Attachment II

2.15 Definitions - O

Obligation Procurement Period: The period of time for which LSEs shall be required to satisfy their Unforced Capacity requirements. Starting with the 2001-2002 Winter Capability Period, Obligation Procurement Periods shall be one calendar month in duration and shall begin on the first day of each calendar month.

Off-Peak: The hours between 11 p.m. and 7 a.m., prevailing Eastern Time, Monday through Friday, and all day Saturday and Sunday, and NERC-defined holidays, or as otherwise decided by the ISO.

Offeror: An entity that offers to sell Unforced Capacity in an auction.

On-Peak: The hours between 7 a.m. and 11 p.m. inclusive, prevailing Eastern Time, Monday through Friday, except for NERC-defined holidays, or as otherwise decided by the ISO.

Open Access Same-Time Information System ("OASIS"): The information system and standards of conduct contained in Part 37 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

Operating Capacity: Capacity that is readily converted to Energy and is measured in MW.

Operating Committee: A standing committee of the ISO created pursuant to the ISO Agreement, which coordinates operations, develops procedures, evaluates proposed system expansions and acts as a liaison to the NYSRC.

Operating Data: Pursuant to Section 5.12.5 of this Tariff, Operating Data shall mean GADS Data, data equivalent to GADS Data, CARL Data, metered Load data, or actual system failure occurrences data, all as described in the ISO Procedures.

Operating Requirement: The amount calculated in accordance with Section 26.4.2 of Attachment K to this Services Tariff.

Operating Reserves : Capacity that is available to supply Energy or reduce demand and that meets the requirements of the ISO. The ISO will administer Operating Reserves markets, in the manner described in this Article 4 and Rate Schedule 4 of this ISO Services Tariff, to satisfy the various Operating Reserves requirements, including locational requirements, established by the

Reliability Rules and other applicable reliability standards. The basic Operating Reserves products that will be procured by the ISO on behalf of the market are classified as follows:

(1) Spinning Reserve: Operating Reserves provided by Generators and Demand Side Resources that meet the eligibility criteria set forth in Rate Schedule 4 of this ISO Services Tariff that are already synchronized to the NYS Power System and can respond to instructions to change their output level, or reduce their Energy usage, within ten (10) minutes. Spinning Reserves may not be provided by Demand Side Resources that are Local Generators;

(2) 10-Minute Non-Synchronized Reserve: Operating Reserves provided by Generators, or Demand Side Resources, including Demand Side Resources using Local Generators, that meet the eligibility criteria set forth in Rate Schedule 4 of this ISO Services Tariff and that can be started, synchronized and can change their output level within ten (10) minutes; and

(3) 30-Minute Reserve: Synchronized Operating Reserves provided by Generators and Demand Side Resources that are not Local Generators; or non-synchronized Operating Reserves provided by Generators or Demand Side Resources that meet the eligibility criteria set forth in Rate Schedule 4 of this ISO Services Tariff and that can respond to instructions to change their output level within thirty (30) minutes, including starting and synchronizing to the NYS Power System.

Operating Reserve Demand Curve: A series of quantity/price points that defines the maximum Shadow Price for Operating Reserves meeting a particular Operating Reserve requirement corresponding to each possible quantity of Resources that the ISO's software may schedule to meet that requirement. A single Operating Reserve Demand Curve will apply to both the Day-Ahead Market and the Real-Time Market for each of the ISO's twelve Operating Reserve requirements.

Operating Study Power Flow: A Power Flow analysis that is performed at least once before each Capability Period that is used to determine each Interface Transfer Capability for the Capability Period (<u>See</u> Attachment M to the ISO OATT).

Operational Control: Directing the operation of the Transmission Facilities Under ISO Operational Control to maintain these facilities in a reliable state, as defined by the Reliability Rules. The ISO shall approve operational decisions concerning these facilities, made by each Transmission Owner before the Transmission Owner implements those decisions. In accordance with ISO Procedures, the ISO shall direct each Transmission Owner to take certain actions to restore the system to the Normal State. Operational Control includes security monitoring, adjustment of generation and transmission resources, coordination and approval of changes in transmission status for maintenance, determination of changes in transmission status for reliability, coordination with other Control Areas, voltage reductions and Load Shedding, except that each Transmission Owner continues to physically operate and maintain its facilities. **Optimal Power Flow** (**"OPF"**): The Power Flow analysis that is performed during the administration of the Centralized TCC Auction to determine the most efficient simultaneously feasible allocation of TCCs to Bidders (<u>See</u> Attachment M to the ISO OATT).

Order Nos. 888 <u>et seq</u>.: The Final Rule entitled <u>Promoting Wholesale Competition Through</u> <u>Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of</u> <u>Stranded Costs by Public Utilities and Transmitting Utilities</u>, issued by the Commission on April 24, 1996, in Docket Nos. RM95-8-000 and RM94-7-001, as modified on rehearing, or upon appeal. (See FERC Stats. & Regs. [Regs. Preambles January 1991 - June 1996] ¶ 31,036 (1996) ("Order No. 888"), <u>on reh'g</u>, III FERC <u>Stats</u>. & <u>Regs</u>. ¶ 31,048 (1997) ("Order No. 888-A"), <u>on</u> <u>reh'g</u>, 81 FERC ¶ 61,248 (1997) ("Order No. 888-B"), order <u>on reh'g</u>, 82 FERC ¶ 61,046 (1998) ("Order No. 888-C")).

Order Nos. 889 <u>et seq.</u>: The Final Rule entitled <u>Open Access Same-Time Information System</u> (formerly Real- Time Information Networks) and Standards of Conduct, issued by the Commission on April 24, 1996, in Docket No. RM95-9-000, as modified on rehearing, or upon appeal. (See FERC Stats. & Regs. [Regs. Preambles 1991-1996] ¶ 31,035 (1996) ("Order No. 889"), <u>on reh'g</u>, III FERC Stats. & Regs. ¶ 31,049 (1997) ("Order No. 889-A"), <u>on reh'g</u>, 81 FERC ¶ 61,253 (1997) ("Order No. 889-B")).

Original Residual TCC: A TCC converted from Residual Transmission Capacity estimated prior to the first Centralized TCC Auction and allocated among the Transmission Owners utilizing the Interface MW-Mile Methodology prior to the first Centralized TCC Auction.

Out-of-Merit: The designation of Resources committed and/or dispatched by the ISO at specified output limits for specified time periods to meet Load and/or reliability requirements that differ from or supplement the ISO's security constrained economic commitment and/or dispatch.

2.19 Definitions - S

Safe Operations: Actions which avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.

Scheduled Energy Injections: As defined in the ISO OATT.

Scheduled Energy Withdrawals: As defined in the ISO OATT.

Scheduled Line: A transmission facility or set of transmission facilities: (a) that provide a distinct scheduling path interconnecting the ISO with an adjacent control area, (b) over which Customers are permitted to schedule External Transactions, (c) for which the ISO separately posts TTC and ATC, and (d) for which there is the capability to maintain the Scheduled Line actual interchange at the DNI, or within the tolerances dictated by Good Utility Practice. Each Scheduled Line is associated with a distinct Proxy Generator Bus. Transmission facilities shall only become Scheduled Lines after the Commission accepts for filing revisions to the NYISO's tariffs that identify a specific set or group of transmission facilities as a Scheduled Line. The transmission facilities that are Scheduled Lines are identified in Section 4.4.4 of the Services Tariff.

SCR Aggregation: One or more Special Case Resources registered by the Responsible Interface Party at a single PTID, with the Load of each Special Case Resource electrically located within the same single Load Zone and the total of all Loads at the PTID greater than or equal to 0.1 MW.

SCR Change of Load: A decrease in the Load of the SCR that meets the criteria of a Qualified Change of Load Condition and the SCR Load Change Reporting Threshold in accordance with this Services Tariff and results in a total Load reduction, within the range of hours that corresponds with the Capability Period SCR Load Zone Peak Hours, and the total Load reduction persists for more than seven (7) and less than or equal to sixty (60) continuous days from the first date of the reduction of the Load.

SCR Change of Status: The decrease to be treated as an adjustment to the applicable Average Coincident Load of a Special Case Resource when the SCR meets the criteria of a Qualified Change of Status Condition and the SCR Load Change Reporting Threshold in accordance with this Services Tariff and results in a total Load reduction, within the range of hours that corresponds with the Capability Period SCR Load Zone Peak Hours, and the total Load reduction persists for more than sixty (60) continuous days from the first date of the reduction of the Load.

SCR Load Change Reporting Threshold: For a Special Case Resource with an applicable ACL greater than or equal to 500 kW, a reduction or increase in total Load not attributable to fluctuations in Load due to weather as described in ISO Procedures, that is equal to or greater than (i) thirty (30) percent of the applicable ACL for any month within the Capability Period, or (ii) five (5) MW in the NYC Locality or ten(10) MW if in any other Load Zone; whichever is less. For SCRs that elect to enroll with an Incremental ACL and do not increase the eligible

Installed Capacity associated with the SCR, the RIP may enroll the SCR with a lower percentage change to its total Load increase as specified in Section 5.12.11.1.5 of this Services Tariff.

SCUC: Security Constrained Unit Commitment, described in Section 4.2.4 of this ISO Services Tariff.

Secondary Holders: Entities that: (1) purchase TCCs in the Secondary Market; (2) purchase TCCs in a Direct Sale from a Transmission Owner and have not been certified as a Primary Holder by the ISO; or (3) receive an allocation of Native Load TCCs from a Transmission Owner (See Attachment M). A Transmission Customer purchasing TCCs in a Direct Sale may qualify as a Primary Holder with respect to those TCCs purchased in that Direct Sale.

