transmission Rights Revenue for each Project as discussed in Section 6.10.3.2 above allocated for Billing Period B.

6.10.4 Recovery of Costs by an Unregulated Transmitting Utility.

An Unregulated Transmitting Utility is a Transmission Owner that, pursuant to Section 201(f) of the FPA is not subject to the Commission's jurisdiction under Sections 205 and 206 of the FPA. The recovery of costs related to the preparation of proposals for, and the development,

construction, operation and maintenance of, a regulated reliability transmission project undertaken pursuant to Attachment Y of the NYISO OATT by LIPA, as an Unregulated Transmitting Utility, shall be conducted as follows:

6.10.4.1 Upon the request of the NYISO, an Unregulated Transmitting Utility will proceed with the process of receiving any necessary authorization for the requested project.

6.10.4.2 Upon receipt of all necessary federal, state and local authorizations, the Unregulated Transmitting Utility shall commence with construction of the project.

6.10.4.3 Cost Recovery for LIPA

Transmission Owners other than LIPA that propose an alternative regulated transmission project on Long Island would recovery any costs per Sections 6.10.2 through 6.10.3.4 of this Attachment. Other Developers that propose an alternative regulated transmission project on Long Island would recover any costs per Section 6.10.5 of this Attachment.

6.10.4.3.1 Any costs incurred for a regulated backstop reliability transmission project or an alternative regulated transmission project undertaken by LIPA, as an Unregulated Transmitting Utility, shall be recovered as follows:

6.10.4.3.1.1 For costs to LIPA customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the NYISO, for purposes of inclusion within the NYISO OATT and filing with FERC on an informational basis only, a description of the rate recovery mechanism and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance

with the NYISO cost allocation methodology pursuant to Section 31.4.2.2 of Attachment Y of the NYISO OATT.

6.10.4.3.1.2 For Costs to Other Transmission Districts: Where the NYISO determines that there are responsible entities outside of the Long Island Transmission District that should be allocated a portion of the costs of the regulated backstop reliability transmission solution or an alternative regulated transmission solution undertaken by LIPA, LIPA shall inform the NYISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery mechanism described in Section 6.10.4.3.1.1 in accordance with the formula set forth in Section 6.10.3.4. The costs of a LIPA regulated backstop reliability transmission project or an alternative regulated transmission solution, allocable to responsible entities outside of the Long Island Transmission District shall constitute the "revenue requirement" that the NYISO shall include and, and recover through, a separate "LIPA RFC". The NYISO shall file the LIPA RFC with the Commission as an informational filing. The NYISO will file such RFC for Commission review under the same "comparability" standard as is applied to review of changes in LIPA's TSC under Attachment H of this tariff. LIPA shall intervene in support of such filing at the Commission and shall take the responsibility to resolve all concerns about the contents of the filing that might be raised in such proceeding. The NYISO shall bill for LIPA the LIPA RFC to responsible entities in Transmission Districts other than the Long Island Transmission District consistent with Sections 6.10.3.1 through 6.10.3.4 and shall remit the revenues collected to LIPA each Billing Period.

6.10.4.4 Savings Clause. The inclusion in the NYISO OATT or in a FERC filing on an informational basis of the charges for recovery of costs incurred by LIPA or NYPA related to a regulated project undertaken pursuant to Attachment Y into the NYISO OATT, as provided for in Sections 6.10.4.3 and 6.10.4.4, or the inclusion of such charges in the NYISO RFC pursuant to Section 6.10.4.3.1.2, shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.

6.10.5 Recovery of Costs Incurred by an Other Developer Related to an Alternative Regulated Solution.

6.10.5.1 The RFC shall be used as the cost recovery mechanism for the recovery of the costs of an alternative regulated reliability transmission project pursuant to a determination by the NYISO that a regulated solution is needed to address reliability needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.6.4 of Attachment Y of the NYISO OATT, that is proposed, developed or constructed by an Other Developer who is otherwise authorized to propose, develop or construct a regulated transmission project under applicable state and federal law, and that has been determined by the appropriate state regulatory agency(ies) as the preferred solution to the identified Reliability Need , and who is authorized by FERC to recover costs under this rate mechanism. Provided however, nothing in this cost recovery mechanism shall be deemed to create any additional rights for an Other Developer to proceed with a regulated transmission project that such Other Developer does not otherwise have at law. The provisions of Sections 6.10.3 through 6.10.3.4 of this Attachment shall be applicable to the recovery of the costs incurred by an Other Developer for proposing, developing and constructing an alternative regulated transmission project that has been determined by the appropriate state regulatory agency(ies) as the preferred solution to the identified Reliability Need.

