

### **15.3 Rate Schedule 3 - Payments for Regulation Service**

This Rate Schedule applies to Suppliers that provide Regulation Service to the ISO. The following Resources are not eligible to provide Regulation Service: (1) Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and that are dispatched as a single aggregate unit, (2) Aggregations that are comprised of one or more generating units (unless each of those generating units use inverter-based energy storage technology), and (3) Aggregations of Demand Side Resources where at least one Demand Side Resource facilitates its Demand Reduction by utilizing a Local Generator (unless each Local Generator uses inverter-based energy storage technology). Transmission Customers will purchase Regulation Service from the ISO under the ISO OATT.

#### **15.3.1 Obligations of the ISO and Suppliers**

##### **15.3.1.1 The ISO shall:**

- (a) Establish Regulation Service criteria and requirements in the ISO Procedures to ensure that Suppliers follow changes in Load consistent with the Reliability Rules;
- (b) Provide RTD Base Point Signals and AGC Base Point Signals to Suppliers providing Regulation Service to direct their output;
- (c) Establish criteria in the ISO Procedures that Suppliers must meet to qualify, or re-qualify, to supply Regulation Service;
- (d) Establish minimum metering requirements and telecommunication capability required for a Supplier to be able to respond to AGC Base Point Signals and RTD Base Point Signals sent by the ISO;

- (e) Select Suppliers to provide Regulation Service in the Day-Ahead Market and Real-Time Market and establish Regulation Service schedules, in MWs of Regulation Capacity, for each scheduled Regulation Supplier in the Day-Ahead and Real-Time Markets, as described in Section 15.3.2 of this Rate Schedule;
- (f) Pay Suppliers for providing Regulation Service as described in this Rate Schedule;
- (g) Monitor Suppliers' performance to ensure that they provide Regulation Service as required, as described in Section 15.3.3 of this Rate Schedule; and
- (h) Take into account the speed and accuracy of regulation resources in determining reserve requirements for Regulation Service.

**15.3.1.2 Each Supplier shall:**

- (a) Register with the ISO the Regulation Capacity its resources are qualified to bid in the Regulation Services market;
- (b) Choose to opt in or out of the Limiting Participation Flag if the resource is a Combined Cycle Gas Turbine Generator with Duct-Firing Capability.
- (c) Provide the ISO with the Resource's Regulation Capacity Response Rate and the Resource's Regulation Movement Response Rate;
- (d) Offer only Resources that are; (i) ISO-Committed Flexible or Self-Committed Flexible, provided however that Demand Side Resources shall be offered as ISO-Committed Flexible; within the dispatchable portion of their operating range, and; (ii) able to respond to AGC Base Point Signals sent by the ISO pursuant to the ISO Procedures, to provide Regulation Service;

- (e) Not use, contract to provide, or otherwise commit Regulation Capacity that is selected by the ISO to provide Regulation Service to provide Energy or Operating Reserves to a Balancing Authority other than the ISO;
- (f) Pay any charges imposed under this Rate Schedule;
- (g) Ensure that all of its Resources that are selected to provide Regulation Service comply with Base Point Signals issued by the ISO at all times pursuant to the ISO Procedures; and ensure that all of its Resources that are selected to provide Regulation Service comply with all criteria and ISO Procedures that apply to providing Regulation Service.

#### **15.3.2 Selection of Suppliers in the Day-Ahead Market and the Real-Time Market**

- (a) The ISO shall select Suppliers in the Day-Ahead Market to provide Regulation Service for each hour in the following Dispatch Day and in the Real-Time Market to provide Regulation Service for each interval in the Dispatch Day, from those that have Bid to provide Regulation Service from Resources and that meet the qualification standards and criteria established in Section 15.3.1 of this Rate Schedule and in the ISO Procedures.
- (b) In order to schedule Suppliers in the Day-Ahead Market to provide Regulation Service for each hour in the following Dispatch Day, the ISO shall use, as each Supplier's Regulation Service Bid price, the sum of: a) the Supplier's Day-Ahead Regulation Capacity Bid Price and b) the product of the Supplier's Day-Ahead Regulation Movement Bid Price and the applicable Regulation Movement Multiplier.

