

Attachment IV

UNSCHEDULED TRANSMISSION SERVICES AGREEMENT

This Agreement made on the ____ day of _____, 2000.

BETWEEN:

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

and

PJM INTERCONNECTION, L.L.C., a limited liability company organized under the laws of Delaware, hereinafter call "PJM,"

Sometimes hereinafter referred to as the "Parties" or individually as a "Party".

WHEREAS, either Party, from time to time, may provide transmission services to the other Party in connection with transactions not scheduled directly or otherwise prearranged between the Parties;

WHEREAS, the Parties desire to set forth the terms and conditions pursuant to which the Parties will be compensated for such transmission services; and

WHEREAS, the Parties desire that this Agreement supercede and replace Schedule 6.02 to the Interconnection Agreement between the NYPP Group and the PJM Group;

NOW THEREFORE, in consideration of these premises and of the mutual covenants herein, the parties agree as follows:

ARTICLE I

NATURE OF UNSCHEDULED TRANSMISSION SERVICES (UTS)

Transmission services provided by either Party for the other in connection with transactions not scheduled directly or otherwise prearranged between the Parties shall be defined and compensated for in accordance with this Agreement. This Agreement supercedes and replaces Schedule 6.02 to the Interconnection Agreement between NYPP Group and the PJM Group effective May 1, 1984, which, upon the effective date of this Agreement, shall terminate.

Issued By: Richard A. Drom
Vice President, General Counsel
Issued On: January 30, 2001

Effective: January 1, 2001

ARTICLE II

DEFINITIONS

1. *Branchburg-Ramapo*: Branchburg-Ramapo refers to the Branchburg-Ramapo (5018) 500 kV line. For the purposes of this Agreement, the flow on Branchburg-Ramapo shall be deemed to be the measure of the flow between the Parties.

2. *Desired Flow*: Desired Flow is the calculated flow representing the flow that is modeled to occur on Branchburg-Ramapo according to the laws of physics. The calculation represents the following factors as determined by the NYISO-PJM Administrative Committee:

- A. Percentage of NYISO-PJM Scheduled Interchange which should flow on Branchburg-Ramapo where Scheduled Interchange is the sum of the transactions currently scheduled to flow between the NYISO and PJM using the available interconnection facilities.
- B. Consideration for insufficient or excess Public Service Electric and Gas Company transfer of NYISO energy to Consolidated Edison Company of NY, Inc.
- C. Unscheduled transmission flows, as determined by the NYISO-PJM Administrative Committee, including those resulting from scheduled interchange between one of the Parties and others not party to this Agreement ("Protection"); where "Protection" has been developed by the NYISO-PJM Administrative Committee to i) account for the portion of scheduled transactions between a Party and another entity not party to this Agreement which would flow on the transmission system of the other Party according to the laws of physics and ii) hold the Parties harmless for flows caused by parties external to the NYISO and PJM. (See Exhibit 3).

3. *Economic Detriment*: Economic detriment occurs whenever UTS occurs simultaneously with the existence of one or more of that Party's transmission system constraints listed in Exhibit 2. As a result, a Party is unable to deliver available economic energy from the western region of its system to the generally higher cost eastern areas of its system resulting in financial harm to its operation.

4. *NYISO-PJM Administrative Committee*: The NYISO-PJM Administrative Committee is the committee established pursuant to Article I of the Inter Control Area Transactions Agreement between the Parties executed the first day of May, 2000.

5. *Payment Due Date*: The Payment Due Date shall be the first common banking day after the nineteenth day of the month.

6. *Unscheduled Transmission Service or "UTS"*: UTS occurs whenever either Party arranges energy transactions, other than those scheduled directly or otherwise prearranged between the Parties, and all or part of the resulting energy flows affect the transmission system of the other

party in such magnitude as to impose Economic Detriment on said other Party and its customers; such other Party shall be deemed to have provided Unscheduled Transmission Service (UTS) under the terms of this Agreement. UTS occurs during any hour that one or both Parties experience Economic Detriment. UTS is an hourly value measured as the amount by which the difference between the actual flow and the Desired Flow, in either direction, exceeds an acceptable use (deadband) of 100 MWh on Branchburg-Ramapo. UTS is required by the Party whose energy transactions caused the excess flow. Excess flows caused by interregional emergencies shall be excluded from the determination of UTS. The Party providing such UTS shall furnish or make available to the other Party all information necessary to determine the amount of such service provided.