Second Settlement: The process of: (1) identifying differences between Energy production, Energy consumption or NYS Transmission System usage scheduled in a First Settlement and actual production, consumption, or usage during the Dispatch Day; and (2) assigning financial responsibility for those differences to the appropriate Customers and Market Participants. Charges for Energy supplied (to replace generation deficiencies or unscheduled consumption), and payments for Energy consumed (to absorb consumption deficiencies or excess Energy supply) or changes in transmission usage will be based on the Real-Time LBMPs.

Secondary Market: A market in which Primary and Secondary Holders sell TCCs by mechanisms other than through the Centralized TCC Auction or by Direct Sale. Buyers of TCCs in the Secondary Market shall neither pay nor receive Congestion Rents directly to or from the ISO.

Security Coordinator: An entity that provides the security assessment and Emergency operations coordination for a group of Control Areas. A Security Coordinator must not participate in the wholesale or retail merchant functions.

Self-Committed Fixed: A bidding mode in which a Generator is self-committed and opts not to be Dispatchable over any portion of its operating range.

Self-Committed Flexible: A bidding mode in which a Dispatchable Generator follows Base Point Signals within a portion of its operating range, but self-commits.

Self-Supply: The provision of certain Ancillary Services, or the provision of Energy to replace Marginal Losses by a Transmission Customer using either the Transmission Customer's own Generators or generation obtained from an entity other than the ISO.

Service Agreement: The agreement, in the form of Attachment A to the Tariff, and any amendments or supplements thereto entered into by a Customer and the ISO of service under the Tariff, or any unexecuted Service Agreement, amendments or supplements thereto, that the ISO unilaterally files with the Commission.

Service Commencement Date: The date that the ISO begins to provide service pursuant to the terms of a Service Agreement, or in accordance with the Tariff.

Settlement: The process of determining the charges to be paid to, or by, a Customer to satisfy its obligations.

Shadow Price: The marginal value of relieving a particular Constraint which is determined by the reduction in system cost that results from an incremental relaxation of that Constraint.

Shift Factor (**"SF"**): A ratio, calculated by the ISO, that compares the change in power flow through a transmission facility resulting from the incremental injection and withdrawal of power on the NYS Transmission System.

Shutdown Period: An ISO approved period of time immediately following a shutdown order, such as a zero base point, that has been designated by the Customer, during which unstable operation prevents the unit from accurately following its base points.

Sink Price Cap Bid: A monotonically increasing Bid curve provided by an entity engaged in an Export, other than an entity submitting a CTS Interface Bid, to indicate the relevant Proxy Generator Bus LBMP at or below which that entity is willing to either purchase Energy in the LBMP Markets or, in the case of Bilateral Transactions, to accept Transmission Service, where the MW amounts on the Bid curve represent the desired increments of Energy that the entity is willing to purchase at various price points.

Southeastern New York ("SENY"): An electrical area comprised of Load Zones G, H, I, J, and K, as identified in the ISO Procedures.

Special Case Resource ("SCR"): Demand Side Resources whose Load is capable of being interrupted upon demand at the direction of the ISO, and/or Demand Side Resources that have a Local Generator, which is not visible to the ISO's Market Information System and is rated 100 kW or higher, that can be operated to reduce Load from the NYS Transmission System or the distribution system at the direction of the ISO. Special Case Resources are subject to special rules, set forth in Section 5.12.11.1 of this ISO Services Tariff and related ISO Procedures, in order to facilitate their participation in the Installed Capacity market as Installed Capacity Suppliers. SCRs that do not use Local Generators may be offered as synchronized Operating Reserves and Regulation Service and Energy in the Day-Ahead Market. SCRs, using Local Generators rated 100 kW or higher, that are not visible to the ISO's Market Information System may also be offered as non-synchronized Operating Reserves.

Special Case Resource Capacity: The Installed Capacity Equivalent of the Unforced Capacity which has been sold by a Special Case Resource in the Installed Capacity market during the current Capability Period.

Start-Up Period: An ISO approved period of time immediately following synchronization to the Bulk power system, which has been designated by a Customer and bid into the Real-Time Market, during which unstable operation prevents the unit from accurately following its base points.

Station Power: Station Power shall mean the Energy used by a Generator:

- 1. for operating electric equipment located on the Generator site, or portions thereof, owned by the same entity that owns the Generator, which electrical equipment is used by the Generator exclusively for the production of Energy and any useful thermal energy associated with the production of Energy; and
- 2. for the incidental heating, lighting, air conditioning and office equipment needs of buildings, or portions thereof, that are: owned by the same entity that owns the Generator; located on the Generator site; and
- 3. used by the Generator exclusively in connection with the production of Energy and any useful thermal energy associated with the production of Energy.

Station Power does not include any Energy: (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility or for charging a Limited Energy Storage Resource; or (iii) provided during a Black Start restoration by Generators that provide Black Start Capability Service.

Start-Up Bid: A Bid parameter that may vary hourly and that identifies the payment a Supplier requires to bring a Generator up to its specified minimum operating level from an offline state or a Demand Side Resource from a level of no Demand Reduction to its specified minimum level of Demand Reduction.

Start-Up Bids submitted for a Generator that is not able to complete its specified minimum run time (of up to a maximum of 24 hours) within the Dispatch Day are expected to include expected net costs related to the hour(s) that a Generator needs to run on the day following the Dispatch Day in order to complete its minimum run time. The component of the Start-Up Bid that incorporates costs that the Generator expects to incur on the day following the Dispatch Day is expected to reflect the operating costs that the Supplier does not expect to be able to recover through LBMP revenues while operating to meet the Generator's minimum run time, at the minimum operating level Bid for that Generator for the hour of the Dispatch Day in which the Generator is scheduled to start-up. Settlement rules addressing Start-Up Bids that incorporates costs related to the hours that a Generator needs to run on the day following the Dispatch Day on which the Generator is committed are set forth in Attachment C to this ISO Services Tariff.

Storm Watch: Actual or anticipated severe weather conditions under which region-specific portions of the NYS Transmission System are operated in a more conservative manner by reducing transmission transfer limits.

Strandable Costs: Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or Transmission Service suppliers.

Stranded Investment Recovery Charge: A charge established by a Transmission Owner to recover Strandable Costs.

Study Month: The calendar month for which the ISO calculates the Monthly Net Benefit Offer Floor, in accordance with Section 4.2.1.9 of the ISO Services Tariff and ISO Procedures.

Subzone: That portion of a Load Zone in a Transmission Owner's Transmission District.

Supplemental Event Interval: Any RTD interval in which there is a maximum generation pickup or a large event reserve pickup or which is one of the three RTD intervals following the termination of the maximum generation pickup or the large event reserve pickup.

Supplemental Resource Evaluation ("SRE"): A determination of the least cost selection of additional Generators, which are to be committed, to meet: (i) changed or local system conditions for the Dispatch Day that may cause the Day-Ahead schedules for the Dispatch Day to be inadequate to meet the reliability requirements of the Transmission Owner's local system or to meet Load or reliability requirements of the ISO; or (ii) forecast Load and reserve requirements over the six-day period that follows the Dispatch Day.

Supplier: A Party that is supplying the Capacity, Demand Reduction, Energy and/or associated Ancillary Services to be made available under the ISO OATT or the ISO Services Tariff, including Generators and Demand Side Resources that satisfy all applicable ISO requirements.

System Resource: A portfolio of Unforced Capacity provided by Resources located in a single ISO-defined Locality, the remainder of the NYCA, or any single External Control Area, that is owned by or under the control of a single entity, which is not the operator of the Control Area where such Resources are located, and that is made available, in whole or in part, to the ISO.

4.4 Real-Time Markets and Schedules

4.4.1 Real-Time Commitment ("RTC")

4.4.1.1 Overview

RTC will make binding unit commitment and de-commitment decisions for the periods beginning fifteen minutes (in the case of Resources that can respond in ten minutes) and thirty minutes (in the case of Resources that can respond in thirty minutes) after the scheduled posting time of each RTC run, will provide advisory commitment information for the remainder of the two and a half hour optimization period, and will produce binding schedules for External Transactions to begin at the start of each quarter hour. RTC will co-optimize to solve simultaneously for all Load, Operating Reserves and Regulation Service and to minimize the total as-bid production costs over its optimization timeframe. RTC will consider SCUC's Resource commitment for the day, load forecasts that RTC itself will produce each quarter hour, binding transmission constraints, and all Real-Time Bids and Bid parameters submitted pursuant to Section 4.4.1.2 below.

4.4.1.2 Bids and Other Requests

After the Day-Ahead schedule is published and before the close of the Real-Time Scheduling Window for each hour, Customers may submit Real-Time Bids into the Real-Time Market for real-time evaluation by providing all information required to permit real-time evaluation pursuant to ISO Procedures.

4.4.1.2.1 Real-Time Bids to Supply Energy and Ancillary Services, other than External Transactions

Intermittent Power Resources that depend on wind as their fuel submitting new or revised offers to supply Energy shall bid as ISO-Committed Flexible and shall submit a Minimum Generation Bid of zero MW and zero cost and a Start-Up Bid at zero cost. Eligible Customers may submit new or revised Bids to supply Energy, Operating Reserves and/or Regulation Service. Customers that submit such Bids may specify different Bid parameters in real-time than they did Day-Ahead. Incremental Energy Bids may be submitted by Suppliers bidding Resources using ISO-Committed Fixed, ISO-Committed Flexible, and Self-Committed Flexible bid modes that exceed the Incremental Energy Bids submitted in the Day-Ahead Market or the mitigated Day-Ahead Incremental Energy Bids where appropriate, for portions of the Capacity of such Resources that were scheduled in the Day-Ahead Market, if not otherwise prohibited pursuant to other provisions of the tariff. Minimum Generation Bids, Start-Up Bids, Regulation Service Bids for any hour in which such Resources received a Day-Ahead Energy schedule or a Regulation Service schedule, as appropriate, may not exceed the Minimum Generation Bids, Start-up Bids, or Regulation Service Bids, as appropriate, submitted for those Resources in the Day-Ahead Market. Additionally, Real-Time Minimum Run Qualified Gas Turbine Customers shall not increase their previously submitted Real-Time Incremental Energy Bids, Minimum Generation Bids, or Start-Up Bids within 135 minutes of the dispatch hour. Bids to supply Energy or Ancillary Services shall be subject to the rules set forth in Section 4.2.1 of this ISO Services Tariff.