- (c) In order to schedule Suppliers in the Real-Time Market to provide Regulation Service for each interval in the Dispatch Day the ISO shall use, as each Supplier's Regulation Service Bid price, the sum of: a) the Supplier's Real-Time Regulation Capacity Bid Price and b) the product of the Supplier's Real-Time Regulation Movement Bid Price and the applicable Regulation Movement Multiplier.
- (d) The ISO shall establish separate Regulation Capacity Market Prices in the Day-Ahead Market and the Real-Time Market under Sections 15.3.4, 15.3.5 and 15.3.7 of this Rate Schedule and shall establish a Real-Time Regulation Movement Market Price under Section 15.3.5.1 of this Rate Schedule. The ISO shall also compute Regulation Revenue Adjustment Payments and Regulation Revenue Adjustment Charges under Section 15.3.6 of this Rate Schedule.

#### **15.3.2.1 Bidding Process**

- (a) A Supplier may submit a Bid in the Day-Ahead Market or the Real-Time Market to provide Regulation Service from eligible Resources, provided, however, that Bids submitted by Suppliers that are attempting to re-qualify to provide Regulation Service, after being disqualified pursuant to Section 15.3.3 of this Rate Schedule 3, may be limited by the ISO pursuant to ISO Procedures.
- (b) Bids rejected by the ISO may be modified and resubmitted by the Supplier to the ISO in accordance with the terms of the ISO Tariff.
- (c) Each Bid shall contain the following information: (i) the maximum amount of capability (in MW) that the Resource is willing to provide as Regulation Capacity; (ii) the Supplier's Bid Price (in \$/MW) for Regulation Capacity; and (iii) the Suppliers Bid Price (in \$/MW) for Regulation Movement.

- (d) Regulation Service Offers from Limited Energy Storage Resources: The ISO may reduce the real-time Regulation Capacity offer (in MWs) from a Limited Energy Storage Resource or an Aggregation of Limited Energy Storage Resources to account for the Energy storage capacity of such Resource.
- (e) Regulation Service Offers from Energy Storage Resources: The ISO may reduce the real-time Regulation Capacity (in MW) from an Energy Storage Resource or an Aggregation of Limited Energy Storage Resources to account for the Energy Level of such Resource.
- (f) Regulation Service Offers from Combined Cycle Gas Turbine Generators with Duct-Firing Capability that have opted for the Limiting Participation Flag: The ISO shall limit the Regulation Capacity (in MW) from a Combined Cycle Gas Turbine Generator with Duct Firing Capability, that has opted for the Limiting Participation Flag, to the Resource's maximum Regulation Service capability without exceeding its Participation Limit.

### **15.3.3 Monitoring Regulation Service Performance and Performance Related Payment Adjustments**

- (a) The ISO shall establish (i) Resource performance measurement criteria; (ii) procedures to disqualify Suppliers whose Resources consistently fail to meet those criteria; and (iii) procedures to re-qualify disqualified Suppliers, which may include a requirement to first demonstrate acceptable performance for a time.
- (b) The ISO shall establish and implement a Performance Tracking System to monitor the performance of Suppliers that provide Regulation Service. The ISO shall develop performance indices, which may vary with Control Performance, as part of the ISO Procedures. The ISO shall use the values provided by the

Performance Tracking System to adjust settlements for real-time Regulation

Movement pursuant to Section 15.3.5.4.1 and to compute a performance charge to apply to real-time Regulation Service providers pursuant to Section 15.3.5.4.2 of this Rate Schedule.

- (c) Resources that consistently fail to perform adequately may be disqualified by the ISO, pursuant to ISO Procedures.

### **15.3.4 Regulation Service Settlements - Day-Ahead Market**

#### **15.3.4.1 Calculation of Day-Ahead Market Prices**

The ISO shall calculate a Day-Ahead Regulation Capacity Market Price for each hour of the following day. The Day-Ahead Regulation Capacity Market Price for each hour shall equal the Day-Ahead Shadow Price of the ISO's Regulation Service constraint for that hour, which shall be established under the ISO Procedures, minus the product of i) the Day-Ahead Regulation Movement Bid Price of the marginal Resource selected to provide Regulation Service; and ii) the applicable Regulation Movement Multiplier. Day-Ahead Shadow Prices will be calculated by the ISO's SCUC. Each hourly Day-Ahead Shadow Price shall equal the marginal Bid cost of scheduling Resources to provide additional Regulation Service in that hour, including any impact on the Bid Production Cost of procuring Energy or Operating Reserves that would result from procuring an increment of Regulation Service in that hour, as calculated during the fifth SCUC pass described in Section 17.1.3 of Attachment B to this ISO Services Tariff. As a result, the Shadow Price shall include the Day-Ahead Regulation Service Bids of the marginal Resource selected to provide Regulation Service, plus any margins on the sale (or purchase by a Withdrawal-Eligible Generator) of Energy or the sale of Operating Reserves in the Day-Ahead Market that the Resource would forego if scheduling it to provide additional Regulation Service

