

Attachment XII

30.4 Market Monitoring Unit

30.4.1 Mission of the Market Monitoring Unit

The Market Monitoring Unit's goals are (1) to ensure that the markets administered by the ISO function efficiently and appropriately, and (2) to protect both consumers and participants in the markets administered by the ISO by identifying and reporting Market Violations, market design flaws and market power abuses to the Commission in accordance with Sections 30.4.5.3 and 30.4.5.4 below.

30.4.2 Retention and Oversight of the Market Monitoring Unit

The Board shall retain a consulting or other professional services firm, or other similar entity, to advise it on the matters encompassed by Attachment O and to carry out the responsibilities that are assigned to the Market Monitoring Unit in Attachment O. The Market Monitoring Unit selected by the Board shall have experience and expertise appropriate to the analysis of competitive conditions in markets for electric capacity, energy and ancillary services, and financial instruments such as TCCs, and to such other responsibilities as are assigned to the Market Monitoring Unit under Attachment O, and must also have sufficient resources and personnel to be able to perform the Core Functions and other assigned functions.

The Market Monitoring Unit shall be accountable to the non-management members of the Board, and shall serve at the pleasure of the non-management members of the Board.

30.4.3 Market Monitoring Unit Ethics Standards

The Market Monitoring Unit, including all persons employed thereby, shall comply at all times with the ethics standards set forth below. The Market Monitoring Unit ethics standards set forth below shall apply in place of the standards set forth in the ISO's OATT Attachment F Code

of Conduct, and/or the more general policies and standards that apply to consultants retained by the ISO.

30.4.3.1 The Market Monitoring Unit and its employees must have no material affiliation with any Market Party or Affiliate of any Market Party.

30.4.3.2 The Market Monitoring Unit and its employees must not serve as an officer, employee, or partner of a Market Party.

30.4.3.3 The Market Monitoring Unit and its employees must have no material financial interest in any Market Party or Affiliate of a Market Party. Ownership of mutual funds by Market Monitoring Units and their employees that contain investments in Market Parties or their Affiliates is permitted so long as: (a) the fund is publicly traded; (b) the fund's prospectus does not indicate the objective or practice of concentrating its investment in Market Parties or their Affiliates; and (c) the Market Monitoring Unit/Market Monitoring Unit employee does not exercise or have the ability to exercise control over the financial interests held by the fund.

30.4.3.4 The Market Monitoring Unit and its employees are prohibited from engaging in transactions in the markets administered by the ISO, other than in the performance of duties under the ISO's Tariffs. This provision shall not, however, prevent the Market Monitoring Unit, or its employees, from purchasing electricity, power and Energy as retail customers for their own account and consumption.

30.4.3.5 The Market Monitoring Unit and its employees must not be compensated, other than by the ISO, for any expert witness testimony or other commercial

services, in connection with any legal or regulatory proceeding or commercial transaction relating to the ISO or to the markets that the ISO administers.

30.4.3.6 The Market Monitoring Unit and its employees may not accept anything that is of more than *de minimis* value from a Market Party.

30.4.3.7 The Market Monitoring Unit and its employees must advise the Board in the event they seek employment with a Market Party, and must disqualify themselves from participating in any matter that could have an effect on the financial interests of that Market Party until the outcome of the matter is determined.

30.4.3.8 If the Market Monitoring Unit or any of its employees provide services to entities other than the ISO, the Market Monitoring Unit shall provide to the ISO's Board, and shall regularly update, a list of such entities and services. When the Market Monitoring Unit issues an opinion, report or recommendation to, for or addressing the ISO or the markets it administers that relates to, or could reasonably be expected to affect, an entity (other than the ISO) to which the Market Monitoring Unit or its employees provide services, the Market Monitoring Unit shall inform the ISO's Board of the opinion, report or recommendation it has issued, and that its opinion, report or recommendation relates to, or could reasonably be expected to affect, an entity to which the Market Monitoring Unit or its employees provide services.

30.4.4 Duties of the Market Monitoring Unit

The Market Monitoring Unit shall advise the Board, shall perform the Core Functions specified in Section 30.4.5 of Attachment O, and shall have such other duties and responsibilities

as are specified in Attachment O. The Market Monitoring Unit may, at any time, bring any matter to the attention of the Board that the Market Monitoring Unit may deem necessary or appropriate for achieving the purposes, objectives and effective implementation of Attachment O.

The Market Monitoring Unit shall not participate in the administration of the ISO's Tariffs, except for performing its duties under Attachment O. The Market Monitoring Unit shall not be responsible for performing purely administrative duties, such as enforcement of late fees or Market Party reporting obligations, that are not specified in Attachment O. The Market Monitoring Unit may (i) provide, or assist the ISO's efforts to develop, the inputs required to conduct mitigation, and (ii) assist the ISO's efforts to conduct "retrospective" mitigation (*see* Order 719 at PP. 369, 375) that does not change bids or offers (including physical bid or offer parameters) at or before the time such bids or offers (including physical bid or offer parameters) are considered in the ISO's market solution.

30.4.5 Core Market Monitoring Functions

The Market Monitoring Unit shall be responsible for performing the following Core Functions:

30.4.5.1 Evaluate existing and proposed market rules, tariff provisions and market design elements and recommend proposed rule and tariff changes to the ISO, to the Commission's Office of Energy Market Regulation staff, and to other interested entities, including the New York Public Service Commission, and participants in the ISO's stakeholder governance process. Provided that:

30.4.5.1.1 The Market Monitoring Unit is not responsible for systematic review of every tariff and market rule; its role is monitoring, not audit.