6.10.5.2 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of a Section 205 filing authorizing cost recovery under the NYISO tariff, the Other Developer shall commence construction of the project. Upon completion of the project, the Other Developer and/or the NYISO, as applicable, will make a filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The resulting revenue requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the acceptance of the filing by FERC. This Section 6.10.5.2 also applies to the recovery of all reasonably incurred costs related to a project that has been selected as the preferred solution by the appropriate state regulatory agency(ies) and is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT.

6.10.5.3 Other Developers may also propose a non-transmission solution subject to state jurisdiction to address a Reliability Need included in the Comprehensive Reliability Plan.

6.11 Schedule 11 - Penalty Cost Recovery

6.11.1 Direct Allocation of Costs Associated With NERC Penalty Assessments

6.11.1.1 Purpose and Objectives

Under the NERC Functional Model and the NERC Rules of Procedure, Registered Entities within a specific function may be assessed penalties by FERC, NERC, and/or NPCC for violations of NERC Reliability Standards. Pursuant to the terms and conditions of the Tariff and the ISO Procedures, certain tasks associated with Reliability Standards compliance may be performed either by the ISO and/or the Customers even when they are not the Registered Entity. This Schedule furnishes a mechanism by which either the ISO or a Customer may directly allocate, with FERC approval, monetary penalties imposed by FERC, NERC and/or NPCC on the Registered Entity to entity or entities whose conduct is determined by NERC or the Regional Entity to have led to a Reliability Standard violation. For purposes of this rate schedule, the terms "Customer" and "Market Participant" shall include Transmission Owners. The purpose of this schedule is to allow for cost allocation; nothing in this schedule is intended to affect the obligations of Registered Entities for compliance with NERC Reliability Standards. Penalties that are assessed against the ISO on or after the effective date of this Section shall be recoverable as provided in this Section regardless of the date of the violation(s) for which the penalty is assessed. Notwithstanding any provisions of the ISO's Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT.

6.11.1.2 Definitions

All defined terms in this Schedule shall have the meaning given to them in the Tariff and the ISO Procedures unless otherwise stated below.

Compliance Monitoring and Enforcement Program (CMEP) - The program to be used by the NERC and the Regional Entities to monitor, assess and enforce compliance with the NERC Reliability Standards. As part of a Compliance Monitoring and Enforcement Program, NERC and the Regional Entities may, among other things, conduct investigations, determine fault and assess monetary penalties.

NERC Functional Model - Defines the set of functions that must be performed to ensure the reliability of the bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

NERC Reliability Standards - Those standards that have been developed by NERC and approved by FERC to ensure the reliability of the bulk power system.

NERC Rules of Procedure - The rules and procedures developed by NERC and approved by **the** FERC. These rules include the process by which a responsible entity, which is to perform a set of functions to ensure the reliability of the bulk power system, must register as the Registered Entity.

Registered Entity - The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible **for** carrying out the tasks within a NERC function without regard to whether a task or tasks are performed by another entity pursuant to the terms of the ISO's Tariffs and ISO Related Agreements.

Regional Entity - An entity to whom NERC has delegated Electric Reliability Organization (ERO) functions in a particular geographic region. For the ISO region, the applicable Regional Entity is the Northeast Power Coordinating Council (NPCC).

