Attachment I

3.8 Development of Transmission Reinforcement Options

3.8.1 At the request of the NYPSC, the ISO shall, within its available resources and modeling capabilities, evaluate options, and develop associated cost estimates to address potential Reliability Needs, congestion, or transmission needs driven by Public Policy Requirements identified by the NYPSC. Such evaluation shall be made available to all customers or potential customers for the purpose of evaluating the economic costs and benefits of new facilities. Eligible Customers, including Transmission Owners, may then request a System Impact Study for a specific expansion project in accordance with Section 3.7.1 through 3.7.3. Development of the transmission reinforcement options will not reflect the impacts of alternatives that may be proposed by other Eligible Customers, including generation projects, which could increase or decrease transmission interface transfer capability or Congestion Rents or both. Cost estimates provided will be based on readily available data and shall in no way be binding on the ISO. The ISO will not charge the PSC for this service.

3.8.2 Subject to the Eligible Customer's obligation to compensate the ISO, at the request of an Eligible Customer, the ISO will develop illustrative transmission reinforcement options as described in Section 3.8.1 above. The Eligible Customer shall comply with the provisions of Sections 3.7.1 through 3.7.3 that require the customer to enter into a System Impact Study agreement and agree to compensate the ISO for all costs incurred to conduct the study.

3.8.3 Requests to proceed with a system expansion shall be subject to the provisions of Sections 3.7.4 through 3.7.8, and Sections 3.13 through 3.15.

3.10 Prioritizing Transmission and Interconnection Studies

For the purposes of determining the priority for: (i) Interconnection proposals submitted by an Eligible Customer, in writing, and currently pending with one or more Transmission Owner(s) prior to the effective date of this Tariff; (ii) transmission studies requested pursuant to the provisions of a Transmission Owner's Open Access Tariff prior to the date of ISO OATT Tariff implementation or transmission studies requested pursuant to Sections 3.7.4, 3.7.8 and 4.5.4 of this Tariff; (iii) transmission studies requested by Eligible Customers pursuant to Sections 3.8.2 and 4.5.7.2 of this Tariff; (iv) proposals submitted pursuant to Section 3.6.2 of the ISO Agreement; and (v) interconnection proposals submitted pursuant to 3.9 and 4.5.8 of this Tariff; the ISO shall give priority to each transmission study or Interconnection proposal on the basis of its date of submittal to the ISO or Transmission Owner. Before the effective date of this Tariff, the date of submittal of each transmission study or Interconnection proposal shall be determined by the application procedures of each Transmission Owner. New transmission studies or Interconnection proposals submitted after the effective date of this Tariff shall be subject to the same prioritization procedures, unless such procedures are modified by the ISO. In the event of different submission dates before one or more Transmission Owners or the ISO, the earliest submittal date shall be used for prioritization. After an effective date to be determined by the Commission, Large Facility Interconnection Requests shall be subject to the prioritization process included in the Large Facility Interconnection Procedures in Attachment X. The ISO may determine the priority of transmission studies under Section 3.6.3 of the ISO Agreement and studies requested by the PSC under Section 3.8.1 of this Tariff according to procedures to be developed by the ISO. Notwithstanding this provision and Section 3.8.1, the ISO shall give priority within its available resources to any requests by the NYPSC to evaluate transmission

reinforcement options, and non-transmission options, as part of the Public Policy Requirements planning process contained in Attachment Y of the OATT.

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

6.10.1 Applicability.

This rate mechanism establishes the Reliability Facilities Charge ("RFC") for the recovery of costs related to each regulated reliability transmission project undertaken pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT and the NYISO/TO Reliability Agreement. For purposes of this attachment, a regulated reliability transmission project includes: (i) a regulated backstop transmission project, or an alternative regulated transmission project provided that the ISO has selected such alternative regulated transmission project as the more efficient or cost effective solution to the identified Reliability Need and triggered the alternative regulated transmission project pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, or (ii) a regulated transmission Gap Solution proposed by a Responsible Transmission Owner or an alternative regulated Gap Solution proposed by an Other Developer or Transmission Owner that has been determined by the appropriate state regulatory agency(ies) as the preferred solution to the identified Reliability Need. The rate mechanism shall not apply to projects undertaken by Transmission Owners pursuant to Local Transmission Owner Planning Processes pursuant to Section 31.1.3 and Section 31.2.1 of Attachment Y of the NYISO OATT. The RFC shall be comprised of the revenue requirements related to: (i) each regulated reliability transmission project filed with FERC by a Transmission Owner pursuant to the provisions of this Attachment; (ii) any costs incurred by NYPA and filed with FERC by the NYISO pursuant to the provisions of this Attachment; and (iii) any FERC approved costs incurred by an Other Developer under

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

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

Each Transmission Owner shall have on file at FERC the rate treatment that will be used to derive and determine the revenue requirement to be included in the RFC, and for the LIPA RFC as applicable, for regulated transmission projects undertaken pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT. The filing will provide for the recovery of the full revenue requirement for a regulated reliability transmission project consistent with FERC regulations including but not limited to any incentives for the construction of transmission projects provided for in Section 219 of the Federal Power Act and the FERC regulations implementing that section. Pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT, (i) the Responsible Transmission Owner(s) proceeding with a regulated transmission backstop solution or (ii) a Transmission Owner proceeding with an alternative regulated transmission solution that the ISO has selected as the more efficient or cost effective solution and triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this RFC applies.

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

6.10.2.2 Upon completion of the project, the Transmission Owner(s) or the NYISO as applicable, will make an informational filing with FERC to provide the final

project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The final project cost and resulting revenue requirement will be reduced by any amounts that, pursuant to Section 25.7.12.3.3 of Attachment S to the NYISO OATT, have been previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The resulting revenue requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the making of the information filing with FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner(s)' revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT. This Section 6.10.2.2 also applies to the recovery of all reasonably incurred costs related to either (i) a regulated backstop transmission project or (ii) an alternative regulated transmission project that the ISO has selected as the more efficient or cost effective solution and triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, and that is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT and the NYISO/TO Reliability Agreement. Following the information filing, the NYISO will bill the RFC or LIPA RFC, as applicable.

6.10.2.3 The Transmission Owners may propose a non-transmission solution subject to state jurisdiction to address a Reliability Need included in the Comprehensive Reliability Plan, provided that the appropriate state agency(ies)

has established procedures to ensure full and prompt recovery of all reasonably incurred costs related to a project, comparable to those set forth in this tariff for cost recovery for regulated reliability transmission projects.

6.10.3 RFC Revenue Requirement Recovery.

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

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

6.10.3.2 To the extent that incremental transmission rights owned by the Transmission Owner sponsoring the project are created as a result of a transmission project implemented in accordance with Attachment Y of the NYISO OATT, those incremental transmission rights that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse the associated revenues to the Transmission Owner(s). The associated revenues will be used in the calculation of the RFC as set forth in Section 6.10.3.4. The incremental transmission rights will continue to be sold for the depreciable life of the project, and the revenues offset discussed above will commence upon the first payment of revenues related to a sale of incremental transmission rights on or

after the RFC is implemented for a specific project. These incremental revenues shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT.

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

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

Step 1: Calculate the $ assigned to each Zone

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

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

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

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

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

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

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

Where,

P = set of Projects.

Z = set of NYISO Zones.
B = the relevant Billing Period.

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

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

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

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

6.10.4 Recovery of Costs by an Unregulated Transmitting Utility.

An Unregulated Transmitting Utility is a Transmission Owner that, pursuant to Section 201(f) of the FPA is not subject to the Commission's jurisdiction under Sections 205 and 206 of the FPA. The recovery of costs related to the preparation of proposals for, and the development, construction, operation and maintenance of, a regulated reliability transmission project undertaken pursuant to Attachment Y of the NYISO OATT by LIPA, as an Unregulated Transmitting Utility, shall be conducted as follows:

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

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

6.10.4.3 Cost Recovery for LIPA

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

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

6.10.4.3.1.1 For costs to LIPA customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the NYISO, for purposes of inclusion within the NYISO OATT and filing with FERC on an informational basis only, a description of the rate recovery mechanism and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance with the NYISO cost allocation methodology pursuant to Section 31.5.3.2 of Attachment Y of the NYISO OATT.

6.10.4.3.1.2 For Costs to Other Transmission Districts: Where the NYISO determines that there are responsible entities outside of the Long Island Transmission District that should be allocated a portion of the costs of the regulated backstop reliability transmission solution or an alternative regulated transmission solution undertaken by LIPA, LIPA shall inform the NYISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery

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

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

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

6.10.5.1 The RFC shall be used as the cost recovery mechanism for the recovery of the costs of an alternative regulated reliability transmission project pursuant to a determination by the NYISO that a regulated solution: is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT, is proposed, developed or constructed by an Other Developer who is otherwise authorized to propose, develop or construct a regulated transmission project under applicable state and federal law, has been selected by the ISO as the more efficient or cost effective solution to the identified Reliability Need, has been triggered by the ISO under Section 31.2.8 of Attachment Y of the ISO OATT, and is authorized by FERC to recover costs under this rate mechanism. Provided however, nothing in this cost recovery mechanism shall be deemed to create any additional rights for an Other Developer to proceed with a regulated transmission project that such Other Developer does not otherwise have at law. The provisions of Sections 6.10.3 through 6.10.3.4 of this Attachment shall be applicable to the recovery of the costs incurred by an Other Developer for proposing, developing, constructing, operating, maintaining, and financing an alternative regulated transmission project that the ISO has selectedas the more efficient or cost effective solution to the identified Reliability Need and that the ISO has triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT.

6.10.5.2 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of a Section 205 filing authorizing cost recovery

under the NYISO tariff, the Other Developer shall commence construction of the project. Upon completion of the project, the Other Developer and/or the NYISO, as applicable, will make a filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The resulting revenue requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the acceptance of the filing by FERC. This Section 6.10.5.2 also applies to the recovery of all reasonably incurred costs related to a project that the ISO has selected as the more efficient or cost effective solution, has been triggered by the ISO pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, and is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT.

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

31.1 New York Comprehensive System Planning Process ("CSPP")

31.1.1 Definitions

Throughout Sections 31.1 through 31.7, the following capitalized terms shall have the meanings set forth in this subsection:

Affected TO: The Transmission Owner who receives written notification of a dispute related to a Local Transmission Planning Process pursuant to Section 31.2.1.3.1.

Bounded Region: A Load Zone or Zones within an area that is isolated from the rest of the NYCA as a result of constrained interface limits.

CARIS: The Congestion Assessment and Resource Integration Study for economic planning developed by the ISO in consultation with the Market Participants and other interested parties pursuant to Section 31.3 of this Attachment Y.

CRP: The Comprehensive Reliability Plan as approved by the ISO Board of Directors pursuant to this Attachment Y.

CSPP: The Comprehensive System Planning Process set forth in this Attachment Y, and in the Interregional Planning Protocol, which covers reliability planning, economic planning, Public Policy Requirements planning, cost allocation and cost recovery, and the interregional planning process.

Developer: A person or entity, including a Transmission Owner, sponsoring or proposing a project pursuant to this Attachment Y.

ESPWG: The Electric System Planning Work Group, or any successor work group or committee designated to fulfill the functions assigned to the ESPWG in this tariff.

Gap Solution: A solution to a Reliability Need that is designed to be temporary and to strive to be compatible with permanent market-based proposals. A permanent regulated solution, if appropriate, may proceed in parallel with a Gap Solution.

Interregional Planning Protocol: The Amended and Restated Northeastern ISO/RTO Planning Coordination Protocol, or any successor to that protocol.

Interregional Transmission Project: A transmission facility located in two or more transmission planning regions that is evaluated under the Interregional Planning Protocol and proposed to address an identified Reliability Need, congestion identified in the CARIS, or a transmission need driven by a Public Policy Requirement pursuant to Order No. 1000 and the provisions of this Attachment Y.

IPTF: The Interregional Planning Task Force, or any successor ISO stakeholder working group or committee, designated to fulfill the functions assigned to the IPTF in this tariff.

ISO/RTO Region: One or more of the three ISO or RTO regions known as PJM, ISO-New England, and NYISO, which are the "Parties" to the Interregional Planning Protocol.

LCR: An abbreviation for the term Locational Minimum Installed Capacity Requirement, as defined in the ISO Open Access Transmission Tariff.

Loss of Load Expectation ("LOLE"): A measure used to determine the amount of resources needed to minimize the possibility of an involuntary loss of firm electric load on the New York State Bulk Power Transmission Facilities.

LTP: The Local Transmission Owner Plan, developed by each Transmission Owner, which describes its respective plans that may be under consideration or finalized for its own Transmission District.

LTP Dispute Resolution Process ("DRP"): The process for resolution of disputes relating to a Transmission Owner's LTP set out in Section 31.2.1.3.

LTPP: The Local Planning Process conducted by each Transmission Owner for its own Transmission District.

Management Committee: The standing committee of the ISO of that name created pursuant to the ISO Agreement.

Net CONE: The value representing the cost of new entry, net of energy and ancillary services revenues, utilized by the ISO in establishing the ICAP Demand Curves pursuant to Section 5 of the ISO Market Services Tariff.

New York State Bulk Power Transmission Facilities ("BPTFs"): The facilities identified as the New York State Bulk Power Transmission Facilities in the annual Area Transmission Review submitted to NPCC by the ISO pursuant to NPCC requirements.

NPCC: The Northeast Power Coordinating Council, or any successor organization.

NYCA Free Flow Test: A NYCA unconstrained internal transmission interface test, performed by the ISO to determine if a Reliability Need is the result of a statewide resource deficiency or a transmission limitation.

NYDPS: The New York State Department of Public Service, as defined in the New York Public Service Law.

NYISO Load and Capacity Data Report: As defined in Section 25 of the ISO OATT.

NYPSC: The New York Public Service Commission, as defined in the New York Public Service Law.

Operating Committee: The standing committee of the NYISO of that name created pursuant to the ISO Agreement.

Order No. 1000: The Final Rule entitled Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, issued by the Commission on July 21, 2011, in Docket RM10-23-001, as modified on rehearing, or upon appeal. (See FERC Stats & Regs. ¶ 31,323 (2011) ("Order No. 1000"), on reh'g and clarification, 139 FERC ¶ 61,132 ("Order No. 1000-A"), on reh'g and clarification, 141 FERC ¶ 61,044 (2012) ("Order No. 1000-B").

Other Developers: Parties or entities sponsoring or proposing to sponsor regulated economic projects, transmission solutions driven by Public Policy Requirements, or regulated solutions to Reliability Needs who are not Transmission Owners.

Public Policy Transmission Planning Process: The process by which the ISO solicits needs for transmission driven by Public Policy Requirements, evaluates all solutions on a comparable basis, and selects the more efficient or cost effective transmission solution, if any, for eligibility for cost allocation under the ISO Tariffs.

Public Policy Transmission Need: A transmission need identified by the NYPSC/NYDPS that is driven by a Public Policy Requirement pursuant to Section 31.4.2.1.

Public Policy Transmission Planning Report: The report approved by the ISO Board of Directors pursuant to this Attachment Y on the ISO's evaluation of all proposed solutions to an identified Public Policy Transmission Need pursuant to Section 31.4.6 and the ISO's selection of a proposed transmission solution, if any, that is the more efficient or cost effective solution to the identified Public Policy Transmission Need pursuant to Section 31.4.8.

Public Policy Requirement: A federal or New York State statute or regulation, including a NYPSC order adopting a rule or regulation subject to and in accordance with the State Administrative Procedure Act, any successor statute, or any duly enacted law or regulation passed by a local governmental entity in New York State, that may relate to transmission planning on the BPTFs.

Reliability Criteria: The electric power system planning and operating policies, standards, criteria, guidelines, procedures, and rules promulgated by the North American Electric Reliability Corporation ("NERC"), Northeast Power Coordinating Council ("NPCC"), and the New York State Reliability Council ("NYSRC"), as they may be amended from time to time.

Reliability Need: A condition identified by the ISO as a violation or potential violation of one or more Reliability Criteria.

Responsible Transmission Owner: The Transmission Owner or Transmission Owners designated by the ISO, pursuant to Section 31.2.4.3, to prepare a proposal for a regulated backstop solution to a Reliability Need or to proceed with a regulated solution to a Reliability Need. The Responsible Transmission Owner will normally be the Transmission Owner in whose Transmission District the ISO identifies a Reliability Need.

RNA: The Reliability Needs Assessment as approved by the ISO Board under this Attachment.

RNA Base Case: The model(s) representing the New York State Power System over the Study Period.

Site Control: Documentation reasonably demonstrating: (1) ownership of, a leasehold interest in, or a right to develop a site or right of way for the purpose of constructing a proposed project; (2) an option to purchase or acquire a leasehold site or right of way for such purpose; or (3) an exclusivity or other business relationship between the Transmission Owner, or Other Developer, and the entity having the right to sell, lease, or grant the Transmission Owner, or Other Developer, the right to possess or occupy a site or right of way for such purpose.

Study Period: The ten-year time period evaluated in the RNA and the CRP.

Target Year: The calendar year in which a Reliability Need arises, as determined by the ISO pursuant to Section 31.2.

TPAS: The Transmission Planning Advisory Subcommittee, or any successor work group or committee designated to fulfill the functions assigned to TPAS pursuant to this Attachment.

Trigger Date: The date by which the ISO must request implementation of a regulated backstop solution or an alternative regulated solution pursuant to Section 31.2.8 in order to meet a Reliability Need.

All other capitalized terms shall have the meanings provided for them in the ISO's Tariffs.

31.1.2 Reliability Planning Process

Sections 31.2.1 through 31.2.12 of this Attachment Y describe the process that the ISO, the Transmission Owners, and Market Participants and other interested parties shall follow for planning to meet the Reliability Needs of the BPTFs. The objectives of the process are to: (1) evaluate the Reliability Needs of the BPTFs pursuant to Reliability Criteria (2) identify, through the development of appropriate scenarios, factors and issues that might adversely impact the reliability of the BPTFs; (3) provide a process whereby solutions to identified needs are proposed, evaluated on a comparable basis, and implemented in a timely manner to ensure the reliability of the system; (4) provide a process by which the ISO will select the more efficient or cost effective regulated transmission solution to satisfy the Reliability Need for eligibility for

cost allocation under the ISO Tariffs; (5) provide an opportunity first for the implementation of market-based solutions while ensuring the reliability of the BPTFs; and (6) coordinate the ISO's reliability assessments with neighboring Control Areas.

The ISO will provide, through the analysis of historical system congestion costs, information about historical congestion including the causes for that congestion so that Market Participants and other stakeholders can make appropriately informed decisions. See Appendix A.

31.1.3 Transmission Owner Planning Process

The Transmission Owners will continue to plan for their transmission systems, including the BPTFs and other NYS Transmission System facilities. The planning process of each Transmission Owner is referred to herein as the LTPP, and the plans resulting from the LTPP are referred to herein as LTPs, whether under consideration or finalized. Each Transmission Owner will be responsible for administering its LTPP and for making provisions for stakeholder input into its LTPP. The ISO's role in the LTPP is limited to the procedural activities described in this Attachment Y.

The finalized portions of the LTPs periodically prepared by the Transmission Owners will be used as inputs to the CSPP described in this Attachment Y. Each Transmission Owner will prepare an LTP for its transmission system in accordance with the procedures described in Section 31.2.1.

31.1.4 Economic Planning Process

Sections 31.3.1 and 31.3.2 of this Attachment Y describe the process that the ISO, the Transmission Owners, and Market Participants shall follow for economic planning to identify and reduce current and future projected congestion on the BPTFs. The objectives of the

economic planning process are to: (1) project congestion on the BPTFs over the ten-year planning period of this CSPP, (2) identify, through the development of appropriate scenarios, factors that might produce or increase congestion, (3) provide a process whereby projects to reduce congestion identified in the economic planning process are proposed and evaluated on a comparable basis in a timely manner, (4) provide an opportunity for the development of market-based solutions to reduce the congestion identified, and (5) coordinate the ISO's congestion assessments and economic planning process with neighboring Control Areas.

31.1.5 Public Policy Requirements Planning Process

Section 31.4 of this Attachment Y describes the planning process that the ISO, and all interested parties, shall follow to consider Public Policy Requirements that drive the need for expansions or upgrades to BPTFs. The objectives of the Public Policy Requirements planning process are to: (1) allow Market Participants and other interested parties to propose transmission needs that they believe are being driven by Public Policy Requirements and for which transmission solutions should be evaluated, (2) provide a process by which the NYDPS and NYPSC will, with input from the ISO, Market Participants, and other interested parties, identify the transmission needs, if any, for which transmission solutions should be evaluated, (3) provide a process whereby all solutions to Public Policy Transmission Needs are proposed and evaluated on a comparable basis, (4) provide a process by which the ISO will select the more efficient or cost effective regulated transmission solution, if any, to satisfy the Public Policy Transmission Need for eligibility for cost allocation under the ISO Tariffs; (5) provide a cost allocation methodology for regulated transmission projects that have been selected by the ISO, and (6) coordinate the ISO's Public Policy Transmission Planning Process with neighboring Control Areas.

31.1.6 Interregional Planning Process

The ISO, the Transmission Owners, and Market Participants and other interested parties shall coordinate system planning activities with neighboring planning regions (*i.e.*, the ISO/RTO Regions and adjacent portions of Canada). The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (1) exchange of relevant data and information; (2) coordination of procedures to evaluate certain interconnection and transmission service requests; (3) periodic comprehensive interregional assessments; (4) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000; (5) allocation of costs among the ISO/RTO Regions of Interregional Transmission Projects, identified in accordance with the Interregional Planning Protocol and approved by each region, pursuant to the cost allocation methodology set forth in Section 31.5.7 herein. The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region's regional reliability organization(s) as well as the relevant local reliability entities. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

31.1.7 Enrollment in the ISO's Transmission Planning Region

For purposes of any matter addressed by this Attachment Y, participation in the ESPWG, IPTF and TPAS shall be open to any interested entity, irrespective of whether that entity has

become a Party to the ISO Agreement. Any entity may enroll in the ISO's transmission planning region in order to fully participate in the ISO's governance process by becoming a Party to the ISO Agreement, as set forth in Section 2.02 of the ISO Agreement. An owner of transmission in New York State may become a Transmission Owner by: (i) satisfying the definition of a Transmission Owner in Article 1 of the ISO Agreement and (ii) executing the ISO/TO Agreement or an agreement with the ISO under terms comparable to the ISO/TO Agreement and turning over operational control of its transmission facilities to the ISO. As of October 15, 2013, the Transmission Owners are: (1) Central Hudson Gas & Electric Corporation, (2) Consolidated Edison Company of New York, Inc., (3) New York State Electric & Gas Corporation, (4) Niagara Mohawk Power Corporation, (5) Orange and Rockland Utilities, Inc., (6) Rochester Gas and Electric Corporation, (7) the Power Authority of the State of New York, and (8) Long Island Lighting Company d/b/a LIPA.

31.1.8 NYISO Implementation and Administration

31.1.8.1 The ISO shall adopt procedures for the implementation and administration of the CSPP set forth in this Attachment Y and the Interregional Planning Protocol, and shall revise those procedures as and when necessary. Such procedures will be incorporated in the ISO's manuals, including ISO's Comprehensive System Planning Process Manual. The ISO Procedures shall provide for the open and transparent coordination of the CSPP to allow Market Participants and all other interested parties to have a meaningful opportunity to participate in each stage of the CSPP through the meetings conducted in accordance with the ISO system of collaborative governance. Confidential Information and Critical Energy Infrastructure Information exchanged through the

CSPP shall be subject to the protections for such information contained in the ISO's tariffs and procedures, including this Attachment Y and Attachment F of the NYISO OATT.

31.1.8.2 The ISO Procedures shall include a schedule for the collection and submission of data and the preparation of models to be used in the studies contemplated under this tariff. That schedule shall provide for a rolling two-year cycle of studies and reports conducted in each of the ISO planning processes (reliability, economic and public policy) as part of the Comprehensive System Planning Process. Each cycle commences with the LTPP providing input into the reliability planning process. The CARIS study under Section 31.3 of this Attachment Y will commence upon completion of the viability and sufficiency analysis performed pursuant to Section 31.2.5.7, as part of the CRP process. The Public Policy Transmission Planning Process will to the extent practicable run in parallel with the reliability planning process, provided that the NYPSC/NYDPS's issuance of a written statement pursuant to Section 31.4.2.1 will occur after the draft RNA study results are posted. If the CRP cannot be completed within a two-year cycle, the ISO will notify stakeholders and provide an estimated completion date and an explanation of the reasons the additional time is required. As further detailed in Sections 31.2, 31.3, 31.4, and 31.5, the interregional planning process shall be conducted in parallel with the reliability planning process, the economic planning process, and the Public Policy Requirements planning process to identify and evaluate Interregional Transmission Projects that may more efficiently or cost-effectively meet the needs of the region than a regional transmission project.

31.1.8.3 The ISO Procedures shall be designed to allow the coordination of the ISO's planning activities with those of the ISO/RTO Regions, NERC, NPCC, the NYSRC, and other regional reliability organizations so as to develop consistency of the models, databases, and assumptions utilized in making reliability and economic determinations.

31.1.8.4 The ISO Procedures shall facilitate the timely identification and resolution of all substantive and procedural disputes that arise out of the CSPP. Any party participating in the CSPP and having a dispute arising out of the CSPP may seek to have its dispute resolved in accordance with ISO governance procedures during the course of the CSPP. If the party's dispute is not resolved in this manner as a part of the plan development process, the party may invoke formal dispute resolution procedures administered by the ISO that are the same as those available to Transmission Customers under Section 11 of the ISO Market Administration and Control Area Services Tariff. Disputes arising out of the LTPP shall be addressed by the LTP DRP set forth in Section 31.2.1.3 of this Attachment Y.

31.1.8.5 Except for those cases where the ISO OATT provides that an individual customer shall be responsible for the cost, or a specified share of the cost, of an individually requested study related to interconnection or to system expansion or to congestion and resource integration, the study costs incurred by the ISO as a result of its administration of the CSPP will be recovered from all customers through and in accordance with Rate Schedule 1 of the ISO OATT.

31.2 Reliability Planning Process

31.2.1 Local Transmission Owner Planning Process

31.2.1.1 Scope

31.2.1.1.1 Criteria, Assumptions and Data

Each Transmission Owner will post on its website the planning criteria and assumptions currently used in its LTPP as well as a list of any applicable software and/or analytical tools currently used in the LTPP. Customers, Market Participants and other interested parties may review and comment on the planning criteria and assumptions used by each Transmission Owner, as well as other data and models used by each Transmission Owner in its LTPP. The Transmission Owners will take into consideration any comments received. Any planning criteria or assumptions for a Transmission Owner's BPTFs will meet or exceed any applicable NERC, NPCC or NYSRC criteria. The LTPP shall include a description of the needs addressed by the LTPP as well as the assumptions, applicable planning criteria and methodology utilized and the Public Policy Requirements considered. A link to each Transmission Owner's website will be posted on the ISO website.

31.2.1.1.2 Consideration of Transmission Needs Driven by Public Policy Requirements

31.2.1.1.2.1 Procedures for the Identification of Transmission Needs Driven by Public Policy Requirements in Local Transmission Plans and for the Consideration of Transmission Solutions

In developing its LTP, each Transmission Owner shall consider whether there is a transmission need on its system that is being driven by a Public Policy Requirement. The LTP will identify any transmission project included in the LTP as a solution to a transmission need being driven by a Public Policy Requirement. In evaluating potential transmission solutions, the

Transmission Owner will give consideration to the objectives of the Public Policy Requirement(s) driving the need for transmission.

31.2.1.1.2.2 Determination of Local Transmission Needs Driven by Public Policy Requirements

As part of its LTP process pursuant to Section 31.2.1.2 below, each Transmission Owner will consider whether there is a transmission need on its local system that is being driven by a Public Policy Requirement for which a local transmission solution should be evaluated, including needs proposed by market participants and other interested parties. A market participant or other interested party proposing a transmission need on a Transmission Owner's local system driven by a Public Policy Requirement shall submit its proposal to the ISO and the relevant Transmission Owner, and will identify the specific Public Policy Requirement that is driving the proposed transmission need and an explanation of why a local transmission upgrade is necessary to implement the Public Policy Requirement. Any proposed local system transmission need will be posted on the ISO website. The ISO will transmit proposed transmission needs on a Transmission Owner's local system driven by Public Policy Requirements to the NYDPS, with a request that the NYDPS review the proposals and provide the relevant Transmission Owner with input to assist the Transmission Owner in its determination. The Transmission Owner, after considering the input provided by the NYDPS and any information provided by a market participant or other party, will determine whether there are transmission needs driven by Public Policy Requirements for which local transmission solutions should be evaluated. The Transmission Owner will post on its website a list of the transmission needs driven by Public Policy Requirements for which local transmission solutions should be evaluated, with an explanation of why the Transmission Owner identified those transmission needs and declined to identify other proposed transmission needs.