30.4.5.1.2 The Market Monitoring Unit is not to effectuate its proposed market design itself.

30.4.5.1.3 The Market Monitoring Unit's role in recommending proposed rule and Tariff changes is advisory in nature, unless a Tariff provision specifically concerns actions to be undertaken by the Market Monitoring Unit itself.

30.4.5.1.4 The Market Monitoring Unit must limit distribution of issues or concerns it identifies, and its recommendations to the ISO and to Commission staff in the event it believes broader dissemination could lead to exploitation. Limited distributions should include an explanation of why further dissemination should be avoided at that time.

30.4.5.2 Review and report on the performance of the wholesale markets to the ISO, the Commission, and other interested entities such as the New York Public Service Commission and participants in its stakeholder governance process on at least a quarterly basis, and issue a more comprehensive annual state of the market report. The Market Monitoring Unit may issue additional reports as necessary.

30.4.5.2.1 In order to perform the Core Functions, the Market Monitoring Unit shall perform daily monitoring of the markets that the ISO administers. The Market Monitoring Unit's daily monitoring shall include monitoring of virtual bidding.

30.4.5.2.2 The Market Monitoring Unit shall submit drafts of each of its reports to the ISO for review and comment sufficiently in advance of the report's issuance to provide an effective opportunity for review and comment by the ISO. The Market Monitoring Unit may disregard any suggestions with which it disagrees. The ISO may not alter the reports prepared by the Market Monitoring Unit, nor

dictate the Market Monitoring Unit's conclusions.

30.4.5.3 Identify and notify the Commission staff of instances in which a Market Party's or the ISO's behavior may require investigation, including, but not limited to, suspected Market Violations.

30.4.5.3.1 Except as provided in Section 30.4.5.3.2 below, in compliance with § 35.28(g)(3)(iv) of the Commission's regulations (or any successor provisions thereto) the Market Monitoring Unit shall submit a non-public referral to the Commission in all instances where it has obtained sufficient credible information to believe a Market Violation has occurred. Once the Market Monitoring Unit has obtained sufficient credible information to warrant referral to the Commission, the Market Monitoring Unit shall immediately refer the matter to the Commission and desist from further investigation of independent action related to the alleged Market Violation, except at the express direction of the Commission or Commission staff. The Market Monitoring Unit may continue to monitor for repeated instances of the reported activity by the same or other entities and shall respond to requests from the Commission for additional information in connection with the alleged Market Violation it has referred.

30.4.5.3.2 The Market Monitoring Unit is not required to refer the actions (or failures to act) listed in this Section 30.4.5.3.2 to the Commission as Market Violations, because they have: (i) already been reported by the ISO as a Market Problem under Section 3.5.1 of the ISO Services Tariff; and/or (ii) because they pertain to actions or failures that: (a) are expressly set forth in the ISO's Tariffs; (b) involve objectively identifiable behavior; and (c) trigger a sanction or other consequence

that is expressly set forth in the ISO Tariffs and that is ultimately appealable to the Commission. The actions (or failures to act) that are exempt from mandatory referral to the Commission are:

- 30.4.5.3.2.1 failure to meet a Contract or Non-Contract CRIS MW Commitment pursuant to Sections 40.13.11.1.1 and 40.13.11.1.2 of Attachment HH to the ISO OATT that results in a charge or other a sanction under Section 40.13.11.1.3 of Attachment HH of the ISO OATT;
- 30.4.5.3.2.2 Black Start performance that results in reduction or forfeitures of payments under Rate Schedule 5 to the ISO Services Tariff;
- 30.4.5.3.2.3 any failure by the ISO to meet the deadlines for completing System Impact Studies, or any failure by a Transmission Owner to meet the deadlines for completing Facilities Studies, under Sections 3.7 and 4.5 of the ISO OATT that results in the filing of a notice and/or the imposition of sanctions under those provisions;
- 30.4.5.3.2.4 failure of a Market Party to comply with the ISO's creditworthiness requirements set forth in Attachment K of the ISO Services tariff, or other action, that triggers sanctions under Section 7.5 of the ISO Services Tariff or Section 2.7.5 of the ISO OATT, specifically: (i) failure of a Market Party to make timely payment under Section 7.2.2 of the ISO Services Tariff or Section 2.7.3.2 of the ISO OATT that triggers a sanction under Sections 7.5.3(i) or 7.5.3(iv) of the ISO Services Tariff, or Sections 2.7.5.3(i), 2.7.5.3(iv), or 2.7.5.4 of the ISO OATT; (ii) failure of a Market Party to comply with a demand for additional credit support under Section 26.6 of Attachment K of the ISO Services Tariff that triggers a

sanction under Section 7.5.3(i) of the ISO Services Tariff or Section 2.7.5.3(i) of the ISO OATT; (iii) failure of a Market Party to cure a default in another ISO/RTO market under Sections 7.5.3(iii) of the ISO Services Tariff, or Section 2.7.5.3(iii) of the ISO OATT that triggers a sanction under either of those tariff provisions; (iv) failure of a Market Party that has entered into a Prepayment Agreement with the ISO under Appendix K-1 to Attachment K to the ISO Services Tariff to make payment in accordance with the terms of the Prepayment Agreement that triggers a sanction under the Prepayment Agreement or 7.5.3(i) of the ISO Services Tariff; and (v) failure of a Market Party to make timely payment on two occasions within a rolling twelve month period under Section 7.5.3(iv) of the ISO Services Tariff, or Section 2.7.5.3(iv) of the ISO OATT that triggers a sanction under either of those provisions.

30.4.5.3.2.5 bidding in a manner that results in a penalty under Section 23.4.3.3.4 of the Market Mitigation Measures.