Suppliers bidding on behalf of Generators that did not receive a Day-Ahead schedule for a given hour may offer their Generators, for those hours, using the ISO-Committed Flexible, Self-Committed Flexible, Self-Committed Fixed bid mode or, with ISO approval, the ISO-Committed Fixed bid modes in real-time. Suppliers bidding on behalf of Demand Side Resources that did not receive a Day-Ahead schedule to provide Operating Reserves or Regulation Service for a given hour may offer to provide Operating Reserves or Regulation Service using the ISO-Committed Flexible bid mode for that hour in the Real-Time Market provided, however, that the Demand Side Resource shall have an Energy price Bid no lower than the Monthly Net Benefit Offer Floor. A Supplier bidding on behalf of a Generator that received a Day-Ahead schedule for a given hour may not change the bidding mode for that Generator for the Real-Time Market for that hour provided, however, that Generators that were scheduled Day-Ahead in Self-Committed Fixed mode may switch, with ISO approval, to ISO-Committed Fixed bidding mode in real-time. Generators that were scheduled Day-Ahead in ISO-Committed Fixed mode will be scheduled as Self-Committed Fixed in the Real-Time Market unless, with ISO approval, they change their bidding mode to ISO-Committed Fixed.

A Generator with a real time physical operating problem that makes it impossible for it to operate in the bidding mode in which it was scheduled Day-Ahead should notify the NYISO.

Generators and Demand Side Resources may not submit separate Operating Reserves Availability Bids in real-time and will instead automatically be assigned a real-time Operating Reserves Availability Bid of zero for the amount of Operating Reserves they are capable of providing in light of their response rate (as determined under Rate Schedule 4).

4.4.1.2.2 Real-Time Bids Associated with Internal and External Bilateral Transactions

Customers may use Real-Time Bids to seek to modify Bilateral Transactions that were previously scheduled Day-Ahead or propose new Bilateral Transactions, including External Transactions, for economic evaluation by RTC, provided however, that Bilateral Transactions with Trading Hubs as their POWs that were previously scheduled Day-Ahead may not be modified. Bids associated with Internal Bilateral Transactions shall be subject to the rules set forth above in Section 4.2.1.7. Except as provided in this section, External Transaction Bids may not vary over the course of an hour. Each such Bid must offer to import, export or wheel the same amount of Energy at the same price at each point in time within that hour. At Variably Scheduled Proxy Generator Buses the ISO shall permit the submission of Bids to import or export Energy that vary the amount of Energy, and vary the price, for each quarter hour evaluation period.

The ISO may vary External Transaction Schedules at Proxy Generator Buses that are authorized to schedule transactions on an intra-hour basis if the party submitting the Bid for such a Transaction elects to permit variable scheduling. The ISO may also vary External Transaction Schedules at CTS Enabled Proxy Generator Buses. External Transaction Bids submitted to import Energy from, or export Energy to Proxy Generator Buses that are authorized to schedule transactions on either an intra-hour or hourly basis shall indicate whether the ISO may vary schedules associated with those Bids within each hour. Transmission Customers scheduling External Bilateral Transactions shall also be subject to the provisions of Section 16, Attachment J of the ISO OATT.

4.4.1.2.3 Self-Commitment Requests

Self-Committed Flexible Resources must provide the ISO with schedules of their expected minimum operating points in quarter hour increments. Self-Committed Fixed Resources must provide their expected actual operating points in quarter hour increments or, with ISO approval, bid as an ISO-Committed Fixed Generator.

4.4.1.2.4 ISO-Committed Fixed

The ability to use the ISO-Committed Fixed bidding mode in the Real-Time Market shall be subject to ISO approval pursuant to procedures, which shall be published by the ISO. Generators that have exclusively used the Self-Committed Fixed or ISO-Committed Fixed bid modes in the Day-Ahead Market or that do not have the communications systems, operational control mechanisms or hardware to be able to respond to five-minute dispatch basepoints are eligible to bid using the ISO-Committed Fixed bid mode in the Real-Time Market. Real-Time Bids by Generators using the ISO-Committed Fixed bid mode in the Real-Time Market shall provide variable Energy price Bids, consisting of up to eleven monotonically increasing, constant cost incremental Energy steps, Minimum Generation Bids, hourly Start-Up Bids and other information pursuant to ISO Procedures.

RTC shall schedule ISO-Committed Fixed Generators.

4.4.1.3 External Transaction Scheduling

RTC15 will schedule External Transactions on an hourly basis as part of its development of a co-optimized least-bid cost Real-Time Commitment. For External Transactions that are scheduled on a 15 minute basis, the amount of Energy scheduled to be imported, exported or wheeled in association with that External Transaction may change on the quarter hour. All RTC runs will schedule intra-hour External Transactions on a 15 minute basis at Variably Scheduled Proxy Generator Buses. RTC will alert the ISO when it appears that scheduled External Transactions need to be reduced for reliability reasons but will not automatically Curtail them. Curtailment decisions will be made by the ISO, guided by the information that RTC provides, pursuant to the rules established by Attachment B of this ISO Services Tariff and the ISO Procedures. External Bilateral Transaction schedules are also governed by the provisions of Section 16, Attachment J of the OATT.

4.4.1.4 Posting Commitment/De-Commitment and External Transaction Scheduling Decisions

Except as specifically noted in Section 4.4.2, 4.4.3 and 4.4.4 of this ISO Services Tariff, RTC will make all Resource commitment and de-commitment decisions. RTC will make all economic commitment/de-commitment decisions based upon available offers assuming Suppliers internal to the NYCA have a one-hour minimum run time; provided however, Real-Time Minimum Run Qualified Gas Turbines shall be assumed to have a two-hour minimum run time.

RTC will produce advisory commitment information and advisory real-time prices. RTC will make decisions and post information in a series of fifteen-minute "runs" which are described below.

 RTC_{15} will begin at the start of the first hour of the RTC co-optimization period and will post its commitment, de-commitment, and External Transaction scheduling decisions no later than fifteen minutes after the start of that hour. During the RTC_{15} run, RTC will:

- (i) Commit Resources with 10-minute start-up times that should be synchronized by the time that the results of the next RTC run are posted so that they will be synchronized and running at their scheduled generation levels by that time;
- (ii) Commit Resources with 30-minute start-up times that should be synchronized by the time that the results of the RTC run following the next RTC run are posted so that they will be synchronized and running at their scheduled generation levels by that time;
- (iii) De-commit Resources that should be disconnected from the network by the time that the results of the next RTC run are posted so that they will be disconnected by that time;

- (iv) Issue advisory commitment and de-commitment guidance for periods more than thirty minutes in the future and advisory dispatch information;
- (v) Schedule economic hourly External Transactions for the next hour;
- (vi) Schedule economic 15 minute External Transactions, for the quarter hour for which the results of the next RTC run are posted, at Variably Scheduled Proxy Generator Buses other than a CTS Enabled Proxy Generator Bus;
- (vii) Schedule economic 15 minute External Transactions, for the quarter hour for which the results of the next RTC run are posted, at a CTS Enabled Proxy Generator Bus; and
- (viii) Schedule ISO-Committed Fixed Resources.

All subsequent RTC runs in the hour, *i.e.*, RTC_{30} , RTC_{45} , and RTC_{00} will begin executing at fifteen minutes before their designated posting times (for example, RTC_{30} will begin in the fifteenth minute of the hour), and will take the following steps:

- (i) Commit Resources with 10-minute start-up times that should be synchronized by the time that the results of the next RTC run are posted so that they will be synchronized and running at that time;
- (ii) Commit Resources with 30-minute start-up times that should be synchronized by the time that the results of the RTC run following the next RTC run are posted so that they will be synchronized and running at that time;
- (iii) De-commit Resources that should be disconnected from the network by the time that the results of the next RTC run are posted so that they will be disconnected at that time;

- (iv) Issue advisory commitment, de-commitment, and dispatching guidance for the period from thirty minutes in the future until the end of the RTC co-optimization period;
- (v) Either reaffirm that the External Transactions scheduled by previous RTC runs should continue to flow in the next hour, or inform the ISO that External Transactions may need to be reduced;
- (vi) Schedule economic 15 minute External Transactions, for the quarter hour for which the results of the next RTC run are posted, at Variably Scheduled Proxy Generator Buses other than a CTS Enabled Proxy Generator Bus;
- (vii) Schedule economic 15 minute External Transactions, for the quarter hour for which the results of the next RTC run are posted, at a CTS Enabled Proxy Generator Bus; and
- (viii) Schedule ISO-Committed Fixed Resources.

4.4.1.5 External Transaction Settlements

Settlements for External Transactions in the LBMP Market are described in Sections 4.2.6 and 4.5 of this ISO Services Tariff. Settlements for External Bilateral Transactions are also described in Section 16, Attachment J and Rate Schedules 7 and 8 of the OATT.

The calculation of Real-Time LBMPs at Proxy Generator Buses and CTS Enabled Interfaces is described in Section 17, Attachment B to this ISO Services Tariff.