6.11.1.3 Allocation of Costs When the ISO is the Registered Entity

6.11.1.3.1 If FERC, NERC and/or NPCC assesses a monetary penalty against the ISO as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of a Customer or Customers contributed to the Reliability Standard violation(s) at issue, then the ISO may directly allocate such penalty costs or a portion thereof to the Customer or Customers whose conduct

contributed to the Reliability Standards violation(s), provided that all of the following conditions have been satisfied:

(1) Pursuant to the CMEP, the Customer or Customers received notice and an opportunity to fully participate in the underlying CMEP proceeding;

(2) This CMEP proceeding produced a root cause finding, subsequently filed with FERC, that the Customer contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and

(3) A NERC filing of the root cause finding identifying the Customer's or Customers' conduct as causing or contributing to the Reliability Standards violation charged against the ISO as the Registered Entity is made at FERC.

6.11.1.3.2 The ISO will notify the Customer or Customers found to have contributed to a violation, either in whole or in part, in the CMEP proceedings. Such notification shall set forth in writing the ISO's intent to invoke this Section 6.11.1.3 and directly assign the costs associated with a monetary penalty to the Customer or Customers. Such notification shall (i) state that the ISO believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied; and (ii) describe the underlying factual basis supporting a penalty cost assignment, including a description of the conduct contributing to the violation and the nature of the violation of the ISO Tariffs or ISO Related Agreement requirements.

6.11.1.3.3 A failure by a Customer or Customers to participate in the CMEP proceedings will not prevent the ISO from directly assigning the costs associated

with a monetary penalty to the responsible Customer or Customers provided all other conditions set forth herein have been satisfied.

6.11.1.3.4 Where the Regional Entity's and/or NERC's root cause analysis finds that more than one party's conduct contributed to the Reliability Standards violation(s), the ISO shall inform all involved Customers and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with NERC's root cause analysis.

6.11.1.3.5 If the ISO and the involved Customer(s) agree on the proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act for approval.

6.11.1.3.6 Should the Customer(s) disagree with the ISO's initial apportionment of the penalty based on each party's relative fault, then the parties shall meet in an attempt to informally resolve the penalty allocation. If the parties cannot agree informally, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

6.11.1.3.7 Once there is a final order by FERC regarding the ISO's ability to directly assign the penalty amounts, the ISO shall include such amounts in the appropriate Customer's or Customers' invoice for the next Billing Period. Such payment amount shall be due with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the ISO, provided however, nothing precludes the Customer or Customers from paying such penalty when it becomes due for the ISO to avoid paying interest costs. If the Customer pays such penalty

under protest when it becomes due and prior to a final order by FERC and such Customer is thereafter found not liable, the Customer is entitled to a refund of the penalty amount from the ISO, with interest calculated at the FERC authorized refund rate from the date the Customer pays the penalty.

6.11.1.4 Allocation of Costs When a Customer is the Registered Entity

6.11.1.4.1 If FERC, NERC and/or NPCC assesses a monetary penalty against a Customer as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of the ISO contributed to the Reliability Standard violation(s) at issue, then such Customer may directly allocate such penalty costs or portion thereof to the ISO to the extent the ISO's conduct contributed to the Reliability Standards violation(s), provided that the following conditions have been satisfied:

6.11.1.4.1.1 Pursuant to the CMEP, the ISO received notice and an opportunity to fully participate in the underlying CMEP proceeding;

6.11.1.4.1.2 This CMEP proceeding produced a root cause finding, subsequently filed with FERC, that the ISO contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and

6.11.1.4.1.3 A NERC filing of the root cause finding identifying the ISO's conduct as causing or contributing to the Reliability Standards violation charged against the Customer as the Registered Entity is made at FERC.

6.11.1.4.2 The Customer shall notify the ISO if the ISO is found to have contributed to a violation, either in whole or in part in the CMEP proceedings. Such notification shall set forth in writing the Customer's intent to invoke this

Section 6.11.1.4 and directly assign the costs associated with a monetary penalty to the ISO. Such notification shall (i) state that the Customer believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied; and (ii) describe the underlying factual basis supporting a penalty cost assignment, including a description of the conduct contributing to the violation and, where applicable, the nature of the violation of the ISO Tariffs or ISO Related Agreement requirements.

6.11.1.4.3 A failure by the ISO to participate in the CMEP proceedings will not prevent the Customer from directly assigning the costs associated with a monetary penalty to the ISO provided all other conditions set forth herein have been satisfied.