30.4.5.3.2.6 submission of inaccurate fuel type information into the Day-Ahead Market that results in a penalty under Section 23.4.3.3.3 of the Market Mitigation Measures.

30.4.5.3.2.7 submission of inaccurate fuel type and/or fuel price information into the Real-Time Market that results in a penalty under Section 23.4.3.3.4 of the Market Mitigation Measures.

30.4.5.3.2.8 notification to the ISO by an Installed Capacity Supplier of a failure to establish by December 1 of a subject Capability Year, or thereafter to maintain, an operating plan and related supply, transportation, and/or replenishment

agreements for the duration of the Winter Performance Period in a subject Capability Year in accordance with Sections 5.12.15 and 5.12.12.3 of the ISO Services Tariff.

To the extent the above list enumerates specific Tariff provisions, the exclusions specified above shall also apply to re-numbered and/or successor provisions thereto. The Market Monitoring Unit is not precluded from referring any of the activities listed above to the Commission.

30.4.5.4 Identify and notify the Commission staff of perceived market design flaws that could be effectively remedied by rule or tariff changes.

30.4.5.4.1 In compliance with § 35.28(g)(3)(v) of the Commission's regulations (or any successor provisions thereto) the Market Monitoring Unit shall submit a referral to the Commission when the Market Monitoring Unit has reason to believe that a market design flaw exists, that the Market Monitoring Unit believes could effectively be remedied by rule or tariff changes.

30.4.5.4.1.1 If the Market Monitoring Unit believes broader dissemination of the possible market design flaw, and its recommendation could lead to exploitation, the Market Monitoring Unit shall limit distribution of its referral to the ISO and to the Commission. The referral shall explain why further dissemination should be avoided.

30.4.5.4.1.2 Following referral of a possible market design flaw, the Market Monitoring Unit shall continue to provide to the Commission additional information regarding the perceived market design flaw, its effects on the market, any additional or modified observations concerning the Market Monitoring Unit's

proposed market rule or tariff change, any recommendations made by the Market Monitoring Unit to the ISO, its stakeholders, Market Parties or state public service commissions regarding the perceived market design flaw, and any actions taken by the ISO regarding the perceived market design flaw.

30.4.6 Market Monitoring Unit Responsibilities Set Forth Elsewhere in the ISO's Tariffs

30.4.6.1 Supremacy of (Attachment O)

Provisions addressing the Market Monitoring Unit, its responsibilities and its authority, have been centralized in Attachment O. However, provisions that address the Market Monitoring Unit can also be found in the Market Mitigation Measures that are set forth in Attachment H to the ISO Services Tariff, and elsewhere in the ISO's Tariffs. In the event of any inconsistency between the provisions of Attachment O and any other provision of the ISO OATT, the ISO Services Tariff, or any of their attachments and schedules, with regard to the Market Monitoring Unit, its responsibilities and its authority, the provisions of Attachment O shall control.

30.4.6.2 Market Monitoring Unit responsibilities set forth in the Market Mitigation Measures

30.4.6.2.1 The ISO and its Market Monitoring Unit shall monitor the markets the ISO administers for conduct that the ISO or the Market Monitoring Unit determine constitutes an abuse of market power but that does not trigger the thresholds specified in the Market Mitigation Measures for the imposition of mitigation measures by the ISO. If the ISO identifies or is made aware of any such conduct, and in particular conduct exceeding the thresholds for presumptive market effects specified in Section 23.3.2.3 of the Market Mitigation Measures, it

shall make a filing under § 205 of the Federal Power Act, 16 U.S.C. § 824d (1999) (“§ 205”) with the Commission requesting authorization to apply appropriate mitigation measures. Any such filing shall identify the particular conduct the ISO believes warrants mitigation, shall propose a specific mitigation measure for the conduct, shall incorporate or address the recommendation of its Market Monitoring Unit, and shall set forth the ISO’s justification for imposing that mitigation measure. The Market Monitoring Unit’s reporting obligations are specified in Sections 30.4.5.3 and 30.4.5.4 of Attachment O. *See* Market Mitigation Measures Section 23.1.2.

30.4.6.2.2 The ISO and the Market Monitoring Unit shall monitor the ISO Administered Markets for other categories of conduct, whether by a single firm or by multiple firms acting in concert, that have material effects on prices or guarantee payments in an ISO Administered Market. *See* Market Mitigation Measures Section 23.2.4.4.

30.4.6.2.3 If (i) the ISO determines, following consultation with the Market Party and review by the Market Monitoring Unit, that the Market Party or its representative has, over a time period of at least one week, submitted inaccurate fuel type or fuel price information that was, taken as a whole, biased in the Market Party’s favor, *then* the ISO shall cease using the fuel type and fuel price information submitted to the ISO’s Market Information System along with the Generator’s or the Aggregation’s Bid(s) to develop reference levels for the affected Generator(s) or Aggregation(s) in the relevant (Day-Ahead or real-time) market for the durations specified in Sections 23.3.1.4.6.9.1, 23.3.1.4.6.9.2, and

23.3.1.4.6.9.3 of the Mitigation Measures. *See* Section 23.3.1.4.6.9 of the Market Mitigation Measures

30.4.6.2.4 When it has the capability to do so, the ISO shall determine the effect on prices or guarantee payments of questioned conduct through the use of sensitivity analyses performed using the ISO's SCUC, RTC and RTD computer models, and such other computer modeling or analytic methods as the ISO shall deem appropriate following consultation with its Market Monitoring Unit. *See* Market Mitigation Measures Section 23.3.2.2.1.