31.2.1.1.2.3 Evaluation of Proposed Local Transmission Solutions

In evaluating potential transmission solutions, if any, the Transmission Owner will give consideration to the objectives of the Public Policy Requirement driving the need for a local transmission solution. The Transmission Owner will evaluate solutions to identified transmission needs, including transmission solutions proposed by market participants and other parties for inclusion in its LTP. The Transmission Owner, in consultation with the NYDPS, will evaluate proposed transmission solutions on its local system to determine the more efficient or cost-effective transmission solutions. The Transmission Owner will consider the relative costs and benefits of proposed transmission solutions and their impact on the Transmission Owner's transmission system and its customers. Any local transmission solution identified by the Transmission Owner through the LTP process will be reviewed with stakeholders as part of each Transmission Owner's regular LTP process and will be included in the Transmission Owner's subsequent LTP. In conducting its evaluation the Transmission Owner will use criteria that are relevant to the Public Policy Requirement driving the transmission need, which may include its published local planning criteria and assumptions.

31.2.1.1.3 The ISO will review the Transmission Owner LTPs as they relate to BPTFs and will also evaluate whether other solutions proposed to meet Reliability Needs, congestion identified in the CARIS, or Public Policy Requirements may meet such BPTF needs of the NYCA region more efficiently or cost-effectively than the Transmission Owners' proposed LTP solutions. The ISO will report the results of its evaluation in the relevant ISO planning report prepared under this Attachment Y.

31.2.1.2 Process Timeline

31.2.1.2.1 Each Transmission Owner, in accordance with a schedule set forth in the ISO Procedures, will post its current LTP on its website for review and comment by interested parties sufficiently in advance of the time for submission to the ISO for input to its RNA so as to allow adequate time for stakeholder review and comment. Each LTP will include:

- identification of the planning horizon covered by the LTP,
- data and models used,
- reliability needs, needs driven by Public Policy Requirements, and other needs addressed,
- potential solutions under consideration, and,
- a description of the transmission facilities covered by the plan.

31.2.1.2.2 To the extent the current LTP utilizes data or inputs, related to the ISO's planning process, not already reported by the ISO in Form 715 and referenced on its website, any such data will be provided to the ISO at the time each Transmission Owner posts criteria and planning assumptions in accordance with Section 31.2.1.1 and will be posted by the ISO on its website subject to any confidentiality or Critical Energy Infrastructure Information restrictions or requirements.

31.2.1.2.3 Each planning cycle, the ISO shall hold one or more stakeholder meetings of the ESPWG and TPAS at which each Transmission Owner's current LTP will be discussed. Such meetings will be held either at the Transmission Owner's Transmission District, or at an ISO location. The ISO shall post notice of the meeting and shall disclose the agenda and any other material distributed prior to the meeting.

31.2.1.2.4 Interested parties may submit written comments to a Transmission Owner with respect to its current LTP within thirty days after the meeting. Each Transmission Owner shall list on its website, as part of its LTP, the person and/or location to which comments should be sent by interested parties. All comments will be posted on the ISO website. Each Transmission Owner will consider comments received in developing any modifications to its LTP. Any such modification will be explained in its current LTP posted on its website pursuant to Section 31.2.1.2.2 above and discussed at the next meeting held pursuant to Section 31.2.1.2.3 above.

31.2.1.2.5 Each planning cycle, each Transmission Owner will submit the finalized portions of its current LTP to the ISO as contemplated in Section 31.2.2.4.2 below for timely inclusion in the RNA.

31.2.1.3 LTP Dispute Resolution Process

31.2.1.3.1 Disputes Related to the LTPP; Objective; Notice

Disputes related to the LTPP are subject to the DRP. The objective of the DRP is to assist parties having disputes in communicating effectively and resolving disputes as expeditiously as possible. Within fifteen (15) calendar days of the presentation by a Transmission Owner of its LTP to the ESPWG and TPAS, a party with a dispute shall notify in writing the Affected TO, the ISO, the ESPWG and TPAS of its intention to utilize the DRP. The notice shall identify the specific issue in dispute and describe in sufficient detail the nature of the dispute.

31.2.1.3.2 Review by the ESPWG/TPAS

The issue raised by a party with a dispute shall be reviewed and discussed at a joint meeting of the ESPWG and the TPAS in an effort to resolve the dispute. The party with a dispute and the Affected TO shall have an opportunity to present information concerning the issue in dispute to the ESPWG and the TPAS.

31.2.1.3.3 Information Discussions

To the extent the ESPWG and the TPAS are unable to resolve the dispute, the dispute will be subject to good faith informal discussions between the party with a dispute and the Affected TO. Each of those parties will designate a senior representative authorized to enter into informal discussions and to resolve the dispute. The parties to the dispute shall make a good faith effort to resolve the dispute through informal discussions as promptly as practicable.

31.2.1.3.4 Alternative Dispute Resolution

In the event that the parties to the dispute are unable to resolve the dispute through informal discussions within sixty (60) days, or such other period as the parties may agree upon, the parties may, by mutual agreement, submit the dispute to mediation or any other form of alternative dispute resolution. The parties shall attempt in good faith to resolve the dispute in accordance with a mutually agreed upon schedule but in no event may the schedule extend beyond ninety (90) days from the date on which the parties agreed to submit the dispute to alternative dispute resolution.

31.2.1.3.5 Notice of Results of Dispute Resolution

The Affected TO shall notify the ISO and ESPWG and TPAS of the results of the DRP and update its LTP to the extent necessary. The ISO shall use in its planning process the LTP provided by the Affected TO.

31.2.1.3.6 Rights Under the Federal Power Act

Nothing in the DRP shall affect the rights of any party to file a complaint with the Commission under relevant provisions of the FPA.

31.2.1.3.7 Confidentiality

All information disclosed in the course of the DRP shall be subject to the same protections accorded to confidential information and CEII by the ISO under its confidentiality and CEII policies.

31.2.2 Reliability Needs Assessment

31.2.2.1 General

The ISO shall prepare and publish the RNA as described below. The RNA will identify Reliability Needs. The ISO shall also designate in the RNA the Responsible Transmission Owner with respect to each Reliability Need.

31.2.2.2 Interested Party Participation in the Development of the RNA

The ISO shall develop the RNA in consultation with Market Participants and all other interested parties. TPAS will have responsibility consistent with ISO Procedures for review of the ISO's reliability analyses. ESPWG will have responsibility consistent with ISO Procedures for providing commercial input and assumptions to be used in the development of reliability assessment scenarios provided under Section 31.2.2.5, and in the reporting and analysis of

historic congestion costs. Coordination and communication will be established and maintained between these two groups and ISO staff to allow Market Participants and other interested parties to participate in a meaningful way during each stage of the CSPP. The ISO staff shall report any majority and minority views of these collaborative governance work groups when it submits the RNA to the Operating Committee for a vote, as provided below.

31.2.2.3 Preparation of the Reliability Needs Assessment

31.2.2.3.1 The ISO shall evaluate bulk power system needs in the RNA over the Study Period.

31.2.2.3.2 The starting point for the development of the RNA Base Case will be the system as defined for the FERC Form No. 715 Base Case. The ISO shall develop this system representation to be used for its evaluations of the Study Period by primarily using: (1) the most recent NYISO Load and Capacity Data Report published by the ISO on its web site; (2) the most recent versions of ISO reliability analyses and assessments provided for or published by NERC, NPCC, NYSRC, and neighboring Control Areas; (3) information reported by neighboring Control Areas such as power flow data, forecasted load, significant new or modified generation and transmission facilities, and anticipated system conditions that the ISO determines may impact the BPTFs; and (4) data submitted pursuant to paragraph 31.2.2.4 below. The details of the development of the RNA Base Case are contained in the ISO Procedures. The RNA Base Case shall also include Interregional Transmission Projects that have been approved by the NYPSC transmission siting process and meet the base case inclusion requirements in the ISO Procedures.

31.2.2.3.3 The ISO shall assess the RNA Base Case to determine whether the BPTFs meet all Reliability Criteria for both resource and transmission adequacy in each year, and report the results of its evaluation in the RNA. Transmission analyses will include thermal, voltage, short circuit, and stability studies. Then, if any Reliability Criteria are not met in any year, the ISO shall perform additional analyses to determine whether additional resources and/or transmission capacity expansion are needed to meet those requirements, and to determine the Target Year of need for those additional resources and/or transmission. A short circuit assessment will be performed for the tenth year of the Study Period. The study will not seek to identify specific additional facilities. Reliability Needs will be defined in terms of total deficiencies relative to Reliability Criteria and not necessarily in terms of specific facilities.

31.2.2.4 Planning Participant Data Input

31.2.2.4.1 At the ISO's request, Market Participants, Developers, and other parties shall provide, in accordance with the schedule set forth in the ISO Procedures, the data necessary for the development of the RNA. This data will include but not be limited to (1) existing and planned additions to the New York State Transmission System (to be provided by Transmission Owners and municipal electric utilities); (2) proposals for merchant transmission facilities (to be provided by merchant Developers); (3) generation additions and retirements (to be provided by generator owners and Developers); (4) demand response programs (to be provided by demand response providers); and (5) any long-term firm transmission requests made to the ISO.

31.2.2.4.2 The Transmission Owners shall submit their current LTPs referenced in Section 31.1.3 and Section 31.2.1 to the ISO. The Transmission Owners and the ISO will coordinate with each other in reviewing the LTPs. The ISO will review the Transmission Owners' LTPs, as they relate to BPTFs, to determine whether they will meet reliability needs identified in the LTPs, recommend an alternate means to resolve the local needs from a regional perspective pursuant to Section 31.2.6.4, and indicate if it is not in agreement with a Transmission Owner's proposed additions. The ISO shall report its determinations under this section in the RNA and in the CRP.

31.2.2.4.3 All data received from Market Participants, Developers, and other parties shall be considered in the development of the system representation for the Study Period in accordance with the ISO Procedures.

31.2.2.5 Reliability Scenario Development

The ISO, in consultation with the ESPWG and TPAS, shall develop reliability scenarios addressing the Study Period. Variables for consideration in the development of these reliability scenarios include but are not limited to: load forecast uncertainty, fuel prices and availability, new resources, retirements, transmission network topology, and limitations imposed by proposed environmental or other legislation.

31.2.2.6 Evaluation of Reliability Scenarios

The ISO will conduct additional reliability analyses for the reliability scenarios developed pursuant to paragraph 31.2.2.5. These evaluations will test the robustness of the needs assessment studies conducted under paragraphs 31.2.2.3. This evaluation will only identify conditions under which Reliability Criteria may not be met. It will not identify or propose

additional Reliability Needs. In addition, the ISO will perform appropriate sensitivity studies to determine whether Reliability Needs previously identified can be mitigated through alternate system configurations or operational modes. The Reliability Needs may increase in some reliability scenarios and may decrease, or even be eliminated, in others. The ISO shall report the results of these evaluations in the RNA.

31.2.2.7 Consequences for Other Regions

The ISO will coordinate with the ISO/RTO Regions to identify the consequences of the reliability transmission projects on such ISO/RTO Regions using the respective planning criteria of such ISO/RTO Regions. The ISO shall report the results in the CRP. The ISO shall not bear the costs of required upgrades in another region.

31.2.2.8 Reliability Needs Assessment Report Preparation

Once all the analyses described above have been completed, ISO staff will prepare a draft of the RNA including discussion of its assumptions, Reliability Criteria, and results of the analyses and, if necessary, designate the Responsible Transmission Owner. One or more compensatory MW/ Load adjustment scenarios will be developed by the ISO as a guide to the development of proposed solutions to meet the identified Reliability Need.

31.2.3 RNA Review Process

31.2.3.1 Collaborative Governance Process

The draft RNA shall be submitted to both TPAS and the ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft RNA. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is

necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Market Participants and other interested parties may submit at any time optional suggestions for changes to ISO rules or procedures which could result in the identification of additional resources or market alternatives suitable for meeting Reliability Needs. Following completion of the TPAS and ESPWG review, the draft RNA reflecting the revisions resulting from the TPAS and ESPWG review, shall be forwarded to the Operating Committee for discussion and action. The ISO shall notify the Business Issues Committee of the date of the Operating Committee meeting at which the draft RNA is to be presented. Following the Operating Committee vote, the draft RNA will be transmitted to the Management Committee for discussion and action.

31.2.3.2 Board Action

Following the Management Committee vote, the draft 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. The Board may approve the RNA as submitted, or propose modifications on its own motion. If any changes are proposed by the Board, the revised RNA shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised RNA until it has reviewed the Management Committee comments. Upon approval by the Board, the ISO shall issue the final RNA to the marketplace by posting it on its web site.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of this Attachment are also addressed in Section 30.4.6.8.2 of the Market Monitoring Plan, Attachment O to the ISO Services Tariff.

31.2.3.3 Needs Assessment Disputes

Notwithstanding any provision to the contrary in this Attachment, the ISO OATT, or the NYISO Services Tariff, in the event that a Market Participant raises a dispute solely within the NYPSC's jurisdiction relating to the final conclusions or recommendations of the RNA, a Market Participant may refer such dispute to the NYPSC for resolution. The NYPSC's final determination shall be binding, subject only to judicial review in the courts of the State of New York pursuant to Article 78 of the NYCPLR.

31.2.3.4 Public Information Sessions

In order to provide ample exposure for the marketplace to understand the identified Reliability Needs, the ISO will provide various opportunities for Market Participants and other potentially interested parties to discuss the final RNA. Such opportunities may include presentations at various ISO Market Participant committees, focused discussions with various industry sectors, and/or presentations in public venues.

31.2.4 Development of Solutions to Reliability Needs

31.2.4.1 Eligibility and Qualification Criteria for Developers and Projects

For purposes of fulfilling the requirements of the Developer qualification criteria in this Section 31.2.4.1 and its subsections, the term "Developer" includes Affiliates, as that term is defined in Section 2 of the ISO Services Tariff and Section 1 of the ISO OATT. To the extent that a Developer relies on Affiliate(s) to satisfy any or all of the qualification criteria set forth in

Section 31.2.4.1.1, the Affiliate(s) shall provide to the ISO: (i) the information required in Section 31.2.4.1.1 to demonstrate its capability to satisfy the applicable qualification criteria, and (ii) a notarized officer's certificate, signed by an authorized officer of the Affiliate with signatory authority, in a form acceptable to the ISO, certifying that the Affiliate will participate in the Developer's project in the manner described by the Developer and will abide by the requirements set forth in this Attachment Y, the ISO Tariffs, and ISO Procedures related and applicable to the Affiliate's participation.

31.2.4.1.1 Developer Qualification and Timing

The ISO shall provide each Developer with an opportunity to demonstrate that it has or can draw upon the financial resources, technical expertise, and experience needed to develop, construct, operate and maintain a transmission project to meet identified Reliability Needs. The ISO shall consider the qualifications of each Developer in an evenhanded and non-discriminatory manner, treating Transmission Owners and Other Developers alike. The ISO shall make a determination on the qualification of a Developer to propose to develop a transmission project as a solution to an identified Reliability Need based on the following criteria:

31.2.4.1.1.1 The technical and engineering qualifications and experience of the Developer relevant to the development, construction, operation and maintenance of a transmission facility, including evidence of the Developer's demonstrated capability to adhere to standardized construction, maintenance, and operating practices and to contract with third parties to develop, construct, maintain, and/or operate transmission facilities;

31.2.4.1.1.2 The current and expected capabilities of the Developer to finance, develop and construct a transmission facility and to operate and maintain it for the life of

the facility. For purposes of this criteria, the Developer shall provide the ISO a description of transmission facilities (not to exceed ten) that the Developer has previously developed, constructed, maintained or operated and the status of those facilities, including whether the construction was completed, whether the facility entered into commercial operations, whether the facility has been suspended or terminated for any reason, and evidence demonstrating the ability of the Developer to address and timely remedy any operational failure of the facilities; and

31.2.4.1.1.3 The Developer's current and expected capability to finance, or its experience in arranging financing for, transmission facilities. For purposes of the ISO's determination, the Developer shall provide the ISO:

(1) evidence of its demonstrated experience financing or arranging financing for transmission facilities, including a description of such projects (not to exceed ten) over the previous ten years, the capital costs and financial structure of such projects, a description of any financing obtained for these projects through rates approved by the Commission or a state regulatory agency, the financing closing date of such projects, and whether any of the projects are in default;

(2) its audited annual financial statements from the most recent three years and its most recent quarterly financial statement, or equivalent information;

(3) its credit rating from Moody's Investor Services, Standard & Poor's, or Fitch, or equivalent information, if available;

(4) a description of any prior bankruptcy declarations, material defaults, dissolution, merger or acquisition by the Developer or its predecessors or subsidiaries occurring within the previous five years; and

(5) such other evidence that demonstrates its current and expected capability to finance a project to solve a Reliability Need.

Any Developer seeking to become qualified may submit the required information, or update any previously submitted information, at any time. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any non-public financial qualification information that is submitted to the ISO by the Developer under Section 31.2.4.1.1.3 and is designated by the Developer as "Confidential Information." The ISO shall within 15 days of a Developer's submittal, notify the Developer if the information is incomplete. If the submittal is deemed incomplete, the Developer shall submit the additional information within 30 days of the ISO's request. The ISO shall notify the Developer of its qualification status within 30 days of receiving all necessary information. A Developer shall retain its qualification status for a three-year period following the notification date; *provided*, *however*, that the ISO may revoke this status if it determines that there has been a material change in the Developer's qualifications and the Developer no longer meets the qualification requirements. A Developer that has been qualified shall inform the ISO within thirty days of any material change to the information it provided regarding its qualifications and shall submit to the ISO each year its most recent audited annual financial statement when available. At the conclusion of the three-year period or following the ISO's revocation of a Developer's qualification status, the Developer may re-apply for a qualification status under this section.

Any Developer determined by the ISO to be qualified under this section shall be eligible to propose a regulated transmission project as a solution to an identified Reliability Need and shall be eligible to use the cost allocation and cost recovery mechanism for regulated transmission projects set forth in Section 31.5 of this Attachment Y and Rate Schedule 10, Section 6.10, of the ISO OATT for any approved project.

31.2.4.2 Interregional Transmission Projects

Interregional Transmission Projects may be proposed as regulated backstop solutions, alternative regulated solutions, or market-based solutions. Interregional Transmission Projects proposed as regulated backstop solutions, alternative regulated solutions or market-based solutions shall be subject to the applicable requirements of the reliability planning process of this Attachment Y.

31.2.4.3 Regulated Backstop Solutions

31.2.4.3.1 When a Reliability Need is identified in any RNA issued under this tariff, the ISO shall request and the Responsible Transmission Owner shall provide to the ISO, as set forth in Section 31.2.5 below, a proposal for a regulated solution or combination of solutions that shall serve as a backstop to meet the Reliability Need if requested by the ISO due to the lack of sufficient viable market-based solutions to meet such Reliability Needs identified for the Study Period. The Responsible Transmission Owner shall be eligible to recover its costs for developing its proposal and seeking necessary approvals under Rate Schedule 10 of the ISO OATT. Regulated backstop solutions may include generation, transmission, or demand side resources. Such proposals may include reasonable alternatives that would effectively address the Reliability Need; provided

however, the Responsible Transmission Owner's obligation to propose and implement regulated backstop solutions under this tariff is limited to regulated transmission solutions. Prior to providing its response to the RNA, each Responsible Transmission Owner will present for discussion at the ESPWG and TPAS any updates in its LTP that impact a Reliability Need identified in the RNA. The ISO will present at the ESPWG and TPAS any updates to its determination under Section 31.2.2.4.2 with respect to the Transmission Owners' LTPs. Should more than one regulated backstop solution be proposed by a Responsible Transmission Owner to address a Reliability Need, it will be the responsibility of that Responsible Transmission Owner to determine which of the regulated backstop solutions will proceed following a finding by the ISO under Section 31.2.10 of this Attachment Y. The determination by the Responsible Transmission Owner will be made prior to the approval of the CRP which precedes the Trigger Date for the regulated backstop solution with the longest lead time. Contemporaneous with the request to the Responsible Transmission Owner, the ISO shall solicit market-based and alternative regulated responses as set forth in Sections 31.2.4.5 and 31.2.4.7, which shall not be a formal RFP process.

31.2.4.4 Qualifications for Regulated Backstop Solutions

31.2.4.4.1 The submission of a regulated backstop solution to a Reliability Need for purposes of the ISO's evaluation under Section 31.2.5 of the viability and sufficiency of the proposed solution and the determination of the Trigger Date for the proposed solution shall include, at a minimum, the following details: (1)

contact information; (2) the lead time necessary to complete the project, including, if available, the construction windows in which the Responsible Transmission Owner can perform construction and what, if any, outages may be required during these periods; (3) a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications and drawings as appropriate; (4) evidence of a commercially viable technology, (5) a major milestone schedule; (6) the schedule for obtaining any permits and other certifications, if available; (7) status of ISO interconnection studies and interconnection agreement, if available; and (8) status of equipment availability and procurement, if available.

31.2.4.4.2 The submission of a regulated backstop solution to a Reliability Need for purposes of the ISO's evaluation of the proposed solution for possible selection as the more efficient or cost effective solution to the Reliability Need shall include, at a minimum, the following details: (1) updates to the information required under Section 31.2.4.4.1; (2) the schedule for obtaining required permits and other certifications; (3) a demonstration of Site Control or a schedule for obtaining such control; (4) the status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place; (5) status of ISO interconnection studies and interconnection agreement; (6) status of equipment availability and procurement; (7) evidence of financing or ability to finance the project; (8) capital cost estimates for the project; (9) a description of permitting or other risks facing the project at the stage of project development, including evidence of the

reasonableness of project cost estimates, all based on the information available at the time of the submission; and (10) any other information requested by the ISO.

A Responsible Transmission Owner shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or (ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Responsible Transmission Owner as "Confidential Information."

A Responsible Transmission Owner shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s) with information on what additional actions must be taken to meet the permit requirements and a timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

A Responsible Transmission Owner shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) evidence of self-financing or project

financing through approved rates or the ability to do so, (ii) copies of all loan commitment letter(s) and signed financing contract(s), or (iii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts or approved rates shall be submitted to the ISO when available.

31.2.4.4.3 If the regulated backstop solution does not meet the Reliability Needs , the ISO will provide sufficient information to the Responsible Transmission Owner to determine how the regulated backstop should be modified to meet the identified Reliability Needs. The Responsible Transmission Owner will make necessary changes to its proposed regulated backstop solution to address reliability deficiencies identified by the ISO, and submit a revised proposal to the ISO for review and approval.

31.2.4.5 Market-Based Responses

At the same time that a proposal for a regulated backstop solution is requested from the Responsible Transmission Owner under Section 31.2.4.3, the ISO shall also request market-based responses from the market place. Subject to the execution of appropriately drawn confidentiality agreements and the Commission's standards of conduct, the ISO and the appropriate Transmission Owner or Transmission Owners shall provide any party who wishes to develop such a response access to the data that is necessary to develop its response. Such data shall only be used for the purposes of preparing a market-based response to a Reliability Need under this section. Such responses will be open on a comparable basis to all resources, including generation, demand response providers, and merchant transmission Developers.

31.2.4.6 Qualifications for a Valid Market-Based Response

The submission of a proposed market-based solution must include, at a minimum: (1) contact information; (2) the lead time necessary to complete the project, including, if available, the construction windows in which the Developer can perform construction and what, if any, outages may be required during these periods; (3) a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications and drawings as appropriate; (4) evidence of a commercially viable technology; (5) a major milestone schedule; (6) a schedule for obtaining any required permits and other certifications; (7) a demonstration of Site Control or a schedule for obtaining Site Control; (8) the status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place; (9) the status of ISO interconnection studies and interconnection agreement; (10) the status of equipment availability and procurement; (11) evidence of financing or ability to finance the project; and (12) any other information requested by the ISO.

A Developer shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or (ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Developer as "Confidential Information."

A Developer shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s)

with information on what additional actions must be taken to meet the permit requirements and a timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

A Developer shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) copies of all loan commitment letter(s) and signed financing contract(s), or (ii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available.

Failure to provide any data requested by the ISO within the timeframe set forth in Section 31.2.5.1 of this Attachment Y will result in the rejection of the proposed market-based solution from further consideration during that planning cycle.

31.2.4.7 Alternative Regulated Responses

31.2.4.7.1 The ISO will request alternative regulated responses to Reliability Needs at the same time that it requests market-based responses and regulated backstop solutions. Such proposals may include reasonable alternatives that would effectively address the identified Reliability Need.

31.2.4.7.2 In response to the ISO's request, Other Developers may develop alternative regulated proposals for generation, demand side alternatives, and/or other solutions to address a Reliability Need and submit such proposals to the ISO. Transmission Owners, at their option, may submit additional proposals for regulated solutions to the ISO. Transmission Owners and Other Developers may submit such proposals to the NYDPS for review at any time. Subject to the

execution of appropriately drawn confidentiality agreements and the Commission's standards of conduct, the ISO and the appropriate Transmission Owner(s) shall provide Other Developers access to the data that is needed to develop their proposals. Such data shall be used only for purposes of preparing an alternative regulated proposal in response to a Reliability Need.

31.2.4.8 Qualifications for Alternative Regulated Solutions

31.2.4.8.1 The submission of an alternative regulated solution to a Reliability Need for purposes of the ISO's evaluation under Section 31.2.5 of the viability and sufficiency of the proposed solution and the determination of the Trigger Date for the proposed solution shall include, at a minimum, the following details: (1) contact information; (2) the lead time necessary to complete the project, including, if available, the construction windows in which the Other Developer or Transmission Owner can perform construction and what, if any, outages may be required during these periods; (3) a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications and drawings as appropriate; (4) evidence of a commercially viable technology; (5) a major milestone schedule; (6) the schedule for obtaining any permits and other certifications, if available; (7) status of ISO interconnection studies and interconnection agreement, if available; and (8) status of equipment availability and procurement, if available.

31.2.4.8.2 The submission of a proposed alternative regulated solution to a Reliability Need for purposes of the ISO's evaluation of the proposed solution for possible selection as the more efficient or cost effective solution for the

Reliability Need must include, at a minimum: (1) updates to the information required under Section 31.2.4.8.1; (2) a demonstration of Site Control or a schedule for obtaining Site Control; (3) the status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place; (4) the status of any interconnection studies and interconnection agreement; (5) the schedule for obtaining any required permits and other certifications; (6) the status of equipment availability and procurement; (7) evidence of financing or ability to finance the project; (8) capital cost estimates for the project; (9) a description of permitting or other risks facing the project at the stage of project development, including evidence of the reasonableness of project cost estimates, all based on the information available at the time of the submission; and (10) any other information requested by the ISO.

An Other Developer or Transmission Owner shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or (ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Other Developer or Transmission Owner as "Confidential Information."

An Other Developer or Transmission Owner shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s) with information on what additional actions must be taken to meet the permit requirements and a timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

An Other Developer or Transmission Owner shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) evidence of self-financing or project financing through approved rates or the ability to do so, (ii) copies of all loan commitment letter(s) and signed financing contract(s), or (iii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts or approved rates shall be submitted to the ISO when available.

31.2.4.8.3 Failure to provide any data requested by the ISO within the timeframe provided in Sections 31.2.5.1 and 31.2.6.1 of this Attachment Y will result in the rejection of the proposed alternative regulated solution from further consideration during that planning cycle. A proponent of a proposed alternative regulated solution must notify the ISO immediately of any material change in status of a proposed alternative regulated solution. For purposes of this provision, a material

change includes, but is not limited to, a change in the financial viability of the developer, a change in the siting status of the project, or a change in a major element of the project's development. If the ISO, at any time, learns of a material change in the status of a proposed alternative regulated solution, it may, at that time, make a determination as to the continued viability of the proposed alternative regulated solution.