4.4.2 Real-Time Dispatch

4.4.2.1 Overview

The Real-Time Dispatch will make dispatching decisions, send Base Point Signals to Internal Generators and Demand Side Resources, produce schedules for intra-hour External Transactions at Dynamically Scheduled Proxy Generator Buses, calculate Real-Time Market clearing prices for Energy, Operating Reserves, and Real-Time Market Prices for Regulation Service, and establish real-time schedules for those products on a five-minute basis, starting at the beginning of each hour. The Real-Time Dispatch will not make commitment decisions and will not consider start-up costs in any of its dispatching or pricing decisions, except as specifically provided in Section 4.4.2.3 below. Each Real-Time Dispatch run will co-optimize to solve simultaneously for Load, Operating Reserves, and Regulation Service and to minimize the total cost of production over its bid optimization horizon (which may be fifty, fifty-five, or sixty minutes long depending on where the run falls in the hour.) In addition to producing a binding schedule for the next five minutes, each Real-Time Dispatch run will produce advisory schedules for the remaining four time steps of its bid-optimization horizon (which may be five, ten, or fifteen minutes long depending on where the run falls in the hour). An advisory schedule may become binding in the absence of a subsequent Real-Time Dispatch run. RTD will use the most recent system information and the same set of Bids and constraints that are considered by RTC.

4.4.2.2 External Transaction Scheduling

All RTD runs will schedule External Transactions on a 5 minute basis at Dynamically Scheduled Proxy Generator Buses. For External Transactions that are scheduled on a 5 minute basis, the amount of Energy scheduled to be imported, exported or wheeled in association with that External Transaction may change every 5 minutes. External Bilateral Transaction Schedules are also governed by the provisions of Attachment J of the OATT.

4.4.2.3 Calculating Real-Time Market LBMPs and Advisory Prices

RTD shall calculate *ex ante* Real-Time LBMPs at each Generator bus, and for each Load Zone in each RTD cycle, in accordance with the procedures set forth in Attachment B to this ISO

Services Tariff. RTD will also calculate and post advisory Real-Time LBMPs for the next four quarter hours in accordance with the procedures set forth in Attachment B.

4.4.2.4 Real-Time Pricing Rules for Scheduling Ten Minute Resources

RTD may commit and dispatch, for pricing purposes, Resources meeting Minimum Generation Levels and capable of starting within ten minutes ("eligible Resources") when necessary to meet load. Eligible Resources committed and dispatched by RTD for pricing purposes may be physically started through normal ISO operating processes. In the RTD cycle in which RTD commits and dispatches an eligible Resource, RTD will consider the Resource's start-up and incremental energy costs and will assume the Resource has a zero downward response rate for purposes of calculating *ex ante* Real-Time LBMPs pursuant to Section 17, Attachment B to this ISO Services Tariff.

4.4.2.5 Converting to Demand Reduction, Special Case Resource Capacity scheduled as Operating Reserves, Regulation or Energy in the Real-Time Market

The ISO shall convert to Demand Reductions, in hours in which the ISO requests that Responsible Interface Parties notify their Special Case Resources to reduce their demand pursuant to ISO Procedures, any Operating Reserves, Regulation Service or Energy scheduled in the Day-Ahead Market from Demand Side Resources that are also providing Special Case Resource Capacity. The ISO shall settle the Demand Reduction provided by that portion of the Special Case Resource Capacity that was scheduled Day-Ahead as Operating Reserves, Regulation Service or Energy as being provided by a Supplier of Operating Reserves, Regulation Service or Energy as appropriate. The ISO shall settle any remaining Demand Reductions provided beyond Capacity that was scheduled Day-Ahead as Ancillary Services or Energy as being provided by a Special Case Resource, provided such Demand Reduction is otherwise payable as a reduction by a Special Case Resource.

Operating Reserves or Regulation Service scheduled Day-Ahead and converted to Energy in real time pursuant to this Section 4.4.2.4, will be eligible for a Day-Ahead Margin Assurance Payment, pursuant to Attachment J of this ISO Services Tariff.

Special Case Resource Capacity that has been scheduled in the Day-Ahead Market to provide Operating Reserves, Regulation Service or Energy and that has been instructed as a Special Case Resource to reduce demand shall be considered, for the purpose of applying Real-Time special scarcity pricing rules described in Attachment B of this Services Tariff, to be a Special Case Resource.

The ISO shall not accept offers of Operating Reserves or Regulation Service in the Real-Time Market from Demand Side Resources that are also providing Special Case Resource Capacity for any hour in which the ISO has requested Special Case Resources to reduce demand.

4.4.2.6 Converting to Demand Reduction Curtailment Services Provider Capacity scheduled as Operating Reserves, Regulation or Energy in the Real-Time Market

The ISO shall convert to Demand Reductions, in hours in which the ISO requests Demand Reductions from the Emergency Demand Response Program pursuant to ISO Procedures, any Operating Reserves, Regulation Service or Energy scheduled in the Day-Ahead Market by Demand Side Resources that are also providing Curtailment Services Provider Capacity. The ISO shall settle the Demand Reduction provided by that portion of the Curtailment Services Provider Capacity that was scheduled Day-Ahead as Operating Reserves, Regulation Service or Energy as being provided by a Supplier of Operating Reserves, Regulation Service or Energy as appropriate. The ISO shall settle Demand Reductions provided beyond Capacity that was scheduled Day-Ahead as ancillary services or Energy as being provided by a Curtailment Services Provider.

Operating Reserves or Regulation Service scheduled Day-Ahead and converted to Energy in real time pursuant to this Section 4.4.2.5, will be eligible for a Day-Ahead Margin Assurance Payment, pursuant to Attachment J of this ISO Services Tariff.

Curtailment Services Provider Capacity that has been scheduled in the Day-Ahead Market as Operating Reserves, Regulation Service or Energy and that has been instructed to reduce demand shall be considered, for the purpose of applying Real-Time special scarcity pricing rules described in Attachment B of this Services Tariff, to be a Emergency Demand Response Program Resource.

The ISO shall not accept offers of Operating Reserves and Regulation Service in the Real-Time Market from Demand Side Resources that are also providing Curtailment Services Provider Capacity for any hour in which the ISO has requested participants in the Emergency Demand Response Program pursuant to ISO Procedures to reduce demand.

4.4.2.7 Real-Time Scarcity Pricing Rules Applicable to Regulation Service and Operating Reserves During EDRP and/or SCR Activations

Under Section 17.1.2.2 of Attachment B to this ISO Services Tariff, the ISO will use special scarcity pricing rules to calculate Real-Time LBMPs during intervals when it has activated the EDRP and/or SCRs in identified Load Zones due to a reliability need. During these intervals, the ISO will also implement special scarcity pricing rules for real-time Regulation Capacity and Operating Reserves. These rules are set forth in Rate Schedule 15.3 and Rate Schedule 15.4 of this ISO Services Tariff.

4.4.2.8 Post the Real-Time Schedule

Subsequent to the close of the Real-Time Scheduling Window, the ISO shall post the real-time schedule for each entity that submits a Bid or Bilateral Transaction schedule. All schedules shall be considered proprietary, with the posting only visible to the appropriate scheduling Customer, Transmission Customer and Transmission Owners subject to the applicable Code of Conduct (See Attachment F to the ISO OATT). The ISO will post on the OASIS the real-time Load for each Load Zone, and the Real-Time LBMP prices (including the Congestion Component and the Marginal Losses Component) for each Load Zone for each hour of the Dispatch Day. The ISO shall conduct the real-time settlement based upon the real-time schedule determined in accordance with this Section.

4.4.3 Real-Time Dispatch - Corrective Action Mode

When the ISO needs to respond to system conditions that were not anticipated by RTC or the regular Real-Time Dispatch, *e.g.*, the unexpected loss of a major Generator or Transmission line, it will activate the specialized RTD-CAM program. RTD-CAM runs will be nominally either five or ten minutes long, as is described below. Unlike the Real-Time Dispatch, RTD-CAM will have the ability to commit certain Resources, and schedule intra-hour External Transactions at Dynamically Scheduled Proxy Generator Buses. When RTD-CAM is activated, the ISO will have discretion to implement various measures to restore normal operating conditions. These RTD-CAM measures are described below.

The ISO shall have discretion to determine which specific RTD-CAM mode should be activated in particular situations. In addition, RTD-CAM may require Resources to run above their UOL_Ns , up to the level of their UOL_Es as is described in the ISO Procedures. Self-

Committed Fixed Resources will not be expected to move in response to RTD-CAM Base Point Signals except when a maximum generation pickup is activated.

Except as expressly noted in this section, RTD-CAM will dispatch the system in the same manner as the normal Real-Time Dispatch.

4.4.3.1 RTD-CAM Modes

4.4.3.1.1 Reserve Pickup

The ISO will enter this RTD-CAM mode when necessary to re-establish schedules when large area control errors occur. When in this mode, RTD-CAM will send 10-minute Base Point Signals and produce schedules for the next ten minutes. RTD-CAM may also commit, or if necessary de-commit, Resources capable of starting or stopping within 10-minutes. The ISO will continue to optimize for Energy and Operating Reserves, will recognize locational Operating Reserve requirements, but will set all Regulation Service schedules to zero. If Resources are committed or de-committed in this RTD-CAM mode the schedules for them will be passed to RTC and the Real-Time Dispatch for their next execution.

The ISO will have discretion to classify a reserve pickup as a "large event" or a "small event." In a small event the ISO will have discretion to reduce Base Point Signals in order to reduce transmission line loadings. The ISO will not have this discretion in large events. The distinction also has significance with respect to a Supplier's eligibility to receive Bid Production Cost guarantee payment in accordance with Section 4.6.6 and Attachment C of this ISO Services Tariff.