30.4.6.2.5 Pending development of the capability to use automated market models, the ISO, following consultation with its Market Monitoring Unit, shall determine the effect on prices or guarantee payments of questioned conduct using the best available data and such models and methods as they shall deem appropriate. *See* Market Mitigation Measures Section 23.3.2.2.2.

30.4.6.2.6 If through the application of an appropriate index or screen or other monitoring of market conditions, conduct is identified that (i) exceeds an applicable threshold, and (ii) has a material effect, as specified above, on one or more prices or guarantee payments in an ISO Administered Market, the ISO shall, as and to the extent specified in Attachment O or in Section 23.3.3.2 of the Market Mitigation Measures, contact the Market Party engaging in the identified conduct to request an explanation of the conduct. If a Market Party anticipates submitting bids in a market administered by the ISO that will exceed the thresholds specified in Section 23.3.1 of the Market Mitigation Measures for identifying conduct inconsistent with competition, the Market Party may contact

the ISO to provide an explanation of any legitimate basis for any such changes in the Market Party's bids. If a Market Party's explanation of the reasons for its bidding indicates to the satisfaction of the ISO that the questioned conduct is consistent with competitive behavior, no further action will be taken. Market Parties shall ensure that the information they submit to the ISO, including but not limited to fuel price, fuel type and opportunity cost information, is accurate. Except as set forth in Section 23.3.1.4.6.8 of the Market Mitigation Measures, the ISO may not retroactively revise a reference level to reflect additional fuel costs if a Market Party or its representative did not timely submit accurate fuel cost information. Except as set forth in Section 23.3.1.4.8.9 of the Market Mitigation Measures, the ISO may not retroactively revise a reference level to reflect accurate opportunity costs if a Market Party or its representative did not timely submit accurate opportunity cost information. Unsupported speculation by a Market Party does not present a valid basis for the ISO to determine that Bids that a Market Party submitted are consistent with competitive behavior, or to determine that submitted costs are appropriate for inclusion in the ISO's development of reference levels. Consistent with Sections 30.6.2.2 and 30.6.3.2 of the Plan, the Market Party shall retain the documents and information supporting its Bids and the costs it proposes to include in reference levels. A preliminary determination by the ISO shall be provided to the Market Monitoring Unit for its review and comment, and the ISO shall consider the Market Monitoring Unit's recommendations before the ISO issues its decision or determination to the Market Party. Upon request, the ISO shall consult with a

Market Party or its representative with respect to the information and analysis used to determine reference levels under Section 23.3.1.4 of the Market Mitigation Measures for that Market Party's Generator(s) or Aggregation(s). If cost data or other information submitted by a Market Party indicates to the satisfaction of the ISO that the reference levels for that Market Party's Generator(s) or Aggregation(s) should be changed, revised reference levels shall be proposed by the ISO, communicated to the Market Monitoring Unit for its review and comment and, following the ISO's consideration of any recommendation that the Market Monitoring Unit is able to timely provide, communicated to the Market Party, and implemented by the ISO as soon as practicable. Changes to reference levels addressed pursuant to the terms of Section 23.3.3.1.4 of the Market Mitigation Measures shall be implemented on a going-forward basis commencing no earlier than the date that the Market Party's consultation request is received. *See Market Mitigation Measures Sections 23.3.3.1.1 through 23.3.3.1.5.*

30.4.6.2.7 With regard to a Market Party's request for consultation that satisfies the requirements of Sections 23.3.3.1.4 and 23.3.3.1.7 of the Market Mitigation Measures, and consistent with the duties assigned to the ISO in Section 23.3.3.1.7.1 of the Market Mitigation Measures, a preliminary determination by the ISO regarding the Market Party's consultation request shall be provided to the Market Monitoring Unit for its review and the ISO shall consider the Market Monitoring Unit's recommendations in reaching its decision. *See Market Mitigation Measures Section 23.3.3.1.7.1 and 23.3.3.1.7.2.*

30.4.6.2.8 Review pursuant to Market Mitigation Measures Section 23.4.5.4.3

- (a) Reasonably in advance of the deadline for submitting offers in an External Reconfiguration Market and in accordance with the deadlines specified in ISO Procedures, the Responsible Market Party for External Sale UCAP may request the ISO to provide a projection of ICAP Spot Auction clearing prices for a Mitigated Capacity Zone over the Comparison Period for the External Reconfiguration Market. Prior to completing its projection of ICAP Spot Auction clearing prices for a Mitigated Capacity Zone over the Comparison Period for the External Reconfiguration Market, the ISO shall consult with the Market Monitoring Unit regarding such price projection. *See* Market Mitigation Measures Section 23.4.5.4.3(a).
- (b) At least fifteen Business Days in advance of the opening of the ICAP Spot Market Auction, the Responsible Market Party for a Behind-the-Meter Net Generation Resource may request the ISO to make a determination regarding physical withholding that the sale of Net Unforced Capacity in a Mitigated Capacity Zone to its Host Load does not constitute physical withholding. Prior to reaching its decision on such a request, the ISO shall provide its preliminary determination to the Market Monitoring Unit for review and comment. *See* Market Mitigation Measures Section 23.4.5.4.3(b).

30.4.6.2.9 Prior to reaching its decision regarding whether the presumption of control of Unforced Capacity has been rebutted, the ISO shall provide its preliminary determination to the Market Monitoring Unit for review and comment. *See* Market Mitigation Measures Section 23.4.5.5.