31.2.4.9 Additional Solutions

Should the ISO determine that it has not received adequate regulated backstop or market-based solutions to satisfy the Reliability Need, the ISO may, in its discretion, solicit additional regulated backstop or market-based solutions. Other Developers or Transmission Owners may submit additional alternative regulated solutions for the ISO's consideration at that time.

31.2.5 ISO Evaluation of Viability, Sufficiency, and Trigger Date of Proposed Solutions to Reliability Needs

31.2.5.1 Timing for Submittal of Project and Developer Qualification Information and Opportunity to Provide Additional Information

Within 60 days after a request for solutions to a Reliability Need is made by the ISO after completion of the RNA, a Developer proposing a solution to an identified Reliability Need shall submit to the ISO for purposes of its evaluation the project qualification information, as applicable, for: (i) a proposed regulated backstop solution under Section 31.2.4.4.1, (ii) a proposed market-based solution under Section 31.2.4.6, or (iii) a proposed alternative regulated solution under Section 31.2.4.8.1 of this Attachment Y.

Any Developer that the ISO has determined under Section 31.2.4.1.1 or as set forth in this Section 31.2.5.1 below to be qualified to propose to develop a project as a transmission solution to an identified Reliability Need may submit the required information for project

qualification; *provided, however,* that: (i) the Developer shall provide a non-refundable application fee of $10,000 and (ii) based on the actual identified need, the ISO may request that the qualified Developer provide additional Developer qualification information. Any Developer that has not been determined by the ISO to be qualified, but that wants to propose to develop a project, must submit to the ISO the information required for Developer qualification under Section 31.2.4.1.1 within 30 days after a request for solutions is made by the ISO. The ISO shall within 30 days of a Developer's submittal of its Developer qualification information, notify the Developer if this information is incomplete. The Developer shall submit additional Developer or project qualification information required by the ISO within 15 days of the ISO's request. A Developer that fails to submit the additional Developer qualification information or the required project information will not be eligible for its project to be considered in that planning cycle.

31.2.5.2 Comparable Evaluation of All Proposed Solutions

The ISO shall evaluate: (i) any proposed market-based solution submitted by a Developer pursuant to Section 31.2.4.5, (ii) any proposed regulated backstop solution submitted by a Responsible Transmission Owner pursuant to Section 31.2.4.3, and (iii) any proposed alternative regulated solution submitted by a Transmission Owner or Other Developer pursuant to Section 31.2.4.7. The ISO will evaluate whether each proposed solution is viable and is sufficient to satisfy the identified Reliability Need by the need date pursuant to Sections 31.2.5.3 and 31.2.5.4. The proposed solutions may include multiple components and resource types. When evaluating proposed solutions to Reliability Needs from any Developer, all resource types – generation, transmission, demand response, or a combination of these resource types – shall be considered on a comparable basis as potential solutions to the Reliability Needs identified. All solutions will be evaluated in the same general time frame.

31.2.5.3 Evaluation of Viability of Proposed Solution

The ISO will determine the viability of a solution – transmission, generation, demand response, or a combination of these resource types – proposed to satisfy a Reliability Need. For purposes of its analysis, the ISO will evaluate whether: (i) the Developer has provided the required Developer qualification data pursuant to Section 31.2.4.1 and the required project information data under Sections 31.2.4.4.1, 31.2.4.6, or 31.2.4.8.1; (ii) the proposed solution is technically practicable; (iii) the Developer has indicated possession of, or an approach for acquiring, any necessary rights-of-way, property, and facilities that will make the proposal reasonably feasible in the required timeframe; and (iv) the proposed solution can be completed in the required timeframe. If the ISO determines that the proposed solution is not viable and, for regulated solutions, the Developer does not address any identified deficiency pursuant to Section 31.2.5.6, the ISO shall reject the proposed solution from further consideration during that planning cycle.

31.2.5.4 Evaluation of Sufficiency of Proposed Solution

The ISO will perform a comparative analysis of each proposed solution – transmission, generation, demand response, or a combination of these resource types – through the Study Period to identify whether it satisfies the Reliability Need(s). The ISO will evaluate each solution independently to confirm that the solution proposed by the Developer eliminates the Reliability Need(s). If the ISO determines that the proposed solution is not sufficient and, for regulated solutions, the Developer does not address any identified deficiency pursuant to Section 31.2.5.6, the ISO shall reject the proposed solution from further consideration during that planning cycle.

31.2.5.5 Establishment of Trigger Date of Proposed Regulated Solutions

Upon receipt of all Developers' proposed regulated solutions pursuant to Section 31.2.5.1, the ISO will notify all Developers if any Developer has proposed a lead time for the implementation of its regulated solution that could result in a Trigger Date for the regulated solution within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7, provided that the ISO will not disclose the identity of such Developer or the details of its project at that time. The ISO will independently analyze the lead time proposed by each Developer for the implementation of its regulated solution. The ISO will use the Developer's estimate and the ISO's analysis to establish the ISO's Trigger Date for each regulated solution. The ISO will also establish benchmark lead times for proposed market-based solutions.

31.2.5.6 Resolution of Deficiencies

Following initial review of the proposals, as described above, ISO staff will identify any reliability deficiencies in each of the proposed solutions. The Responsible Transmission Owner, Transmission Owner or Other Developer will discuss any identified deficiencies with the ISO staff. Other Developers and Transmission Owners that propose alternative regulated solutions shall have the option to remedy their proposals to address any deficiency within 30 days of notification by the ISO. With respect to regulated backstop solutions proposed by a Responsible Transmission Owner pursuant to Section 31.2.4.3, the Responsible Transmission Owner shall make necessary changes to its proposed backstop solution to address any reliability deficiencies identified by the ISO, and submit a revised proposal to the ISO for review within 30 days. The ISO shall review all such revised proposals to determine whether the identified deficiencies have been resolved.

31.2.5.7 ISO Report of Evaluation Results

The ISO shall report the results of its viability and sufficiency analysis to stakeholders, interested parties, and the NYDPS for comment and will indicate at that time whether any of the proposed regulated solutions found to be viable and sufficient under this Section 31.2.5 will have a Trigger Date within thirty-six months of the date of its presentation.

The ISO shall report in the CRP the results of its evaluation under this Section 31.2.5: (i) whether each proposed regulated backstop solution, alternative regulated solution, and market-based solution is viable and is sufficient to satisfy the identified Reliability Need by the need date, and (ii) the Trigger Dates for the proposed regulated solutions.

31.2.6 ISO Evaluation and Selection of Proposed Regulated Transmission Solutions

31.2.6.1 Submission of Project Qualification Information for Selection of Proposed Regulated Transmission Solution

If the ISO determines that the Trigger Date of any Developer's proposed regulated solution that was found to be viable and sufficient under Section 31.2.5 will occur within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7, the ISO will request that all Developers of regulated transmission solutions that the ISO determined were viable and sufficient submit to the ISO their project qualification information, as applicable, for: (i) a proposed regulated backstop transmission solution under Section 31.2.4.4.2, or (ii) a proposed alternative regulated transmission solution under Section 31.2.4.8.2. If the ISO determines that none of the Developers' proposed regulated solutions that were found to be viable and sufficient under Section 31.2.5 will occur within the thirty-six month period, the ISO will not perform the

evaluation or a make a selection of a more efficient or cost effective regulated solution under this Section 31.2.6 for that planning cycle.

The ISO will make its request, if necessary, for project qualification information under this Section 31.2.6.1 sufficiently in advance of the earliest Trigger Date of the viable and sufficient regulated solutions to enable the ISO to evaluate and select the more efficient or cost effective transmission solution. Upon the ISO's request for project qualification information, the Developer shall submit such information for its regulated transmission solution within thirty (30) days or such other additional period as the ISO determines is reasonable. The Developer shall submit additional project qualification information required by the ISO within 15 days of the ISO's request. A Developer that fails to submit the required project information will not be eligible for its project to be considered in that planning cycle.

31.2.6.2 Study Deposit for Proposed Regulated Transmission Solutions

A Developer that proposes a regulated backstop transmission solution or an alternative regulated transmission solution to satisfy the identified Reliability Need shall submit to the ISO, at the same time that it provides the project qualification information required pursuant to Section 31.2.6.1, a study deposit of $100,000. The study deposit shall be applied to study costs and is refundable as described below.

The ISO shall charge, and a Developer proposing a regulated backstop transmission solution or an alternative regulated transmission solution shall pay, the actual costs of the ISO's evaluation of the Developer's proposed transmission solution under this Section 31.2.6 for purposes of selecting the more efficient or cost effective transmission solution to satisfy a Reliability Need for cost allocation purposes, including costs associated with the ISO's use of third-party consultants. If the ISO conducts study work for multiple proposed transmission

solutions on a combined basis, the ISO will allocate the costs of the combined study work equally among the applicable Developers.

The ISO shall invoice the Developer monthly for any costs incurred by the ISO in the prior month in evaluating the Developer's proposed transmission solution under this Section 31.2.6. Such invoice shall include a description of the costs incurred and invoiced by the ISO. The Developer shall pay the invoiced amount within thirty (30) calendar days of the Developer's receipt of the monthly invoice. The ISO shall continue to hold the full amount of the study deposit until settlement of the final monthly invoice. After the conclusion of the ISO's evaluation of the Developer's proposed transmission solution or if the Developer withdraws its proposed transmission solution, the ISO shall issue a final invoice and refund to the Developer any portion of the Developer's study deposit that exceeds outstanding amounts that the ISO has incurred in evaluating that Developer's proposed transmission solution. The ISO shall refund the remaining portion within sixty (60) days of the ISO's receipt of all final invoices from its consultants and involved Transmission Owners.

In the event of a Developer's dispute over invoiced amounts, the Developer shall: (i) timely pay any undisputed amounts to the ISO, and (ii) pay into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Developer fails to meet these two requirements, then the ISO shall not be obligated to perform or continue to perform its evaluation of the Developer's proposed transmission solution. Disputes arising under this section shall be addressed through the Dispute Resolution Procedures set forth in Section 2.16 of the ISO OATT and Section 11 of the ISO Services Tariff. Within thirty (30) Calendar Days after resolution of the dispute, the Developer will pay the ISO any amounts due with interest calculated in accordance with Section 35.19a(a)(2) of FERC's regulations.

31.2.6.3 Evaluation of System Impact of Proposed Regulated Transmission Solution

A proposed regulated transmission solution that will have a significant adverse impact on the reliability of the New York State Transmission System shall not be eligible for selection by the ISO under Section 31.2.6.5. The ISO shall evaluate the system impacts for the entire Study Period of a proposed regulated transmission solution that the ISO has determined under Section 31.2.5 is viable and sufficient. The ISO shall perform power flow and short circuit studies for the proposed regulated transmission solutions and additional studies, as appropriate. If the ISO identifies a significant adverse impact based on these studies, the ISO shall request that the Developer make an adjustment to its proposed regulated transmission solution to address this impact and remain eligible for selection. The Developer shall submit the adjustment within 30 days of the ISO's notification.

If the Developer modifies its proposed regulated transmission solution, the ISO shall confirm that the adjusted solution still satisfies the viability and sufficiency requirements set forth in Section 31.2.5. If the ISO determines that the proposed regulated transmission solution does not satisfy the viability and sufficiency requirements or continues to have a significantly adverse impact on the reliability of the New York State Transmission System, the ISO shall remove the proposed solution from further consideration during that planning cycle.

31.2.6.4 Evaluation of Proposed Regional Transmission Solutions on the Bulk Power Transmission Facilities to Address Reliability Needs Identified in Local Transmission Plans

The ISO will review the LTPs as they relate to BPTFs. The ISO, using engineering judgment, will determine whether proposed regional transmission solutions on the BPTFs may more efficiently or cost effectively satisfy reliability needs identified in the LTPs. If the ISO identifies that a regional transmission solution on the BPTFs has the potential to more efficiently

or cost effectively satisfy the reliability need identified in the LTPs, it will perform a sensitivity analysis to determine whether the proposed regional transmission solution on the BPTFs would satisfy the reliability needs identified in the LTPs. If the ISO determines that the proposed regional transmission solutions on the BPTFs would satisfy the reliability need, the ISO will evaluate the proposed regional transmission solution using the metrics set forth in Section 31.2.6.5.1 to determine whether it may be a more efficient or cost effective solution on the BPTFs to satisfy the reliability needs identified in the LTPs than the local solutions proposed in the LTPs. The results of the ISO's analysis will be reported in the CRP.

31.2.6.5 ISO Selection of More Efficient or Cost Effective Transmission Solution for Cost Allocation Purposes

A proposed regulated transmission solution – including a regulated backstop transmission solution submitted by a Responsible Transmission Owner pursuant to Section 31.2.4.3 and an alternative regulated transmission solution submitted by a Transmission Owner or Other Developer pursuant to Section 31.2.4.7 – that the ISO has determined satisfies the viability and sufficiency requirements in Section 31.2.5 and the system impact requirements in Section 31.2.6.3 shall be eligible under this Section 31.2.6.5 for selection in the CRP for the purpose of cost allocation and recovery under the ISO Tariffs. The ISO shall evaluate any eligible proposed regulated transmission solutions for the planning cycle using the metrics set forth in Section 31.2.6.5.1 below. For purposes of this evaluation, the ISO will review the information submitted by the Developer and determine whether it is reasonable and how such information should be used for purposes of the ISO evaluating each metric. The ISO may engage an independent consultant to review the reasonableness and comprehensiveness of the information submitted by the Developer and may rely on the independent consultant's analysis in evaluating each metric. The ISO shall select in the CRP for cost allocation purposes the more efficient or cost effective

transmission solution to satisfy a Reliability Need in the manner set forth in Section 31.2.6.5.2 below.

31.2.6.5.1 Metrics for Evaluating More Efficient or Cost Effective Regulated Transmission Solution to Satisfy Reliability Need

In determining which of the eligible proposed regulated transmission solutions is the more efficient or cost effective solution to satisfy the Reliability Need, the ISO will consider, and will consult with the NYDPS regarding, the following metrics set forth in this Section 31.2.6.5.1 and rank each proposed solution based on the quality of its satisfaction of these metrics:

31.2.6.5.1.1 The capital cost estimates for the proposed regulated transmission solutions, including the accuracy of the proposed estimates. For this evaluation, the Developer shall provide the ISO with credible capital cost estimates for its proposed solution, with itemized supporting work sheets that identify all material and labor cost assumptions, and related drawings to the extent applicable and available. The work sheets should include an estimated quantification of cost variance, providing an assumed plus/minus range around the capital cost estimate.

The estimate shall include all components that are needed to meet the Reliability Need throughout the Study Period. To the extent information is available, the Developer should itemize: material and labor cost by equipment, engineering and design work, permitting, site acquisition, procurement and construction work, and commissioning needed for the proposed solution, all in accordance with Good Utility Practice. For each of these cost categories, the Developer should specify the nature and estimated cost of all major project components and estimate the cost of the work to be done at each substation and/or on each feeder to physically and electrically connect each facility to the existing

system. The work sheets should itemize the extent applicable and available all equipment for: (i) the proposed project; (ii) interconnection facilities (including Attachment Facilities and Direct Assignment Facilities); and (iii) System Upgrade Facilities, System Deliverability Upgrades, Network Upgrades, and Distribution Upgrades.

31.2.6.5.1.2 The cost per MW ratio of the proposed regulated transmission solutions. For this evaluation, the ISO will first determine the present worth, in dollars, of the total capital cost of the proposed solution in current year dollars. The ISO will then determine the MW value of the solution by summing the Reliability Need, in MW, with the additional improvement, in MW, that the proposed solution offers beyond serving the Reliability Need. The ISO will then determine the cost per MW ratio by dividing the present worth of the total capital cost by the MW value.

31.2.6.5.1.3 The expandability of the proposed regulated transmission solution. The ISO will consider the impact of the proposed solution on future construction. The ISO will also consider the extent to which any subsequent expansion will continue to use this proposed solution within the context of system expansion.

31.2.6.5.1.4 The operability of the proposed regulated transmission solution. The ISO will consider how the proposed solution may affect additional flexibility in operating the system, such as dispatch of generation, access to operating reserves, access to ancillary services, or ability to remove transmission for maintenance. The ISO will also consider how the proposed solution may affect the cost of operating the system, such as how it may affect the need for operating generation out of merit for reliability needs, reducing the need to cycle generation, or

providing more balance in the system to respond to system conditions that are more severe than design conditions.

31.2.6.5.1.5 The performance of the proposed regulated transmission solution. The ISO will consider how the proposed project may affect the utilization of the system (*e.g.* interface flows, percent loading of facilities).

31.2.6.5.1.6 The extent to which the Developer of a proposed regulated transmission solution has the property rights, or ability to obtain the property rights, required to implement the solution. The ISO will consider whether the Developer: (i) already possesses the rights of way necessary to implement the solution; (ii) has completed a transmission routing study, which (a) identifies a specific routing plan with alternatives, (b) includes a schedule indicating the timing for obtaining siting and permitting, and (c) provides specific attention to sensitive areas (e.g., wetlands, river crossings, protected areas, and schools); or (iii) has a specified a plan or approach for determining routing and acquiring property rights.

31.2.6.5.1.7 The potential issues associated with delay in constructing the proposed regulated transmission solution consistent with the major milestone schedule and the schedule for obtaining any permits and other certifications as required to timely meet the need.

31.2.6.5.2 ISO Selection of More Efficient or Cost Effective Regulated Transmission Solution to Satisfy Reliability Need

The ISO shall select under this Section 31.2.6.5.2 the proposed regulated transmission solution, if any, that is the more efficient or cost effective transmission solution proposed in the planning cycle to satisfy the identified Reliability Need. The ISO shall report the selected regulated transmission solution in the CRP. The selected regulated transmission solution

reported in the CRP shall be eligible to be triggered by the ISO to satisfy the identified Reliability Need pursuant to Section 31.2.8 at any point within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7. An Other Developer or Transmission Owner of a selected alternative regulated transmission project shall not be eligible to recover costs for its project unless its project is triggered pursuant to Section 31.2.8. Once such project is triggered, the Other Developer or Transmission Owner shall be eligible to recover costs for the project. Costs will be recovered when the project is completed in accordance with the cost recovery requirements set forth in Rate Schedule 10 of the ISO OATT, or as otherwise determined by the Commission. Actual project cost recovery, including any issues related to cost recovery and project cost overruns, will be submitted to and decided by the Commission.

31.2.7 Comprehensive Reliability Plan

Following the ISO's evaluation of the proposed market-based and regulated solutions to Reliability Need(s), the ISO will prepare a draft CRP that sets forth the ISO's findings regarding the viability and sufficiency of solutions, the trigger dates of regulated solutions, and any recommendations that implementation of regulated solutions (which may be a Gap Solution) is necessary to ensure system reliability. The draft CRP will reflect any input from the NYDPS. If the CRP cannot be completed in the two-year planning cycle, the ISO will notify stakeholders and provide an estimated completion date and an explanation of the reasons the additional time is required.

The ISO will include in the draft CRP the list of Developers that qualify pursuant to Section 31.2.4.1 and will identify the proposed solutions that it has determined under Section 31.2.5 are viable and sufficient to satisfy the identified Reliability Need(s) by the need date. The

ISO will identify in the CRP the regulated backstop solution that the ISO has determined will meet the Reliability Need by the need date and the Responsible Transmission Owner. If the ISO determines that a market-based solution will not be available in time to meet a Reliability Need, and finds that it is necessary to take action to ensure reliability, it will state in the CRP that implementation of a regulated solution (regulated backstop or alternative regulated solution) is necessary. The draft CRP will also include the results of the ISO's analysis of the LTPs consistent with Section 31.2.6.4.

The draft CRP shall indicate whether the ISO has determined that the Trigger Date to any proposed regulated solution will occur within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7. If the Trigger Date of any proposed regulated solution will occur within the thirty-six month period and the ISO makes a selection of the more efficient or cost effective transmission solution under Section 31.2.6.5.2, the draft CRP shall include the regulated transmission solution selected for cost allocation purposes pursuant to Section 31.2.6.5.2 as the more efficient or cost effective transmission solution to satisfy the Reliability Need(s) and shall indicate whether that transmission solution should be triggered. If: (i) none of the proposed regulated solutions has a Trigger Date within the thirty-six month period, or (ii) the Trigger Date of any proposed regulated solution will occur within the thirty-six month period but the ISO determines in its discretion that it is not necessary at that time to select a more efficient or cost effective transmission solution under Section 31.2.6.5.2 prior to the completion of the CRP, the draft CRP will not select a regulated transmission solution. If: (i) the Trigger Date of any proposed regulated solution will occur within the thirty-six month period, and (ii) the ISO selects a more efficient or cost effective solution subsequent to the completion of the CRP but prior to the

completion of that thirty-six month period, the ISO shall issue an updated CRP report pursuant to Section 31.2.7.3 that includes the regulated transmission solution selected for cost allocation purposes pursuant to Section 31.2.6.5.2 as the more efficient or cost effective transmission solution to satisfy the Reliability Need(s) and shall indicate whether that transmission solution should be triggered.

The draft CRP shall include a comparison of a proposed regional solution to an identified Reliability Need to an Interregional Transmission Project identified and evaluated under the "Analysis and Consideration of Interregional Transmission Projects" section of the Interregional Planning Protocol, if any. An Interregional Transmission Project proposed in the ISO's reliability planning process may be selected as a market based response, regulated backstop solution, or an alternative regulated solution under the provisions of the ISO's reliability planning process.

31.2.7.1 Collaborative Governance Process

The ISO staff shall submit the draft CRP to the TPAS and ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft CRP. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the TPAS and ESPWG review, the draft CRP reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Operating Committee for a discussion and action. The ISO shall notify the Business Issues Committee of the date of the Operating Committee

meeting at which the draft CRP is to be presented. Following the Operating Committee vote, the draft CRP will be transmitted to the Management Committee for a discussion and action.

31.2.7.2 Board Review, Consideration, and Approval of CRP

Following the Management Committee vote, the draft 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. The Board may approve the draft CRP as submitted or propose modifications on its own motion, including the recommendations regarding the selection of transmission projects for cost allocation and cost recovery under the ISO Tariffs if such selection will occur during that planning cycle. If any changes are proposed by the Board, the revised CRP shall be returned to the Management Committee for comment. The Board shall not make a final determination on the draft CRP until it has reviewed the Management Committee comments. Upon final approval by the Board, the ISO shall issue the CRP to the marketplace by posting the CRP on its website. The ISO will provide the CRP to the appropriate regulatory agency(ies) for consideration and appropriate action.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.3 of the Market Monitoring Plan, Attachment O to the ISO Services Tariff.

31.2.7.3 Updated CRP Report

If, pursuant to Section 31.2.7, the ISO identifies a proposed regulated transmission solution as the more efficient or cost effective transmission solution following the completion of

the CRP, the ISO will prepare a draft updated CRP report that indicates the regulated transmission solution recommended for selection for cost allocation purposes pursuant to Section 31.2.6.5.2 as the more efficient or cost effective transmission solution to satisfy the Reliability Need(s) and shall indicate whether that transmission solution should be triggered at that time. The draft updated CRP report shall be reviewed in accordance with the stakeholder process set forth in Section 31.2.7.1 and will be then forwarded to the ISO Board for its review and action pursuant to Section 31.2.7.2.

31.2.7.4 Reliability Disputes

Notwithstanding any provision to the contrary in this Attachment, the ISO OATT, or the ISO Services Tariff, in the event that a Market Participant or other interested party raises a dispute solely within the NYPSC's jurisdiction concerning ISO's final determination in the CRP that a proposed solution will or will not meet a Reliability Need, a Market Participant or other interested party seeking further review shall refer such dispute to the NYPSC for resolution, as provided for in the ISO Procedures. The NYPSC's final determination of such disputes shall be binding, subject only to judicial review in the courts of the State of New York pursuant to Article 78 of the New York Civil Practice Law and Rules.

31.2.7.5 Posting of Approved Solutions

The ISO shall post on its website a list of all Developers that have undertaken a commitment to the ISO to build a project (which may be a regulated backstop solution, market-based response, alternative regulated response or gap solution) that is necessary to ensure system reliability, as identified in the CRP and approved by the appropriate governmental agency(ies) and/or authority(ies).

31.2.8 Determination of Necessity

31.2.8.1 Determination of Necessity of a Regulated Solution

31.2.8.1.1 The ISO shall review proposals for market-based solutions pursuant to Section 31.2.5 of this Attachment Y. The ISO will not trigger a regulated solution if the ISO determines that there are sufficient market-based solutions to meet the Reliability Need by the need date.

31.2.8.1.2 If: (i) the ISO determines that there are not sufficient market-based solutions to meet the identified Reliability Need by the need date, (ii) the regulated backstop solution proposed by the Responsible Transmission Owner is the only proposed viable and sufficient regulated solution or is selected by the ISO as the more efficient or cost effective transmission solution to meet the identified Reliability Need, and (iii) the Trigger Date for the regulated backstop solution has or will occur within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7, the ISO will trigger the regulated backstop solution at its Trigger Date. The ISO will inform the Responsible Transmission Owner that it should submit the regulated backstop solution to the appropriate governmental agency(ies) and/or authority(ies) to begin the necessary approval process to site, construct, and operate the solution. In response to the ISO's request, the Responsible Transmission Owner shall make such a submission to the appropriate governmental agency(ies) and/or authority(ies).

31.2.8.1.3 If: (i) the ISO determines that there are not sufficient market-based solutions to meet the identified Reliability Need by the need date; (ii) the ISO selects an alternative regulated transmission solution as the more efficient or cost-

effective transmission solution to meet the identified Reliability Need; (iii) the Trigger Date for the reliability backstop solution is later than the Trigger Date for the selected alternative regulated transmission solution; and (iv) the Trigger Date for the alternative regulated transmission solution has or will occur within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7, the ISO shall trigger the alternative regulated transmission solution at its Trigger Date. The ISO will inform the Other Developer or Transmission Owner that it should submit the alternative regulated transmission solution to the appropriate governmental agency(ies) and/or authority(ies) to begin the necessary approval process to site, construct, and operate the solution. In response to the ISO's request, the Other Developer or Transmission Owner shall make such a submission to the appropriate governmental agency(ies) and/or authority(ies). If the ISO determines prior to or at the Trigger Date for the regulated backstop solution that it is necessary for the Responsible Transmission Owner to proceed with a regulated backstop solution in parallel with the selected alternative regulated transmission solution, the ISO will trigger the regulated backstop solution and the Responsible Transmission Owner shall proceed with due diligence to develop its regulated backstop solution in accordance with Good Utility Practice and to submit its proposed solution to the appropriate governmental agency(ies) and/or authority(ies), unless or until notified by the ISO that it has determined that the regulated backstop solution is no longer needed as described in Section 31.2.8.2.3 below.

31.2.8.1.4 If: (i) the ISO determines that there are not sufficient market-based solutions to meet the identified Reliability Need by the need date; (ii) the ISO selects an alternative regulated transmission solution as the more efficient or cost-effective transmission solution to meet the identified Reliability Need; (iii) the Trigger Date for the reliability backstop solution is earlier than the Trigger Date for the selected alternative regulated transmission solution; and (iv) the Trigger Date for the regulated backstop solution has or will occur within thirty-six months of the ISO's presenting the results of its review of the viability and sufficiency of proposed solutions under Section 31.2.5.7, the ISO shall trigger both the alternative regulated transmission solution and the regulated backstop solution at the Trigger Date for the reliability backstop solution. The ISO will inform the Responsible Transmission Owner that proposed the regulated backstop solution and the Other Developer or Transmission Owner that proposed the alternative regulated transmission solution that they should submit the proposed solutions to the appropriate governmental agency(ies) and/or authority(ies) to begin the necessary approval process to site, construct, and operate the solution. In response to the ISO's request, the Responsible Transmission Owner, Other Developer or Transmission Owner shall make such a submission to the appropriate governmental agency(ies) and/or authority(ies).

31.2.8.1.5 If the selected regulated solution is an alternative regulated transmission solution, the Other Developer or Transmission Owner that proposed the alternative regulated solution shall within 60 days of the ISO's triggering the proposed solution, or such other reasonable time period as determined by the ISO:

(i) execute an agreement with the ISO committing the Other Developer or Transmission Owner to seek all necessary approvals required for its proposed project, to develop and construct its proposed project if approvals are received, and to abide by the related requirements set forth in Attachment Y of the ISO OATT, the ISO Tariffs, and ISO Procedures, and (ii) provide construction milestones necessary to develop and construct its proposed project to achieve the required in-service date, including milestone dates for obtaining all necessary approvals. The Other Developer or Transmission Owner shall inform the ISO of any material changes to its construction milestones within thirty days of the change. If the Other Developer or Transmission Owner does not perform the actions set forth in this Section 31.2.8.1.5, it shall not be eligible for cost allocation under the ISO Tariffs.