6.11.1.4.4 Where the Regional Entity's and/or NERC's root cause analysis finds that the ISO's conduct contributed to the Reliability Standards violation(s), the Customer shall inform the ISO and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with NERC's root cause analysis.

6.11.1.4.5 If the ISO and the involved Customer agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

6.11.1.4.6 Should the ISO disagree with the Customer's initial apportionment of the penalty based on each party's relative fault, then the parties shall meet in an attempt to informally resolve the penalty allocation. If the parties cannot agree

informally, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

6.11.1.4.7 Once there is a final order by FERC regarding the Customer's direct assignment of costs to the ISO, the ISO shall pay such amount with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the Registered Entity. The ISO shall thereafter pursue the recovery of such costs in accordance with Section 6.11.3 of this Schedule 11. Nothing precludes the ISO from paying such penalty when it becomes due for the Registered Entity to avoid paying interest costs. If the ISO pays such penalty under protest when it becomes due and prior to a final order by FERC and the ISO thereafter is found not liable, the ISO is entitled to a refund of the penalty amount from the Customer with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the ISO. The ISO shall thereafter refund any amounts that were collected from all Customers pursuant to Section 6.11.3 of this Schedule 11.

6.11.2 Allocation of Costs Associated With Other Reliability Penalty Assessments

6.11.2.1 Purpose and Objectives

The ISO is responsible for performing specific functions under other applicable state and federal regulatory requirements and may be assessed penalties by other regulatory bodies for violations of applicable regulatory requirements. Section 6.11.3 of this Schedule furnishes a mechanism by which the ISO may seek to recover monetary penalties imposed by such regulatory authorities. Penalties that are assessed against the ISO on or after the effective date of this Section shall be recoverable as provided in this Section regardless of the date of the

violation(s) for which the penalty is assessed. Notwithstanding any provisions of the ISO's Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff and in Section 2.11.6(c) of the ISO OATT.

6.11.3 Allocation of Costs Associated With Penalty Assessments

6.11.3.1

Where a particular Customer or Customers cannot be identified as the root cause of a penalty assessment against the ISO or if the ISO is assessed a penalty because of its own action or inaction that resulted in a reliability standard violation or a violation of applicable state or federal regulatory requirements, or if the ISO is allocated a penalty under Section 6.11.1.4 of this Schedule 11, the ISO may seek to recover such penalty costs in accordance with this Schedule 11. Any inclusion of penalty assessments in this Schedule 11 must first be approved by FERC on a case-by-case basis, as provided in *Reliability Standard Compliance and Enforcement in Regions with Regional Transmission Organizations or Independent System Operators*, Docket No. AD07-12-000, 122 FERC ¶ 61,247 (2008), or any successor policy. Notwithstanding any provisions of the ISO's Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT.

6.11.3.2

Any and all costs associated with the imposition of NERC Reliability Standards penalties or penalties assessed by other regulatory authorities that may be assessed against the ISO either directly by NERC, other regulatory authority or allocated by a Customer or Customers under this Schedule shall be (i) paid by the ISO notwithstanding the limitation of liability provisions in this Tariff or the Services Tariff; and (ii) recovered as set forth in this Schedule 11, after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT, or as otherwise approved by the FERC.

6.11.3.3

Penalties that are assessed against the ISO on or after the effective date of this section shall be recoverable as provided in this section regardless of the date of the violation(s) for which the penalty is assessed.

6.11.3.4 Allocation Basis and Invoicing

6.11.3.4.1 Allocation Basis. Any penalties that are permitted recovery under Section 6.11.3.0 of this Schedule 11 shall be allocated 50% to all Injection Billing Units and 50% to all Withdrawal Billing Units in the following manner. The rate to be applied to Injection Billing Units shall be the quotient of (i) 50% of (ii) the penalty costs to be recovered in the Billing Period divided by the total Injection Billing Units for the Billing Period. The rate to be applied to the Withdrawal Billing Units shall be the quotient of (i) 50% of (ii) the penalty costs to be recovered in the Billing Period divided by the total Withdrawal Billing Units for that Billing Period. The Injection Billing Unit rate shall then be multiplied by each Transmission Customer's aggregate Injection Billing Units for the Billing

Period, and the Withdrawal Billing Unit rate shall be multiplied by each Transmission Customer's aggregate Withdrawal Billing Units for the Billing Period.