would lead to it being scheduled to provide (or for a Withdrawal-Eligible Generator to withdraw) less Energy or to provide less Operating Reserves (or the applicable price on the Regulation Service Demand Curve during shortage conditions). Shadow Prices consistent with the Regulation Service Demand Curves described in Section 15.3.7 of this Rate Schedule will ensure that Regulation Service is not scheduled by SCUC at a cost greater than the Regulation Service Demand Curve.

Each Supplier that is scheduled Day-Ahead to provide Regulation Service shall be paid the Day-Ahead Regulation Capacity Market Price in each hour, multiplied by the amount of Regulation Capacity that it is scheduled Day-Ahead to provide in that hour.

#### **15.3.4.2 Other Day-Ahead Payments**

A Supplier that bids on behalf of a Generator or Aggregation that provides Regulation Service may be eligible for a Day-Ahead Bid Production Cost guarantee payment pursuant to Section 4.6.6 and Attachment C of this ISO Services Tariff.

No payments shall be made to any Supplier providing Regulation Service in excess of the amount of Regulation Service scheduled by the ISO in the Day-Ahead Market, except to the extent that a Supplier is directed to provide the excess amount by the ISO.

### **15.3.5 Regulation Service Settlements - Real-Time Market**

#### **15.3.5.1 Calculation of Real-Time Market Prices**

The ISO shall calculate a Real-Time Regulation Capacity Market Price and a Real-Time Regulation Movement Market Price for every RTD interval, except as noted in Section 15.3.8 of this Rate Schedule. The Real-Time Regulation Capacity Market Price for each interval shall equal the real-time Shadow Price for the ISO's Regulation Service constraint for that RTD interval, which shall be established under the ISO Procedures, minus the product of: i) the real-

time Regulation Movement Bid of the marginal Resource selected to provide Real-Time Regulation Service; and ii) the applicable Regulation Movement Multiplier. Real-time Shadow Prices will be calculated by the ISO's RTD. Each Real-Time Shadow Price in each RTD interval shall equal the marginal Bid cost of scheduling Resources to provide additional Regulation Service in that interval, including any impact on the Bid Production Cost of procuring Energy or Operating Reserves that would result from procuring an increment of Regulation Service in that interval. As a result, the Shadow Price shall include the Real-Time Regulation Service Bids of the marginal Resource selected to provide Regulation Service, plus any margins on the sale (or for Withdrawal-Eligible Generators, the purchase) of Energy or the sale of Operating Reserves in the Real-Time Market that Resource would forego if scheduling it to provide additional Regulation Service would lead to it being scheduled to provide or withdraw less Energy or to provide less Operating Reserves (or the applicable price on the Regulation Service Demand Curve during shortage conditions). Shadow Prices consistent with the Regulation Service Demand Curves described in Section 15.3.7 of this Rate Schedule will ensure that Regulation Service is not scheduled at a cost greater than the Demand Curve indicates.

During any period when the ISO sets Resources' Regulation Service Schedules to zero, pursuant to Section 15.3.8 of this Rate Schedule, the Real-Time Regulation Capacity Market Price and the Real-Time Regulation Movement Market Price shall automatically be set to zero, which shall be the price used for real-time balancing and settlement purposes.

The ISO shall calculate a Real-Time Regulation Movement Market Price for every RTD interval. The Real-Time Regulation Movement Market Price shall be the Regulation Movement Bid of the marginal Resource selected to provide Regulation Service in that interval.

#### **15.3.5.2 Real-Time Regulation Capacity Balancing Payments, Regulation Movement Payments and Performance Charges**

Any deviation from a Supplier's Day-Ahead schedule to provide Regulation Service shall be settled pursuant to the following rules. In addition, Suppliers scheduled to provide Regulation Service in real-time shall be settled pursuant to the following rules.