31.2.8.1.6 Other Developers and Transmission Owners proposing alternative regulated solutions that the ISO has determined will resolve the identified Reliability Need may submit these proposals to the appropriate governmental agency(ies) and/or authority(ies) for review. The ISO does not determine the solution that will be permitted by the appropriate governmental agency(ies) and/or authority(ies) with jurisdiction over siting or whether the regulated backstop solution or an alternative regulated solution will be constructed to address the identified Reliability Need. If the appropriate governmental agency(ies) and/or authority(ies) makes a final determination that an alternative regulated solution should be permitted and constructed to satisfy a Reliability Need and that the regulated backstop solution should not proceed, implementation of the alternative

regulated solution will be the responsibility of the Transmission Owner or Other Developer that proposed the alternative regulated solution, and the Responsible Transmission Owner will not be responsible for addressing the Reliability Need through the implementation of its regulated backstop solution. Should a regulated solution not be implemented, the ISO may request a Gap Solution pursuant to Section 31.2.10 of this Attachment Y.

31.2.8.2 Halting and Related Cost Recovery Requirements

31.2.8.2.1 If the ISO determines in the CRP or any time before the approval of the next CRP that it is necessary for the Responsible Transmission Owner to proceed with a regulated backstop solution evaluated in the CRP in parallel with a market-based solution in order to ensure that a Reliability Need is met by the need date, the Responsible Transmission Owner shall proceed with due diligence to develop its regulated backstop solution in accordance with Good Utility Practice unless or until notified by the ISO that it has determined that the regulated backstop solution is no longer needed.

31.2.8.2.2 If, after consultation with: (i) the Responsible Transmission Owner or (ii) the Other Developer or Transmission Owner of an alternative regulated transmission solution selected by the ISO as the more efficient or cost efficient solution, the ISO determines that the Responsible Transmission Owner, Other Developer, or Transmission Owner has not submitted its proposed regulated backstop solution for necessary regulatory action within a reasonable period of time, or that the Responsible Transmission Owner, Other Developer, or Transmission Owner has been unable to obtain the approvals or property rights necessary under applicable

law to construct the project, the ISO shall submit a report to the Commission for its consideration and determination of whether any action is appropriate under federal law.

31.2.8.2.3 The ISO will immediately notify the Responsible Transmission Owner and will state in the CRP if it determines that the regulated backstop solution is no longer needed and should be halted because either: (i) the ISO has determined that there are sufficient market-based solutions to ensure that the identified Reliability Need is met by the need date, or (ii) the ISO has triggered an alternative regulated transmission solution that the ISO selected in the CRP as the more efficient or cost effective transmission solution and the Other Developer or Transmission Owner proposing this alternative regulated transmission solution has both satisfied the requirements of Section 31.2.8.1.5 and received its Article VII certification.

If a regulated backstop solution is halted by the ISO, all of the costs incurred and commitments made by the Responsible Transmission Owner up to that point, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Responsible Transmission Owner under the cost recovery mechanism in Rate Schedule 10 of this tariff regardless of the nature of the solution.

31.2.8.2.4 The ISO will also immediately notify the Other Developer or Transmission Owner of an alternative regulated transmission project that the ISO has selected as the more efficient or cost effective solution and triggered under Sections 31.2.8.1.3 or 31.2.8.1.4 if the ISO determines that the regulated

transmission solution is no longer needed and should be halted because the ISO has determined that there are sufficient market-based solutions to ensure that the identified Reliability Need is met by the need date. If a selected regulated transmission solution is triggered and then halted by the ISO, all of the costs incurred and commitments made by the Other Developer or Transmission Owner up to that point, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Other Developer or Transmission Owner under the cost recovery mechanism in Rate Schedule 10 of this tariff.

31.2.8.2.5 Once the Responsible Transmission Owner receives state regulatory approval of the regulated backstop solution, or, if state regulatory approval is not required, once the Responsible Transmission Owner receives necessary regulatory approval, the entry of a market-based solution or an alternative regulated transmission solution will not result in the halting by the ISO of the regulated backstop solution pursuant Section 31.2.8.2.3. Similarly, once the Other Developer or Transmission Owner receives its state regulatory approval or any other necessary regulatory approval of its triggered alternative regulated transmission solution, the entry of a market-based solution will not result in the halting by the ISO of the regulated transmission solution.

31.2.8.2.6 The ISO is not required to review market-based solutions to determine whether they will meet the identified Reliability Need by the need date after the triggered alternative regulated transmission solution or the regulated backstop solution has received federal and state regulatory approval, unless a federal or

state regulatory agency requests the ISO to conduct such a review. The ISO will report the results of its review to the federal or state regulatory agency, with copies to the Responsible Transmission Owner, Other Developer, or Transmission Owner.

31.2.8.2.7 If the appropriate federal, state or local agency(ies) does not approve a necessary authorization for the regulated backstop solution or a triggered alternative regulated transmission solution, all of the necessary and reasonable costs incurred and commitments made up to the final federal, state or local regulatory decision, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Responsible Transmission Owner, Other Developer, or Transmission Owner under the ISO cost recovery mechanism in Rate Schedule 10 of the ISO OATT regardless of the nature of the solution.

31.2.8.2.8 If a necessary federal, state or local authorization for a triggered alternative regulated transmission solution or a regulated backstop solution is withdrawn, all expenditures and commitments made up to that point including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable under the ISO cost recovery mechanism in Rate Schedule 10 of the ISO OATT by the Responsible Transmission Owner, Other Developer, or Transmission Owner regardless of the nature of the solution.

31.2.8.2.9 If a material modification to the regulated backstop solution or the alternative regulated transmission solution is proposed by any federal, state or local agency, the Responsible Transmission Owner, Other Developer, or

Transmission Owner will request the ISO to conduct a supplemental reliability review. If the ISO identifies any reliability deficiency in the modified solution, the ISO will so advise the Responsible Transmission Owner, Other Developer, or Transmission Owner and the appropriate federal, state or local regulatory agency(ies).

31.2.8.3 Criteria for Cutoff Date of Market-Based Solution

31.2.8.3.1 The ISO will apply the criteria in this Section 31.2.8.3 for determining the cutoff date for a determination that a market-based solution will not be available to meet a Reliability Need by the need date.

31.2.8.3.2 In the first instance, the ISO shall employ its procedures for monitoring the viability of a market-based solution to determine when it may no longer be viable. Under the conditions where a market-based solution is proceeding after the Trigger Date for the relevant regulated solution, it becomes even more critical for the ISO to conduct a continued analysis of the viability of such market-based solutions.

31.2.8.3.3 The Developer of such a market-based solution shall submit updated information to the ISO twice during each reliability planning process cycle, first during the input phase of the RNA, and again during the solutions phase during the period allowed for the solicitation for market-based and regulated solutions. If no solutions are requested in a particular year, then the second update will be provided during the ISO's analysis of whether existing solutions continue to meet identified Reliability Needs. The updated information of the project status shall include: status of final permits, status of major equipment, current status of

construction schedule, estimated in-service date, any potential impediments to completion by the Target Year, and any other information requested by the ISO.

31.2.8.3.4 The Developer shall immediately report to the ISO when it has any indication of a material change in the project status or that the project in-service date may slip beyond the Target Year. A material change shall include, but not be limited to, a change in the financial viability of the Developer, a change in siting status, or a change in a major element of the project development.

31.2.8.3.5 Based upon the above information, the ISO will perform an independent review of the development status of the market-based solution to determine whether it remains viable to meet the identified Reliability Need by the need date. If the ISO, at any time, learns of a material change in the project status of a market-based solution, it may, at that time, make a determination as to the continued viability of such project.

31.2.8.3.6 The ISO, prior to making a determination about the viability of a specific proposed solution, will communicate its intended determination to the project Developer along with the basis for its intended determination. The ISO shall provide the Developer a reasonable period (not more than 2 weeks) to respond to the ISO's intended determination, including an opportunity to provide additional information to the ISO to support the continued viability of the proposed solution.

31.2.8.3.7 If the ISO determines that a market-based solution that is needed to meet an identified Reliability Need is no longer viable, it will request that a regulated solution proceed or seek other measures including, but not limited to, a Gap Solution, to ensure the reliability of the system.

31.2.8.3.8 If the ISO determines that the market-based solution is still viable, but that its in-service date is likely to slip beyond the Target Year, the ISO may, if needed, request the Responsible Transmission Owner to prepare a Gap Solution in accordance with the provisions of Section 31.2.10 of this Attachment Y.

31.2.9 Process for Consideration of Regulated Backstop Solution and Alternative Regulated Solutions

Upon a determination by the ISO under Section 31.2.8 that a regulated solution should proceed, the Responsible Transmission Owner, Other Developer, or Transmission Owner will make a presentation to the ESPWG that will provide a description of the regulated solution. The presentation will include a non-binding preliminary cost estimate of that regulated solution; provided, however, that the Responsible Transmission Owner, Other Developer or Transmission Owner shall be entitled to full recovery of all reasonably incurred costs as described in Rate Schedule 10 of the ISO OATT. The ISO and stakeholders through this process will have the opportunity to review and discuss the scope of the projects and their associated non-binding preliminary cost estimates prior to implementation.

31.2.10 Gap Solutions

31.2.10.1 If the ISO determines that neither market-based proposals nor regulated proposals can satisfy the Reliability Needs by the need date, the ISO will set forth its determination that a Gap Solution is necessary in the CRP. The ISO will also request the Responsible Transmission Owner to seek a Gap Solution. Gap Solutions may include generation, transmission, or demand side resources.

31.2.10.2 If there is an imminent threat to the reliability of the New York State Power System, the ISO Board, after consultation with the NYDPS, may request

the appropriate Transmission Owner or Transmission Owners to propose a Gap Solution outside of the normal planning cycle.

31.2.10.3 Upon the ISO's determination of the need for a Gap Solution, pursuant to Sections 31.2.10.1 or 31.2.10.2 above, the Responsible Transmission Owner will propose such a solution as soon as reasonably possible, for consideration by the ISO and NYDPS.

31.2.10.4 Any party may submit an alternative Gap Solution proposal to the ISO and the NYDPS for their consideration. The ISO shall evaluate all Gap Solution proposals to determine whether they will meet the Reliability Need or imminent threat. The ISO will report the results of its evaluation to the party making the proposal as well as to the NYDPS and/or other appropriate governmental agency(ies) and/or authority(ies) for consideration in their review of the proposals. The appropriate governmental agency(ies) and/or authority(ies) with jurisdiction over the implementation or siting of Gap Solutions will determine whether the Gap Solution or an alternative Gap Solution will be implemented to address the identified Reliability Need.

31.2.10.5 Gap Solution proposals submitted under Sections 31.2.10.3 and 31.2.10.4 shall be designed to be temporary solutions and to strive to be compatible with permanent market-based proposals.

31.2.10.6 A permanent regulated solution, if appropriate, may proceed in parallel with a Gap Solution.

31.2.11 Confidentiality of Solutions

31.2.11.1 The term “Confidential Information” shall include all types of solutions to Reliability Needs that are submitted to the ISO as a response to Reliability Needs identified in any RNA issued by the ISO as part of the reliability planning process if the Developer of that solution designates such reliability solutions as “Confidential Information.”

31.2.11.2 For regulated backstop solutions and plans submitted by the Responsible Transmission Owner in response to the findings of the RNA, the ISO shall maintain the confidentiality of same until the ISO and the Responsible Transmission Owner have agreed that the Responsible Transmission Owner has submitted viable and sufficient regulated backstop solutions and plans to meet the Reliability Needs identified in an RNA and the Responsible Transmission Owner consents to the ISO’s inclusion of the proposed solution in the CRP. Thereafter, the ISO shall disclose the regulated backstop solutions and plans to the Market Participants; however, any preliminary cost estimates that may have been provided to the ISO shall not be disclosed.

31.2.11.3 For an alternative regulated response, the ISO shall determine, after consulting with the Developer thereof, whether the response would meet part or all of the Reliability Needs identified in an RNA, whether the response is viable and sufficient to meet all or part of the Reliability Need, and the Developer consents to the ISO’s inclusion of the proposed solution in the CRP. Thereafter, the ISO disclose the alternative regulated response to the Market Participants and other interested parties; however, any preliminary cost estimates that may have been provided to the ISO shall not be disclosed.

31.2.11.4 For a market-based response, the ISO shall maintain the confidentiality of same during the reliability planning process and in the CRP, except for the following information which may be disclosed by the ISO: (i) the type of resource proposed (e.g., generation, transmission, demand side); (ii) the size of the resource expressed in megawatts of equivalent load that would be served by that resource; (iii) the subzone in which the resource would interconnect or otherwise be located; and (iv) the proposed in-service date of the resource.

31.2.11.5 In the event that the Developer of a market-based response has made a public announcement of its project or has submitted a proposal for interconnection with the ISO, the ISO shall disclose the identity of the market-based Developer and the specific project during the reliability planning process and in the CRP.

31.2.12 Monitoring of Reliability Project Status

31.2.12.1 The ISO will monitor and report on the status of market-based solutions to ensure their continued viability to meet Reliability Needs by the need date in the CRP. The ISO shall assess the continued viability of such projects using the following criteria:

31.2.12.1.1 Between three and five years before the Trigger Date for a regulated solution, the ISO will use a screening analysis to verify the feasibility of the proposed market-based solution (this analysis will not require final permit approvals or final contract documents).

31.2.12.1.2 Between one and two years before the Trigger Date for a regulated solution, the ISO will perform a more extensive review of the proposed market-

based solution, including such elements as: status of the required interconnection studies, contract negotiations, permit applications, financing, and Site Control.

31.2.12.1.3 Less than one year before the Trigger Date of a regulated solution, the ISO will perform a detailed review of the market-based solution's status and schedule, including the status of: (1) final permits; (2) required interconnection studies; (3) the status of an interconnection agreement; (4) financing; (5) equipment; and (6) the implementation of construction schedules.

31.2.12.1.4 If the ISO, following its analysis, determines that a proposed market-based solution is no longer viable to meet the Reliability Need, the proposed market-based solution will be removed from the list of potential market-based solutions.

31.2.12.2 The ISO will monitor and report on the status of regulated solutions to ensure their continued viability to meet Reliability Needs by the need date in the CRP. The ISO shall assess the continued viability of such projects using the following criteria:

31.2.12.2.1 Between three and five years before the Trigger Date for the regulated solution, the ISO will use a screening analysis to verify the feasibility of the regulated solution.

31.2.12.2.2 Between one and two years before the Trigger Date for the regulated solution, the ISO will perform a more extensive review of the proposed regulated solution, including such elements as: the status of the required interconnection studies, contract negotiations, permit applications, financing, and Site Control.

31.2.12.2.3 Less than one year before the Trigger Date for the regulated solution, the ISO will perform a detailed review of the regulated solution's status, including the

status of: (1) final permits; (2) required interconnection studies; (3) the status of an interconnection agreement; (4) financing; (5) equipment; and (6) the implementation of construction schedules.

31.2.12.2.4 Prior to making a determination about the viability of a regulated solution, the ISO will communicate its intended determination to the project sponsor along with the basis for its intended determination, and will provide the sponsor a reasonable period (not more than two weeks) to respond to the ISO's intended determination, including an opportunity to provide additional information to the ISO to support the continued viability of the proposed regulated solution. If the ISO, following its analysis, determines that a proposed regulated solution is no longer viable to meet the Reliability Need, the proposed regulated solution will be removed from the list of potential regulated solutions.

31.3 Economic Planning Process

31.3.1 Congestion Assessment and Resource Integration Study for Economic Planning

31.3.1.1 General

The ISO shall prepare and publish the CARIS as described below. Each CARIS shall (1) develop a ten-year projection of congestion and shall identify, rank, and group the most congested elements on the New York bulk power system based on historic and projected congestion; and (2) include three studies, selected pursuant to Section 31.3.1.2.2, of the potential impacts of generic solutions to mitigate the identified congestion.

The CARIS process shall determine whether to approve an Interregional Transmission Project, identified and evaluated under the "Analysis and Consideration of Interregional Transmission Projects" section of the Interregional Planning Protocol, if any, and proposed in the NYISO's economic planning process, as an economic transmission project in lieu of a proposed regional economic transmission project for regulated cost allocation and recovery under the ISO Tariff.

The CARIS will align with the reliability planning process.

31.3.1.2 Interested Party Participation in the Development of the CARIS

31.3.1.2.1 The ISO shall develop the CARIS in consultation with Market Participants and all other interested parties. The TPAS will have responsibilities consistent with ISO Procedures for review of the ISO's technical analyses. ESPWG will have responsibilities consistent with ISO Procedures for providing commercial input and assumptions to be used in the development of the congestion assessment and the congestion assessment scenarios provided for under Section 31.3.1.5, and

in the reporting and analysis of congestion costs. Coordination and communication will be established and maintained between these two groups and ISO staff to allow Market Participants and other interested parties to participate in a meaningful way during each stage of the economic planning process. The ISO staff shall report any majority and minority views of these collaborative governance work groups when it submits the CARIS to the Business Issues Committee for a vote, as provided below.

31.3.1.2.2 The ISO, in conjunction with ESPWG, will develop criteria for the selection and grouping of the three congestion and resource integration studies that comprise each CARIS, as well as for setting the associated timelines for completion of the selected studies. Study selection criteria may include congestion estimates, and shall include a process to prioritize the three studies that comprise each CARIS. Criteria shall also include a process to set the cut off date for inputs into and completion of each CARIS study cycle.

31.3.1.2.3 The ISO, in conjunction with ESPWG, will develop a process by which interested parties can request and fund other congestion and resource integration studies, in addition to those included in each CARIS. These individual congestion and resource integration studies are in addition to those studies that a customer can request related to firm point-to-point transmission service pursuant to Section 3.7 of the ISO OATT, or studies that a customer can request related to Network Integration Transmission Service pursuant to Section 4.5 of the ISO OATT, or studies related to interconnection requests under Attachment X or Attachment Z of the ISO OATT.

31.3.1.2.4 The ISO shall post all requests for congestion and resource integration studies on its website.

31.3.1.3 Preparation of the CARIS

31.3.1.3.1 The Study Period for the CARIS shall be the same ten-year Study Period covered by the most recently approved CRP.

31.3.1.3.2 The CARIS will assume a reliable system throughout the Study Period, based first upon the solutions identified in the most recently completed viability and sufficiency analysis performed pursuant to 31.2.5.7, as part of the CRP process, and reported to stakeholders and the NYDPS for comment. The baseline system for the CARIS shall first incorporate sufficient viable market-based solutions to meet the identified Reliability Needs as well as any regulated backstop solutions triggered by an ISO request pursuant to Section 31.2.8 of this Attachment Y. The ISO, in conjunction with the ESPWG, will develop methodologies to scale back market-based solutions to the minimum needed to meet the identified Reliability Needs, if more have been proposed than are necessary to meet the identified Reliability Needs. Regulated backstop solutions that have been proposed but not triggered pursuant to Section 31.2.8 shall also be used if there are insufficient market-based solutions for the ten-year Study Period. Multiple market-based solutions, as well as regulated solutions to Reliability Needs, may be included in the scenario assessments described in Section 31.3.1.5.

31.3.1.3.3 In conducting the CARIS, the ISO shall combine the component studies selected and assess system congestion and resource integration over the Study Period, measuring congestion by the metrics discussed in Appendix A to this

Attachment Y. The ISO, in conjunction with the ESPWG, will develop the specific production costing model to be used in the CARIS. All resource types shall be considered on a comparable basis as potential solutions to the congestion identified: generation, transmission, demand response, and energy efficiency. The CARIS may include consideration of the economic impacts of advancing a regulated back stop solution contained in the CRP.

31.3.1.3.4 In conducting the CARIS, the ISO shall conduct benefit/cost analysis of each potential solution to the congestion identified, applying benefit/cost metrics that are described in this Section 31.3.1.3. The principal benefit metric for the CARIS analysis will be expressed as the present value of the NYCA-wide production cost reduction that would result from each potential solution. The present value of the NYCA-wide production cost reduction will be determined in accordance with the following formula:

Present Value in year 1 = Sum of the Present Values from each of the 10 years of the Study Period.

The discount rate to be used for the present value analysis shall be the current after-tax weighted average cost of capital for the Transmission Owners.

31.3.1.3.5 Additional benefit metrics shall include estimates of reductions in losses, LBMP load costs, generator payments, ICAP costs, Ancillary Services costs, emission costs, and TCC payments. The ISO will work with the ESPWG to determine the most useful metrics for each CARIS cycle, given overall ISO resource requirements. The additional metrics will estimate the benefits of the potential generic solutions in mitigating the congestion identified for information purposes only. All the quantities, except ICAP, will be the result of the forward

looking production cost simulation. The additional benefit metrics will be determined by measuring the difference between the CARIS base case system value and a system value when the potential generic solution is added. All four resource types will be considered as potential generic solutions to the congestion identified, such as generation, transmission, and/or demand response. The value of the additional metrics will be expressed in present value by using the following formula:

Present Value in year 1 = Sum of the Present Values from each of the 10 years of the Study Period.

The discount rate to be used for the present value analysis shall be the current after-tax weighted average cost of capital for the Transmission Owners. The definitions of the LBMP load cost metric, generator payments metric, reduction in losses metric, Ancillary Services costs metric, and TCC payment metric are set forth below.

31.3.1.3.5.1 LBMP load costs measure the change in total load payments and unhedged load payments. Total load payments will include the LBMP payments (energy, congestion and losses) paid by electricity demand (forecasted load, exports, and wheeling). Exports will be consistent with the input assumptions for each neighboring control area. Unhedged load payments will represent total load payments minus the TCC payments.

31.3.1.3.5.2 Reductions in losses measure the change in marginal losses payments. Losses payments will be based upon the loss component of the zonal LBMP load payments.

31.3.1.3.5.3 Generator payments measure the change in generation payments. Generation payments will include the LBMP payments (energy, congestion, losses), and Ancillary Services payments made to electricity suppliers. Ancillary Services costs will include payments for Regulation Services and Operating Reserves, including 10 Minute Synchronous, 10 Minute Non-synchronous and 30 Minute Non-synchronous. Generator payments will be the sum of the LBMP payments and Ancillary Services payments to generators and imports. Imports will be consistent with the input assumptions for each neighboring Control Area.

31.3.1.3.5.4 The TCC payment metric set forth below will be used for purposes of the study phase of the CARIS process, and will not be used for regulated economic transmission project cost allocation under Section 31.5.4.4 of this Attachment Y. The TCC payment metric will measure the change in total congestion rents collected in the day-ahead market. These congestion rents shall be calculated as the product of the Congestion Component of the Day-Ahead LBMP in each Load Zone or Proxy Generator Bus and the withdrawals scheduled in each hour at that Load Zone or Proxy Generator Bus, minus the product of the Congestion Component of the Day-Ahead LBMP at each Generator Bus or Proxy Generator Bus and the injections scheduled in each hour at that Generator bus or Proxy Generator Bus, summed over all locations and hours.

31.3.1.3.5.5 The emission metric will measure the change in CO_2, NOx, and SO_2, emissions in tons on a zonal basis as well as the change in emission cost by emission type. Emission costs will be reflected in the development of the production cost curve.

31.3.1.3.5.6 The calculation of the ICAP cost metric will be determined as set forth below. The ICAP cost metric will be highly dependent on the rules and procedures guiding the calculation of the IRM, LCR, and the ICAP Demand Curves, both for the next capability period and future capability periods. In each CARIS cycle, the ISO will review, with the ESPWG and, as appropriate, other ISO committees, the results of the ICAP cost metric.

31.3.1.3.5.6.1 The ICAP metric, in the form of a megawatt impact, will be computed for both generic and actual economic project proposals based on a methodology that: (1) determines the base system LOLE for the applicable horizon year; (2) adds the proposed project; and (3) calculates the LOLE for the system with the addition of the proposed project. If the system LOLE is lower than that of the base system, the ISO will reduce generation in all NYCA zones proportionally (*i.e.*, based on proportion of zonal capacity to total NYCA capacity) until the base system LOLE is achieved. That amount of reduced generation is the NYCA megawatt impact.

31.3.1.3.5.6.2 The ISO will calculate both of the following ICAP cost metrics described in subsections (1) and (2) below by first determining the megawatt impact described above in Section 31.3.1.3.5.6.1 and then:

(1) For Rest of State, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in Rest of State under the assumption that the proposed generic project is not in place, with that forecast based on the latest available ICAP Demand Curve for the NYCA and the amount of Installed Capacity available in the NYCA, as shown in the NYISO Load and Capacity Data Report developed for

that year; and (ii) multiplying that forecasted cost per megawatt-year for Rest of State in that year by the sum of the megawatt impact for all Load Zones contained within Rest of State, as calculated in accordance with subsection (A) of this Section 31.3.1.3.5.4.

For each Locality, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in that Locality under the assumption that the proposed generic project is not in place, with that forecast based on the latest available ICAP Demand Curve for that Locality and the amount of Installed Capacity available in that Locality as shown in the relevant NYISO Load and Capacity Data Report developed for that year, and (ii) multiplying that forecasted cost per megawatt-year for that Locality in each year by the sum of the megawatt impact for all Load Zones contained within that Locality, as calculated in accordance with subsection (A) of this Section 31.3.1.3.5.4.

This ICAP cost metric will then be presented for each applicable planning year as a stream of present value benefits for each Locality and for Rest of State. The applicable planning years start with the proposed commercial operation date of the proposed generic project and end ten years after the proposed commercial operation date of the proposed generic project.

(2) For Rest of State, the ISO will measure the cost impact of a proposed economic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in Rest of State under the assumption that the proposed generic project is in place, with that forecast based on the latest available ICAP Demand

Curve for the NYCA and the amount of Installed Capacity available in the NYCA; (ii) subtracting that forecasted cost per megawatt-year from the forecasted cost per megawatt-year of Installed Capacity in Rest of State calculated in subsection (1) under the assumption that the proposed generic project is not in place; and (iii) multiplying that difference by fifty percent (50%) of the assumed amount of Installed Capacity available in Rest of State as calculated from the relevant NYISO Load and Capacity Data Report developed for the CARIS process.

For each Locality, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in that Locality under the assumption that the proposed generic project is in place, with that forecast based on the latest available ICAP Demand Curve for that Locality and the amount of Installed Capacity available in that Locality as shown in the relevant NYISO Load and Capacity Data Report developed for that year; (ii) subtracting the greater of that forecasted cost per megawatt-year with the proposed generic project in place or the forecasted Rest of State Installed Capacity cost per megawatt-year with the proposed generic project in place from the forecasted cost of Installed Capacity in that Locality calculated in subsection (1) under the assumption that the proposed generic project is not in place; and (iii) multiplying that difference by fifty percent (50%) of assumed amount of Installed Capacity available in that Locality, as taken from the relevant Load and Capacity tables developed for the CARIS process.

This ICAP cost metric will then be represented for each applicable planning year as a stream of present value benefits for each Locality and for Rest of State. The applicable planning years start with the proposed commercial operation date of the proposed generic project and end with the earlier of: (i) the year when the system, with the proposed generic project in place, reaches an LOLE of 0.1, or (ii) ten years after the proposed commercial operation date of the proposed generic project.

(3) The forecast of Installed Capacity costs per megawatt-year are developed by: first, escalating the Net Cost of New Entry ("CONE") for the NYCA or a Locality from the most recently completed ICAP Demand Curves for each year of the planning period; second, determining the future proxy Locational Minimum Installed Capacity Requirement or Minimum Installed Capacity Requirement for the NYCA as the actual amount of Installed Capacity in the Locality or the NYCA for the year that NYCA reaches 0.1 LOLE; third, reducing the cost per megawatt-year in each year from the escalated Net CONE to reflect the excess Installed Capacity from the NYISO Load and Capacity Data Report above the future proxy Minimum Installed Capacity Requirement with the adjustment calculated from the excess and the slope of the ICAP Demand Curve.

The forecasts of Installed Capacity costs for Localities or Rest of State performed in subsections (1) and (2) above shall, in addition to the assumptions listed above, be based upon: (i) the forecasted Net CONE for the Locality (the NYCA in the case of the Rest of State forecast); (ii) the amount of Installed Capacity required to meet the future proxy Locational Minimum Installed Capacity Requirement

(the Minimum Installed Capacity Requirement for the NYCA in the case of the Rest of State forecast); (iii) the slope of the relevant ICAP Demand Curve, and (iv) the smallest quantity where the cost of Installed Capacity on that ICAP Demand Curve reaches zero.