6.11.3.4.2 Invoicing. Once there is a final order by FERC regarding the ISO's ability to recover penalty amounts, the ISO shall include such amounts in the invoice for the next Billing Period utilizing the billing units for the Billing Period of infraction. For purposes of this calculation, the "Billing Period of infraction" shall be the Billing Period in which the violation occurred. Should the penalty be assessed for a violation occurring over multiple Billing Periods, the penalty to be recovered for each Billing Period shall be the total penalty to be recovered through Section 6.11.3 of this Schedule divided by the number of Billing Periods over which the violation occurred. Whenever practicable, the ISO shall recover this Rate Schedule 11 charge in the invoice issued in the Billing Period following the Billing Period in which the NYISO incurs the penalty charge. The ISO may recover penalty charges over several Billing Periods if, in its discretion, the ISO determines such method of recovery to be a prudent course of action. In the event that one or more entities who otherwise would have been apportioned a share of the penalty are no longer Customers, the ISO shall adjust the remaining Customers' shares of the penalty costs, on a proportional basis, if necessary to fully recover the penalty charge.

6.12 Schedule 12 - Rate Mechanism for the Recovery of the Highway Facilities Charge ("HFC")

6.12.1 Applicability

This rate mechanism establishes the Highway Facilities Charge ("HFC") for the recovery of that portion of the costs related to Highway System Deliverability Upgrades ("Highway SDUs") required for deliverability under Section 25.7.12 of Attachment S of the NYISO OATT that are allocated to Load Serving Entities ("LSEs"). The rate mechanism shall not apply to: (i) the extent that a Highway SDU is undertaken and funded pursuant to Attachment Y of the NYISO OATT; (ii) costs for System Upgrade Facilities or System Deliverability Upgrades that are allocated to Developers or Interconnection Customers in accordance with Attachments S, X or Z; or (iii) costs of transmission expansion projects undertaken in connection with an individual request for Transmission Service under Sections 3.7 or 4.5 of the NYISO OATT. The HFC shall be comprised of the revenue requirements related to each Highway SDU filed with FERC by a Transmission Owner pursuant to the provisions of this Schedule. The HFC will provide for full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of any Highway SDU undertaken pursuant to Attachment S of this tariff (including costs for a Highway SDU that is subsequently halted through no fault of the constructing Transmission Owner) that are allocated to LSEs. Subject to regulatory acceptance, the HFC shall include a reasonable return on investment. The HFC established under this Schedule shall be separate from the Transmission Service Charge ("TSC") and the NYPA Transmission Adjustment Charge ("NTAC") determined in accordance with Attachment H of the NYISO OATT and the Reliability Facilities Charge ("RFC") established in accordance with Attachment Y and Rate Schedule 10 of the NYISO OATT.

6.12.2 Recovery of Transmission Owner's Costs Related to Highway SDUs

Each Transmission Owner shall file with FERC the rate treatment, prior to the implementation of any HFC, that will be used to derive and determine the revenue requirement to be included in the HFC for Highway SDUs undertaken pursuant to a Class Year Deliverability Study and allocated to LSEs in accordance with Section 25.7.12 of Attachment S of the NYISO OATT. The rate treatment will provide for the recovery of the full revenue requirement for that portion of a Highway SDU that is allocated to LSEs consistent with the provisions of Attachment S and this Rate Schedule. Pursuant to a determination by the NYISO that the threshold for construction of a Highway SDU has been crossed in accordance with Section 25.7.12.3.1 of Attachment S of the NYISO OATT, Transmission Owner(s) responsible for constructing the Highway SDU will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this HFC applies.

6.12.2.1 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.12.2.2 The portion of the cost of the Highway SDU to be allocated to LSEs will be reduced by any Headroom payments made to the constructing Transmission Owner by a subsequent Developer or Interconnection Customer prior to the completion of the project.