4.4.3.1.2 Maximum Generation Pickup

The ISO will enter this RTD-CAM mode when an Emergency makes it necessary to maximize Energy production in one or more location(s), i.e., Long Island, New York City,

Southeastern New York, East of Central East and/or NYCA-wide. RTD-CAM will produce schedules directing all Generators located in a targeted location to increase production at their emergency response rate up to their UOL_E level and to stay at that level until instructed otherwise. Security constraints will be obeyed to the extent possible. The ISO will continue to optimize for Energy and Operating Reserves, will recognize locational Operating Reserve requirements, but will set all Regulation Service schedules to zero.

4.4.3.1.3 Base Points ASAP -- No Commitments

The ISO will enter this RTD-CAM mode when changed circumstances make it necessary to issue an updated set of Base Point Signals. Examples of changed circumstances that could necessitate taking this step include correcting line, contingency, or transfer overloads and/or voltage problems caused by unexpected system events. When operating in this mode, RTD-CAM will produce schedules and Base Point Signals for the next five minutes but will only redispatch Generators that are capable of responding within five minutes. RTD-CAM will not commit or de-commit Resources in this mode.

4.4.3.1.4 Base Points ASAP -- Commit As Needed

This operating mode is identical to Base Points ASAP – No Commitments, except that it also allows the ISO to commit Generators that are capable of starting within 10 minutes when doing so is necessary to respond to changed system conditions.

4.4.3.1.5 Re-Sequencing Mode

When the ISO is ready to de-activate RTD-CAM, it will often need to transition back to normal Real-Time Dispatch operation. In this mode, RTD-CAM will calculate normal fiveminute Base Point Signals and establish five minute schedules. Unlike the normal RTD- Dispatch, however, RTD-CAM will only look ahead 10-minutes. RTD-CAM re-sequencing will terminate as soon as the normal Real-Time Dispatch software is reactivated and is ready to produce Base Point signals for its entire optimization period.

4.4.3.2 Calculating Real-Time LBMPs

When RTD-CAM is activated, RTD shall calculate *ex ante* Real-Time LBMPs at each Generator bus, and for each Load Zone in accordance with the procedures set forth in Section 17, Attachment B of this ISO Services Tariff.

4.4.4 Identifying the Pricing and Scheduling Rules That Apply to External Transactions

LBMPs will be determined and External Transactions will be scheduled at external Proxy Generator Buses consistent with the table below.

					CTS Enabled Proxy Generator Bus		Scheduling Frequencies		
					Requires	Permits	Hourly	Variably Scheduled	Dynamically Scheduled
			Designated		Bids	Bids	Scheuneu	Scheudieu	(Not
		Scheduled	Scheduled	Non-					Presently
Proxy Generator Bus	PTID	Line	Line	Competitive					Available)
Hydro Quebec									
HQ_GEN_IMPORT	323601			✓			✓	✓	
HQ_LOAD_EXPORT	355639			✓			✓	✓	
HQ_GEN_CEDARS_PROXY	323590	Dennison Scheduled Line		~			V		
HQ_LOAD_CEDARS_PROXY	355586	Dennison Scheduled Line		✓			~		
HQ_GEN_WHEEL	23651			✓			✓		
HQ_LOAD_WHEEL	55856			✓			✓		
PJM									
PJM_GEN_KEYSTONE	24065					√	√ *	✓	
							(See		
							Notes)		
PJM_LOAD_KEYSTONE	55857					\checkmark	√ *	✓	
							(See		
							Notes)		
PJM_GEN_NEPTUNE_PROXY	323594	Neptune	\checkmark			\checkmark	√*	\checkmark	
		Scheduled					(See		
		Line					Notes)		
PJM_LOAD_NEPTUNE_PROXY	355615	Neptune	~			~	√ *	~	
		Scheduled					(See		
DIM CEN VET DROXX	202622	Line				./	Notes)		
PJM_GEN_VF1_PROX I	323033	Linden	v			v	(Saa	v	
		VFI Scheduled					(See		
		Line					Notes)		
PIM LOAD VET PROXY	355723	Linden	✓			✓	√*	✓	
	555725	VFT					(See		
		Scheduled					Notes)		
		Line					,		
PJM_HTP_GEN	323702	HTP	✓			✓	√*	√	
_		Scheduled					(See		
		Line					Notes)		

					CTS Enabled Proxy Generator Bus		Scheduling Frequencies		
Proxy Generator Bus	PTID	Scheduled Line	Designated Scheduled Line	Non- Competitive	Requires CTS Bids	Permits CTS Bids	Hourly Scheduled	Variably Scheduled	Dynamically Scheduled (Not Presently Available)
HUDSONTP_345KV_HTP_LOAD	355839	HTP Scheduled Line	✓ 			√	√* (See Notes)	~	
ISO New England									
N.EGEN_SANDY_POND	24062				~		√** (See Notes)	~	
NE_LOAD_SANDY_PD	55858				~		√** (See Notes)	√	
NPX_GEN_CSC	323557	Cross Sound Scheduled Line	~				✓		
NPX_LOAD_CSC	355535	Cross Sound Scheduled Line	~				V		
NPX_GEN_1385_PROXY	323591	Northport Norwalk Scheduled Line					~		
NPX_LOAD_1385_PROXY	355589	Northport Norwalk Scheduled Line							
Ontario									
O.HGEN_BRUCE	24063						✓ ✓		
OH_LOAD_BRUCE	55859						\checkmark		

Notes:

* At specifically identified Proxy Generator Buses ("* See Notes"), only Wheels Through (the NYCA) are scheduled on an hourly basis.

** At specifically identified Proxy Generator Buses ("** See Notes"), only wheels through the NYCA or a neighboring Control Area are scheduled on an hourly basis.

Pricing rules for Proxy Generator Buses are set forth in Section 17 of the Services Tariff.

The ISO may offer a more frequent scheduling option at a Proxy Generator Bus identified on the table. The ISO shall inform its Market Participants of the availability of such an option by providing notice at least two weeks in advance of the implementation of any such change. At the same time, the ISO shall update the above table to reflect the change in scheduling options by submitting a compliance filing in FERC Docket No. ER11-2547. Unless FERC acts on the ISO's compliance filing, the ISO shall effectuate the change in scheduling capability on the date it proposed in its compliance filing. The addition of new Proxy Generator Buses to the table, or changing the pricing rules that apply at a Proxy Generator Bus, may not be accomplished by submitting a compliance filing in Docket No. ER11-2547. The ISO may revert to establishing hourly Import and Export schedules using all available External Transaction Bids at a Proxy Generator Bus that is identified as a Dynamically or Variably Scheduled Proxy Generator Bus when the ISO or a neighboring Balancing Authority is not able to implement schedules as expected, or when necessary to ensure or preserve system reliability. When it reverts to hourly Import and Export schedules at a Dynamically or Variably Scheduled Proxy Generator Bus, the ISO shall apply the pricing rules for a corresponding Proxy Generator Bus that is not Dynamically Scheduled or Variably Scheduled. The ISO may cease evaluating CTS Interface Bids at CTS Enabled Proxy Generator Buses when the ISO or a neighboring Balancing Authority is not able to implement schedules as expected, or when necessary to ensure or preserve system reliability.

15.3 Rate Schedule 3 - Payments for Regulation Service

This Rate Schedule applies to Suppliers that provide Regulation Service to the ISO.

Transmission Customers will purchase Regulation Service from the ISO under the ISO OATT.

15.3.1 Obligations of the ISO and Suppliers

15.3.1.1 The ISO shall:

- (a) Establish Regulation Service criteria and requirements in the ISO Procedures to ensure that Suppliers follow changes in Load consistent with the Reliability Rules;
- Provide RTD Base Point Signals and AGC Base Point Signals to Suppliers providing Regulation Service to direct their output;
- (c) Establish criteria in the ISO Procedures that Suppliers must meet to qualify, or re-qualify, to supply Regulation Service;
- (d) Establish minimum metering requirements and telecommunication capability
 required for a Supplier to be able to respond to AGC Base Point Signals and RTD
 Base Point Signals sent by the ISO;
- (e) Select Suppliers to provide Regulation Service in the Day-Ahead Market and Real-Time Market and establish Regulation Service schedules, in MWs of Regulation Capacity, for each scheduled Regulation Supplier in the Day-Ahead and Real-Time Markets, as described in Section 15.3.2 of this Rate Schedule;
- (f) Pay Suppliers for providing Regulation Service as described in this Rate
 Schedule;
- (g) Monitor Suppliers' performance to ensure that they provide Regulation Service as required, as described in Section 15.3.3 of this Rate Schedule; and

 (h) Take into account the speed and accuracy of regulation resources in determining reserve requirements for Regulation Service.

15.3.1.2 Each Supplier shall:

- (a) Register with the ISO the Regulation Capacity its resources are qualified to bid in the Regulation Services market;
- Provide the ISO with the Resource's Regulation Capacity Response Rate and the Resource's Regulation Movement Response Rate;
- (c) Offer only Resources that are; (i) ISO-Committed Flexible or Self-Committed Flexible, provided however that Demand Side Resources shall be offered as ISO-Committed Flexible; within the dispatchable portion of their operating range, and;
 (ii) able to respond to AGC Base Point Signals sent by the ISO pursuant to the ISO Procedures, to provide Regulation Service;
- (d) Not use, contract to provide, or otherwise commit Regulation Capacity that is selected by the ISO to provide Regulation Service to provide Energy or Operating Reserves to any party other than the ISO;
- (e) Pay any charges imposed under this Rate Schedule;
- (f) Ensure that all of its Resources that are selected to provide Regulation Service comply with Base Point Signals issued by the ISO at all times pursuant to the ISO Procedures; and ensure that all of its Resources that are selected to provide Regulation Service comply with all criteria and ISO Procedures that apply to providing Regulation Service.