31.3.1.4 Planning Participant Data Input

At the ISO's request, Market Participants, Developers, and other parties shall provide, in accordance with the schedule set forth in the ISO Procedures, the data necessary for the development of the CARIS. This input will include but not be limited to existing and planned additions and modifications to the New York State Transmission System (to be provided by Transmission Owners and municipal electric utilities); proposals for merchant transmission facilities (to be provided by merchant Developers); generation additions and retirements (to be provided by generator owners and Developers); demand response programs (to be provided by demand response providers); and any long-term firm transmission requests made to the ISO. The relevant Transmission Owners will assist the ISO in developing the potential solution cost estimates to be used by the ISO to conduct benefit/cost analysis of each of the potential solutions.

31.3.1.5 Congestion and Resource Integration Scenario Development

The ISO, in consultation with the ESPWG, shall develop congestion and resource integration scenarios addressing the Study Period. Variables for consideration in the development of these congestion and resource integration scenarios include but are not limited to: load forecast uncertainty, fuel price uncertainty, new resources, retirements, emission data, the cost of allowances and potential requirements imposed by proposed environmental and

energy efficiency mandates, as well as overall ISO resource requirements. The ISO shall report the results of these scenario analyses in the CARIS.

31.3.1.6 Consequences for Other Regions

The ISO will coordinate with the ISO/RTO Regions to identify the consequences of an economic transmission project on such neighboring ISO/RTO Regions using the respective planning criteria of such ISO/RTO Regions. The ISO shall report the results in the CARIS. The ISO shall not bear the costs of required upgrades in another region.

31.3.1.7 CARIS Report Preparation

Once all the analyses described above have been completed, ISO staff will prepare a draft of the CARIS including a discussion of its assumptions, inputs, methodology, and the results of its analyses.

31.3.2 CARIS Review Process and Actual Project Proposals

31.3.2.1 Collaborative Governance Process

The draft CARIS shall be submitted to both TPAS and the ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft CARIS. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of that review, the draft CARIS reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and the Management Committee for discussion and action.

31.3.2.2 Board Action

Following the Management Committee vote, the draft CARIS, with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft CARIS will be provided to the Market Monitoring Unit for its review and consideration. The Board may approve the CARIS as submitted, or propose modifications on its own motion. If any changes are proposed by the Board, the revised CARIS shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised CARIS until it has reviewed the Management Committee comments. Upon approval by the Board, the ISO shall issue the CARIS to the marketplace by posting it on its website.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.4 of the Market Monitoring Plan, Attachment O to the ISO Services Tariff.

31.3.2.3 Public Information Sessions

In order to provide ample exposure for the market place to understand the content of the CARIS, the ISO will provide various opportunities for Market Participants and other potentially interested parties to discuss final CARIS. Such opportunities may include presentations at various ISO Market Participant committees, focused discussions with various industry sectors, and /or presentations in public venues.

31.3.2.4 Actual Project Proposals

As discussed in Section 31.3.1 of this Attachment Y, the CARIS analyzes system congestion over the Study Period and, for informational purposes, provides benefit/cost analysis and other analysis of potential generic solutions to the congestion identified. If, in response to

the CARIS, a Developer proposes an actual project, including an Interregional Transmission Project that has been identified and evaluated in accordance with the "Analysis and Consideration of Interregional Transmission Projects" section of the Interregional Planning Protocol, to address specific congestion identified in the CARIS, then the ISO will process that project proposal in accordance with the relevant provisions of Sections 31.5.1, 31.5.4 and 31.5.5 of this Attachment Y.

31.3.2.4.1 Eligibility and Qualification Criteria for Developers and Projects

For purposes of fulfilling the requirements of the Developer qualification criteria in this Section 31.3.2.4.1 and its subsections, the term "Developer" includes Affiliates, as that term is defined in Section 2 of the ISO Services Tariff and Section 1 of the ISO OATT. To the extent that a Developer relies on Affiliate(s) to satisfy any or all of the qualification criteria set forth in Section 31.3.2.4.1.1, the Affiliate(s) shall provide to the ISO: (i) the information required in Section 31.3.2.4.1.1 to demonstrate its capability to satisfy the applicable qualification criteria, and (ii) a notarized officer's certificate, signed by an authorized officer of the Affiliate with signatory authority, in a form acceptable to the ISO, certifying that the Affiliate will participate in the Developer's project in the manner described by the Developer and will abide by the requirements set forth in this Attachment Y, the ISO Tariffs, and ISO Procedures related and applicable to the Affiliate's participation.

31.3.2.4.1.1 Developer Qualification and Timing

The ISO shall provide each Developer with an opportunity to demonstrate that it has or can draw upon the financial resources, technical expertise, and experience needed to develop, construct, operate and maintain a transmission project proposed to address specific congestion identified in the CARIS. The ISO shall consider the qualifications of each Developer in an even-

handed and non-discriminatory manner, treating Transmission Owners and Other Developers alike.

The ISO shall make a determination on the qualification of a Developer to propose to develop a transmission project as a solution to address specific congestion identified in the CARIS based on the following criteria:

31.3.2.4.1.1.1 The technical and engineering qualifications and experience of the Developer relevant to the development, construction, operation and maintenance of a transmission facility, including evidence of the Developer's demonstrated capability to adhere to standardized construction, maintenance, and operating practices and to contract with third parties to develop, construct, maintain, and/or operate transmission facilities;

31.3.2.4.1.1.2 The current and expected capabilities of the Developer to finance, develop and construct a transmission facility and to operate and maintain it for the life of the facility. For purposes of this criteria, the Developer shall provide the ISO a description of transmission facilities (not to exceed ten) that the Developer has previously developed, constructed, maintained or operated and the status of those facilities, including whether the construction was completed, whether the facility entered into commercial operations, whether the facility has been suspended or terminated for any reason, and evidence demonstrating the ability of the Developer to address and timely remedy any operational failure of the facilities; and

31.3.2.4.1.1.3 The Developer's current and expected capability to finance, or its experience in arranging financing for, transmission facilities. For purposes of the ISO's determination, the Developer shall provide the ISO:

(1) evidence of its demonstrated experience financing or arranging financing for transmission facilities, including a description of such projects (not to exceed ten) over the previous ten years, the capital costs and financial structure of such projects, a description of any financing obtained for these projects through rates approved by the Commission or a state regulatory agency, the financing closing date of such projects, and whether any of the projects are in default;

(2) its audited annual financial statements from the most recent three years and its most recent quarterly financial statement or equivalent information;

(3) its credit rating from Moody's Investor Services, Standard & Poor's, or Fitch or equivalent information, if available;

(4) a description of any prior bankruptcy declarations, material defaults, dissolution, merger or acquisition by the Developer or its predecessors or subsidiaries occurring within the previous five years; and

(5) such other evidence that demonstrates its current and expected capability to finance a project to address specific congestion identified in the CARIS.

Any Developer seeking to become qualified may submit the required information, or update any previously submitted information, at any time. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any non-public financial qualification information that is submitted to the ISO by the Developer under Section 31.3.2.4.1.1.3 and is designated by the Developer as "Confidential

Information." The ISO shall within 15 days of a Developer's submittal, notify the Developer if the information is incomplete. If the submittal is deemed incomplete, the Developer shall submit the additional information within 30 days of the ISO's request. The ISO shall notify the Developer of its qualification status within 30 days of receiving all necessary information. A Developer shall retain its qualification status for a three-year period following the notification date; *provided, however*, that the ISO may revoke this status if it determines that there has been a material change in the Developer's qualifications and the Developer no longer meets the qualification requirements. A Developer that has been qualified shall inform the ISO within thirty days of any material change to the information it provided regarding its qualifications and shall submit to the ISO each year its most recent audited annual financial statement when available. At the conclusion of the three-year period or following the ISO's revocation of a Developer's qualification status, the Developer may re-apply for a qualification status under this section.

Any Developer determined by the ISO to be qualified under this section shall be eligible to propose a regulated transmission project as a solution to address specific congestion identified in the CARIS and shall be eligible to use the cost allocation and cost recovery mechanism for regulated transmission projects set forth in Section 31.5 of this Attachment Y and the appropriate rate schedule for any approved project.

31.3.2.4.1.2 Information Requirements for Projects

The ISO shall consider the criteria in Section 31.3.2.4.2 when determining whether a proposed project is eligible to be offered as a regulated economic transmission project.

31.3.2.4.1.3 Timing for Submittal of Project and Entity Qualification Information and Opportunity to Provide Additional Information

The required information for project qualification may be submitted at any time, but the proposed regulated economic transmission project will be evaluated against the most recently available CARIS Phase II database. Any Developer that the ISO has determined under Section 31.3.2.4.1.1 to be qualified to propose to develop a transmission project to address specific congestion identified in the CARIS may submit the required information for project qualification; *provided, however*, that based on the specific congestion identified that requires a solution, the ISO may request that the qualified Developer provide additional Developer information. Any Developer that the ISO has not determined to be qualified, but that wants to propose to develop a project, must submit to the ISO the information required for Developer qualification under Section 31.3.2.4.1.1. The ISO shall within 30 days of a Developer's submittal of its Developer qualification information, notify the Developer if this information is incomplete. The Developer shall submit additional Developer or project information required by the ISO within 15 days of the ISO's request. A Developer that fails to submit the additional Developer qualification information or the required project information will not be eligible for its project to be considered in that planning cycle.

31.3.2.4.2 Project Information Requirements

Any Developer seeking to offer a regulated economic transmission project as a solution to address specific congestion identified in the CARIS must provide, at a minimum, the following details: (1) contact information; (2) the lead time necessary to complete the project including, if available, the construction windows in which the Developer can perform construction and what, if any, outages may be required during these periods; (3) a description of

the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications as appropriate; (4) evidence of a commercially viable technology; (5) a major milestone schedule; (6) a schedule for obtaining any required permits and other certifications; (7) a demonstration of Site Control or a schedule for obtaining such control; (8) status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place; (9) status of ISO interconnection studies and interconnection agreement; (10) status of equipment availability and procurement; (11) evidence of financing or ability to finance the project; (12) detailed capital cost estimates for each segment of the project; (13) a description of permitting or other risks facing the project at the stage of project development, including evidence of the reasonableness of project cost estimates, all based on the information available at the time of the submission; and (14) any other information requested by the ISO.

A Developer shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or (ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Developer as "Confidential Information."

A Developer shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s) with information on what additional actions must be taken to meet the permit requirements and a

timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

A Developer shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) evidence of self-financing or project financing through approved rates or the ability to do so, (ii) copies of all loan commitment letter(s) and signed financing contract(s), or (iii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts or approved rates shall be submitted to the ISO when available.

Failure to provide any data requested by the ISO within the timeframe provided in Section 31.3.2.4.1.3 of this Attachment Y will result in the rejection of the proposed solution from further consideration during that planning cycle.

31.3.2.5 Posting of Approved Solutions

The ISO shall post on its website a list of all Developers who have undertaken a commitment to build a project that has been approved by project beneficiaries, in accordance with Section 31.5.4.6 of this Attachment Y.

31.4 Public Policy Transmission Planning Process

31.4.1 General

The Public Policy Transmission Planning Process shall consist of three steps: (1) identification of Public Policy Transmission Needs that should be evaluated by the ISO; (2) requests for specific proposed solutions to address those Public Policy Transmission Needs identified for evaluation and the evaluation of those specific solutions; and (3) selection of the more efficient or cost-effective transmission solution, if any, to satisfy the Public Policy Transmission Need to be eligible for cost allocation. The NYDPS/NYPSC shall identify transmission needs driven by Public Policy Requirements and warranting evaluation by the ISO. The ISO shall request and evaluate specific proposed solutions to address such needs. The ISO shall select the more efficient or cost-effective transmission solution to satisfy such needs. The Public Policy Transmission Planning Process will be conducted on a two-year cycle, unless requested by the NYDPS/NYPSC to be conducted out of that cycle. If the Public Policy Transmission Planning Process cannot be completed in the two-year cycle, the ISO will notify stakeholders and provide an estimated completion date and an explanation of the reasons the additional time is required. The NYPSC/NYDPS's issuance of a written statement pursuant to Section 31.4.2.1 below will occur after the draft RNA study results are posted.

31.4.2 ISO and Interested Party Identification and Posting of Proposed Transmission Needs

At the start of each public policy planning cycle, the ISO will provide a 60-day period to allow any stakeholder or interested party to submit to the ISO, or for the ISO on its own initiative to identify, a proposed transmission need that it believes is being driven by a Public Policy Requirement and for which transmission solutions should be requested and evaluated. Each

submittal will identify the Public Policy Requirement(s) that the party believes is driving the need for transmission, propose criteria for the evaluation of transmission solutions to that need, and describe how the construction of transmission will fulfill the Public Policy Requirement(s).

After the end of the 60-day period, the ISO will post all submittals on its website, and will submit to the NYDPS/NYPSC all submittals proposed by stakeholders, other interested parties, and any additional transmission needs and criteria identified by the ISO.

31.4.2.1 Identification and Determination of Transmission Needs Driven by Public Policy Requirements

The NYDPS will review all proposed transmission need(s) and, with input from the ISO and interested parties, identify the transmission needs, if any, for which specific transmission solutions should be requested and evaluated. The NYDPS will develop procedures to govern the process by which it will review proposed transmission need(s), which procedures shall: ensure that such process is open and transparent, provide the ISO and interested parties a meaningful opportunity to participate in such process, provide input regarding the NYDPS' considerations, and result in the development of a written determination as required by law, inclusive of the input provided by the ISO and interested parties. In addition, the NYDPS may, on its own, identify a transmission need driven by a Public Policy Requirement. Any such transmission need identified by the NYDPS on its own shall be described by the NYDPS in accordance with the requirements for stakeholder submittals set forth in Section 31.4.2, and shall be identified and posted to the ISO's website prior to NYDPS' issuance of the required written statement discussed below in this Section 31.4.2.1 so as to provide the ISO and interested parties an opportunity to provide input to the NYDPS relating thereto.

The ISO shall assist the NYDPS in its analyses as requested. The NYDPS may also request that the ISO, pursuant to Section 3.8.1 of the ISO OATT, conduct an evaluation of alternative options to address the transmission needs.

The NYDPS shall issue a written statement that identifies the relevant Public Policy Requirements driving transmission needs and explains why it has identified the Public Policy Transmission Needs for which transmission solutions will be requested by the ISO. The statement shall also explain why transmission solutions to other suggested transmission needs should not be requested. The NYDPS' statement may also provide additional criteria for the evaluation of transmission solutions and non-transmission projects, and the type of analyses that it will request from the ISO.

If the NYDPS does not identify any transmission needs driven by Public Policy Requirements, it will provide confirmation of that conclusion to the ISO, and the ISO shall not request solutions. The ISO shall post the NYDPS' statement on the ISO's website.

31.4.2.2 Disputes of NYDPS Determinations

Disputes about any NYDPS decision to either accept or deny a proposed transmission need as one for which transmission solutions should be requested will be addressed through the submittal of a petition to the NYPSC for an order finding that an identified proposed transmission need should or should not be evaluated under the ISO Tariff. The NYPSC may also initiate a proceeding on its own motion. A determination of need that is the subject of an appeal proceeding will be held in abeyance pending a final determination of the appeal by the NYPSC. The ISO will post the NYPSC's determination on its website.

31.4.3 Request for Proposed Solutions

The ISO will request specific proposed transmission solutions to a transmission need identified by the NYDPS, including any proposed Interregional Transmission Project that has been identified and evaluated in accordance with the "Analysis and Consideration of Interregional Transmission Projects" section of the Interregional Planning Protocol. The ISO shall also accept specific proposed non-transmission solutions to a Public Policy Transmission Need identified by the NYDPS.

31.4.3.1 Request for Proposed Solutions

Following posting of the NYDPS' determination, the ISO will provide a 60-day period for Transmission Owners and Other Developers to propose specific solutions, whether transmission or non-transmission, to address the Public Policy Transmission Needs. Any proposed transmission needs that are under appeal at the NYPSC may be addressed with proposed solutions, if required, following the resolution of that appeal by the NYPSC.

31.4.3.2 NYDPS/NYPSC Request for Solutions

To ensure that there will be a response to a Public Policy Transmission Need , the NYDPS/NYPSC may request the appropriate Transmission Owner(s) or Other Developer, as identified by the NYDPS/NYPSC, to propose a transmission solution for a Public Policy Transmission Need. Costs incurred by a Transmission Owner or Other Developer in preparing a proposed transmission solution in response to a request by the NYDPS/NYPSC will be recoverable under Section 31.5.6.

31.4.3.3 Consequences for Other Regions

The ISO will coordinate with the ISO/RTO Regions to identify the consequences of a transmission solution driven by Public Policy Requirements on such neighboring ISO/RTO

Regions using the respective planning criteria of such ISO/RTO Regions. The ISO shall report the results in its Public Policy Transmission Planning Report. The ISO shall not bear the costs of required upgrades in another region.

31.4.4 Eligibility and Qualification Criteria for Developers and Projects

For purposes of fulfilling the requirements of the Developer qualification criteria in this Section 31.4.4 and its subsections, the term "Developer" includes Affiliates, as that term is defined in Section 2 of the ISO Services Tariff and Section 1 of the ISO OATT. To the extent that a Developer relies on Affiliate(s) to satisfy any or all of the qualification criteria set forth in Section 31.4.4.1, the Affiliate(s) shall provide to the ISO: (i) the information required in Section 31.4.4.1 to demonstrate its capability to satisfy the applicable qualification criteria and (ii) a notarized officer's certificate, signed by an authorized officer of the Affiliate with signatory authority, in a form acceptable to the ISO, certifying that the Affiliate will participate in the Developer's project in the manner described by the Developer and will abide by the requirements set forth in this Attachment Y, the ISO Tariffs, and ISO Procedures, related and applicable to the Affiliate's participation.

31.4.4.1 Developer Qualification and Timing

The ISO shall provide each Developer with an opportunity to demonstrate that it has or can draw upon the financial resources, technical expertise, and experience needed to develop, construct, operate, and maintain a transmission solution to a Public Policy Transmission Need. The ISO shall consider the qualification of each Developer in an evenhanded and non-discriminatory manner, treating Transmission Owners and Other Developers alike.

The ISO shall make a determination on the qualification of a Developer to propose to develop a transmission project as a transmission solution to a Public Policy Transmission Need based on the following criteria:

31.4.4.1.1 The technical and engineering qualifications and experience of the Developer relevant to the development, construction, operation and maintenance of a transmission facility, including evidence of the Developer's demonstrated capability to adhere to standardized construction, maintenance, and operating practices and to contract with third parties to develop, construct, maintain, and/or operate transmission facilities;

31.4.4.1.2 The current and expected capabilities of the Developer to finance, develop and construct a transmission facility and to operate and maintain it for the life of the facility. For purposes of this criteria, the Developer shall provide the ISO a description of transmission facilities (not to exceed ten) that the Developer has previously developed, constructed, maintained or operated and the status of those facilities, including whether the construction was completed, whether the facility entered into commercial operations, whether the facility has been suspended or terminated for any reason, and evidence demonstrating the ability of the Developer to address and timely remedy any operational failure of the facilities; and

31.4.4.1.3 The Developer's current and expected capability to finance, or its experience in arranging financing for, transmission facilities. For purposes of the ISO's determination, the Developer shall provide the ISO:

(1) evidence of its demonstrated experience financing or arranging financing for transmission facilities, including a description of such projects (not to exceed ten) over the previous ten years, the capital costs and financial structure of such projects, a description of any financing obtained for these projects through rates approved by the Commission or a state regulatory agency, the financing closing date of such projects, and whether any of the projects are in default;

(2) its audited annual financial statements from the most recent three years and its most recent quarterly financial statement or equivalent information, if available;

(3) its credit rating from Moody's Investor Services, Standard & Poor's, or Fitch or equivalent information, if available;

(4) a description of any prior bankruptcy declarations, material defaults, dissolution, merger or acquisition by the Developer or its predecessors or subsidiaries occurring within the previous five years; and

(5) such other evidence that demonstrates its current and expected capability to finance a project to solve a Public Policy Transmission Need.

Any Developer seeking to be qualified may submit the required information, or update any previously submitted information, at any time. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any non-public financial qualification information that is submitted to the ISO by the Developer under Section 31.4.4.1.3 and is designated by the Developer as "Confidential Information." The ISO shall within 15 days of a Developer's submittal, notify the Developer if the information is incomplete. If the submittal is deemed incomplete, the Developer shall submit the additional information within 30 days of the ISO's request. The ISO shall notify the Developer of its

qualification status within 30 days of receiving all necessary information. A Developer shall retain its qualification status for a three-year period following the notification date; *provided, however*, that the ISO may revoke this status if it determines that there has been a material change in the Developer's qualifications and the Developer no longer meets the qualification requirements. A Developer that has been qualified shall inform the ISO within thirty days of any material change to the information it provided regarding its qualifications and shall submit to the ISO each year its most recent audited annual financial statement when available. At the conclusion of the three-year period or following the ISO's revocation of a Developer's qualification status, the Developer may re-apply for a qualification status under this section.

Any Developer determined by the ISO to be qualified under this section shall be eligible to propose a regulated transmission project as a transmission solution to a Public Policy Transmission Need and shall be eligible to use the cost allocation and cost recovery mechanism for regulated transmission projects set forth in Section 31.5 of this Attachment Y and the appropriate rate schedule for any approved project.

31.4.4.2 Information Requirements for Projects

The ISO shall consider the criteria in Section 31.4.5.1 when determining whether a proposed project is eligible to be offered as a transmission solution to a Public Policy Transmission Need.

31.4.4.3 Timing for Submittal of Project and Developer Qualification Information and Opportunity to Provide Additional Information

The required information for project qualification shall be submitted within 60 days of the NYPSC's determination of a Public Policy Transmission Need. Any Developer that the ISO has determined under Section 31.4.4.1 of this Attachment Y to be qualified to propose to develop

a transmission project as a transmission solution to a Public Policy Transmission Need may submit the required information for project qualification; *provided, however*, that based on the actual identified need that requires resolution, the ISO may request that the qualified Developer provide additional Developer information.

Any Developer that has not been determined by the ISO to be qualified, but that wants to propose to develop a project, must submit to the ISO the information required for Developer qualification under Section 31.4.4.1 within 30 days after a request for solutions is made by the ISO. The ISO shall within 30 days of a Developer's submittal of its Developer qualification information, notify the Developer if this information is incomplete. The Developer shall submit additional Developer or project qualification information required by the ISO within 15 days of the ISO's request. A Developer that fails to submit the additional Developer qualification information or the required project information will not be eligible for its project to be considered in that planning cycle.

31.4.4.4. Application Fee and Study Deposit for Proposed Regulated Transmission Solutions

Within sixty (60) days of the ISO's request for solutions to a Public Policy Transmission Need, a Developer that proposes a regulated transmission solution to satisfy the identified Public Policy Transmission Need shall submit to the ISO, along with the project qualification information required pursuant to Section 31.4.4.3, a non-refundable application fee of $10,000 and a study deposit of $100,000. The study deposit shall be applied to study costs and is refundable as described below.

The ISO shall charge, and a Developer proposing a regulated transmission solution shall pay, the actual costs of the ISO's evaluation of the Developer's proposed transmission solution under Sections 31.4.7 and 31.4.8 for purposes of selecting the more efficient or cost effective

transmission solution to satisfy a Public Policy Transmission Need for cost allocation purposes, including costs associated with the ISO's use of third-party consultants. If the ISO conducts study work for multiple proposed transmission solutions on a combined basis, the ISO will allocate the costs of the combined study work equally among the applicable Developers.

The ISO shall invoice the Developer monthly for any costs incurred by the ISO in the prior month in evaluating the Developer's proposed transmission solution under Sections 31.4.7 and 31.4.8. Such invoice shall include a description of the costs incurred and invoiced by the ISO. The Developer shall pay the invoiced amount within thirty (30) calendar days of the ISO's receipt of the monthly invoice. The ISO shall continue to hold the full amount of the study deposit until settlement of the final monthly invoice. After the conclusion of the ISO's evaluation of the Developer's proposed transmission solution or if the Developer withdraws its proposed transmission solution, the ISO shall issue a final invoice and refund to the Developer any portion of the Developer's study deposit that exceeds outstanding amounts that the ISO has incurred in evaluating that Developer's proposed transmission solution. The ISO shall refund the remaining portion within sixty (60) days of the ISO's receipt of all final invoices from its consultants and involved Transmission Owners.

In the event of a Developer's dispute over invoiced amounts, the Developer shall: (i) timely pay any undisputed amounts to the ISO, and (ii) pay into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Developer fails to meet these two requirements, then the ISO shall not be obligated to perform or continue to perform its evaluation of the Developer's proposed transmission solution. Disputes arising under this section shall be addressed through the Dispute Resolution Procedures set forth in Section 2.16 of the ISO OATT and Section 11 of the ISO Services Tariff. Within thirty (30) Calendar

Days after resolution of the dispute, the Developer will pay the ISO any amounts due with interest calculated in accordance with Section 35.19a(a)(2) of FERC's regulations.

31.4.5 Actual Project Proposals

The ISO will process all project proposals for transmission solutions for Public Policy Transmission Needs.

31.4.5.1 Project Information Requirements

Any Developer seeking to offer a transmission solution for Public Policy Transmission Needs must provide, at a minimum, the following details: (1) contact information; (2) the lead time necessary to complete the project, including, if available, the construction windows in which the Developer can perform construction and what, if any, outages may be required during these periods; (3) a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications as appropriate; (4) evidence of a commercially viable technology; (5) a major milestone schedule; (6) a schedule for obtaining any required permits and other certifications; (7) a demonstration of Site Control or a schedule for obtaining such control; (8) status of any contracts (other than an Interconnection Agreement) that are under negotiations or in place; (9) status of ISO interconnection studies and interconnection agreement; (10) status of equipment availability and procurement; (11) evidence of financing or ability to finance the project; (12) capital cost estimates for the project; (13) a description of permitting or other risks facing the project at the stage of project development, including evidence of the reasonableness of project cost estimates all based on the information available at the time of the submission; and (14) any other information requested by the ISO.

A Developer shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or

(ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Developer as "Confidential Information."

A Developer shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s) with information on what additional actions must be taken to meet the permit requirements and a timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

A Developer shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) evidence of self-financing or project financing through approved rates or the ability to do so, (ii) copies of all loan commitment letter(s) and signed financing contract(s), or (iii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts or approved rates shall be submitted to the ISO when available.

Failure to provide any data requested by the ISO within the timeframe provided in Section 31.4.4.3 of this Attachment Y will result in the rejection of the proposed solution from further consideration during that planning cycle.

31.4.6 ISO Evaluation of Proposed Solutions to Public Policy Transmission Needs

31.4.6.1 Evaluation Time Period

The ISO will study a proposed project using the RNA Base Case and compensatory MWs as needed to resolve the Reliability Needs over the ten-year Study Period. The ISO will extend the most recent reliability and economic planning models for modeling solutions for Public Policy Transmission Needs by up to an additional twenty years following the Study Period, as appropriate based upon the Public Policy Requirement and the identified Public Policy Transmission Need.

31.4.6.2 Comparable Evaluation of All Proposed Solutions

The ISO shall evaluate any proposed solution submitted by a Developer to a Public Policy Transmission Need. The ISO will evaluate whether each proposed solution is viable pursuant to Section 31.4.6.3 below and is sufficient to satisfy the Public Policy Transmission Need by the need date pursuant to Section 31.4.6.4. The proposed solution may include multiple components and resource types. When evaluating proposed solutions to a Public Policy Transmission Need from any Developer, the ISO shall consider all resource types – including generation, transmission, demand response, or a combination of these resource types – on a comparable basis as potential solutions. All solutions will be evaluated in the same general time frame.

31.4.6.3 Evaluation of Viability of Proposed Solution

The ISO will determine the viability of a solution – transmission, generation, demand response, or a combination of these resource types – proposed to satisfy a Public Policy Transmission Need. For purposes of its analysis, the ISO will evaluate whether: (i) the

Developer has provided the required Developer qualification data pursuant to Section 31.4.4 and the required project information data under Section 31.4.5.1; (ii) the proposed solution is technically practicable; (iii) the Developer has indicated possession of, or an approach for acquiring, any necessary rights-of-way, property, and facilities that will make the proposal reasonably feasible in the required timeframe; and (iv) the proposed solution can be completed in the required timeframe. If the ISO determines that the proposed solution is not viable, the ISO shall reject the proposed solution from further consideration during that planning cycle.