30.4.6.2.10 Any proposal or decision by a Market Participant to retire or otherwise remove an Installed Capacity Supplier from a Mitigated Capacity Zone Unforced Capacity market, or to de-rate the amount of Installed Capacity available from such supplier, may be subject to audit and review by the ISO if the ISO determines that such action could reasonably be expected to affect Market-Clearing Prices in one or more ICAP Spot Market Auctions for a Mitigated Capacity Zone subsequent to such action; provided, however, no audit and review shall be necessary if the Installed Capacity Supplier is a Generator that is being retired or removed from a Mitigated Capacity Zone as the result of a Forced Outage that began on or after the effective date of the amendments to Section 23.4.5.6.1 of this Services Tariff that was determined by the ISO to be a Catastrophic Failure.

The ISO's audit or review of any proposal or decision by a Market Participant to retire or otherwise remove an Installed Capacity Supplier from a Mitigated Capacity Zone Unforced Capacity market, or to de-rate the amount of Installed Capacity available from such supplier (including a review the ISO conducts at the request of a Market Participant before it submits a proposal or makes a decision or a review the NYISO conducts in conjunction with the Short-Term Reliability Process), will consider the rationale offered by the Market Participant to support its proposal or decision. Such an audit or review shall assess whether the Market Participant's proposal or decision has a legitimate economic justification, which may include the economics of complying with regulatory requirements, or is based on an effort to withhold Installed Capacity

physically in order to affect prices. The ISO's audit or review is conducted based on the expectation that a Market Participant's decision to retire or otherwise remove an Installed Capacity Supplier from a Mitigated Capacity Zone, or to de-rate the amount of Installed Capacity available from such supplier, accounts for the information available to that Market Participant at (or before) the time its decision is made on the "decision date" (*see, e.g.*, Sections 23.4.5.6.4.2.1 and 23.4.5.6.4.2.2.1 of this Services Tariff) specified by the Market Participant. A Market Participant may offer publicly available information and other information available to the Market Participant to support its proposal or decision.

The ISO shall provide the preliminary results of its audit or review to the Market Monitoring Unit for its review and comment. *See* Market Mitigation Measures Section 23.4.5.6.

30.4.6.2.11 Any reclassification of a an Installed Capacity Supplier that is a Generator in a Mitigated Capacity Zone from a Forced Outage that began on or after the effective date of Section 23.4.5.6.2 of this Services Tariff to an ICAP Ineligible Forced Outage by a Market Participant or otherwise, pursuant to the terms of Section 5.18.2.1 of this Services Tariff, may be subject to audit and review by the ISO if the ISO determines that such reclassification could reasonably be expected to affect the Market-Clearing Price in one or more ICAP Spot Market Auctions for a Mitigated Capacity Zone in which the Generator(s) that is the subject of the reclassification is located, subsequent to such action; provided, however, if the Market Participant's Generator experienced the Forced Outage as a result of a Catastrophic Failure, the reclassification of a Generator in a Mitigated Capacity

Zone from a Forced Outage to an ICAP Ineligible Forced Outage shall not be subject to audit and review pursuant to Section 23.4.5.6.2 of this Services Tariff.

The audit and review pursuant to the above paragraph shall assess whether the reclassification of the Generator in a Mitigated Capacity Zone from a Forced Outage to an ICAP Ineligible Forced Outage had a legitimate economic justification or is based on an effort to withhold Installed Capacity physically in order to affect prices. A Market Participant may offer publicly available information and other information available to the Market Participant to justify the reclassification.

The ISO shall provide the preliminary results of its audit or review to the Market Monitoring Unit for its review and comment.

The audit and review pursuant to Section 23.4.5.6.2.1 of this Services Tariff shall be deferred by the ISO beyond the time period established in ISO Procedures for the audit and review until the ISO's receipt of data pursuant to Section 23.4.5.6.2.2 if the Generator was in a Forced Outage for at least 180 days before the reclassification and one or more Exceptional Circumstances delayed the acquisition of data necessary for the ISO's audit and review. If, at the time the ISO acquires the necessary data, the Market Participant has Commenced Repair of the Generator, or the Generator is determined by the ISO to have had a Catastrophic Failure, the Market Participant shall not be subject to an audit and review pursuant to Section 23.4.5.6.2.1 of this Services Tariff. The ISO shall provide the preliminary results of its audit or review to the Market Monitoring Unit for its review and comment.

30.4.6.2.12 The ISO shall consult with the Market Monitoring Unit when it is determining pursuant to Section 23.4.5.6.4.2.2 of this Services Tariff whether there is a point in the process of deactivating a Generator after which the deactivation process will become, essentially and practicably, irreversible.

30.4.6.2.13 When evaluating an Examined Facility or NCZ Examined Project pursuant to Section 23.4.5.7 of the Market Mitigation Measures, the ISO shall seek comment from the Market Monitoring Unit on matters relating to the determination of price projections, cost calculations, and the methodology the ISO will use to project net Energy and Ancillary Services for each UDR project, and the inputs used to perform the calculation the ISO's draft list of recommended Exempt Renewable Technologies and the basis for the recommendation; requests pursuant to Section 23.4.5.7.14.1.2(e)(C) regarding whether a "contract" (as defined in Section 23.4.5.7.14.2(e) would make it ineligible to obtain or (if previously granted) retain a Self Supply Exemption. As required by Section 23.4.5.7 of Attachment H to this Services Tariff, the Market Monitoring Unit shall prepare a written report discussing factors that affect the ISO's mitigation exemption and Offer Floor determinations, and confirming whether the ISO's Offer Floor and exemption determinations and calculations conducted pursuant to Sections 23.4.5.7.2 and 23.4.5.7.6, the NYISO's determination of eligible or ineligible for an exemption pursuant to Section 23.4.5.7.9, 23.4.5.7.13, and 23.4.5.7.14 were conducted in accordance with the terms of the Services Tariff, and if not, identifying the flaws inherent in the ISO's approach. This report shall be presented concurrent with the ISO's posting of its mitigation exemption and