- (a) When the Supplier's real-time Regulation Capacity schedule is less than its Day-Ahead Regulation Capacity schedule, the Supplier shall pay a charge for the imbalance equal to the product of: (i) the Real-Time Regulation Capacity Market Price; and (ii) the difference between the Supplier's Day-Ahead Regulation Capacity schedule and its real-time Regulation Capacity schedule.
- (b) When the Supplier's real-time Regulation Capacity schedule is greater than its Day-Ahead Regulation Capacity schedule, the ISO shall pay the Supplier an amount to compensate it for the imbalance equal to the product of: (i) the Real-Time Regulation Capacity Market Price; and (ii) the difference between the Supplier's real-time Regulation Capacity schedule and its Day-Ahead Regulation Capacity schedule.
- (c) The ISO shall pay Suppliers with real-time Regulation Capacity schedules a real-time payment for Regulation Movement provided in each interval. The payment amount shall equal the product of: (a) the Real-Time Regulation Movement Market Price in that interval; (b) the Regulation Movement instructed during the interval, and (c) the performance factor calculated for that Regulation Service provider in that interval pursuant to Section 15.3.5.4.1.
- (d) The ISO shall assess a performance charge, pursuant to Section 15.3.5.4.2 to all Suppliers of Regulation Service with real-time Regulation Service schedules.

- (e) No payments shall be made to any Supplier providing Regulation Service in excess of the amount of Regulation Service scheduled by the ISO in the Real Time Market, except to the extent that a Supplier is directed to provide the excess amount by the ISO.

### **15.3.5.3 Other Real-Time Regulation Service Payments**

A Supplier that bids on behalf of a Regulation Service provider may be eligible for a real-time Bid Production Cost guarantee payment pursuant to Section 4.6.6 and Attachment C of this ISO Services Tariff.

A Supplier that bids on behalf of a Regulation Service provider may also be eligible for a Day-Ahead Margin Assurance Payment pursuant to Section 4.6.5 and Attachment J of this ISO Services Tariff.

### **15.3.5.4 Performance-Based Adjustment to Payments for Regulation Service Providers and Performance Based Charges**

#### **15.3.5.4.1 Performance-Based Adjustment to Payments for Regulation Service Suppliers**

The amount paid to each Supplier for providing Regulation Movement in each RTD interval, pursuant to Section 15.3.5.2 shall be reduced to reflect the Supplier's performance using a performance factor developed pursuant to the following equation:

$$K_{PLi} = (PI_i - PSF) / (1 - PSF)$$

Where:

$K_{PLi}$  = the performance factor derived from the Regulation Service Performance index for the Resource for interval  $i$ ;

$PI_i$  = the performance index of the Resource for interval  $i$ , with a value between 0.0 and 1.0 inclusive, derived from each Supplier's Regulation Service

performance, as measured by the performance indices set forth in the ISO

Procedures; and

*PSF* = the payment scaling factor, established pursuant to ISO Procedures. The PSF shall be set between 0 and the minimum performance index required for payment for Regulation Service.

The PSF is established to reflect the extent of ISO compliance with the standards established by NERC, NPCC or Good Utility Practice for Control Performance and System Security. The PSF is set initially at zero. Should the ISO's compliance with these measures deteriorate, in a manner that can be improved if regulation performance improves, the PSF will be increased. Resources providing Regulation Service will be required to increase their performance index to obtain the same total Regulation Service payment as they received during periods of good ISO performance, as measured by these standards.

#### 15.3.5.4.2 Performance-Based Charge to Suppliers of Regulation Service

In addition, each Supplier that is scheduled in real-time to provide Regulation Service shall be assessed a performance charge for interval *i* in accordance with the following formula.

*Performance Charge<sub>i</sub>*

$$= (((1 - K_{PIi}) * RTRincap_i * 1.1 * RTMPreg_i) + (((1 - K_{PIi}) * (RTRcap_i - RTRincap_i) * 1.1) * \text{Max}(DAMPreg, RTMPreg_i))) * (S_i / 3600)$$

*DAMPreg<sub>i</sub>* = is the applicable Regulation Capacity Market Price (in \$/MW), in the Day-Ahead Market, as established by the ISO pursuant to Section 15.3.4.1 of this Rate Schedule for the hour that includes RTD interval *i*;

*RTMPreg<sub>i</sub>* = is the applicable Regulation Capacity Market Price (in \$/MW), in the Real-Time Market as established by the ISO under Section 15.3.5.1 of this Rate Schedule in RTD interval *i*;

*RTRcap<sub>i</sub>* = is the Regulation Capacity (in MW) offered by the Resource and selected by the ISO in the Real-Time Market in RTD interval *i*;

*RTRincap<sub>i</sub>* = is the incremental Regulation Capacity (in MW) offered by the Resource and selected by the ISO in the Real-Time Market in the RTD

interval  $i$  which is in excess of Regulation Capacity offered and selected by the ISO in the Day-Ahead Market for the hour that includes interval  $i$ ;

$S_i$  = is the number of seconds in interval  $i$ ; and

$K_{P/i}$  = is the performance factor for the Resource for interval  $i$  as defined in Section 15.3.5.4.1.