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

- (a) The ISO shall select Suppliers in the Day-Ahead Market to provide Regulation Service for each hour in the following Dispatch Day and in the Real-Time Market to provide Regulation Service for each interval in the Dispatch Day, from those that have Bid to provide Regulation Service from Resources and that meet the qualification standards and criteria established in Section 15.3.1 of this Rate Schedule and in the ISO Procedures.
- (b) In order to schedule Suppliers in the Day-Ahead Market to provide Regulation Service for each hour in the following Dispatch Day, the ISO shall use, as each Supplier's Regulation Service Bid price, the sum of: a) the Supplier's Day-Ahead Regulation Capacity Bid Price and b) the product of the Supplier's Day-Ahead Regulation Movement Bid Price and the applicable Regulation Movement Multiplier.
- In order to schedule Suppliers in the Real-Time Market to provide Regulation
 Service for each interval in the Dispatch Day the ISO shall use, as each Supplier's
 Regulation Service Bid price, the sum of: a) the Supplier's Real-Time Regulation
 Capacity Bid Price and b) the product of the Supplier's Real-Time Regulation
 Movement Bid Price and the applicable Regulation Movement Multiplier.
- (d) The ISO shall establish separate Regulation Capacity Market Prices in the Day-Ahead Market and the Real-Time Market under Sections 15.3.4, 15.3.5 and 15.3.7 of this Rate Schedule and shall establish a Real-Time Regulation Movement Market Price under Section 15.3.5.1 of this Rate Schedule. The ISO shall also

compute Regulation Revenue Adjustment Payments and Regulation Revenue Adjustment Charges under Section 15.3.6 of this Rate Schedule.

15.3.2.1 Bidding Process

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

15.3.3 Monitoring Regulation Service Performance and Performance Related Payment Adjustments

(a) The ISO shall establish (i) Resource performance measurement criteria; (ii) procedures to disqualify Suppliers whose Resources consistently fail to meet

those criteria; and (iii) procedures to re-qualify disqualified Suppliers, which may include a requirement to first demonstrate acceptable performance for a time.

- (b) The ISO shall establish and implement a Performance Tracking System to monitor the performance of Suppliers that provide Regulation Service. The ISO shall develop performance indices, which may vary with Control Performance, as part of the ISO Procedures. The ISO shall use the values provided by the Performance Tracking System to adjust settlements for real-time Regulation Movement pursuant to Section 15.3.5.5.1 and to compute a performance charge to apply to real-time Regulation Service providers pursuant to Section 15.3.5.2 of this Rate Schedule.
- (c) Resources that consistently fail to perform adequately may be disqualified by the ISO, pursuant to ISO Procedures.

15.3.4 Regulation Service Settlements - Day-Ahead Market

15.3.4.1 Calculation of Day-Ahead Market Prices

The ISO shall calculate a Day-Ahead Regulation Capacity Market Price for each hour of the following day. The Day-Ahead Regulation Capacity Market Price for each hour shall equal the Day-Ahead Shadow Price of the ISO's Regulation Service constraint for that hour, which shall be established under the ISO Procedures, minus the product of i) the Day-Ahead Regulation Movement Bid Price of the marginal Resource selected to provide Regulation Service; and ii) the applicable Regulation Movement Multiplier. Day-Ahead Shadow Prices will be calculated by the ISO's SCUC. Each hourly Day-Ahead Shadow Price shall equal the marginal Bid cost of scheduling Resources to provide additional Regulation Service in that hour, including any impact on the Bid Production Cost of procuring Energy or Operating Reserves that would result from procuring an increment of Regulation Service in that hour, as calculated during the fifth SCUC pass described in Section 17.1.3 of Attachment B to this ISO Services Tariff. As a result, the Shadow Price shall include the Day-Ahead Regulation Service Bids of the marginal Resource selected to provide Regulation Service, plus any margins on the sale of Energy or Operating Reserves in the Day-Ahead Market that the Resource would forego if scheduling it to provide additional Regulation Service would lead to it being scheduled to provide less Energy or Operating Reserves (or the applicable price on the Regulation Service Demand Curve during shortage conditions). Shadow Prices consistent with the Regulation Service Demand Curves described in Section 15.3.7 of this Rate Schedule will ensure that Regulation Service is not scheduled by SCUC at a cost greater than the Regulation Service Demand Curve.

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

15.3.4.2 Other Day-Ahead Payments

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

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

15.3.5 Regulation Service Settlements - Real-Time Market

15.3.5.1 Calculation of Real-Time Market Prices

The ISO shall calculate a Real-Time Regulation Capacity Market Price and a Real-Time Regulation Movement Market Price for every RTD interval, except as noted in Section 15.3.8 of this Rate Schedule. Except when the circumstances described below in Section 15.3.5.2 apply, the Real-Time Regulation Capacity Market Price for each interval shall equal the real-time Shadow Price for the ISO's Regulation Service constraint for that RTD interval, which shall be established under the ISO Procedures, minus the product of: i) the real-time Regulation Movement Bid of the marginal Resource selected to provide Real-Time Regulation Service; and ii) the applicable Regulation Movement Multiplier. Real-time Shadow Prices will be calculated by the ISO's RTD. Each Real-Time Shadow Price in each RTD interval shall equal the marginal Bid cost of scheduling Resources to provide additional Regulation Service in that interval, including any impact on the Bid Production Cost of procuring Energy or Operating Reserves that would result from procuring an increment of Regulation Service in that interval. As a result, the Shadow Price shall include the Real-Time Regulation Service Bids of the marginal Resource selected to provide Regulation Service, plus any margins on the sale of Energy or Operating Reserves in the Real-Time Market that Resource would forego if scheduling it to provide additional Regulation Service would lead to it being scheduled to provide less Energy or Operating Reserves (or the applicable price on the Regulation Service Demand Curve during shortage conditions) provided however, if the marginal Resource selected to provide Regulation Service for the interval is in a Load Zone for which certain scarcity conditions apply but the ISO has not applied the pricing rule described in Section 15.4.6.2.1, the margins on the sale of Energy or Operating Reserves in the Real-Time Market that the marginal Resource would forego if scheduling it to provide additional Regulation Service would lead to it being scheduled to

provide less Energy or Operating Reserves, would be as calculated by RTD for that interval. Shadow Prices consistent with the Regulation Service Demand Curves described in Section 15.3.7 of this Rate Schedule will ensure that Regulation Service is not scheduled at a cost greater than the Demand Curve indicates.

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

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

15.3.5.2 Calculation of Real-Time Market Prices for Regulation Capacity During EDRP/SCR Activations

During any interval in which the ISO is using the scarcity pricing rule to calculate LBMPs under Section 17.1.2.2 of Attachment B to this ISO Services Tariff, and is also using the scarcity pricing rule in Section 15.4.6.2.1 to price Operating Reserves in that interval, the realtime Regulation Capacity Market Price may be recalculated in light of the Regulation Bids of Suppliers and Lost Opportunity Costs of Generators scheduled to provide Regulation Service in real-time.

Specifically, when the NYISO is using the scarcity pricing rule in Section 15.4.6.2.1 to calculate Operating Reserves prices in an interval, the real-time Regulation Capacity Market Price shall be set to the higher of: (i) the highest total Regulation Capacity Bid and Lost Opportunity Cost of any Regulation Service provider scheduled by RTD; and (ii) the Market Price calculated under Section 15.3.5.1 of this Rate Schedule.
15.3.5.3 Real-Time Regulation Capacity Balancing Payments, Regulation Movement Payments and Performance Charges

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

- (a) When the Supplier's real-time Regulation Capacity schedule is less than its Day-Ahead Regulation Capacity schedule, the Supplier shall pay a charge for the imbalance equal to the product of: (i) the Real-Time Regulation Capacity Market Price ; and (ii) the difference between the Supplier's Day-Ahead Regulation Capacity schedule and its real-time Regulation Capacity schedule.
- (b) When the Supplier's real-time Regulation Capacity schedule is greater than its Day-Ahead Regulation Capacity schedule, the ISO shall pay the Supplier an amount to compensate it for the imbalance equal to the product of: (i) the Real-Time Regulation Capacity Market Price ; and (ii) the difference between the Supplier's real-time Regulation Capacity schedule and its Day-Ahead Regulation Capacity schedule.
- (c) The ISO shall pay Suppliers with real-time Regulation Capacity schedules a realtime payment for Regulation Movement provided in each interval. The payment amount shall equal the product of: (a) the Real-Time Regulation Movement Market Price in that interval; (b) the Regulation Movement instructed during the interval, and (c) the performance factor calculated for that Regulation Service provider in that interval pursuant to Section 15.3.5.5.1.
- (d) The ISO shall assess a performance charge, pursuant to Section 15.3.5.5.2 to allSuppliers of Regulation Service with real-time Regulation Service schedules.

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

15.3.5.4 Other Real-Time Regulation Service Payments

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

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

15.3.5.5 Performance-Based Adjustment to Payments for Regulation Service Providers and Performance Based Charges

15.3.5.5.1 Performance-Based Adjustment to Payments for Regulation Service Suppliers

The amount paid to each Supplier for providing Regulation Movement in each RTD

interval, pursuant to Section 15.3.5.3 shall be reduced to reflect the Supplier's performance using

a performance factor developed

pursuant to the following equation: $K_{PIi} = (PI_i \square PSF) / (1-PSF)$

Where:

 K_{PIi} is the performance factor derived from the Regulation Service Performance index for the Resource for interval i;PI_i is the performance index of the Resource for interval i, with a value between 0.0 and 1.0 inclusive, derived from each Supplier's Regulation Service performance, as measured by the performance indices set forth in the ISO Procedures; and

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

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

15.3.5.5.2 Performance-Based Charge to Suppliers of Regulation Service

In addition, each Supplier that is scheduled in real-time to provide Regulation Service

shall be assessed a performance charge for interval *i* in accordance with the following formula.