ARTICLE III

RATES AND CHARGES

PJM Rates: Whenever PJM provides UTS, the compensation payable by the NYISO shall be determined each hour as the amount of such service multiplied by the difference in PJM's "NYPP-East" locational marginal price (LMP) and PJM's APS Interface LMP (See Exhibit 1).

NYISO Rates: Whenever NYISO provides UTS, the compensation payable by PJM shall be determined each hour as the amount of such service multiplied by the difference between the NYISO Zone "H" (Indian Point) locational-based marginal price (LBMP) and the NYISO Zone "A" (Niagara) LBMP.

ARTICLE IV

BILLING AND PAYMENT

Invoices: The Party providing the UTS shall furnish or make available to the other Party receiving UTS an invoice covering such service promptly after the end of each calendar month.

Payment Due Date: Payment shall be made by the Party receiving UTS on the first common banking day after the nineteenth day of the month.

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

ARTICLE V

RECORDS

Each Party shall keep or cause to be kept complete and accurate records and memoranda of its operations hereunder and shall maintain such data as may be necessary to determine with reasonable accuracy any item required hereunder. With respect to invoicing records, each Party shall maintain or cause to be maintained such records, memoranda and data for the current

calendar year plus the previous calendar year. The NYISO-PJM Administrative Committee shall have the right to examine all such records and memoranda that are not confidential in so far as may be reasonably necessary for the purpose of ascertaining the reasonableness and accuracy of any statements of costs relating to transactions hereunder.

ARTICLE VI

GOVERNMENTAL APPROVAL

The agreements and obligations expressed herein are subject to acceptance and approval by the Federal energy Regulatory Commission ("FERC"). Upon execution of the Agreement, PJM promptly shall file this Agreement with the FERC and NYISO shall cooperate with PJM in seeking such acceptance and approval.

ARTICLE VII

ASSIGNMENT

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

ARTICLE VIII

NOTICES

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

In the case of NYISO to:

New York ISO, Inc.
3890 Carman Road
Schenectady, New York 12303
Attention: Vice President – Operations and Reliability

in the case of PJM to:

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19401
Attention: General Manager System Operations

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Vice President, General Counsel
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Effective: January 1, 2001

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

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

ARTICLE IX

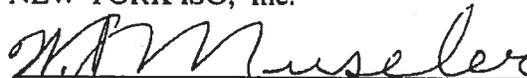
EFFECTIVE DATE AND TERM

Subject to the conditions of Article VI above, this Agreement shall take effect as of January 1, 2001, and shall continue in force until terminated by mutual agreement in writing.

Subject to any required governmental approval, this Agreement may be amended with the mutual consent of the Parties.

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

NEW YORK ISO, Inc.



William J. Museler, President and Chief Executive Officer

PJM INTERCONNECTION, L.L.C.



Phillip G. Harris, President and Chief Executive Officer

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Exhibit 1

**Description of Compensation Procedure Under the
Unscheduled Transmission Service (UTS) Agreement
Between
The NYISO and PJM**

For this Exhibit, all values are for example only.