31.4.6.4 Evaluation of Sufficiency of Proposed Solution

The ISO will evaluate each proposed solution – transmission, generation, demand response, or a combination of these resource types – to confirm that the proposed solution satisfies the Public Policy Transmission Need. The ISO will evaluate each solution independently to measure the degree to which the proposed solution satisfies the Public Policy Transmission Need, including the evaluation criteria provided by the NYPSC/NYDPS. If the ISO determines that the proposed solution is not sufficient, the ISO shall reject the proposed solution from further consideration during that planning cycle.

31.4.6.5 ISO Report of Evaluation Results

The ISO will present the results of its viability and sufficiency analysis to stakeholders, interested parties, and the NYDPS for comment. The ISO shall report in the Public Policy Transmission Planning Report the results of its evaluation under this Section 31.4.6 of whether each proposed solution is viable and is sufficient to satisfy the identified Public Policy Transmission Need by the need date.

31.4.7 Evaluation of Proposed Regional Transmission Solution as More Efficient or Cost Effective Solution on the Bulk Power Transmission Facilities to Address Needs Driven by Public Policy Requirement Identified in Local Transmission Plan

The ISO will review the LTPs as they relate to the BPTFs. The ISO, using engineering judgment, will determine whether any proposed regional transmission solution on the BPTFs more efficiently or cost-effectively satisfies any needs driven by a Public Policy Requirement identified in the LTPs. If the ISO identifies that a regional transmission solution has the potential to more efficiently or cost effectively satisfy the needs driven by a Public Policy Requirement identified in the LTPs, it will perform a sensitivity analysis to determine whether the proposed regional transmission solution on the BPTFs would satisfy the needs driven by a Public Policy Requirement identified in the LTPs. If the ISO determines that the proposed regional transmission solutions would satisfy the need, the ISO will evaluate the proposed regional transmission solution using the metrics set forth in Section 31.4.8.1 below to determine whether it may be a more efficient or cost effective solution on the BPTFs to the needs driven by a Public Policy Requirement identified in the LTPs than the local solutions proposed in the LTPs. The ISO will include the results of its analysis in its Public Policy Transmission Planning Report, as approved by the ISO Board.

31.4.8 ISO Selection of More Efficient or Cost Effective Transmission Solution to Satisfy a Public Policy Transmission Need

A proposed regulated transmission solution submitted by a Transmission Owner or Other Developer that the ISO has determined satisfies the viability and sufficiency requirements in Section 31.4.6 shall be eligible under this Section 31.4.8 for selection in the Public Policy Transmission Planning Report for the purpose of cost allocation under the ISO Tariffs. The ISO shall evaluate any eligible proposed regulatory transmission solutions for the public policy

planning cycle using the metrics set forth in Section 31.4.8.1 below. For purposes of this evaluation, the ISO will review the information submitted by the Developer and determine whether it is reasonable and how such information should be used for purposes of the ISO evaluating each metric. The ISO may engage an independent consultant to review the reasonableness and comprehensiveness of the information submitted by the Developer and may rely on the independent consultant's analysis in evaluating each metric. The ISO shall select in the Public Policy Transmission Planning Report for cost allocation purposes the more efficient or cost effective transmission solution to satisfy a Public Policy Transmission Need in the manner set forth in Section 31.4.8.2 below.

31.4.8.1 Metrics for Evaluating More Efficient or Cost Effective Regulated Transmission Solution to Satisfy Public Policy Transmission Need

In determining which of the eligible proposed regulated transmission solutions is the more efficient or cost effective solution to satisfy the Public Policy Transmission Need, the ISO will consider, and will consult with the NYDPS regarding, the metrics set forth below in this Section 31.4.8.1 and rank each proposed solution based on the quality of its satisfaction of these metrics:

31.4.8.1.1 The capital cost estimates for the proposed regulated transmission solutions, including the accuracy of the proposed estimates. For this evaluation, the Developer shall provide the ISO with credible capital cost estimates for its proposed solution, with itemized supporting work sheets that identify all material and labor cost assumptions, and related drawings to the extent applicable and available. The work sheets should include an estimated quantification of cost variance, providing an assumed plus/minus range around the capital cost estimate.

The estimate shall include all components that are needed to meet the Public Policy Transmission Need. To the extent information is available, the Developer should itemize: material and labor cost by equipment, engineering and design work, permitting, site acquisition, procurement and construction work, and commissioning needed for the proposed solution, all in accordance with Good Utility Practice. For each of these cost categories, the Developer should specify the nature and estimated cost of all major project components and estimate the cost of the work to be done at each substation and/or on each feeder to physically and electrically connect each facility to the existing system. The work sheets should itemize the extent applicable and available all equipment for: (i) the proposed project, (ii) interconnection facilities (including Attachment Facilities and Direct Assignment Facilities), and (iii) System Upgrade Facilities, System Deliverability Upgrades, Network Upgrades, and Distribution Upgrades.

31.4.8.1.2 The cost per MW ratio of the proposed regulated transmission solutions. For this evaluation, the ISO will first determine the present worth, in dollars, of the total capital cost of the proposed solution in current year dollars. The ISO will then determine the cost per MW ratio by dividing the capital cost by the MW value of increased transfer capability.

31.4.8.1.3 The expandability of the proposed regulated transmission solution. The ISO will consider the impact of the proposed solution on future construction. The ISO will also consider the extent to which any subsequent expansion will continue to use this proposed solution within the context of system expansion.

31.4.8.1.4 The operability of the proposed regulated transmission solution. The ISO will consider how the proposed solution may affect additional flexibility in operating the system, such as dispatch of generation, access to operating reserves, access to ancillary services, or ability to remove transmission for maintenance. The ISO will also consider how the proposed solution may affect the cost of operating the system, such as how it may affect the need for operating generation out of merit for reliability needs, reducing the need to cycle generation, or providing more balance in the system to respond to system conditions that are more severe than design conditions.

31.4.8.1.5 The performance of the proposed regulated transmission solution. The ISO will consider how the proposed project may affect the utilization of the system (e.g. interface flows, percent loading of facilities).

31.4.8.1.6 The extent to which the Developer of a proposed regulated transmission solution has the property rights, or ability to obtain the property rights, required to implement the solution. The ISO will consider whether the Developer: (i) already possesses the rights of way necessary to implement the solution; (ii) has completed a transmission routing study, which (a) identifies a specific routing plan with alternatives, (b) includes a schedule indicating the timing for obtaining siting and permitting, and (c) provides specific attention to sensitive areas (e.g., wetlands, river crossings, protected areas, and schools); or (iii) has a specified a plan or approach for determining routing and acquiring property rights.

31.4.8.1.7 The potential issues associated with delay in constructing the proposed regulated transmission solution consistent with the major milestone schedule and

the schedule for obtaining any permits and other certifications as required to timely meet the need.

31.4.8.1.8 The ISO shall apply any criteria specified by the Public Policy Requirement or provided by the NYDPS/NYPSC and perform the analyses requested by the NYDPS/NYPSC, to the extent compliance with such criteria and analyses are feasible.

31.4.8.1.9 The ISO, in consultation with stakeholders, shall, as appropriate, consider other metrics in the context of the Public Policy Requirement, such as: change in production costs; LBMP; losses; emissions; ICAP; TCC; congestion; impact on transfer limits; and deliverability.

31.4.8.2 ISO Selection of More Efficient or Cost Effective Regulated Transmission Solution to Satisfy Public Policy Transmission Need

The ISO shall identify under this Section 31.4.8 the proposed regulated transmission solution, if any, that is the more efficient or cost effective transmission solution proposed in the public policy planning cycle to satisfy the Public Policy Transmission Need. The ISO shall include the more efficient or cost effective transmission solution in the Public Policy Transmission Planning Report. The Developer of a regulated transmission project shall be eligible to recover costs for the project only if the project is selected by the ISO, provided that the Developer may recover costs as determined by the Commission. Costs will be recovered when the project is completed pursuant to a rate schedule filed with and accepted by the Commission in accordance with the cost recovery requirements set forth in Section 31.5.6.5, or as otherwise determined by the Commission. Actual project cost recovery, including any issues related to cost recovery and project cost overruns, will be submitted to and decided by the Commission.

31.4.9 Evaluation of Impact of Proposed Transmission Solution on ISO Wholesale Electricity Markets

The ISO shall evaluate using the metrics set forth in Section 31.4.8.1.9 the impacts on the ISO-administered wholesale electricity markets of a proposed transmission solution that the ISO has determined under Section 31.4.6 is viable and sufficient. The ISO shall include the results of its analysis in the Public Policy Transmission Planning Report.

31.4.10 Public Policy Transmission Planning Report

Following the ISO's evaluation of the proposed solutions to Public Policy Transmission Need(s), the ISO will prepare a draft Public Policy Transmission Planning Report that sets forth the ISO's assumptions, inputs, methodologies and the results of its analyses. The draft Public Policy Transmission Planning Report will reflect any input from the NYDPS.

The ISO will include in the draft Public Policy Transmission Planning Report the list of Developers and projects that qualify pursuant to Sections 31.4.4 and 31.4.5 and will identify the proposed solutions that it has determined under Section 31.4.6 are viable and sufficient to satisfy the identified Public Policy Transmission Need(s). The draft Public Policy Transmission Planning Report shall also include the regulated transmission solution, if any, that the ISO staff recommends for selection for cost allocation purposes pursuant to Section 31.4.8 as the more efficient or cost effective transmission solution to satisfy the Public Policy Transmission Need(s). The draft Public Policy Transmission Planning Report will also include the results of the ISO's analysis of the LTPs consistent with Section 31.4.7.

The draft Public Policy Transmission Planning Report shall include a comparison of a proposed regional solution to an identified Public Policy Transmission Need to an Interregional Transmission Project, if any, identified and evaluated under the "Analysis and Consideration of Interregional Transmission Projects" section of the Interregional Planning Protocol. An

Interregional Transmission Project proposed in the ISO's Public Policy Transmission Planning Process may be selected as a regulated transmission solution under the provisions of this process.

31.4.10.1 Collaborative Governance Process

The draft Public Policy Transmission Planning Report shall be submitted to both TPAS and the ESPWG for review and comment. Concurrently, the draft report will be provided to the Market Monitoring Unit for its review and consideration. The Market Monitoring Unit's evaluation will be provided to the Management Committee prior to the Management Committee's advisory vote. The ISO shall make available to any interested party sufficient information to replicate the results of the draft Public Policy Transmission Planning Report. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of that review, the draft report reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and the Management Committee for discussion and an advisory vote.

31.4.10.2 Board Review, Consideration, and Approval of Public Policy Transmission Planning Report

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. Concurrently, the Market Monitoring Unit's evaluation will be provided to the Board. The Board may approve the Public Policy Transmission Planning Report as submitted or propose modifications on its own motion, including a determination not to select a transmission project to satisfy the Public Policy

Transmission Need. If any changes are proposed by the Board, the revised report shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised report until it has reviewed the Management Committee comments. Upon approval by the Board, the ISO shall issue the report to the marketplace by posting it on its website.

The responsibilities of the Market Monitoring Unit that are addressed in the above Section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.5 of the Market Monitoring Plan, Attachment O to the ISO Services Tariff.

31.4.11 ISO Monitoring of Selected Transmission Projects

The ISO shall monitor transmission projects selected by the ISO as the more efficient or cost effective transmission solutions to Public Policy Transmission Needs to confirm that they continue to develop consistent with the conditions, actions, or schedules for the transmission projects.

31.4.12 Posting of Approved Solutions

The ISO shall post on its website a list of all Developers who have accepted the terms and conditions of an Article VII certificate under the New York Public Service Law, or any successor statute, or any other applicable permits to build a project in response to a need driven by a Public Policy Requirement.

31.4.13 Confidentiality of Solutions

31.4.13.1 The term “Confidential Information” shall include all proposed solutions to Public Policy Transmission Needs that are submitted to the ISO in response to

a request for solutions under Section 31.4.3 of this Attachment Y if the Developer of that solution designates the solution as “Confidential Information.”

31.4.13.2 The ISO shall maintain the confidentiality of the Developer’s proposed solution and plans designated as “Confidential Information” until the ISO determines that the Developer’s proposed solution and plans are viable and sufficient to meet the Public Policy Transmission Need and the Developer consents to the ISO’s inclusion of the proposed solution in the Public Policy Transmission Planning Report. Thereafter, the ISO shall disclose the proposed solution to Market Participants. However, any preliminary cost estimates that may have been provided to the ISO shall not be disclosed.

31.5 Cost Allocation and Cost Recovery

31.5.1 The Scope of Attachment Y Cost Allocation

31.5.1.1 Regulated Responses

The cost allocation principles and methodologies in this Attachment Y cover only regulated transmission solutions to Reliability Needs, regulated transmission responses to congestion identified in the CARIS, and regulated transmission solutions to Public Policy Transmission Needs whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer. The cost allocation principles and methodology covering regulated transmission solutions to Reliability Needs are contained in Sections 31.5.3.1 and 31.5.3.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission responses to congestion identified in the CARIS are contained in Sections 31.5.4.1 and 31.5.4.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission solutions to Public Policy Transmission Needs are contained in Sections 31.5.5 and 31.5.6 of this Attachment Y.

31.5.1.2 Market-Based Responses

The cost allocation principles and methodologies in this Attachment Y do not apply to market-based solutions to Reliability Needs or to market-based responses to congestion identified in the CARIS. The cost of a market-based project shall be the responsibility of the developer of that project.

31.5.1.3 Interconnection Cost Allocation

The cost allocation principles and methodologies in this Attachment Y do not apply to the interconnection costs of generation and merchant transmission projects. Interconnection costs

are determined and allocated in accordance with Attachment S, Attachment X and Attachment Z of the ISO OATT.

31.5.1.4 Individual Transmission Service Requests

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission expansion projects undertaken in connection with an individual request for Transmission Service. The cost of such a project is determined and allocated in accordance with Section 3.7 or Section 4.5 of the ISO OATT.

31.5.1.5 LTP Facilities

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission projects included in LTPs or LTP updates. Each Transmission Owner will recover the cost of such transmission projects in accordance with its then existing rate recovery mechanisms.

31.5.1.6 Regulated Non-Transmission Solutions to Reliability Needs

Costs related to regulated non-transmission reliability projects will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

31.5.1.7 Eligibility for Cost Allocation and Cost Recovery

Any entity, whether a Responsible Transmission Owner, Other Developer, or Transmission Owner, shall be eligible for cost allocation and cost recovery as set forth in Section 31.5 of this Attachment Y and associated rate schedules, as applicable, for any approved

reliability, economic, or Public Policy Requirement driven transmission project under Sections 31.2, 31.3, or 31.4, as applicable. Interregional Transmission Projects identified in accordance with the Interregional Planning Protocol, and that have been accepted in each region's planning process, shall be eligible for interregional cost allocation and cost recovery, as set forth in Section 31.5 of this Attachment Y and associated rate schedules. The ISO's share of the cost of an Interregional Transmission Project selected pursuant to this Attachment Y to meet a Reliability Need, congestion identified in the CARIS, or a Public Policy Transmission Need shall be eligible for cost allocation consistent with the cost allocation methodology applicable to the type of regional transmission project that would be replaced through the construction of such Interregional Transmission Project.

31.5.2 Cost Allocation Principles Required Under Order No. 1000

31.5.2.1 In compliance with Commission Order No. 1000, the ISO shall implement the specific cost allocation methodology in Section 31.5.3.2, 31.5.4.4, and 31.5.5.4 in accordance with the following Regional Cost Allocation Principles ("Order No. 1000 Regional Cost Allocation Principles"):

Regional Cost Allocation Principle 1: The ISO shall allocate the cost of transmission facilities to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits. In determining the beneficiaries of transmission facilities, the ISO's CSPP will consider benefits including, but not limited to, the extent to which transmission facilities, individually or in the aggregate provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements.

Regional Cost Allocation Principle 2: The ISO shall not involuntarily allocate any of the costs of transmission facilities to those that receive no benefit from transmission facilities.

Regional Cost Allocation Principle 3: In the event that the ISO adopts a benefit to cost threshold in its CSPP to determine which transmission facilities have sufficient net benefits to be selected in a regional transmission plan for the purpose of cost allocation, such benefit to cost threshold will not be so high that transmission facilities with significant positive net benefits are excluded from cost allocation. If the ISO chooses to adopt such a threshold in its CSPP it will not include a ratio of benefits to costs that exceeds 1.25 unless the ISO justifies and the Commission approves a higher ratio.

Regional Cost Allocation Principle 4: The ISO's allocation method for the cost of a transmission facility selected pursuant to the process in the CSPP shall allocate costs solely within the ISO's transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs. Costs for an Interregional Transmission Project must be assigned only to regions in which the facility is physically located. Costs cannot be assigned involuntarily to another region. The ISO shall not bear the costs of required upgrades in another region.

Regional Cost Allocation Principle 5: The ISO's cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility shall be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission

facility, as consistent with confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

Regional Cost Allocation Principle 6: The ISO's CSPP provides a different cost allocation method for different types of transmission facilities in the regional transmission plan and each cost allocation method is set out clearly and explained in detail in this Section 31.5.

31.5.2.2 In compliance with Commission Order No. 1000, the ISO shall implement the specific cost allocation methodology in Section 31.5.7 of this Attachment Y in accordance with the following Interregional Cost Allocation Principles:

Interregional Cost Allocation Principle 1: The ISO shall allocate the cost of new Interregional Transmission Projects to each region in which an Interregional Transmission Project is located in a manner that is at least roughly commensurate with estimated benefits of the Interregional Transmission Project in each of the regions. In determining the beneficiaries of Interregional Transmission Projects, the ISO will consider benefits including, but not limited to, those associated with maintaining reliability and sharing reserves, production cost savings and congestion relief, and meeting Public Policy Requirements.

Interregional Cost Allocation Principle 2: The ISO shall not involuntarily allocate any of the costs of an Interregional Transmission Project to a region that receives no benefit from an Interregional Transmission Project that is located in that region, either at present or in a likely future scenario.

Interregional Cost Allocation Principle 3: In the event that the ISO adopts a benefit-cost threshold ratio to determine whether an Interregional Transmission

Project has sufficient net benefits to qualify for interregional cost allocation, this ratio shall not be so large as to exclude an Interregional Transmission Project with significant positive net benefits from cost allocation. If the ISO chooses to adopt such a threshold, they will not include a ratio of benefits to costs that exceeds 1.25 unless the Parties justify and the Commission approves a higher ratio.

Interregional Cost Allocation Principle 4: The ISO's allocation of costs for an Interregional Transmission Project shall be assigned only to regions in which the Interregional Transmission Project is located. The ISO shall not assign costs involuntarily to a region in which that Interregional Transmission Project is not located. The ISO shall, however, identify consequences for other regions, such as upgrades that may be required in a third region. The ISO's interregional cost allocation methodology includes provisions for allocating the costs of upgrades among the beneficiaries in the region in which the Interregional Transmission Project is located to the transmission providers in such region that agree to bear the costs associated with such upgrades.

Interregional Cost Allocation Principle 5: The ISO's cost allocation methodology and data requirements for determining benefits and identifying beneficiaries for an Interregional Transmission Project shall be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed Interregional Transmission Project, as consistent with the confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

Interregional Cost Allocation Principle 6: Though Order No. 1000 allows the ISO to provide a different cost allocation methodology for different types of interregional transmission facilities, such as facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements, the ISO has chosen to adopt one interregional cost allocation methodology for all Interregional Transmission Planning Projects. The interregional cost allocation methodology is set out clearly and explained in detail in Section 31.5.7 of this Attachment Y. The share of the cost related to any Interregional Transmission Project assigned to the ISO shall be allocated as described in Section 31.5.7.1.

31.5.3 Regulated Responses to Reliability Needs

31.5.3.1 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.3.2 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2.1. This methodology shall apply to cost allocation for a regulated transmission solution to an identified Reliability Need, including the ISO's share of the costs of an Interregional Transmission Project proposed as a regulated transmission solution to an identified Reliability Need allocated in accordance with Section 31.5.7 of this Attachment Y.

The specific cost allocation methodology in Section 31.5.3.2 incorporates the following elements:

31.5.3.1.1 The focus of the cost allocation methodology shall be on solutions to Reliability Needs.

31.5.3.1.2 Potential impacts unrelated to addressing the Reliability Needs shall not be considered for the purpose of cost allocation for regulated solutions.

31.5.3.1.3 Primary beneficiaries shall initially be those Load Zones identified as contributing to the reliability violation.

31.5.3.1.4 The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the regulated solution.

31.5.3.1.5 The ISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (*e.g.*, thermal overload, voltage, stability, resource adequacy and short circuit).

31.5.3.1.6 Cost allocation shall recognize the terms of prior agreements among the Transmission Owners, if applicable.

31.5.3.1.7 Consideration should be given to the use of a materiality threshold for cost allocation purposes.

31.5.3.1.8 The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

31.5.3.1.9 Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

31.5.3.1.10 The methodology shall provide cost recovery certainty to investors to the extent possible.

31.5.3.1.11 The methodology shall apply, to the extent possible, to Gap Solutions.

31.5.3.1.12 Cost allocation is independent of the actual triggered project(s), except when allocating cost responsibilities associated with meeting a Locational Minimum Installed Capacity Requirement ("LCR"), and is based on a separate process that results in NYCA meeting its LOLE requirement.

31.5.3.1.13 Cost allocation for a solution that meets the needs of a Target Year assumes that backstop solutions of prior years have been implemented.

31.5.3.1.14 Cost allocation will consider the most recent values for LCRs. LCRs must be met for the Target Year.

31.5.3.2 Cost Allocation Methodology

31.5.3.2.1 General Reliability Solution Cost Allocation Formula:

The cost allocation mechanism under Rate Schedule 10 of this tariff for regulated transmission solutions to Reliability Needs, whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer, would be used as a basis for allocating costs associated with projects determined to be necessary pursuant to Section 31.2.8. The formula is not applicable to that portion of a project beyond the size of the solution needed to provide the more efficient or cost effective solution appropriate to the Reliability Need identified in the RNA. Nor is the formula applicable to that portion of the cost of a regulated transmission reliability project that is, pursuant to Section 25.7.12 of Attachment S to the ISO OATT, paid for with funds previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The same cost allocation formula is applied regardless of the project or sets of projects being triggered; however, the nature of the solution set may lead to some terms equaling zero, thereby dropping out of the equation. To ensure that appropriate allocation to the LCR and non-LCR zones occurs, the zonal allocation percentages are developed through a series of steps that first identify responsibility for LCR deficiencies, followed by responsibility for remaining need. This cost allocation process can be applied to any solution or set of solutions that involve single or multiple cost allocation steps. One formula can be applied to any solution set:

$$\text{Cost Allocation}_i = \left[\frac{\text{LCRdef}_i}{\text{Soln Size}} + \left[\frac{\text{Coincident Peak}_i \text{ x } (1 + \text{IRM} - \text{LCR}_i)}{\sum_{k=1}^{n} \text{Coincident Peak}_k \text{ x } (1 + \text{IRM-LCR}_k)} \text{ x } \frac{\text{Soln STWdef}}{\text{Soln Size}} \right] \right.$$

$$+ \left[\frac{\text{Coincident Peak}_i \text{ x } (1 + \text{IRM} - \text{LCR}_i)}{\sum_{l=1}^{m} \text{Coincident Peak}_l \text{ x } (1 + \text{IRM} - \text{LCR}_l)} \text{ x } \frac{\text{SolnCIdef}}{\text{Soln Size}} \right]$$

$$\left. \right] \text{ x } 100\%$$

Where *i* is for each applicable zone, *n* represent the total zones in NYCA, *m* represents the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, LCRdef_i is the applicable zonal LCR deficiency, SolnSTWdef is the STWdef for each applicable project, SolnCIdef is the CIdef for each applicable project, and Soln_Size represents the total compensatory MW addressed by each applicable project.

Three step cost allocation methodology for regulated reliability solutions:

31.5.3.2.1.1 Step 1 - LCR Deficiency

31.5.3.2.1.1.1 Any deficiencies in meeting the LCRs for the Target Year will be referred to as the LCRdef. If the reliability criterion is met once the LCR deficiencies have been addressed, that is LOLE ≤ 0.1 for the Target Year is achieved, then the only costs allocated will be those related to the LCRdef MW. Cost responsibility for the LCRdef MW will be borne by each deficient locational zone(s), to the extent each is individually deficient.

For a single solution that addresses only an LCR deficiency in the applicable LCR zone, the equation would reduce to:

$$\text{Allocation}_i = \frac{\text{LCRdef}_i}{\text{Soln\_ Size}} \times 100\%$$

Where *i* is for each applicable LCR zone, LCRdef_i represents the applicable zonal LCR deficiency, and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.5.3.2.1.1.2 Prior to the LOLE calculation, voltage constrained interfaces will be recalculated to determine the resulting transfer limits when the LCRdef MW are added.

31.5.3.2.1.2 Step 2 - Statewide Resource Deficiency. If the reliability criterion is not met after the LCRdef has been addressed, that is an LOLE > 0.1, then a NYCA Free Flow Test will be conducted to determine if NYCA has sufficient resources to meet an LOLE of 0.1.

31.5.3.2.1.2.1 If NYCA is found to be resource limited, the ISO, using the transfer limits and resources determined in Step 1, will determine the optimal distribution of additional resources to achieve a reduction in the NYCA LOLE to 0.1.

31.5.3.2.1.2.2 Cost allocation for compensatory MW added for cost allocation purposes to achieve an LOLE of 0.1, defined as a Statewide MW deficiency (STWdef), will be prorated to all NYCA zones, based on the NYCA coincident peak load. The allocation to locational zones will take into account their locational requirements. For a single solution that addresses only a statewide deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\frac{\text{Coincident Peak}_i \times (1+\text{IRM-}LCR_i)}{\sum_{k=1}^{n} \text{Coincident Peak}_k \times (1+\text{IRM-}LCR_k)} \times \frac{\text{SolnSTWdef}}{\text{Soln Size}} \right] \times 100\%$$

Where *i* is for each applicable zone, *n* is for the total zones in NYCA, IRM is the statewide reserve margin, and LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, Soln STWdef is the STWdef for the applicable project, and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.5.3.2.1.3 Step 3 - Constrained Interface Deficiency. If the NYCA is not resource limited as determined by the NYCA Free Flow Test, then the ISO will examine constrained transmission interfaces, using the Binding Interface Test.

31.5.3.2.1.3.1 The ISO will provide output results of the reliability simulation program utilized for the RNA that indicate the hours that each interface is at limit in each flow direction, as well as the hours that coincide with a loss of load event. These values will be used as an initial indicator to determine the binding interfaces that are impacting LOLE within the NYCA.

31.5.3.2.1.3.2 The ISO will review the output of the reliability simulation program utilized for the RNA along with other applicable information that may be available to make the determination of the binding interfaces.

31.5.3.2.1.3.3 Bounded Regions are assigned cost responsibility for the compensatory MW, defined as CIdef, needed to reach an LOLE of 0.1.

31.5.3.2.1.3.4 If one or more Bounded Regions are isolated as a result of binding interfaces identified through the Binding Interface Test, the ISO will determine the optimal distribution of compensatory MW to achieve a NYCA LOLE of 0.1. Compensatory MW will be added until the required NYCA LOLE is achieved.

31.5.3.2.1.3.5 The Bounded Regions will be identified by the ISO's Binding Interface Test, which identifies the bounded interface limits that can be relieved and have the greatest impact on NYCA LOLE. The Bounded Region that will have the greatest benefit to NYCA LOLE will be the area to be first allocated costs in this step. The ISO will determine if after the first addition of compensating MWs the Bounded Region with the greatest impact on LOLE has changed. During this iterative process, the Binding Interface Test will look across the state to identify the appropriate Bounded Region. Specifically, the Binding Interface Test will be applied starting from the interface that has the greatest benefit to LOLE (the greatest LOLE reduction per interface compensatory MW addition), and then extended to subsequent interfaces until a NYCA LOLE of 0.1 is achieved.