Performance Charge_i =(((1- K_{PIi})* RTRinccap_i*-1.1* RTMPreg_i)+(((1- K_{PIi}) *(RTRcap_i-

 $RTRinccap_i$)*-1.1) * Max (DAMPreg_i, RTMPreg_i))) *(s_i/3600)

DAMPreg _i	is the applicable Regulation Capacity Market Price (in \$/MW), in the Day- Ahead Market, as established by the ISO pursuant to Section 15.3.4.1 of this Rate Schedule for the hour that includes RTD interval i;
RTMPreg _i	is the applicable Regulation Capacity Market Price (in \$/MW), in the Real-Time Market as established by the ISO under Section 15.3.5.1 of this Rate Schedule in RTD interval i;
RTRcap _i	is the Regulation Capacity (in MW) offered by the Resource_and selected by the ISO in the Real-Time Market in RTD interval i;
RTRinccap _i	is the incremental Regulation Capacity (in MW) offered by the Resource and selected by the ISO in the Real-Time Market in the RTD interval i which is in excess of Regulation Capacity offered and selected by the ISO in the Day-Ahead Market for the hour that includes interval i;
s _i	is the number of seconds in interval i; and
K _{Pli}	is the performance factor for the Resource for interval i as defined in Section 15.3.5.5.1.

15.3.6 Energy Settlement Rules for Generators Providing Regulation Service15.3.6.1 Energy Settlements

- A. For any interval in which a Generator that is not a Limited Energy Storage Resource is providing Regulation Service, it shall receive a settlement payment for Energy consistent with a real-time Energy injection equal to the lower of its actual generation or its AGC Base Point Signal. Demand Side Resources providing Regulation Service shall not receive a settlement payment for Energy.
- B. For any hour in which a Limited Energy Storage Resource has injected or withdrawn Energy, pursuant to an ISO schedule to do so, it shall receive a settlement payment (if the amount calculated below is positive) or charge (if the amount calculated below is negative) for Energy pursuant to the following formula:

Energy Settlement_h = Net $MWHR_h * LBMP_h$

Where:

- LBMP_h = the time-weighted average LBMP in hour h calculated for the location of that Limited Energy Storage Resource

15.3.6.2 Additional Payments/Charges

For any interval in which a Generator that is providing Regulation Service receives an

AGC Base Point Signal that differs from its RTD Base Point Signal, it shall receive or pay a

Regulation Revenue Adjustment Payment ("RRAP") or Regulation Revenue Adjustment Charge

("RRAC") calculated under the terms of this subsection, provided however no RRAP shall be

payable and no RRAC shall be charged to a Limited Energy Storage Resource.

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

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

$$Payment/Charge = \int_{RTD Base Point Signal, min(AGC Base Point Signal, Actual Output))} \int \left[Bid - LBMP\right] * s/3600$$

Where:

s is the number of seconds in the RTD interval;

If the result of the calculation is positive then the Generator shall receive a RRAP. If it is negative then the Generator shall be subject to a RRAC. For purposes of applying this formula, whenever the Generator's actual Bid exceeds the applicable LBMP the "Bid" term shall be set at a level equal to the lesser of the Generator's actual Bid or its reference Bid plus \$100/MWh. Demand Side Resources providing Regulation Service shall not be eligible for a RRAP and not liable for an RRAC.

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

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

$$Payment/Charge = \int_{min(RTD Base Point Signal, max(AGC Base Point Signal, Actual Output))}^{RTD Base Point Signal} + s/3600$$

Where:

s is the number of seconds in the RTD interval;

If the result of the calculation is positive then the Generator shall receive a RRAP. If it is negative then the Generator shall be subject to a RRAC. For purposes of this formula, whenever the Generator's actual Bid is lower than the applicable LBMP the "Bid" term shall be set at a level equal to the higher of the Generator's actual Bid or its reference Bid minus \$100/MWh. Demand Side Resources providing Regulation Service shall not be eligible for a RRAP and not liable for an RRAC.

15.3.7 Regulation Service Demand Curve

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

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

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

For quantities of Regulation Capacity that are less than or equal to the target level of Regulation Service minus 25 MW but that exceed the target level of Regulation Service minus 80 MW, the price on the Regulation Service demand curve shall be \$400/MW.

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

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

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

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

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

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

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

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

15.4 Rate Schedule 4 - Payments for Supplying Operating Reserves

This Rate Schedule applies to payments to Suppliers that provide Operating Reserves to the ISO. Transmission Customers will purchase Operating Reserves from the ISO under Rate Schedule 5 of the ISO OATT.

15.4.1 General Responsibilities and Requirements

15.4.1.1 ISO Responsibilities

The ISO shall procure on behalf of its Customers a sufficient quantity of Operating Reserve products to comply with the Reliability Rules and with other applicable reliability standards. These quantities shall be established under Section 15.4.7 of this Rate Schedule. To the extent that the ISO enters into Operating Reserve sharing agreements with neighboring Control Areas its Operating Reserves requirements shall be adjusted as, and where, appropriate.

The ISO shall define requirements for Spinning Reserve, which may be met only by Suppliers that are eligible, under Section 15.4.1.2 of this Rate Schedule, to provide Spinning Reserve; 10-Minute Reserve, which may be met by Suppliers that are eligible to provide either Spinning Reserve or 10-Minute Non-Synchronized Reserve; and 30-Minute Reserve, which may be met by Suppliers that are eligible to provide any Operating Reserve product. The ISO shall also define locational requirements for Spinning Reserve, 10-Minute Reserve, and 30-Minute Reserve located East of Central-East, in Southeastern New York and on Long Island. In addition to being subject to the preceding limitations on Suppliers that can meet each of these requirements, the requirements for Operating Reserve located East of Central-East may only be met by eligible Suppliers that are located East of Central-East, requirements for Operating Reserve located in Southeastern New York may only be met by eligible Suppliers that are located in Southeastern New York, and requirements for Operating Reserve located on Long Island may only be met by eligible Suppliers located on Long Island. Each of these Operating Reserve requirements shall be defined consistent with the Reliability Rules and other applicable reliability standards. The ISO shall select Suppliers of Operating Reserves products to meet these requirements, including the locational Operating Reserves requirements, as part of its overall co-optimization process.

The ISO shall select Operating Reserves Suppliers that are properly located electrically so that all locational Operating Reserves requirements determined consistently with the requirements of Section 15.4.7 of this Rate Schedule are satisfied, and so that transmission Constraints resulting from either the commitment or dispatch of Generators do not limit the ISO's ability to deliver Energy to Loads in the case of a Contingency. The ISO will ensure that Suppliers that are compensated for using Capacity to provide one Operating Reserve product are not simultaneously compensated for providing another Operating Reserve product, or Regulation Service, using the same Capacity (consistent with the additive market clearing price calculation formulae in Sections 15.4.5.1 and 15.4.6.1 of this Rate Schedule).

15.4.1.2 Supplier Eligibility Criteria

The ISO shall enforce the following criteria, which define which types of Suppliers are eligible to supply particular Operating Reserve products.

15.4.1.2.1 Spinning Reserve:

Suppliers that are ISO Committed Flexible or Self-Committed Flexible, are operating within the dispatchable portion of their operating range, are capable of responding to ISO instructions to change their output level within ten minutes, and that meet the criteria set forth in the ISO Procedures shall be eligible to supply Spinning Reserve (except for Demand Side Resources that are Local Generators).

15.4.1.2.2 10-Minute Non-Synchronized Reserve:

Off-line Generators that are capable of starting, synchronizing, and increasing their output level within ten (10) minutes and that meet the criteria set forth in the ISO Procedures, and, Demand Side Resources that are capable of reducing their Energy usage within ten (10) minutes and that meet the criteria set forth in the ISO Procedures, shall be eligible, to supply 10-Minute Non-Synchronized Reserve.

15.4.1.2.3 30-Minute Reserve:

(i) Generators that are ISO-Committed Flexible or Self-Committed Flexible and operating within the dispatchable portion of their operating range and Demand Side Resources, that are not Local Generators, that are capable of reducing their Energy usage within thirty (30) minutes shall be eligible to supply synchronized 30-Minute Reserves; (ii) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within thirty (30) minutes and that meet the criteria set forth in the ISO Procedures, and Demand Side Resources that are capable of reducing their Energy usage within thirty (30) minutes and that meet the criteria set forth in the ISO Procedures, shall be eligible to supply non-synchronized 30-Minute Reserves.

15.4.1.2.4 Self-Committed Fixed and ISO-Committed Fixed Generators:

Shall not be eligible to provide any kind of Operating Reserve.

15.4.1.3 Other Supplier Requirements

All Suppliers of Operating Reserve must be located within the NYCA and must be under ISO Operational Control. Each Supplier bidding to supply Operating Reserve or reduce demand must be able to provide Energy or reduce demand consistent with the Reliability Rules and the ISO Procedures when called upon by the ISO.

All Suppliers that are selected to provide Operating Reserves shall ensure that their Resources maintain and deliver the appropriate quantity of Energy, or reduce the appropriate quantity of demand, when called upon by the ISO during any interval in which they have been selected.