### **15.3.6 Energy Settlement Rules for Suppliers Providing Regulation Service**

#### **15.3.6.1 Energy Settlements**

- A. For any interval in which a Generator or Aggregation that is not a Limited Energy Storage Resource or an Aggregation of Limited Energy Storage Resources is providing Regulation Service, it shall receive a settlement payment for Energy consistent with a real-time Energy injection equal to the lower of the actual Energy it provides or its AGC Base Point Signal. Demand Side Resources providing Regulation Service shall not receive a settlement payment for Energy.
- B. Demand Reductions from Aggregations providing Regulation Service are only eligible for payment for Energy when the real-time LBMP, at the Aggregation's Transmission Node, meets or exceeds the Net Benefits Test Threshold calculated in accordance with Section 4.5.7 of the Services Tariff for the applicable period. When the Net Benefits Test Threshold is satisfied, such Aggregations shall receive an Energy payment for Demand Reductions equal to the lower of the Demand Reductions' contribution to the actual Energy provided or the Aggregation's AGC Base Point Signal.
- C. For any hour in which a Limited Energy Storage Resource or Aggregation of Limited Energy Storage Resources has injected or withdrawn Energy, pursuant to an ISO schedule to do so, it shall receive a settlement payment (if the amount

calculated below is positive) or charge (if the amount calculated below is negative) for Energy pursuant to the following formula:

$$\text{Energy Settlements}_h = \text{Net MWHR}_h * \text{LBMP}_h$$

Where:

$\text{Net MWHR}_h$  = the amount of Energy injected by the Limited Energy Storage Resource or Aggregation of Limited Energy Storage Resources in hour  $h$  minus the amount of Energy withdrawn by that Limited Energy Storage Resource or Aggregation of Limited Energy Storage Resources in hour  $h$

$\text{LBMP}_h$  = the time-weighted average LBMP in hour  $h$  calculated for the location of that Limited Energy Storage Resource or Aggregation of Limited Energy Storage Resources

#### **15.3.6.2 Additional Payments/Charges**

For any interval in which a Supplier that is providing Regulation Service receives an AGC Base Point Signal that differs from its RTD Base Point Signal, it shall receive or pay a Regulation Revenue Adjustment Payment (“RRAP”) or Regulation Revenue Adjustment Charge (“RRAC”) calculated under the terms of this subsection, provided however no RRAP shall be payable and no RRAC shall be charged to a Limited Energy Storage Resource or Aggregation of Limited Energy Storage Resources.

##### **15.3.6.2.1 Additional Payments/Charges When AGC Base Point Signals Exceed RTD Base Point Signals**

For any interval in which a Supplier that is providing Regulation Service receives an AGC Base Point Signal that is higher than its RTD Base Point Signal, it shall receive or pay a RRAP or RRAC calculated under the terms of this subsection. If the Energy Bid Price of such a Supplier is higher than the LBMP at its location in that interval, the Supplier shall receive a RRAP. Conversely, for any interval in which such a Supplier’s Energy Bid Price is lower than

the LBMP at its location at that interval, the Supplier shall be assessed a RRAC. RRAPs and RRACs shall be calculated using the following formula:

$$Payment/Charge = \frac{\max(RTD \text{ BasePoint Signal}, \min(AGC \text{ BasePoint Signal}, Actual \text{ Output}))}{RTD \text{ Base Point Signal}} \int [Bid - LBMP] * S/3600$$

Where:

$S$  = the number of seconds in the RTD interval;

If the result of the calculation is positive then the Supplier shall receive a RRAP. If it is negative then the Supplier shall be subject to a RRAC. For purposes of applying this formula, whenever the Supplier's actual Bid exceeds the applicable LBMP the "Bid" term shall be set at a level equal to the lesser of the Supplier's actual Bid or its reference Bid plus \$100/MWh.