31.5.3.2.1.3.6 The CIdef MW are allocated to the applicable Bounded Region isolated as a result of the constrained interface limits, based on their NYCA coincident peaks. Allocation to locational zones will take into account their locational requirements. For a single solution that addresses only a binding interface deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\frac{\text{Coincident Peak}_i \times (1+\text{IRM-}LCR_i)}{\sum_{l=1}^{m} \text{Coincident Peak}_l \times (1+\text{IRM-}LCR_l)} \times \frac{SolnCIdef}{\text{Soln Size}} \right] \times 100\%$$

Where *i* is for each applicable zone, *m* is for the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, SolnCIdef is the CIdef for the applicable project and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.5.3.2.1.4 If, after the completion of Steps 1 through 3, there is a thermal or voltage security issue that does not cause an LOLE violation, it will be deemed a local issue and related costs will not be allocated under this process. The ISO will address through its stakeholder process the development of a methodology to allow for the allocation of costs of transmission solutions to thermal or voltage security issues.

31.5.3.2.1.5 Costs related to the deliverability of a resource will be addressed under the ISO's deliverability procedures.

31.5.3.2.1.6 This cost allocation methodology would be used for any projects required to meet Reliability Needs identified in the RNA that are triggered prior to January 1, 2016. Costs associated with any projects triggered on or after January 1, 2016 will be allocated according to a methodology, which, after proper consideration within the ISO stakeholder process, will be filed by the ISO for the Commission's approval prior to January 1, 2016, in accordance with the ISO governance process. The filing may provide for a continuation of the foregoing methodology or a revised methodology.

31.5.4 Regulated Economic Projects

31.5.4.1 The Scope of Section 31.5.4

As discussed in Section 31.5.1 of this Attachment Y, the cost allocation principles and methodologies of this Section 31.5.4 apply only to regulated economic transmission projects ("RETPs) proposed in response to congestion identified in the CARIS.

This Section 31.5.4 does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section 31.5.4 does not apply to regulated backstop solutions triggered by the ISO pursuant to the CSPP, provided, however, the cost allocation principles and methodologies in this Section 31.5.4 will apply to regulated backstop solutions when the implementation of the regulated backstop solution is accelerated solely to reduce congestion in earlier years of the Study Period. The ISO will work with the ESPWG to develop procedures to deal with the acceleration of regulated backstop solutions for economic reasons.

Nothing in this Attachment Y mandates the implementation of any project in response to the congestion identified in the CARIS.

31.5.4.2 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.4.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2.1. The specific cost allocation methodology in Section 31.5.4.4 incorporates the following elements:

31.5.4.2.1 The focus of the cost allocation methodology shall be on responses to specific conditions identified in the CARIS.

31.5.4.2.2 Potential impacts unrelated to addressing the identified congestion shall not be considered for the purpose of cost allocation for RETPs.

31.5.4.2.3 Projects analyzed hereunder as proposed RETPs may proceed on a market basis with willing buyers and sellers at any time.

31.5.4.2.4 Cost allocation shall be based upon a beneficiaries pay approach. Cost allocation under the ISO tariff for a RETP shall be applicable only when a super majority of the beneficiaries of the project, as defined in Section 31.5.4.6 of this Attachment Y, vote to support the project.

31.5.4.2.5 Beneficiaries of a RETP shall be those entities economically benefiting from the proposed project. The cost allocation among beneficiaries shall be based upon their relative economic benefit.

31.5.4.2.6 Consideration shall be given to the proposed project's payback period.

31.5.4.2.7 The cost allocation methodology shall address the possibility of cost overruns.

31.5.4.2.8 Consideration shall be given to the use of a materiality threshold for cost allocation purposes.

31.5.4.2.9 The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

31.5.4.2.10 Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

31.5.4.2.11 The methodology shall provide cost recovery certainty to investors to the extent possible.

31.5.4.2.12 Benefits determination shall consider various perspectives, based upon the agreed-upon metrics for analyzing congestion.

31.5.4.2.13 Benefits determination shall account for future uncertainties as appropriate (e.g., load forecasts, fuel prices, environmental regulations).

31.5.4.2.14 Benefits determination shall consider non-quantifiable benefits as appropriate (*e.g.,* system operation, environmental effects, renewable integration).

31.5.4.3 Project Eligibility for Cost Allocation

The methodologies in this Section 31.5.4.3 will be used to determine the eligibility of a proposed RETP to have its cost allocated and recovered pursuant to the provisions of this Attachment Y.

31.5.4.3.1 The ISO will evaluate the benefits against the costs (as provided by the Developer) of each proposed RETP over a ten-year period commencing with the proposed commercial operation date for the project. The Developer of each project will pay the cost incurred by the ISO to conduct the ten-year benefit/cost analysis of its project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary to evaluate the benefits and costs of each proposed RETP.

31.5.4.3.2 The benefit metric for eligibility under the ISO's benefit/cost analysis will be expressed as the present value of the annual NYCA-wide production cost savings that would result from the implementation of the proposed project, measured for the first ten years from the proposed commercial operation date for the project.

31.5.4.3.3 The cost for the ISO's benefit/cost analysis will be supplied by the Developer of the project, and the cost metric for eligibility will be expressed as the present value of the first ten years of annual total revenue requirements for the project, reasonably allocated over the first ten years from the proposed commercial operation date for the project.

31.5.4.3.4 For informational purposes only, the ISO will also calculate the present value of the annual total revenue requirement for the project over a 30 year period commencing with the proposed commercial operation date of the project.

31.5.4.3.5 To be eligible for cost allocation and recovery under this Attachment Y, the benefit of the proposed project must exceed its cost measured over the first ten years from the proposed commercial operation date for the project, and the requirements of section 31.5.4.2 must be met. The total capital cost of the project must exceed $25 million. In addition, a super-majority of the beneficiaries must vote in favor of the project, as specified in Section 31.5.4.6 of this Attachment Y.

31.5.4.3.6 In addition to calculating the benefit metric as defined in Section 31.5.4.3.2, the ISO will calculate additional metrics to estimate the potential benefits of the proposed project, for information purposes only, in accordance with Section 31.3.1.3.5, for the applicable metric. These additional metrics shall include those that measure reductions in LBMP load costs, changes to generator payments, ICAP costs, Ancillary Service costs, emissions costs, and losses. TCC revenues will be determined in accordance with Section 31.5.4.4.2.3. The ISO will provide information on these additional metrics to the maximum extent practicable considering its overall resource commitments.

31.5.4.3.7 In addition to the benefit/cost analysis performed by the ISO under this Section 31.5.4.3, the ISO will work with the ESPWG to consider the development and implementation of scenario analyses, for information only, that shed additional light on the benefit/cost analysis of a proposed project. These additional scenario analyses may cover fuel and load forecast uncertainty, emissions data and the cost of allowances, pending environmental or other regulations, and alternate resource and energy efficiency scenarios. Consideration of these additional scenarios will take into account the resource commitments of the ISO.

31.5.4.4 Cost Allocation for Eligible Projects

As noted in Section 31.5.4.2 of this Attachment Y, the cost of a RETP will be allocated to those entities that would economically benefit from implementation of the proposed project. This methodology shall apply to cost allocation for a RETP, including the ISO's share of the costs of an Interregional Transmission Project proposed as a RETP allocated in accordance with Section 31.5.7 of this Attachment Y.

31.5.4.4.1 The ISO will identify the beneficiaries of the proposed project over a ten-year time period commencing with the proposed commercial operation date for the project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary for this purpose.

31.5.4.4.2 The ISO will identify beneficiaries of a proposed project as follows:

31.5.4.4.2.1 The ISO will measure the present value of the annual zonal LBMP load savings for all Load Zones which would have a load savings, net of reductions in

TCC revenues, and net of reductions from bilateral contracts (based on available information provided by Load Serving Entities to the ISO as set forth in subsection 31.5.4.4.2.5 below) as a result of the implementation of the proposed project. For purposes of this calculation, the present value of the load savings will be equal to the sum of the present value of the Load Zone's load savings for each year over the ten-year period commencing with the project's commercial operation date. The load savings for a Load Zone will be equal to the difference between the zonal LBMP load cost without the project and the LBMP load cost with the project, net of reductions in TCC revenues and net of reductions from bilateral contracts.

31.5.4.4.2.2 The beneficiaries will be those Load Zones that experience net benefits measured over the first ten years from the proposed commercial operation date for the project. If the sum of the zonal benefits for those Load Zones with load savings is greater than the revenue requirements for the project (both load savings and revenue requirements measured in present value over the first ten years from the commercial operation date of the project), the ISO will proceed with the development of the zonal cost allocation information to inform the beneficiary voting process.

31.5.4.4.2.3 Reductions in TCC revenues will reflect the forecasted impact of the project on TCC auction revenues and day-ahead residual congestion rents allocated to load in each zone, not including the congestion rents that accrue to any Incremental TCCs that may be made feasible as a result of this project. This impact will include forecasts of: (1) the total impact of that project on the

Transmission Service Charge offset applicable to loads in each zone (which may vary for loads in a given zone that are in different Transmission Districts); (2) the total impact of that project on the NYPA Transmission Adjustment Charge offset applicable to loads in that zone; and (3) the total impact of that project on payments made to LSEs serving load in that zone that hold Grandfathered Rights or Grandfathered TCCs, to the extent that these have not been taken into account in the calculation of item (1) above. These forecasts shall be performed using the procedure described in Appendix B to this Attachment Y.

31.5.4.4.2.4 Estimated TCC revenues from any Incremental TCCs created by a proposed RETP over the ten-year period commencing with the project's commercial operation date will be added to the Net Load Savings used for the cost allocation and beneficiary determination.

31.5.4.4.2.5 The ISO will solicit bilateral contract information from all Load Serving Entities, which will provide the ISO with bilateral energy contract data for modeling contracts that do not receive benefits, in whole or in part, from LBMP reductions, and for which the time period covered by the contract is within the ten-year period beginning with the commercial operation date of the project. Bilateral contract payment information that is not provided to the ISO will not be included in the calculation of the present value of the annual zonal LBMP savings in section 31.5.4.4.2.1 above.

31.5.4.4.2.5.1 All bilateral contract information submitted to the ISO must identify the source of the contract information, including citations to any public documents including but not limited to annual reports or regulatory filings

31.5.4.4.2.5.2 All non-public bilateral contract information will be protected in accordance with the ISO's Code of Conduct, as set forth in Section 12.4 of Attachment F of the ISO OATT, and Section 6 of the ISO Services Tariff.

31.5.4.4.2.5.3 All bilateral contract information and information on LSE-owned generation submitted to the ISO must include the following information:

(1) Contract quantities on an annual basis:

(a) For non-generator specific contracts, the Energy (in MWh) contracted to serve each Zone for each year.

(b) For generator specific contracts or LSE-owned generation, the name of the generator(s) and the MW or percentage output contracted or self-owned for use by Load in each Zone for each year.

(2) For all Load Serving Entities serving Load in more than one Load Zone, the quantity (in MWh or percentage) of bilateral contract Energy to be applied to each Zone, by year over the term of the contract.

(3) Start and end dates of the contract.

(4) Terms in sufficient detail to determine that either pricing is not indexed to LBMP, or, if pricing is indexed to LBMP, the manner in which prices are connected to LBMP.

(5) Identify any changes in the pricing methodology on an annual basis over the term of the contract.

31.5.4.4.2.5.4 Bilateral contract and LSE-owned generation information will be used to calculate the adjusted LBMP savings for each Load Zone as follows:

AdjLBMPS$_{y,z}$, the adjusted LBMP savings for each Load Zone *z* in each year *y*, shall be calculated using the following equation:

$$AdjLBMPS_{y,z} = \max\left[0, TL_{y,z} - \sum_{b \in B_{y,z}} \left(BCL_{b,y,z} \cdot \left(1 - Ind_{b,y,z}\right)\right) - SG_{y,z}\right] \cdot \left(LBMP1_{y,z} - LBMP2_{y,z}\right),$$

Where:

$TL_{y,z}$ is the total annual amount of Energy forecasted to be consumed by Load in year *y* in Load Zone *z*;

$B_{y,z}$ is the set of blocks of Energy to serve Load in Load Zone *z* in year *y* that are sold under bilateral contracts for which information has been provided to the ISO that meets the requirements set forth elsewhere in this Section 31.5.4.4.2.5

$BCL_{b,y,z}$ is the total annual amount of Energy sold into Load Zone *z* in year *y* under bilateral contract block *b*;

$Ind_{b,y,z}$ is the ratio of (1) the increase in the amount paid by the purchaser of Energy, under bilateral contract block *b*, as a result of an increase in the LBMP in Load Zone *z* in year *y* to (2) the increase in the amount that a purchaser of that amount of Energy would pay if the purchaser paid the LBMP for that Load Zone in that year for all of that Energy (this ratio shall be zero for any bilateral contract block of Energy that is sold at a fixed price or for which the cost of Energy purchased under that contract otherwise insensitive to the LBMP in Load Zone *z* in year *y*);

$SG_{y,z}$ is the total annual amount of Energy in Load Zone *z* that is forecasted to be served by LSE-owned generation in that Zone in year *y*;

LBMP1y,z is the forecasted *annual load-weighted average LBMP* for Load Zone *z* in year *y*, calculated under the assumption that the project is not in place; and

$LBMP2_{y,z}$ is the forecasted annual load-weighted average LBMP for Load Zone *z* in year *y*, calculated under the assumption that the project is in place.

31.5.4.4.2.6 NZS_z, the Net Zonal Savings for each Load Zone *z* resulting from a given project, shall be calculated using the following equation:

$$NZS_z = \max\left[0, \sum_{y=PS}^{PS+9}\left(\left(AdjLBMPS_{y,z} - TCCRevImpact_{y,z}\right)\cdot DF_y\right)\right],$$

Where:

PS is the year in which the project is expected to enter commercial operation;

$AdjLBMPS_{y,z}$ is as calculated in Section 31.5.4.4.2.5;

$TCCRevImpact_{y,z}$ is the forecasted impact of TCC revenues allocated to Load Zone *z* in year *y*, calculated using the procedure described in Appendix B in Section 31.7 of this Attachment Y; and

DF_y is the discount factor applied to cash flows in year *y* to determine the present value of that cash flow in year *PS*.

31.5.4.4.3 Load Zones not benefiting from a proposed RETP will not be allocated any of the costs of the project under this Attachment Y. There will be no "make whole" payments to non-beneficiaries.

31.5.4.4.4 Costs of a project will be allocated to beneficiaries as follows:

31.5.4.4.4.1 The ISO will allocate the cost of the RETP based on the zonal share of total savings to the Load Zones determined pursuant to Section 31.5.4.4.2 to be beneficiaries of the proposed project. Total savings will be equal to the sum of load savings for each Load Zone that experiences net benefits pursuant to Section 31.5.4.4.2. A Load Zone's cost allocation will be equal to the present value of the following calculation:

$$\text{Zonal Cost Allocation} = \text{Project Cost} \times \left(\frac{(\text{Zonal Benefits})}{\text{Total Zonal Benefits for zones with positive net benefits}} \right)$$

31.5.4.4.4.2 Zonal cost allocation calculations for a RETP will be performed prior to the commencement of the ten-year period that begins with the project's commercial operation date, and will not be adjusted during that ten-year period.

31.5.4.4.4.3 Within zones, costs will be allocated to LSEs based on MWhs calculated for each LSE for each zone using data from the most recent available 12 month period. Allocations to an LSE will be calculated in accordance with the following formula:

$$\text{LSE Intrazonal Cost Allocation} = \text{Zonal Cost Allocation} \times \left(\frac{\text{LSE Zonal MWh}}{\text{Total Zonal MWh}} \right)$$

31.5.4.4.5 Project costs allocated under this Section 31.5.4.4 will be determined as follows:

31.5.4.4.5.1 The project cost allocated under this Section 31.5.4.4 will be based on the total project revenue requirement, as supplied by the Developer of the project, for the first ten years of project operation. The total project revenue requirement will be determined in accordance with the formula rate on file at the Commission. If there is no formula rate on file at the Commission, then the Developer shall provide to the ISO the project-specific parameters to be used to calculate the total project revenue requirement.

31.5.4.4.5.2 Once the benefit/cost analysis is completed the amortization period and the other parameters used to determine the costs that will be recovered for the project should not be changed, unless so ordered by the Commission or a court of

applicable jurisdiction, for cost recovery purposes to maintain the continued validity of the benefit/cost analysis.

31.5.4.4.5.3 The ISO, in conjunction with the ESPWG, will develop procedures to allocate the risk of project cost increases that occur after the ISO completes its benefit/cost analysis under this Attachment Y. These procedures may include consideration of an additional review and vote prior to the start of construction and whether the developer should bear all or part of the cost of any overruns**.**

31.5.4.4.6 The Commission must approve the cost of a proposed RETP for that cost to be recovered through the ISO OATT. The developer's filing with the Commission must be consistent with the project proposal evaluated by the ISO under this Attachment Y in order to be cost allocated to beneficiaries.

31.5.4.5 Collaborative Governance Process and Board Action

31.5.4.5.1 The ISO shall submit the results of its project benefit/cost analysis and beneficiary determination to the ESPWG and TPAS, and to the identified beneficiaries of the proposed RETP for comment. The ISO shall make available to any interested party sufficient information to replicate the results of the benefit/cost analysis and beneficiary determination. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the review by the ESPWG and TPAS of the project benefit/cost analysis, the ISO's analysis reflecting any revisions resulting from the TPAS and ESPWG review shall be

forwarded to the Business Issues Committee and Management Committee for discussion and action.

31.5.4.5.2 Following the Management Committee vote, the ISO's project benefit/cost analysis and beneficiary determination will be forwarded, with the input of the Business Issues Committee and Management Committee, to the ISO Board for review and action. In addition, the ISO's determination of the beneficiaries' voting shares will be forwarded to the ISO Board for review and action. The Board may approve the analysis and beneficiary determinations as submitted or propose modifications on its own motion. If any changes to the benefit/cost analysis or the beneficiary determinations are proposed by the Board, the revised analysis and beneficiary determinations shall be returned to the Management Committee for comment. If the Board proposes any changes to the ISO's voting share determinations, the Board shall so inform the LSE or LSEs impacted by the proposed change and shall allow such an LSE or LSEs an opportunity to comment on the proposed change. The Board shall not make a final determination on the project benefit/cost analysis and beneficiary determination until it has reviewed the Management Committee comments. Upon final approval of the Board, project benefit/cost analysis and beneficiary determinations shall be posted by the ISO on its website and shall form the basis of the beneficiary voting described in Section 31.5.4.6 of this Attachment Y.

31.5.4.6 Voting by Project Beneficiaries

31.5.4.6.1 Only LSEs serving Load located in a beneficiary zone determined in accordance with the procedures in Section 31.5.4.4 of this Attachment Y shall be

eligible to vote on a proposed project. The ISO will, in conjunction with the ESPWG, develop procedures to determine the specific list of voting entities for each proposed project.

31.5.4.6.2 The voting share of each LSE shall be weighted in accordance with its share of the total project benefits, as allocated by Section 31.5.4.4 of this Attachment Y.

31.5.4.6.3 The costs of a RETP shall be allocated under this Attachment Y if eighty percent (80%) or more of the actual votes cast on a weighted basis are cast in favor of implementing the project.

31.5.4.6.4 If the proposed RETP meets the required vote in favor of implementing the project, and the project is implemented, all beneficiaries, including those voting "no," will pay their proportional share of the cost of the project.

31.5.4.6.5 The ISO will tally the results of the vote in accordance with procedures set forth in the ISO Procedures, and report the results to stakeholders. Beneficiaries voting against approval of a project must submit to the ISO their rationale for their vote within 30 days of the date that the vote is taken. Beneficiaries must provide a detailed explanation of the substantive reasons underlying the decision, including, where appropriate: (1) which additional benefit metrics, either identified in the tariff or otherwise, were used; (2) the actual quantification of such benefit metrics or factors; (3) a quantification and explanation of the net benefit or net cost of the project to the beneficiary; and (4) data supporting the metrics and other factors used. Such explanation may also include uncertainties, and/or alternative scenarios and other qualitative factors considered, including

state public policy goals. The ISO will report this information to the Commission in an informational filing to be made within 60 days of the vote. The informational filing will include: (1) a list of the identified beneficiaries; (2) the results of the benefit/cost analysis; and (3) where a project is not approved, whether the developer has provided any formal indication to the ISO as to the future development of the project.

31.5.5 Regulated Transmission Solutions to Public Policy Transmission Needs

31.5.5.1 The Scope of Section 31.5.5

As discussed in Section 31.5.1 of this Attachment Y, the cost allocation principles and methodologies of this Section 31.5.5 apply only to regulated transmission projects proposed as solutions to Public Policy Transmission Needs. This Section 31.5.5 does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section 31.5.5 does not apply to regulated reliability solutions implemented pursuant to the reliability planning process, nor does it apply to RETPs proposed in response to congestion identified in the CARIS.

A regulated backstop transmission solution or an alternative regulated reliability transmission solution shall only utilize the cost allocation methodology set forth in Section 31.5.3 where it either is: (1) selected by the ISO as the more efficient or cost effective regulated transmission solution to satisfy a Reliability Need and triggered by the ISO pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, or (2) seeking cost recovery where it has been halted or cancelled pursuant to the provisions of Section 31.2.8.2. A regulated economic transmission solution proposed in response to congestion identified in the CARIS, and approved pursuant to

Section 31.5.4.6, shall only be eligible to utilize the cost allocation principles and methodologies set forth in Section 31.5.4.

31.5.5.2 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.5.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2.1. The specific cost allocation methodology in Section 31.5.5.4 incorporates the following elements:

31.5.5.2.1 The focus of the cost allocation methodology shall be on proposed regulated transmission solutions to Public Policy Transmission Needs.

31.5.5.2.2 Projects analyzed hereunder as proposed solutions to Public Policy Transmission Needs may proceed on a market basis with willing buyers and sellers at any time.

31.5.5.2.3 Cost allocation shall be based on a beneficiaries pay approach.

31.5.5.2.4 Project benefits will be identified in accordance with Section 31.5.5.4.

31.5.5.2.5 Identification of beneficiaries for cost allocation and cost allocation among those beneficiaries shall be according to the methodology specified in Section 31.5.5.4.

31.5.5.3 Project Eligibility for Cost Allocation

A project that is proposed as a solution for a Public Policy Transmission Need is eligible for cost allocation when: (i) it is selected by the ISO as the more efficient or cost effective regulated transmission solution to satisfy the Public Policy Transmission Need, and (ii) as determined by the Commission . If the NYPSC requests a Transmission Owner or Other

Developer to provide a more detailed study or cost estimate for a proposed transmission project, such study costs shall be eligible for cost recovery.

At this point in the process, cost allocation for selected projects will be calculated by the ISO using the process set forth in Section 31.5.5.4 of this Attachment Y.

31.5.5.4 Cost Allocation for Eligible Projects

As noted in Section 31.5.5.2 of this Attachment Y, the identification of beneficiaries for cost allocation and the cost allocation of a proposed solution to a transmission need driven by a Public Policy Requirement will be conducted in accordance with the process described in this Section 31.5.5.4. This Section will also apply to the allocation within New York of the ISO's share of the costs of an Interregional Transmission Project proposed as a solution to a transmission need driven by a Public Policy Requirement allocated in accordance with Section 31.5.7 of this Attachment Y. Nothing herein shall deprive a Transmission Owner or Other Developer of any rights it may have under Section 205 of the Federal Power Act to submit filings proposing any other cost allocation methodology to the Commission or create any Section 205 filing rights for any Transmission Owner, Other Developer, the ISO, or any other entity. The ISO shall apply the cost methodology accepted by the Commission.

31.5.5.4.1 If the Public Policy Requirement that results in the construction of a transmission project prescribes the use of a particular cost allocation and recovery methodology, then the ISO shall file that methodology with the Commission. Nothing herein shall deprive a Transmission Owner or Other Developer of any rights it may have under Section 205 of the Federal Power Act to submit filings proposing any other cost allocation methodology to the Commission or create any

Section 205 filing rights for any Transmission Owner, Other Developer, the ISO, or any other entity. If the Transmission Owner or Other Developer files a different proposed cost allocation methodology under Section 205 of the Federal Power Act, it shall have the burden of demonstrating that its proposed methodology is compliant with the Order No. 1000 Regional Cost Allocation Principles taking into account the methodology specified in the Public Policy Requirement.

31.5.5.4.2 Subject to the provisions of Section 31.5.5.4.1, the Transmission Owner or Other Developer of the project may, after consideration of any guidance that may be provided by the NYDPS/NYPSC, propose a cost allocation methodology, which may include a cost allocation based on load ratio share, adjusted to reflect, as applicable, the Public Policy Requirement or Public Policy Transmission Need, the party(ies) responsible for complying with the Public Policy Requirement, and the party(ies) who benefit from the transmission facility ("Adjusted Load Ratio Share").

31.5.5.4.2.1 If the NYDPS/NYPSC supports the proposed cost allocation methodology, the Transmission Owner or Other Developer shall file that cost allocation methodology with the Commission for its acceptance under Section 205 of the Federal Power Act. The Transmission Owner or Other Developer shall have the burden of demonstrating that the proposed cost allocation methodology is compliant with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.4.2.2 If the NYDPS/NYPSC does not support the proposed cost allocation methodology, then the Transmission Owner or Other Developer shall take

reasonable steps over a period of no more than 60 days after the Transmission Owner or Other Developer has informed the NYDPS/NYPSC of its proposed methodology to respond to the NYDPS/NYPSC's concerns and to develop a mutually agreeable cost allocation methodology.

31.5.5.4.2.3 If a mutually acceptable cost allocation methodology is developed, the Transmission Owner or Other Developer shall file it with the Commission for acceptance under Section 205 of the Federal Power Act. The Transmission Owner or Other Developer shall have the burden of demonstrating that the proposed cost allocation methodology is compliant with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.4.2.4 If no mutually agreeable cost allocation methodology is developed, the Transmission Owner or Other Developer shall promptly file its preferred cost allocation methodology with the Commission for acceptance under Section 205 of the Federal Power Act. The Transmission Owner or Other Developer shall have the burden of demonstrating that its proposed methodology is compliant with the Order No. 1000 Regional Cost Allocation Principles in consideration of the position of the NYDPS/NYPSC. The filing shall include the methodology supported by NYDPS/NYPSC for the Commission's consideration. If the Transmission Owner or Other Developer elects to use the load ratio share cost allocation methodology referenced below in Section 31.5.5.4.3, the Transmission Owner or Other Developer shall notify the Commission of its intent to utilize the load ratio share methodology and shall include in its notice the NYDPS/NYPSC supported methodology for the Commission's consideration.

31.5.5.4.3. Unless the Commission has accepted an alternative cost allocation methodology pursuant to this Section, the ISO shall allocate the costs of the transmission project to all Load Serving Entities in the NYCA using the default cost allocation methodology, based upon a load ratio share methodology.

31.5.5.4.4 The NYISO will make any Section 205 filings related to this Section on behalf of NYPA to the extent requested to do so by NYPA. NYPA shall bear the burden of demonstrating that such a filing is compliant with the Order No. 1000 Regional Cost Allocation Principles. NYPA shall also be solely responsible for making any jurisdictional reservations or arguments related to their status as non-Commission-jurisdictional utilities that are not subject to various provisions of the Federal Power Act.

31.5.5.4.5 The inclusion in the ISO OATT or in a filing with the Commission on an informational basis of the cost allocation and charges for recovery of costs incurred by NYPA related to a solution to a transmission need driven by a Public Policy Requirement or Interregional Transmission Project as provided for in Sections 31.5.5.4.3 and 31.5.5.4.4 shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.

31.5.6 Cost Recovery for Regulated Projects

Responsible Transmission Owners, Transmission Owners and Other Developers will be entitled, if eligible for cost recovery under Section 31.2 of this Attachment Y, to full recovery of all reasonably incurred costs, including a reasonable return on investment and any applicable incentives, related to the development, construction, operation and maintenance of regulated solutions, including Gap Solutions, proposed or undertaken pursuant to the provisions of this

Attachment Y to meet a Reliability Need. Transmission Owners and Other Developers will be entitled to recovery of costs associated with the implementation of a regulated economic transmission project ("RETP") in accordance with the provisions of Section 31.5.6 of this Attachment Y. Transmission Owners and Other Developers will be entitled, if eligible for cost recovery under Section 31.4 of this Attachment Y, to full recovery of all reasonably incurred costs, including a reasonable return on investment and any applicable incentives, related to the development, construction, operation and maintenance of regulated solutions, associated with the implementation of regulated transmission projects undertaken to meet a Public Policy Transmission Need in accordance with the provisions of Section 31.5.6 of this Attachment Y, including recovery of any prudently incurred costs pursuant to a request for a proposed transmission solution of the NYDPS/NYPSC under Section 31.4.3.2.