Offer Floor determinations. Pursuant to Section 23.4.5.7.8 of the Market Mitigation Measures, the ISO shall also consult with the Market Monitoring Unit when evaluating whether any existing or proposed Generator or UDR project in a Mitigated Capacity Zone, except New York City, has Commenced Construction, and determinations of whether it shall be exempted from an Offer Floor under that Section. Prior to the ISO making an exemption determination pursuant to Section 23.4.5.7.8, the Market Monitoring Unit shall provide the ISO a written opinion and recommendation. The Market Monitoring Unit shall also provide a public report on its assessment of an ISO determination that an existing or proposed Generator or UDR project is exempt from an Offer Floor under Section 23.4.5.7.8. *See* Market Mitigation Measures Section 23.4.5.7.

30.4.6.2.14 RMR Generator Energy and Ancillary Service Market Participation Rules.

If a new operating constraint arises while a Generator that is required to comply with the bidding requirements in Section 30.6 of the ISO Services Tariff is an Interim Service Provider that prevents the Market Party from offering all or a portion of the Generator's capability via an ISO-committed flexible Bid, the Market Party shall promptly inform the ISO of the change, shall provide all documentation requested by the ISO or by the Market Monitoring Unit, and shall permit the ISO and/or the Market Monitoring Unit to inspect the affected Generator (including all requested plant records) on five days prior notice. *See* Market Mitigation Measures Section 23.6.1.1.3.

The ISO, in consultation with the Market Monitoring Unit, may review and update an Interim Service Provider's reference levels. The Generator Owner

may propose updates to its Interim Service Provider's reference levels. The ISO shall make the ultimate determination with regard to each reference level. *See* Market Mitigation Measures Section 23.6.2.2.

In advance of the execution of an RMR Agreement, the ISO, in consultation with the Market Monitoring Unit and the Generator Owner, shall review and update the reference levels for each affected Generator. The ISO shall make the ultimate determination with regard to each reference level. *See* Market Mitigation Measures Section 23.6.2.3.

If a possible RMR Generator or Interim Service Provider faces operational constraints the ISO, in consultation with the Market Monitoring Unit and the Generator Owner, will develop reference levels that will permit the Generator to operate consistent with the identified constraints, while ensuring that the Generator will be available (a) to resolve the Reliability Need the Generator is being retained to address, and (b) for economic commitment when appropriate. *See* Market Mitigation Measures Section 23.6.2.3.1.

If a physical change to the RMR Generator occurs that alters the RMR Generator's capabilities (*e.g.*, damage to the generator or Capital Expenditures that alter an RMR Generator's capabilities), then the ISO shall determine revised reference levels in consultation with the Market Monitoring Unit and the Generator Owner. *See* Market Mitigation Measures Section 23.6.2.4.4.

The ISO and the Generator Owner, in consultation with the Market Monitoring Unit, may mutually agree to a reference level change that they expect will better reflect an RMR Generator's actual operating characteristics or variable

costs. *See* Market Mitigation Measures Section 23.6.2.4.5.

30.4.6.3 Market Monitoring Unit responsibilities set forth in the ISO Services Tariff

30.4.6.3.1 The ICAP Demand Curve periodic review schedule and procedures shall provide an opportunity for the Market Monitoring Unit to review and comment on the draft request for proposals, the independent consultant's report, and the ISO's proposed ICAP Demand Curves. *See* ISO Services Tariff Sections 5.14.1.2.1.5 and 5.14.1.2.2.4.5.

30.4.6.3.2 The new capacity zone periodic review shall provide an opportunity for the Market Monitoring Unit to review and comment on the NCZ Study, and any proposed NCZ tariff revisions. *See* ISO Services Tariff Sections 5.16.1.3 and 5.16.4.

30.4.6.4 Market Monitoring Unit responsibilities set forth in the Rate Schedules to the ISO Services Tariff.

30.4.6.4.1 Responsibilities related to the Regulation Service Demand Curve

In order to respond to operational or reliability problems that arise in real-time, the ISO may procure Regulation Service at a quantity and/or price point different than those specified in Section 15.3.7 of Rate Schedule 3 to the ISO Services Tariff. The ISO shall post a notice of any such purchase as soon as reasonably possible and shall report on the reasons for such purchases at the next meeting of its Business Issues Committee. The ISO shall also immediately initiate an investigation to determine whether it is necessary to modify the quantity and price points specified above to avoid future operational or reliability problems. The ISO will consult with its Market Monitoring Unit when it conducts this investigation.

If the ISO determines that it is necessary to modify the quantity and/or price points

specified above in order to avoid future operational or reliability problems it may temporarily modify them for a period of up to 90 days. If circumstances reasonably allow, the ISO will consult with its Market Monitoring Unit, the Business Issues Committee, the Commission, and the PSC before implementing any such modification. In all circumstances, the ISO will consult with those entities as soon as reasonably possible after implementing a temporary modification.

After the first year the Regulation Service Demand Curve is in place, the ISO shall perform periodic reviews, subject to the scope requirement specified in Section 15.3.7 of Rate Schedule 3 to the ISO Services Tariff, and the Market Monitoring Unit shall be given the opportunity to review and comment on the ISO's periodic reviews of the Regulation Service Demand Curve. *See* Section 15.3.7 of Rate Schedule 3 to the ISO Services Tariff.