Demand Side Resources providing Regulation Service shall not be eligible for a RRAP and not liable for an RRAC.

#### **15.3.6.2.2 Additional Charges/Payments When AGC Base Point Signals Are Lower than RTD Base Point Signals**

For any interval in which a Supplier that is providing Regulation Service receives an AGC Base Point Signal that is lower than its RTD Base Point Signal, it shall receive or pay a RRAP or RRAC calculated under the terms of this subsection. If the Energy Bid Price of such a Supplier is higher than the LBMP at its location in that interval, the Supplier shall be assessed a RRAC. Conversely, for any interval in which such a Supplier's Energy Bid Price is lower than the LBMP at its location in that interval, the Supplier shall receive a RRAP. RRAPs and RRACs shall be calculated using the following formula:

$$Payment/Charge = \frac{RTD \text{ BasePoint Signal}}{\min(RTD \text{ BasePoint Signal}, \max(AGC \text{ BasePoint Signal}, Actual \text{ Output}))} \int - [Bid - LBMP] * S/3600$$

Where:

$S$  = the number of seconds in the RTD interval;

If the result of the calculation is positive then the Supplier shall receive a RRAP. If it is negative then the Supplier shall be subject to a RRAC. For purposes of this formula, whenever the Supplier's actual Bid is lower than the applicable LBMP the "Bid" term shall be set at a level equal to the higher of the Supplier's actual Bid or its reference Bid minus \$100/MWh.

Demand Side Resources providing Regulation Service shall not be eligible for a RRAP and not liable for an RRAC.

### **15.3.7 Regulation Service Demand Curve**

The ISO shall establish a Regulation Service Demand Curve that will apply to both the Day-Ahead and real-time Regulation Capacity Market Price and settlements. The Regulation Capacity Market Prices calculated pursuant to Sections 15.3.4.1 and 15.3.5.1 of this Rate Schedule shall take account of the demand curve established in this Section so that Regulation Capacity is not scheduled by SCUC, RTC, or RTD at a cost higher than the demand curve indicates should be paid in the relevant market.

The ISO shall establish and post a target level of Regulation Service for each hour, which will be the number of MW of Regulation Capacity that the ISO would seek to maintain as its Regulation Service requirement in that hour. The ISO will then define a Regulation Service demand curve for that hour as follows:

For quantities of Regulation Capacity that are less than or equal to the target level of Regulation Service minus 80 MW, the price on the Regulation Service demand curve shall be \$775/MW.

For quantities of Regulation Capacity that are less than or equal to the target level of Regulation Service minus 25 MW but that exceed the target level of Regulation Service minus 80 MW, the price on the Regulation Service demand curve shall be \$525/MW.

For quantities of Regulation Capacity that are less than or equal to the target level of Regulation Service but that exceed the target level of Regulation Service minus 25 MW, the price on the Regulation Service demand curve shall be \$25/MW.

For all other quantities, the price on the Regulation Service demand curve shall be \$0/MW. However, the ISO shall not schedule more Regulation Service than the target level for the requirement for that hour.

In order to respond to operational or reliability problems that arise in real-time, the ISO may procure Regulation Capacity at a quantity and/or price point different than those specified above. 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 ninety 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.

Not later than 90 days after the implementation of the Regulation Service Demand Curve the ISO, in consultation with its Advisor, shall conduct an initial review in accordance with the ISO Procedures. The scope of the review shall be upward or downward in order to optimize the economic efficiency of any, or all, the ISO-Administered Markets. The ISO and the Market Advisor shall perform additional quarterly reviews, subject to the same scope requirement, during the remainder of the first year that this Section 15.3.7 is in effect. After the first year, the ISO shall perform periodic reviews, subject to the same scope requirement, 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.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Rate Schedule 3 to the Services Tariff are also addressed in Section 30.4.6.4.1 of Attachment O.

### **15.3.8 Temporary Suspension of Regulation Service Markets During Reserve Pickups and Maximum Generation**

During any period in which the ISO has activated its RTD-CAM software and called for a "large event" or "small event" reserve or maximum generation pickup, as described in Article 4.4.4.1 of this ISO Services Tariff, the ISO will set all Regulation Service schedules to zero. The ISO will establish real-time Regulation Market Prices for Regulation Capacity and Regulation Movement of zero for settlement and balancing purposes. The ISO will restore real-time Regulation Service schedules as soon as possible after the end of the reserve or maximum generation pickup.