31.5.6.1 The Responsible Transmission Owner, Transmission Owner or Other Developer will receive cost recovery for a regulated solution it undertakes to meet a Reliability Need pursuant to Section 31.2 of this Attachment Y that is subsequently halted in accordance with the criteria established pursuant to Section 31.2.8.2 of this Attachment Y. Such costs will include reasonably incurred costs through the time of cancellation, including any forward commitments made.

31.5.6.2 The Responsible Transmission Owner, Transmission Owner or Other Developer will recover its costs described in this Section 31.5 incurred with respect to the implementation of a regulated transmission solution to Reliability Needs in accordance with the provisions of Rate Schedule 10 of this ISO OATT, or as determined by the Commission. Provided further that cost recovery for regulated transmission projects undertaken by a Transmission Owner pursuant to

this Attachment Y shall be in accordance with the provisions of the NYISO/TO Reliability Agreement.

31.5.6.3 Costs related to non-transmission regulated solutions to Reliability Needs will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. A Responsible Transmission Owner, a Transmission Owner, or Other Developer may propose and undertake a regulated non-transmission solution, provided that the appropriate state agency(ies) has established cost recovery procedures comparable to those provided in this tariff for regulated transmission solutions to ensure the full and prompt recovery of all reasonably-incurred costs related to such non-transmission solutions. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

31.5.6.4 For a regulated economic transmission project that is approved pursuant to Section 31.5.4.6 of this Attachment Y, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission, under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal made to and evaluated by the ISO under Section 31.5.4 of this Attachment Y. Costs will be recovered when the project is completed pursuant to a rate schedule filed with and accepted by the Commission in accordance with the cost recovery requirements set forth in this

Section, or as otherwise determined by the Commission. Upon request by NYPA, the ISO will make a filing on behalf of NYPA.

31.5.6.5 For a regulated transmission project that is implemented to meet a Public Policy Transmission Need, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal submitted to, evaluated by and selected by the ISO under Section 31.4 of this Attachment Y. The period for cost recovery, if any cost recovery is approved, will be determined by the Commission and will begin if and when the project is completed, or as otherwise determined by the Commission. Such cost recovery will include reasonable costs incurred, by the Transmission Owner or Other Developer, to provide a more detailed study or cost estimate for such project at the request of the NYPSC, and to prepare the application required to comply with New York Public Service Law Article VII, or any successor statute or any other applicable permits, and to seek other necessary authorizations.

If the appropriate federal, state or local agency(ies) either does not approve a necessary authorization, or approves and later withdraws authorization, for the project, all of the necessary and reasonable costs incurred and commitments made up to the final federal, state or local regulatory decision, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Transmission Owner or Other Developer.

Upon request by NYPA, the ISO will make a filing on behalf of NYPA.

31.5.6.6 To the extent that Incremental TCCs are created as a result of a regulated economic transmission project that has been approved for cost recovery under the NYISO Tariff, those Incremental TCCs that can be sold will be auctioned or otherwise sold by the ISO. The ISO shall determine the amount of Incremental TCCs that may be awarded to an expansion in accordance with the provisions of Section 19.2.2 of Attachment M of the ISO OATT. The ISO will use these revenues to offset the revenue requirements for the project. The Incremental TCCs shall continue to be sold for the depreciable life of the project, and the revenues offset will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the charge for a specific RETP is implemented.

31.5.7 Cost Allocation for Eligible Interregional Transmission Projects

31.5.7.1 Costs of Approved Interregional Transmission Projects

The cost allocation methodology reflected in this Section 31.5.7.1 shall be referred to as the "Northeastern Interregional Cost Allocation Methodology" (or "NICAM"), and shall not be modified without the mutual consent of the Section 205 rights holders in each region.

The costs of Interregional Transmission Projects, as defined in the Interregional Planning Protocol, evaluated under the Interregional Planning Protocol and selected by ISO-NE, PJM and the ISO in their regional transmission plans for purposes of cost allocation under their respective tariffs shall, when applicable, be allocated to the ISO-NE region, PJM region and the ISO region in accordance with the cost allocation principles of FERC Order No. 1000, as follows:

(a) To be eligible for interregional cost allocation, an Interregional Transmission Project must be selected in the regional transmission plan for purposes of cost allocation in each of the transmission planning regions in which the transmission project is proposed to be located, pursuant to agreements and tariffs on file at FERC for each region. With respect to Interregional Transmission Projects and other transmission projects involving the ISO and PJM, the cost allocation of such projects shall be in accordance with the Joint Operating Agreement ("JOA") among and between the ISO and PJM. With respect to Interregional Transmission Projects and other transmission projects involving the ISO and ISO-NE, the cost allocation for such projects shall be in accordance with this Section 31.5.7 of Attachment Y of the NYISO Open Access Transmission Tariff and with the respective tariffs of ISO-NE.

(b) The share of the costs of an Interregional Transmission Project allocated to a region will be determined by the ratio of the present value of the estimated costs of such region's displaced regional transmission project to the total of the present values of the estimated costs of the displaced regional transmission projects in all regions that have selected the Interregional Transmission Project in their regional transmission plans.

(i) The present values of the estimated costs of each region's displaced regional transmission project shall be based on a common base date that will be the beginning of the calendar month of the cost allocation analysis for the subject Interregional Transmission Project (the "Base Date").

(ii) In order to perform the analysis in this Section 31.5.7.1(b), the estimated cost of the displaced regional transmission projects shall specify the year's dollars in which those estimates are provided.

(iii) The present value analysis for all displaced regional transmission projects shall use a common discount rate. The regions having displaced projects will mutually agree, in consultation with their respective transmission owners, and for purposes of the ISO, its other stakeholders, on the discount rate to be used for the present value analysis.

(iv) For the purpose of this allocation, cost estimates shall use comparable cost estimating procedures. In the Interregional Planning Stakeholder Advisory Committee review process, the regions having displaced projects will review and determine, in consultation with their respective transmission owners, and for purposes of the NYISO, its other stakeholders, that reasonably comparable estimating procedures have been used prior to applying this cost allocation.

(c) No cost shall be allocated to a region that has not selected the Interregional Transmission Project in its regional transmission plan.

(d) When a portion of an Interregional Transmission Project evaluated under the Interregional Planning Protocol is included by a region (Region 1) in its regional transmission plan but there is no regional need or displaced regional transmission project in Region 1, and the neighboring region (Region 2) has a regional need or displaced regional project for the Interregional Transmission Project and selects the Interregional Transmission Project in its regional transmission plan, all of the costs of the Interregional Transmission Project shall be allocated to Region 2 in accordance with the NICAM and none of the costs shall be allocated to Region 1. However, Region 1 may voluntarily agree, with the mutual consent of the Section 205 rights holders in the other affected region(s) (including the Long Island Power Authority and the

New York Power Authority in the NYISO region) to use an alternative cost allocation method filed with and accepted by the Commission.

(e) The portion of the costs allocated to a region pursuant to the NICAM shall be further allocated to that region's transmission customers pursuant to the applicable provisions of the region's FERC-filed documents and agreements, for the ISO in accordance with Section 31.5.1.7 of Attachment Y of the ISO OATT.

(f) The following example illustrates the cost allocation for such an Interregional Transmission Project:

- A cost allocation analysis of the costs of Interregional Transmission Project Z is to be performed during a given month establishing the beginning of that month as the Base Date.
- Region A has identified a reliability need in its region and has selected a transmission project (Project X) as the preferred solution in its regional plan. The estimated cost of Project X is: Cost (X), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost estimate of Project (X) is: N(X).
- Region B has identified a reliability need in its region and has selected a transmission project (Project Y) as the preferred solution in its Regional Plan. The estimated cost of Project Y is: Cost (Y), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost estimate of Project (Y) is: N(Y).
- Regions A and B, through the interregional planning process have determined that an Interregional Transmission Project (Project Z) will address the reliability needs in both regions more efficiently and cost-effectively than the separate regional projects.

The estimated cost of Project Z is: Cost (Z). Regions A and B have each determined that Interregional Transmission Project Z is the preferred solution to their reliability needs and have adopted that Interregional Transmission Project in their respective regional plans in lieu of Projects X and Y respectively. If Regions A and B have agreed to bear the costs of upgrades in other affected transmission planning regions, these costs will be considered part of Cost (Z).

- The discount rate used for all displaced regional transmission projects is: D
- Based on the foregoing assumptions, the following formulas will be used:
  - Present Value of Cost (X) = PV Cost (X) = Cost (X) / $(1+D)^{N(X)}$
  - Present Value of Cost (Y) = PV Cost (Y) = Cost (Y) / $(1+D)^{N(Y)}$
  - Cost Allocation to Region A = Cost (Z) x PV Cost (X)/[PV Cost (X) + PV Cost (Y)]
  - Cost Allocation to Region B = Cost (Z) x PV Cost (Y)/[PV Cost (X) + PV Cost (Y)]
- Applying those formulas, if:

  Cost (X) = $60 Million and N(X) = 8.25 years

  Cost (Y) = $40 Million and N(Y) = 4.50 years

  Cost (Z) = $80 Million

  D = 7.5% per year

  Then:

  PV Cost (X) = $60/(1+0.075)^{8.25}$ = 33.039 Million

  PV Cost (Y) = $40/(1+0.075)^{4.50}$ = 28.888 Million

  Cost Allocation to Region A = $80 x 33.039/(33.039 + 28.888) = $42,681 Million

Cost Allocation to Region B = $80 x 28.888/(33.039+28.888) = $37.319 Million

31.5.7.2 Other Cost Allocation Arrangements

(a) Except as provided in Section 31.5.7.2(b), the NICAM is the exclusive means by which any costs of an Interregional Transmission Project may be allocated between or among PJM, the ISO, and ISO-NE.

(b) Nothing in the FERC-filed documents of ISO-NE, the ISO or PJM shall preclude agreement by entities with cost allocation rights under Section 205 of the Federal Power Act for their respective regions (including the Long Island Power Authority and the New York Power Authority in the ISO region) to enter into separate agreements to allocate the cost-of Interregional Transmission Projects proposed to be located in their regions as an alternative to the NICAM, or other transmission projects identified pursuant to assessments and studies conducted pursuant to Section 6 of the Interregional Planning Protocol. Such other cost-allocation methodologies must be approved in each region pursuant to the Commission-approved rules in each region, filed with and accepted by the Commission, and shall apply only to the region's share of the costs of an Interregional Transmission Project or other transmission projects pursuant to Section 6 of the Interregional Planning Protocol, as applicable.

31.5.7.3 Filing Rights

Nothing in this Section 31.5.7 will convey, expand, limit or otherwise alter any rights of ISO-NE, the ISO, PJM, each region’s transmission owners, market participants, or other entities to submit filings under Section 205 of the Federal Power Act regarding interregional cost allocation or any other matter.

Where applicable, the regions have been authorized by entities that have cost allocation rights for their respective regions to implement the provisions of this Section 31.5.7.

31.5.7.4. Merchant Transmission and Individual Transmission Owner Projects

Nothing in this Section 31.5.7 shall preclude the development of Interregional Transmission Projects that are funded solely by merchant transmission developers or by individual transmission owners.

31.5.7.5 Consequences to Other Regions from Regional or Interregional Transmission Projects

Except as provided herein in Sections 31.5.7.1 and 31.5.7.2, or where cost responsibility is expressly assumed by ISO-NE, the ISO or PJM in other documents, agreements or tariffs on file with FERC, neither the ISO-NE region, the ISO region nor the PJM region shall be responsible for compensating another region or each other for required upgrades or for any other consequences in another planning region associated with regional or interregional transmission facilities, including but not limited to, transmission projects identified pursuant to Section 6 of the Interregional Planning Protocol and Interregional Transmission Projects identified pursuant to Section 7 of the Interregional Planning Protocol.

31.6 Other Provisions

31.6.1 The Commission's Role in Dispute Resolution

Disputes directly relating to the ISO's compliance with its tariffs that are not resolved in the internal ISO collaborative governance appeals process or ISO dispute resolution process, and all disputes relating to matters that fall within the exclusive jurisdiction of the Commission, shall be reviewed at the Commission pursuant to the Federal Power Act if such review is sought by any party to the dispute. The NYPSC or any party to a dispute regarding matters over which both the NYPSC and the Commission have jurisdiction and responsibility for action may submit a request to the Commission for a joint or concurrent hearing to resolve the dispute.

31.6.2 Non-Jurisdictional Entities

LIPA's and NYPA's participation in the CSPP shall in no way be considered to be a waiver of their non-jurisdictional status pursuant to Section 201(f) of the Federal Power Act, including with respect to the Commission's exercise of the Federal Power Act's general ratemaking authority.

31.6.3 Tax Exempt Financing Provisions

Con Edison, NYPA and LIPA shall not be required to construct, or cause to construct, a transmission facility identified through the ISO reliability planning process if such construction would result in the loss of tax-exempt status of any tax-exempt bond issued by Con Edison, NYPA or LIPA, or impair their ability to secure future tax-exempt financing.

31.6.4 Rights of Incumbent Transmission Owners

An incumbent Transmission Owner shall have the right to: (1) build, own, and recover costs for upgrades to the transmission facilities it owns, regardless of whether the upgrade has

been selected in the regional transmission plan for purposes of cost allocation; (2) retain, modify, or transfer rights-of-way subject to relevant law or regulation granting such rights-of-way; or (3) develop, build, own, and operate a transmission solution that is not eligible for regional cost allocation to meet its reliability or other needs or service obligations in its own service territory or footprint. For purposes of Section 31.6.4, the term "upgrade" shall refer to an improvement to, addition to, or replacement of an existing transmission facility or any part thereof and shall not refer to an entirely new transmission facility.

31.6.5 Compliance with Reliability Requirements

All entities developing an approved project pursuant to the provisions in this Attachment Y must register with NERC, and NPCC for appropriate reliability functions and must comply with all applicable Reliability Criteria.

31.7 Appendices

APPENDIX A - REPORTING OF HISTORIC AND PROJECTED CONGESTION

1.0 General

As part of its CSPP, the ISO will prepare summaries and detailed analysis of historic and projected congestion across the NYS Transmission System. This will include analysis to identify the significant causes of historic congestion in an effort to help Market Participants and other interested parties distinguish persistent and addressable congestion from congestion that results from one time events or transient adjustments in operating procedures that may or may not recur. This information will assist Market Participants and other stakeholders to make appropriately informed decisions.

2.0 Definition of Cost of Congestion

The ISO will report the cost of congestion as the change in bid production costs that results from transmission congestion. The following elements of congestion-related costs also will be reported: (i) impact on load payments; (ii) impact on generator payments; and (iii) hedged and unhedged congestion payments.

The determination of the change in bid production costs and the other elements of congestion will be based upon the difference in costs between the actual constrained system prices computed in the ISO's Day-Ahead Market and a simulation of an unconstrained system. The simulation shall be developed by the use of the PROBE model approved by the ISO Operating Committee on January 22, 2004 or by such other software as may provide the required congestion information.

3.0 Analysis

Each RNA will include the ISO's summaries and detailed analysis of the prior year's congestion across the NYS Transmission System. The ISO's analysis will identify the significant causes of the historic congestion.

Each study of projected congestion for economic planning will include the results of the ISO's analysis conducted in accordance with Section 31.3.1 of this Attachment Y. The ISO's analysis will identify the significant causes of the projected congestion.

4.0 Detailed Cause Analysis for Unusual Events

The ISO will perform an analysis to identify unusual events causing significant congestion levels. Such analysis will include the following elements: (i) identification of major transmission or generation outages; and (ii) quantification of the market impact of relieving historic constraints.

Some of the information necessary to this analysis may constitute critical energy infrastructure information and will need to be handled with appropriate confidentiality limitations to protect national security interests.

5.0 Summary Reports

The ISO will prepare various reports of historic and projected congestion costs. Historic congestion reports will be based upon the actual congestion data from the ISO Day-Ahead Market, and will include summaries, aggregated by month and calendar year, such as: (i) NYCA; (ii) by zone; (iii) by contingency in rank order; (iv) by constraint in rank order; (v) total dollars; and (vi) number of hours. Results of projected congestion studies conducted pursuant to Section 31.3.1 of this Attachment Y will include summaries of selected additional metrics and scenarios.

These reports will be based upon the foregoing definitions of congestion.

APPENDIX B - PROCEDURE FOR FORECASTING THE NET REDUCTIONS IN TCC REVENUES THAT WOULD RESULT FROM A PROPOSED PROJECT

For the purpose of determining the allocation of costs associated with a proposed project as described in Section 31.5.4.4 of this Attachment Y, the ISO shall use the procedure described herein to forecast the net reductions in TCC revenues allocated to Load in each Load Zone as a result of a proposed project.

Definitions

The following definitions will apply to this appendix:

Pre-CARIS Centralized TCC Auction: The last Centralized TCC Auction that had been completed as of the date the input assumptions were determined for the CARIS in which the Project was identified as a candidate for development under the provisions of this Attachment Y.

Project: The proposed transmission project for which the evaluation of the net benefits forecasted for Load in each Load Zone, as described in Section 31.5.4.4.2 of this Attachment Y, is being performed.

TCC Revenue Factor: A factor that is intended to reflect the expected ratio of (1) revenue realized in the TCC auction from the sale of a TCC to (2) the Congestion Rents that a purchaser of that TCC would expect to realize. The value to be used for the TCC Revenue Factor shall be stated in the ISO Procedures.

Steps 1 Through 6 of the Procedure

For each Project, the ISO will perform Steps 1 through 6 of this procedure twice for each of the ten (10) years following the proposed commercial operation date of the Project: once under the assumption that the Project is in place in each of those years, and once under the assumption that the Project is not in place in each of those years.

Forecasting the Value of Grandfathered TCCs and TCC Auction Revenue

Step 1. The ISO shall forecast Congestion Rents collected on the New York electricity system in each year, which shall be equal to:

(a) the product of:

(i) the forecasted Congestion Component of the Day-Ahead LBMP for each hour at each Load Zone or Proxy Generator Bus and

(ii) forecasted withdrawals scheduled in that hour in that Load Zone or Proxy Generator Bus,

summed over all locations and over all hours in that year, minus:

(b) the product of:

(i) the forecasted Congestion Component of the Day-Ahead LBMP for each hour at each Generator bus or Proxy Generator Bus and

(ii) forecasted injections scheduled in that hour at that Generator bus or Proxy Generator Bus,

summed over all locations and over all hours in that year.

Step 2. The ISO shall forecast:

(a) payments in each year associated with any Incremental TCCs that the ISO projects would be awarded in conjunction with that Project (which will be zero for the calculation that is performed under the assumption that the Project is not in place);

(b) payments in each year associated with any Incremental TCCs that the ISO has awarded, or that the ISO projects it would award, in conjunction with other projects that have entered commercial operation or are expected to enter commercial operation before the Project enters commercial operation; and

(c) payments that would be made to holders of Grandfathered Rights and imputed payments that would be made to the Primary Holders of Grandfathered TCCs that would be in effect in each year, under the following assumptions:

(i) all Grandfathered Rights and Grandfathered TCCs expire at their stated expiration dates;

(ii) imputed payments to holders of Grandfathered Rights are equal to the payments that would be made to the Primary Holder of a TCC with the same Point of Injection and Point of Withdrawal as that Grandfathered Right; and

(iii) in cases where a Grandfathered TCC is listed in Table 1 of Attachment M of the ISO OATT, the number of those TCCs held by their Primary Holders shall be set to the number of such TCCs remaining at the conclusion of the ETCNL reduction procedure conducted before the Pre-CARIS Centralized TCC Auction.

Step 3. The ISO shall forecast TCC auction revenues for each year by subtracting:

(a) the forecasted payments calculated for that year in Steps 2(a), 2(b) and 2(c) of this procedure

from:

(b) the forecasted Congestion Rents calculated for that year in Step 1 of this procedure, and multiplying the difference by the TCC Revenue Factor.

Forecasting the Allocation of TCC Auction Revenues Among the Transmission Owners

Step 4. The ISO shall forecast the following:

(a) payments in each year to the Primary Holders of Original Residual TCCs and

(b) payments in each year to the Primary Holders of TCCs that correspond to the amount of ETCNL remaining at the conclusion of the ETCNL reduction procedure conducted before the Pre-CARIS Centralized TCC Auction,

and multiply each by the TCC Revenue Factor to determine the forecasted payments to the Primary Holders of Original Residual TCCs and the Transmission Owners that have been allocated ETCNL.

Step 5. The ISO shall forecast residual auction revenues for each year by subtracting:

(a) the sum of the forecasted payments for each year to the Primary Holders of Original Residual TCCs and the Transmission Owners that have been allocated ETCNL, calculated in Step 4 of this procedure

from:

(b) forecasted TCC auction revenues for that year calculated in Step 3 of this procedure.

Step 6. The ISO shall forecast each Transmission Owner's share of residual auction revenue for each year by multiplying:

(a) the forecast of residual auction revenue calculated in Step 5 of this procedure and

(b) the ratio of:

(i) the amount of residual auction revenue allocated to that Transmission Owner in the Pre-CARIS Centralized TCC Auction to

(ii) the total amount of residual auction revenue allocated in the Pre-CARIS Centralized TCC Auction.

Steps 7 Through 10 of the Procedure

The ISO will perform Steps 7 through 10 of this procedure once for each of the ten (10) years following the proposed commercial operation date of the Project, using the results of the preceding calculations performed both under the assumption that the Project is in place in each of those years, and under the assumption that the Project is not in place in each of those years.

Forecasting the Impact of the Project on TSC Offsets and the NTAC Offset

Step 7. The ISO shall calculate the forecasted net impact of the Project on the TSC offset for each megawatt-hour of electricity consumed by Load in each Transmission District (other than the NYPA Transmission District) in each year by:

(a) summing the following, each forecasted for that Transmission District for that year under the assumption that the Project is in place:

(i) forecasted Congestion Rents associated with any Incremental TCCs that the ISO has awarded, or that the ISO projects it would award, as calculated in Step 2(b) of this procedure, in conjunction with other projects that have entered commercial operation or are expected to enter commercial operation before the Project enters commercial operation, if those Congestion Rents would affect the TSC for that Transmission District;

(ii) forecasted Congestion Rents associated with any Grandfathered TCCs and forecasted imputed Congestion Rents associated with any Grandfathered Rights held by the Transmission Owner serving that Transmission District that would be paid to that Transmission Owner for that year, as calculated in Step 2(c) of this procedure, if those Congestion Rents would affect the TSC for that Transmission District;

(iii) the payments that are forecasted to be made for that year to the Primary Holders of Original Residual TCCs and ETCNL that have been allocated to the Transmission Owner serving that Transmission District, as calculated in Step 4 of this procedure; and

(iv) that Transmission District's forecasted share of residual auction revenues for that year, as calculated in Step 6 of this procedure for the Transmission Owner serving that Transmission District;

(b) subtracting the sum of items (i) through (iv) above, each forecasted for that Transmission District for that year under the assumption that the Project is not in place; and

(c) dividing this difference by the amount of Load forecasted to be served in that Transmission District in that year, stated in terms of megawatt-hours, net of any Load served by municipally owned utilities that is not subject to the TSC.

Step 8. The ISO shall calculate the forecasted net impact of the Project on the NTAC offset for each megawatt-hour of electricity consumed by Load in each year by:

(a) summing the following, each forecasted for that year under the assumption that the Project is in place:

(i) forecasted Congestion Rents associated with any Incremental TCCs that the ISO has awarded, or that the ISO projects it would award, as calculated in Step 2(b) of this procedure, in conjunction with other projects that have entered commercial operation

or are expected to enter commercial operation before the Project enters commercial operation, if those Congestion Rents would affect the NTAC;

(ii) forecasted Congestion Rents associated with any Grandfathered TCCs and forecasted imputed Congestion Rents associated with any Grandfathered Rights held by NYPA that would be paid to NYPA for that year, as calculated in Step 2(c) of this procedure, if those Congestion Rents would affect the NTAC;

(iii) the payments that are forecasted to be made for that year to NYPA in association with Original Residual TCCs allocated to NYPA, as calculated in Step 4 of this procedure; and

(iv) NYPA's forecasted share of residual auction revenues for that year, as calculated in Step 6 of this procedure;

(b) subtracting the sum of items (i) through (iv) above, each forecasted for that year under the assumption that the Project is not in place; and

(c) dividing this difference by the amount of Load expected to be served in the NYCA in that year, stated in terms of megawatt-hours, net of any Load served by municipally owned utilities that is not subject to the NTAC.

Forecasting the Net Impact of the Project on TCC Revenues Allocated to Load in Each Zone

Step 9. The ISO shall calculate the forecasted net impact of the Project in each year in each Load Zone on payments made in conjunction with TCCs and Grandfathered Rights that benefit Load but which do not affect TSCs or the NTAC, which shall be the sum of:

(a) Forecasted Congestion Rents paid or imputed to municipally owned utilities serving Load in that Load Zone that own Grandfathered Rights or Grandfathered TCCs that were not included in the calculation of the TSC offset in Step 7(a)(ii) of this procedure or the NTAC offset in Step 8(a)(ii) of this procedure, which the ISO shall calculate by:

(i) summing forecasted Congestion Rents that any such municipally owned utilities serving Load in that Load Zone would be paid for that year in association with any such Grandfathered TCCs and any forecasted imputed Congestion Rents that such a municipally owned utility would be paid for that year in association with any such Grandfathered Rights, as calculated in Step 2(c) of this procedure under the assumption that the Project is in place; and

(ii) subtracting forecasted Congestion Rents that any such municipally owned utilities would be paid for that year in association with any such Grandfathered TCCs, and any forecasted imputed Congestion Rents that such a municipally owned utility would be paid for that year in association with any such Grandfathered Rights, as calculated in Step 2(c) of this procedure under the assumption that the Project is not in place.

(b) Forecasted Congestion Rents collected from Incremental TCCs awarded in conjunction with projects that were previously funded through this procedure, if those Congestion Rents are used to reduce the amount that Load in that Load Zone must pay to fund such projects, which the ISO shall calculate by:

(i) summing forecasted Congestion Rents that would be collected for that year in association with any such Incremental TCCs, as calculated in Step 2(b) of this procedure under the assumption that the Project is in place; and

(ii) subtracting forecasted Congestion Rents that would be collected for that year in association with any such Incremental TCCs, as calculated in Step 2(b) of this procedure under the assumption that the Project is not in place.

Step 10. The ISO shall calculate the forecasted net reductions in TCC revenues allocated to Load in each Load Zone as a result of a proposed Project by summing the following:

(a) the product of:

(i) the forecasted net impact of the Project on the TSC offset for each megawatt-hour of electricity consumed by Load, as calculated for each Transmission District (other than the NYPA Transmission District) in Step 7 of this procedure; and

(ii) the number of megawatt-hours of energy that are forecasted to be consumed by Load in that year, in the portion of that Transmission District that is in that Load Zone, for Load that is subject to the TSC;

summed over all Transmission Districts;

(b) the product of:

(i) the forecasted net impact of the Project on the NTAC offset for each megawatt-hour of electricity consumed by Load, as calculated in Step 8 of this procedure; and

(ii) the number of megawatt-hours of energy that are forecasted to be consumed by Load in that year in that Load Zone, for Load that is subject to the NTAC; and

(c) the forecasted net impact of the Project on payments and imputed payments made in conjunction with TCCs and Grandfathered Rights that benefit Load but which do not affect TSCs or the NTAC, as calculated in Step 9 of this procedure.

Additional Notes Concerning the Procedure

For the purposes of Steps 2(c) and 4(b) of this procedure, the ISO will utilize the currently effective version of Attachment L of the ISO OATT to identify Existing Transmission Agreements and Existing Transmission Capacity for Native Load.

Each Transmission Owner, other than NYPA, will inform the ISO of any Grandfathered Rights and Grandfathered TCCs it holds whose Congestion Rents should be taken into account in Step 7 of this procedure because those Congestion Rents affect its TSC.

NYPA will inform the ISO of any Grandfathered Rights and Grandfathered TCCs it holds whose Congestion Rents should be taken into account in Step 8 of this procedure because those Congestion Rents affect the NTAC.