30.4.6.4.2 Responsibilities related to the Operating Reserves Demand Curves and Scarcity Reserve Demand Curve

In order to respond to operational or reliability problems that arise in real-time, the ISO may procure any Operating Reserve product at a quantity and/or price point different than those specified in Section 15.4.7 of Rate Schedule 4 to the ISO Services Tariff. The ISO shall post a notice of any such purchase as soon as reasonably possible and shall report on the reasons for such purchases at the next meeting of its Business Issues Committee. The ISO shall also immediately initiate an investigation to determine whether it is necessary to modify the quantity and price points specified above to avoid future operational or reliability problems. The ISO will consult with its Market Monitoring Unit when it conducts this investigation.

If the ISO determines that it is necessary to modify the quantity and/or price points specified in Section 15.4.7 of Rate Schedule 4 to the ISO Services Tariff in order to avoid future operational or reliability problems it may temporarily modify them for a period of up to 90 days. If circumstances reasonably allow, the ISO will consult with its Market Monitoring Unit, the

Business Issues Committee, the Commission, and the PSC before implementing any such modification. In all circumstances, the ISO will consult with those entities as soon as reasonably possible after implementing a temporary modification.

After the first year the Operating Reserves Demand Curves are in place, the ISO shall perform periodic reviews, subject to the scope requirement specified in Section 15.4.7 of Rate Schedule 4 to the ISO Services Tariff, and the Market Monitoring Unit shall be given the opportunity to review and comment on the ISO's periodic reviews of the Operating Reserve Demand Curves and Scarcity Reserve Demand Curve. *See* Section 15.4.7 of Rate Schedule 4 to the ISO Services Tariff.

30.4.6.5 Market Monitoring Unit responsibilities set forth in the Attachments to the ISO Services Tariff (other than the Market Mitigation Measures).

30.4.6.5.1 Responsibilities related to Transmission Shortage Cost

The ISO may periodically evaluate the Transmission Shortage Cost to determine whether it is necessary to modify the Transmission Shortage Cost to avoid future operational or reliability problems. The ISO will consult with its Market Monitoring Unit after it conducts this evaluation.

If the ISO determines that it is necessary to modify the Transmission Shortage Cost in order to avoid future operational or reliability problems the resolution of which would otherwise require recurring operator intervention outside normal market scheduling procedures, in order to avoid among other reliability issues, a violation of NERC Interconnection Reliability Operating Limits or System Operating Limits, it may temporarily modify it for a period of up to 90 days, provided however the ISO shall file such change with the Commission pursuant to § 205 of the Federal Power Act within 45 days of such modification. If circumstances reasonably allow, the ISO will consult with its Market Monitoring Unit, the Business Issues Committee, the

Commission, and the PSC before implementing any such modification. In all circumstances, the ISO will consult with those entities as soon as reasonably possible after implementing a temporary modification and shall explain the reasons for the change. *See* Section 17.1.4 of Attachment B to the ISO Services Tariff.

30.4.6.6 Market Monitoring Unit responsibilities set forth in the ISO OATT

30.4.6.7 Market Monitoring Unit responsibilities set forth in the Rate Schedules to the ISO OATT

30.4.6.8 Market Monitoring Unit responsibilities set forth in the Attachments to the ISO OATT

30.4.6.8.1 Responsibilities related to implementing new scheduling path prohibitions

If the ISO, acting in consultation with its Market Monitoring Unit, identifies transmission scheduling paths that are being used to schedule External Transactions in a manner that is not consistent with the manner in which power is actually expected to flow, the ISO may submit a compliance filing in FERC Docket No. ER13-780 proposing to expand the list of prohibited scheduling paths included in Section 16.3.3.8 of the ISO OATT. The ISO's compliance filing will include, or be accompanied by, a discussion of the Market Monitoring Unit's position regarding the ISO's proposal to add a new prohibited scheduling path or new prohibited scheduling paths. The Market Monitoring Unit's position may be explained in the ISO's filing letter, be set forth in an accompanying affidavit, or be submitted by the Market Monitoring Unit as a companion filing or as comments on the ISO's compliance filing in Docket No. ER13-780. *See* Section 16.3.3.8 of Attachment J to the ISO OATT.

30.4.6.8.2 Responsibilities related to the draft Reliability Needs Assessment

Following the Management Committee vote, the draft Reliability Needs Assessment

(RNA), with working group, Operating Committee, and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft RNA will be provided to the Market Monitoring Unit for its review and consideration of whether market rules changes are necessary to address an identified failure, if any, in one of the ISO's competitive markets. *See* Section 31.2.3.2 of Attachment Y to the ISO OATT.

30.4.6.8.3 Responsibilities related to the draft Comprehensive Reliability Plan

Following the Management Committee vote, the draft Comprehensive Reliability Plan (CRP), with working group, Operating Committee, and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft CRP will also be provided to the Market Monitoring Unit for its review and consideration of whether market rule changes are necessary to address an identified failure, if any, in one of the ISO's competitive markets. *See* Section 31.2.7.2 of Attachment Y to the ISO OATT.

30.4.6.8.4 Responsibilities related to the draft System & Resource Outlook

Following the Management Committee vote, the draft System & Resource Outlook, with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft System & Resource Outlook will be provided to the Market Monitoring Unit for its review and consideration. *See*, as applicable, Section 31.3.1.8.2 or 31.6.7.1.2 of Attachment Y to the ISO OATT.