6.12.2.3 Upon completion of the project, the Transmission Owner(s) will make an informational filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Schedule. The recovery of project costs pursuant to this Schedule will commence on the effective date proposed in the informational filing and accepted by FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in

Attachment H of the NYISO OATT. Following the informational filing, the NYISO will bill the HFC, as applicable.

6.12.3 HFC Revenue Requirement Recovery

The HFC is to be invoiced by the NYISO and paid by the LSEs allocated in accordance with Section 25.7.12.3.2 of Attachment S of the NYISO OATT. All LSEs to which costs have been allocated, including Transmission Owners, non-Transmission Owner LSEs and municipal systems, will be invoiced by the NYISO.

6.12.3.1 The revenue requirement filed pursuant to Section 6.12.2.3 will be the basis for the HFC for the Billing Period, and shall be allocated by the NYISO to each LSE based on its proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements as set forth in Attachment S.

6.12.3.2 The HFC for the Billing Period shall include operation and maintenance costs for the proportionate share of the Highway SDU funded by LSEs.

6.12.3.3 LSEs will not be responsible for actual costs in excess of their share of the final Class Year estimated cost of the Highway SDU if the excess results from causes within the control of a Transmission Owner(s) responsible for constructing the Highway SDU as described in Section 25.8.6.4 of Attachment S.

6.12.3.4 To the extent that Incremental TCCs are created as a result of a Highway SDU implemented in accordance with Attachment S of the NYISO OATT, that portion of those Incremental TCCs attributed to LSEs pursuant to Attachment S that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse or credit the associated revenues to the LSEs. These Incremental TCCs will continue to be sold for so long as LSEs are responsible for funding the Highway SDU through an HFC, and the disbursements or credits discussed

above will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the HFC is first invoiced for a specific Highway SDU. These incremental revenues shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT.

6.12.3.5 The NYISO will collect the appropriate HFC revenues for the Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to the NYISO OATT.

6.12.3.6 The HFC for the Billing Period shall be based on the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements for those LSEs determined to be allocated the costs of the project in accordance with Section 25.7.12 of Attachment S of the NYISO OATT.

6.12.3.6.1 For Year 1, the LSEs' ICAP requirements for the most recent NYISO Capability Year prior to the in-service date of the Highway SDU shall be used for cost allocation.

6.12.3.6.2 For subsequent years, the billing cycle shall be adjusted, if necessary, to start following the establishment of the LSEs' ICAP requirements for the current Capability Year.

6.12.3.6.3 Each LSE's share of the HFC for the Billing Period shall be allocated as follows: LSE HFC Allocation = Billing Period HFC x (LSE ICAP Requirement - Locational ICAP Requirement (if applicable))/(Statewide ICAP Requirement – Sum of Locational ICAP Requirements)

6.12.3.6.4 Billing true-ups to account for load shifting between LSEs will be based upon the existing ICAP methodology, as appropriate. These true-ups will occur on a monthly basis.

6.12.3.6.5 Revenue shortfalls, if any, will be allocated to the remaining LSEs in proportion to their ICAP requirements for the Capability Year. Billing adjustments for revenue shortfalls will occur on a monthly basis.

6.12.4 Headroom Accounting

As new generators and merchant transmission facilities come on line and use the Headroom created by a prior Highway SDU, the Developers or Interconnection Customers of those new facilities will reimburse prior Developers or Interconnection Customers or will compensate the LSEs who funded the Highway SDU Headroom in accordance with Sections 25.8.7 and 25.8.8 of Attachment S.

6.12.4.1 The Developer or Interconnection Customer of the subsequent project shall make a lump sum payment to the constructing Transmission Owner(s) proportional to the electrical use of the Headroom in the account by the Developer's or Interconnection Customer's project.

6.12.4.1.1 Payment shall be made as soon as the cost responsibilities of the subsequent Developer or Interconnection Customer are determined in accordance with Attachment S.

6.12.4.1.2 Payment to the constructing Transmission Owner(s) will be based upon the depreciated amount of the Highway SDU in the constructing Transmission Owner's accounting records.

6.12.4.1.3 The constructing Transmission Owner(s) will adjust their revenue requirement to account for the payment received from the subsequent Developer or Interconnection Customer to lower the HFC charged to LSEs going forward.