<u>DETERMINATION OF UTS</u>	<u>Typical Hour</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>
<i>Scheduled Interchange ('+' to NY)</i>	+200 MW	+200 MW
<i>PAR imbalance¹ * ('+' to Public Service Electric and Gas Co. ("PS"))</i>	+500 MW	+300 MW
<i>ACTUAL METERED LINE FLOW</i>		
• <i>BRANCHBURG-RAMAPO ('+' to NY)</i>	+800 MW	+500 MW
<i>Approved ADJUSTMENT FACTORS²</i>		
a. + 61% of PJM to NYISO Scheduled Interchange	+122 MW	+122 MW
b. + 72% of imbalance in PS transfer of NYISO energy	+360 MW	+216 MW
c. + Protection (see Exhibit 3)	0 MW	0 MW
<i>DESIRED FLOW (a+b+c)³</i>	+482 MW	+338 MW
<i>UNSCHEDULED TRANSMISSION SERVICE (Metered – Desired)</i>	+318 MW	+162 MW
<i>Acceptable Transmission Usage-(Deadband))</i>	100 MW	100 MW
<i>Overuse (UTS\ - Threshold)</i>	+218 MW	+62 MW
<u>COMPENSATION RATE - \$/MWH</u>		
PJM's "NYPP-EAST" LMP	60	40
PJM's APS Interface LMP	30	20
Rate applicable to UTS provided by PJM	30	20
Overuse Charge (Overuse x Rate) Payable by NYISO	\$6,540	\$1,240

¹ PAR Imbalance – the PS – ConEd PAR Imbalance is defined as the algebraic difference between (a) the flow entering PS at Waldwick, and (b) the flow leaving PS at Hudson and Linden. [A positive imbalance indicates more flow entering PS than is leaving PS].

² The percentages for these ADJUSTMENT FACTORS are predefined Distribution Factors that represent the portion of transactions that the laws of physics dictate should flow over BRANCHBURG-RAMAPO.

³ The DESIRED FLOW in this example is the calculated acceptable flow of NYISO energy on the PJM transmission system (Plus (+) indicates flow is from PJM into NYISO).

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Exhibit 2

Transmission System Constraints

PJM Transmission System Constraints

Whenever the PJM System Operator logs that off-cost generation is being operated to control flows on one of the following limits:

1. PJM Eastern Transfer Limit
2. PJM Central Transfer Limit
3. PJM Western Transfer Limit

NYISO Transmission System Constraints

Whenever the actual flows on one or more of the following Interfaces exceeds its respective operating limit:

1. NY Central-East Interface
2. NY West-Central East Interface
3. Leeds-Pleasant Valley (91) Line
4. Leeds-Pleasant Valley (92) Line

Or, the post contingency flow on the following lines exceeds its respective four (4) hour limit:

1. Leeds-Pleasant Valley (91) line for loss of Leeds-Pleasant Valley (92) line
2. Leeds-Pleasant Valley (92) line for loss of Leeds-Pleasant Valley (91) line

Exhibit 3

Protection Adjustment Factor Calculation

Description

The purpose of the Protection adjustment factor (Protection) is to account for differences in actual flows and scheduled transactions between a Party and a third party (Net Impact) that contribute to UTS, and, to hold harmless each Party for the actions of third parties (Unusual Circulation) that would otherwise contribute to UTS.

Net Impact is that component of Lake Erie Circulation that results from external purchases of each Party which do not flow 100% on the contract path. It is the difference between the effect of PJM's scheduled purchases from or through ECAR and SERC on NYISO's western border and the effect of NYISO's scheduled purchases from or through Ontario on PJM's western border based on the laws of physics.

Unusual Circulation is defined to exist when the Lake Erie Circulation exceeds 3.5 times the Net Impact with a minimum circulation of 500 MW. Neither Party shall be responsible for providing compensation for Unusual Circulation caused by parties external to NYSIO and PJM.

The magnitude of Protection can be calculated using the following procedure:

Lake Erie Circulation = [(IMO to NYISO Scheduled Interchange) – (IMO to NYISO Actual Interchange)]

Net Impact = [(0.36) * (IMO to NYISO Scheduled Interchange) – (0.10) * (West to PJM Scheduled Interchange)]

...if *Lake Erie Circulation* exceeds 500 MW, AND *Lake Erie Circulation* exceeds 3.5 times the *Net Impact* then:

Protection = (-0.33) * (*Lake Erie Circulation* - *Net Impact*)

OR

...if either:

1. *-Net Impact* > (0.10) * (NYISO's West/Central Limit) or
2. *Net Impact* > (0.10) * (PJM's West Operating Limit)

then:

Protection = (0.33) * (*Net Impact*)