30.4.6.8.5 Responsibilities related to the draft Public Policy Transmission Planning Report

The ISO will provide the draft Public Policy Transmission Planning Report to the Market Monitoring Unit for its review and consideration of any impact on the ISO-administered markets of regulated transmission solutions proposed to satisfy a Public Policy Transmission Need. *See*

Sections 31.4.9 and 31.4.10.1 of Attachment Y to the ISO OATT. The Market Monitoring Unit's evaluation will be provided to the Management Committee before the Management Committee's advisory vote. *See* Section 31.4.10.1 of Attachment Y. Following the Management Committee vote, the draft Public Policy Transmission Planning Report, with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrent with the submission to the ISO Board of the draft Public Policy Transmission Planning Report, the Market Monitoring Unit's evaluation will be provided to the ISO Board. *See* Section 31.4.7 of Attachment Y to the ISO OATT.

30.4.6.8.6 Responsibilities Related to Market Monitoring Unit Review of Reliability Must Run Costs and RMR Avoidable Cost Determinations

The ISO shall seek comments from the Market Monitoring Unit on matters relating to the inputs and the calculations the ISO performed pursuant to Section 38.8 of Attachment FF of the ISO OATT. *See* Section 38.8.2 of Attachment FF of the ISO OATT.

The ISO shall seek comments from the Market Monitoring Unit on its review of Proposed Additional Costs and its determinations of Substantiated Additional Costs under Section 38.16 of Attachment FF of the ISO OATT. *See* Section 38.16.2.2 of Attachment FF of the ISO OATT.

Concurrent with the ISO or a Generator filing with the Commission an RMR Agreement pursuant to Sections 38.11.3, 38.11.4 or 38.11.5 of Attachment FF to the ISO OATT, the Market Monitoring Unit shall publish a report. The report shall review the ISO's determination of the highest net present value offer (or more than one offer) to provide RMR service in accordance with Sections 38.8, 38.9 and 38.10 of Attachment FF to the ISO OATT. In the event that cost alone did not provide for a clear delineation between two or more RMR Service Offers, the report shall also review the ISO's consideration of the Generator Owner's proposed changes to

the *Form of Reliability Must Run Agreement* and the operational, performance and market impacts, and the size of the Generators. If the RMR Agreement contains RMR Avoidable Costs and an Availability and Performance Rate, the report shall also review the inputs to, and ISO's calculation of, the RMR Avoidable Costs and the Availability and Performance Rate. *See* Section 38.18.3 of Attachment FF to the ISO OATT.

30.4.6.8.7 Responsibilities related to the draft Long-Term Transmission Planning Report

The ISO will provide the draft Long-Term Transmission Planning Report to the Market Monitoring Unit for its review and consideration of the impacts on the ISO-administered wholesale markets of the Long-Term Transmission Project recommended for selection. *See* Section 31.6.11.3 of Attachment Y to the ISO OATT. The Market Monitoring Unit will provide the results of its review to the Management Committee before the Management Committee's advisory vote. *See* Section 31.6.11.3 of Attachment Y to the ISO OATT. Following the Management Committee vote, the draft Long-Term Transmission Planning Report, with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrent with the submission to the ISO Board of the draft Long-Term Transmission Planning Report, the Market Monitoring Unit will provide the results of its review to the ISO Board. *See* Section 31.6.11.4 of Attachment Y to the ISO OATT.

30.4.6.9 Market Monitoring Unit responsibilities set forth in other documents that have been formally filed with the Commission

30.4.6.10 Market Monitoring Unit responsibilities set forth in the Form of Reliability Must Run Agreement, Appendix C to Attachment FF of the ISO OATT

The ISO and the Market Monitoring Unit shall monitor deviations from each RMR Generator's historic planned outage schedules. Owner shall promptly respond to ISO and

Market Monitoring Unit requests for explanations, information and data regarding or supporting outage schedules. *See* Section 7.1.3 of the *Form of Reliability Must Run Agreement*.

The ISO and the Market Monitoring Unit shall monitor deviations from each RMR Generator's historic forced outage rate. Owner shall promptly respond to ISO and Market Monitoring Unit requests for explanations, information and data regarding or supporting forced outages, including the time required to return from a Forced Outage. *See* Section 7.2.2 of the *Form of Reliability Must Run Agreement*.

30.4.6.11 Additional Market Monitoring Unit responsibilities related to Reliability Must Run Agreements

The Market Monitoring Unit shall review any Owner-Developed Rate that is filed with the Commission as described in Section 4.5 of the *Form of Reliability Must Run Agreement*. The Market Monitoring Unit shall intervene and participate in Commission proceedings concerning such filings. It shall submit, as appropriate, comments or a protest in such a proceeding describing its review and informing the Commission of whether it has found a proposed Owner Developed Rate to be consistent with, or in excess of, an RMR Generator's full cost of service. The Market Monitoring Unit shall also inform the Commission of whether: (i) it believes the proposed Owner Developed Rate, including its terms and conditions of service, is or is not just and reasonable; and (ii) it has any other concerns with the proposed Owner Developed Rate.

30.4.7 Availability of Data and Resources to Market Monitoring Unit

30.4.7.1 The ISO shall ensure that the Market Monitoring Unit has sufficient access to ISO resources, personnel and market data to enable the Market Monitoring Unit to carry out its functions under Attachment O. Consistent with Section 30.6.1 of Attachment O, the Market Monitoring Unit shall have complete

access to the ISO's databases of market information.

30.4.7.2 Any data created by the Market Monitoring Unit, including but not limited to reconfiguration of the ISO's data, will be kept within the exclusive control of the Market Monitoring Unit. The Market Monitoring Unit may share the data it creates, subject to the limitations on distribution of and obligation to protect the confidentiality of Protected Information that are contained in Attachment O, the ISO Services Tariff, and the ISO's Code of Conduct.

30.4.7.3 Where data outside the ISO's geographic footprint would be helpful to the Market Monitoring Unit in carrying out its duties, the Market Monitoring Unit should seek out that data (with assistance from the ISO, where appropriate).