6.12.4.2 The NYISO will credit the subsequent Developer or Interconnection Customer with any revenues derived from the monetization of Incremental TCCs created by the Highway SDU in proportion to the use of Headroom by the Developer's or Interconnection Customer's project. Credits to the LSEs from sales of Incremental TCCs will be reduced proportionately.

28 Attachment V – ISO Working Capital Fund

The ISO's Working Capital Fund shall be maintained according to the provisions of this Attachment V to the ISO OATT.

28.1 Purpose of the ISO Working Capital Fund

The ISO has accumulated and will maintain a Working Capital Fund through charges, as the ISO deems necessary, under Rate Schedule 1, Section 6.1.4 of the ISO OATT. The Working Capital Fund will be used, among other items, to offset temporary imbalances in ISO cash flow and to ensure the liquidity and stability of the markets administered by the ISO under the ISO Services Tariff. Pursuant to its authority under the ISO Agreement, the ISO Board will determine the ISO's working capital requirements. The ISO shall repay any draws from the Working Capital Fund as soon as reasonably practicable.

28.2 Monitoring and Reporting of Working Capital Fund

The ISO will monitor the activity of the Working Capital Fund, both in the aggregate and according to each Customer's pro rata share of the Working Capital Fund. With respect to each Customer's pro rata share of the Working Capital Fund, the ISO will make available to each Customer electronically, each month, a summary of the Customer's (i) opening balance, (ii) current month contributions, (iii) current month accrued interest, (iv) any other adjustments, and (v) ending balance. When practicable, the ISO will also provide a separate detailed working capital transaction history page for each Customer, in a format that can be downloaded for the Customer's use. The detailed working capital transaction history page will provide a complete history of all transactions relating to the Customer's contributions to the Working Capital Fund.

28.3 Customer Contributions to Increases of the Working Capital Fund

The ISO shall determine each Customer's pro rata share of any increase of the amount of the Working Capital Fund using the following formula:

$$\textbf{Customer's Percentage of Total Collection} = \frac{\textbf{CAR + CAP}}{\textbf{NYAR + NYAP}}$$

Where:

CAR = Customer's accounts receivable, including WTSC, for the service month prior to the month in which the billing invoice is issued.

CAP = Absolute value of Customer's accounts payable, including WTSC, for the service month prior to the month in which the billing invoice is issued.

NYAR = ISO's gross accounts receivable plus the Transmission Owners' accounts receivable from WTSC for the service month prior to the month in which the billing invoice is issued.

NYAP = Absolute value of ISO's gross accounts payable plus the absolute value of the Transmission Owners' accounts payable from WTSC for the service month prior to the month in which the billing invoice is issued.

28.4 Decrease in the Amount of the Working Capital Fund

At the sole discretion of the ISO Board, the ISO periodically may decrease the amount of the Working Capital Fund and distribute to each Customer, on a pro rata basis, a portion of its cumulative principal contribution to the Working Capital Fund. Any such distribution will be made through adjustments to Customer billing invoices.

28.5 Interest Accrued on Working Capital Fund

Interest earned on the Working Capital Fund shall, on a monthly basis, be attributed to, and recorded for, each Customer based on the Customer's percentage share of the balance in the Working Capital Fund.

At the sole discretion of the ISO Board, the ISO periodically may distribute to Customers all or a portion of their pro rata shares of the accrued interest earned on the Working Capital Fund. Any such distribution of interest will be made through adjustments to Customer billing invoices and, if required by applicable federal tax law, the ISO shall issue to those Customers the appropriate federal tax form (e.g., an Internal Revenue Service Form 1099-INT) for the amount of interest distributed.

28.6 Other Adjustments to the Working Capital Fund

Other adjustments to the Working Capital Fund include, but are not limited to, the adjustments described in this Section.

28.6.1 Distributions to Customers Exiting the ISO Markets

The ISO will refund to a Customer terminating its ISO Service Agreements and exiting the ISO markets its cumulative principal contribution to the Working Capital Fund, along with any earned interest that has been accrued but not previously distributed, through the annual contribution adjustment process in Section 28.7 of this Attachment V; *provided, however*, that the ISO shall retain these amounts as security for any unsatisfied financial obligations to the ISO. Customers shall be responsible for providing the ISO with the wire transfer information necessary for the ISO to complete any refund of the Customer's Working Capital Fund contribution.

28.6.2 Customer Nonpayment and Default

In the event that part or all of a payment owed by a Customer remains unpaid after the payment is due, the ISO may use the Working Capital Fund as necessary to meet its cash flow requirements; *provided, however*, that the ISO shall set aside the nonpaying Customer's contribution to the Working Capital Fund pending determination of ISO's counsel and/or the appropriate bankruptcy courts regarding the appropriate disposition of such funds. If the ISO draws from the Working Capital Fund to meet its cash flow requirements in the event of a Customer nonpayment and then later declares the nonpayment to be a bad debt loss, the ISO shall recover the bad debt loss through the provisions of Rate Schedule 1 in accordance with

Attachment U to the ISO OATT and shall replenish the Working Capital Fund through Rate Schedule 1.

The ISO shall pursue available remedies for Customer defaults under the ISO tariffs. Upon the necessary determination from the ISO's counsel and/or the appropriate bankruptcy courts and after applying a nonpaying Customer's available collateral, if any, the ISO shall apply the Customer's share of the Working Capital Fund to satisfy remaining amounts owed to the ISO, including amounts owed as a result of settlement corrections. Upon termination of service to the Customer and reconciliation by the ISO of final settlement corrections affecting the Customer, the ISO shall return the Customer's remaining share of the Working Capital Fund, if any, in accordance with the provisions of Section 28.5.1 of this Attachment V.

28.6.3 Differences between ISO Actual and Forecasted Loads

The ISO funds its operating costs by charging Customers according to Section 6.1.3.1 of Rate Schedule 1. In the event that differences between actual and forecasted ISO loads result in an insufficient recovery of its operating costs, the ISO may offset any shortfall in operating costs by (i) temporarily drawing from the Working Capital Fund or (ii) increasing the Rate Schedule 1 charge. Whenever practicable, the ISO shall provide notice to Market Participants of the potential need to offset a shortfall in operating costs in accordance with this Section 28.6.3.

28.7 Contributions to Working Capital Fund from New Customers

Customers that execute ISO Service Agreements and become approved ISO Customers after the effective date of this Attachment V will not be required to make an initial contribution to the Working Capital Fund, but will be required to (i) contribute, through a Rate Schedule 1 charge, their pro rata share of any subsequent increases of the Working Capital Fund as described in Section 28.3 of this Attachment V and (ii) make a contributions to the Working Capital Fund in connection with the next annual adjustment as described in Section 28.7 of this Attachment V.

28.8 Annual Adjustment of Working Capital Fund Contributions

During the month of January of each calendar year, the ISO shall determine and adjust, if necessary, the contributions to the Working Capital Fund required from each Customer during that year using the following formula, except as provided in Section 28.5.1 of this Attachment V.

$$\textbf{Customer's Annual Adjusted Percentage of Total Collection} = \frac{\textbf{CAR + CAP}}{\textbf{NYAR + NYAP}}$$

Where:

CAR = Customer's accounts receivable, including WTSC, during the prior calendar year.

CAP = Absolute value of Customer's accounts payable, including WTSC, during the prior calendar year.

NYAR = ISO's gross accounts receivable plus the Transmission Owners' accounts receivable from WTSC during the prior calendar year.

NYAP = Absolute value of ISO's gross accounts payable plus the absolute value of the Transmission Owners' accounts payable from WTSC during the prior calendar year.

In February of each calendar year, the ISO shall either refund or charge, as applicable, each Customer for the difference between the Customer's principal share of the Working Capital Fund at the conclusion of the prior calendar year and the Customer's adjusted principal share of the Working Capital Fund as calculated in accordance with this Section 28.8. The ISO shall have the discretion to amortize such refunds or charges over one or more months beyond February, based upon the magnitude of the annual adjustments.

28.9 Working Capital Fund Contributions Not Considered As Collateral

A Customer's contributions to, and its pro rata share of, the Working Capital Fund shall not be considered as, or counted towards, any collateral that may be required from the Customer.