Generators or Demand Side Resources that are selected to provide Operating Reserve in the Day-Ahead Market or any supplemental commitment may increase their Incremental Energy Bids or Demand Reduction Bids for portions of their Resources that have been scheduled through those processes; provided however, that they are not otherwise prohibited from doing so pursuant to other provisions of the ISO's Tariffs. They may not, however, reduce their Day-Ahead Market or supplemental commitments in real-time except to the extent that they are directed to do so by the ISO. Generators and Demand Side Resources may enter into alternate sales arrangements utilizing any Capacity that has not been scheduled to provide Operating Reserve.

15.4.2 General Day-Ahead Market Rules

15.4.2.1 Bidding and Bid Selection

Resources capable of providing Spinning Reserve, 10-Minute Non-Synchronized Reserve and/or 30-Minute Reserve in the Day-Ahead commitment may submit Availability Bids for each hour of the upcoming day. If a Supplier offers Resources that are capable, based on their indicated commitment status, of providing Operating Reserves but does not submit an Availability Bid, its Day-Ahead Bid will be rejected in its entirety. A Supplier may resubmit a complete Day-Ahead Bid, provided that the new bid is timely. The ISO may schedule Suppliers that make themselves available to provide Operating Reserves up to the following maximum Operating Reserve levels: (i) for Spinning Reserves, the Resource's emergency response rate multiplied by ten; (ii) for 10-Minute Non-Synchronized Reserves, or for non-synchronized 30-Minute Reserves, the Resource's UOLN or UOLE, whichever is applicable at the relevant time (the Resource may offer one product or the other depending on the time required for it to start-up and synchronize to the grid; and (iii) for synchronized 30-Minute Reserves, the Resource's emergency response rate multiplied by twenty.

However, the sum of the amount of Energy or Demand Reduction each Resource is scheduled to provide, the amount of Regulation Service it is scheduled to provide, and the amount of each Operating Reserves product it is scheduled to provide shall not exceed its UOLN or UOLE, whichever is applicable.

The ISO shall select Operating Reserve Suppliers for each hour of the upcoming day through a co-optimized Day-Ahead commitment process that minimizes the total bid cost of Energy, Operating Reserves and Regulation Service, using Bids submitted pursuant to Article 4.2 of, and Attachment D to, this ISO Services Tariff. As part of the co-optimization process, the ISO shall determine how much of each Operating Reserves product particular Suppliers will be required to provide in light of the Reliability Rules and other applicable reliability standards, including the locational Operating Reserves requirements specified above.

15.4.2.2 ISO Notice Requirement

The ISO shall notify each Operating Reserve Supplier that has been selected in the Day-Ahead Market of the amount of each Operating Reserve product that it has been scheduled to provide.

15.4.2.3 Real-Time Market Responsibilities of Suppliers Scheduled to Provide Operating Reserves in the Day-Ahead Market

Suppliers that are scheduled Day-Ahead to provide Operating Reserves shall either provide Operating Reserve, Energy or Demand Reductions in real-time when scheduled by the ISO in all hours for which they have been selected to provide Operating Reserve and are physically capable of doing so. However, Suppliers that are scheduled Day-Ahead to provide Operating Reserves and have startup periods of two hours or less may advise the ISO no later than three hours prior to the first hour of their Day-Ahead schedule that they will not be available to provide Operating Reserves or Energy in real-time under normal conditions. Such Suppliers will be required to settle their Day-Ahead schedule at real-time prices pursuant to Section 15.4.6.3 of this Rate Schedule. The only restriction on Suppliers' ability to exercise this option is that all Suppliers with Day-Ahead Operating Reserves schedules must make the scheduled amount of Capacity available to the ISO for dispatch in the RTD if the ISO initiates a Supplemental Resource Evaluation.

15.4.3 General Real-Time Market Rules

15.4.3.1 Bid Selection

The ISO will automatically select Operating Reserves Suppliers in real-time from eligible Resources, that submit Real-Time Bids pursuant to Section 4.4 of, and Attachment D to, this ISO Services Tariff. Each Supplier will automatically be assigned a real-time Operating Reserves Availability bid of 0/MW for the quantity of Capacity that it makes available to the ISO in its Real-Time Bid. The ISO may schedule Suppliers that make themselves available to provide Operating Reserves up to the following maximum Operating Reserve levels: (i) for Spinning Reserves, the Resource's emergency response rate multiplied by ten; (ii) for 10-Minute Non-Synchronized Reserves, or for non-synchronized 30-Minute Reserves, the Resource's UOL_N or UOL_E , whichever is applicable at the relevant time (the Resource may offer one product or the other depending on the time required for it to start-up and synchronize to the grid); and (iii) for synchronized 30-Minute Reserves, the Resource's emergency response rate multiplied by twenty. However, the sum of the amount of Energy or Demand Reduction, that each Resource is scheduled to provide, the amount of Regulation Service it is scheduled to provide, and the amount of each Operating Reserves product it is scheduled to provide shall not exceed its UOL_N or UOL_E , whichever is applicable.

Suppliers will thus be selected on the basis of their response rates, their applicable upper operating limits, and their Energy Bids (which will reflect their opportunity costs) through a cooptimized real-time commitment process that minimizes the total bid cost of Energy, or Demand Reduction, Regulation Service, and Operating Reserves. As part of the process, the ISO shall determine how much of each Operating Reserves product particular Suppliers will be required to provide in light of the Reliability Rules and other applicable reliability standards, including the locational Operating Reserves requirements specified above.

15.4.3.2 ISO Notice Requirement

The ISO shall notify each Supplier of Operating Reserve that has been scheduled by RTD of the amount of Operating Reserve that it must provide.

15.4.3.3 Obligation to Make Resources Available to Provide Operating Reserves

Any Resource that is eligible to supply Operating Reserves and that is made available to ISO for dispatch in Real-Time must also make itself available to provide Operating Reserves.

15.4.3.4 Activation of Operating Reserves

All Resources that are selected by the ISO to provide Operating Reserves shall respond to the ISO's directions to activate in real-time.

15.4.3.5 Performance Tracking and Supplier Disqualifications

When a Supplier committed to supply Operating Reserves is activated, the ISO shall measure and track its actual Energy production or its Demand Reduction against its expected performance in real-time. The ISO may disqualify Suppliers that consistently fail to provide Energy or Demand Reduction when called upon to do so in real-time from providing Operating Reserves in the future. If a Resource has been disqualified, the ISO shall require it to pass a requalification test before accepting any additional Bids to supply Operating Reserves from it. Disqualification and re-qualification criteria shall be set forth in the ISO Procedures.

15.4.4 Operating Reserves Settlements - General Rules

15.4.4.1 Establishing Locational Reserve Prices

Except as noted below, the ISO shall calculate separate Day-Ahead Market and Real-Time Market prices for each of the products in four locations: (i) West of Central-East ("West" or "Western"); (ii) East of Central-East excluding Southeastern New York ("Eastern"); (iii) Southeastern New York excluding Long Island ("Southeastern"); and (iv) Long Island ("L.I."). The ISO will thus calculate twelve different locational Operating Reserve prices in both the Day-Ahead Market and the Real-Time Market. Day-Ahead locational reserve prices shall be calculated pursuant to Section 15.4.5 of this Rate Schedule. Real-Time locational reserve prices shall be calculated pursuant to Section 15.4.6 of this Rate Schedule

15.4.4.2 Settlements Involving Suppliers of Operating Reserves Located on Long Island

Suppliers of Operating Reserves located on Long Island shall receive settlement payments as if they were providing Operating Reserves located in Southeastern New York. The ISO will calculate separate locational Long Island Operating Reserves prices but will not post them or use them for settlement purposes.

15.4.4.3 "Cascading" of Operating Reserves

The ISO will deem Spinning Reserve to be the "highest quality" Operating Reserve, followed by 10-Minute Non-Synchronized Reserve and by 30-Minute Reserve. The ISO shall substitute higher quality Operating Reserves in place of lower quality Operating Reserves, when doing so lowers the total as-bid cost, *i.e.*, when the marginal cost for the higher quality Operating Reserve product is lower than the marginal cost for the lower quality Operating Reserve product, and the substitution of a higher quality for the lower quality product does not cause locational Operating Reserve requirements to be violated. To the extent, however, that reliability standards require the use of higher quality Operating Reserves, substitution cannot be made in the opposite direction.

The market clearing price of higher quality Operating Reserves will not be set at a price below the market clearing price of lower quality Operating Reserves in the same location. Thus, the market clearing price of Spinning Reserves will not be below the price for 10-Minute Non-Synchronized Reserves or 30-Minute Reserves and the market clearing price for 10-Minute Non-Synchronized Reserves will not be below the market clearing price for 30-Minute Reserves.

15.4.5 Operating Reserve Settlements – Day-Ahead Market

15.4.5.1 Calculation of Day-Ahead Market Clearing Prices

The ISO shall calculate hourly Day-Ahead Market clearing prices for each Operating Reserve product at each location. Each Day-Ahead Market clearing price shall equal the sum of the relevant Day-Ahead locational Shadow Prices for that product in that hour, subject to the restriction described in Section 15.4.4.3 of this Rate Schedule.

The Day-Ahead Market clearing price for a particular Operating Reserve product in a particular location shall reflect the Shadow Prices associated with all of the ISO-defined Operating Reserve requirements, including locational requirements, that a particular Operating Reserves product from a particular location may be used to satisfy in a given hour. The ISO shall calculate Day-Ahead Market clearing prices using the following formulae:

Market clearing price for Western 30-Minute Reserves = SP1

Market clearing price for Western 10-Minute Non-Synchronized Reserves = SP1 + SP2

Market clearing price for Western Spinning Reserves = SP1 + SP2 + SP3

Market clearing price for Eastern 30-Minute Reserves = SP1 + SP4

Market clearing price for Eastern 10-Minute Non-Synchronized Reserves = SP1 + SP2 + SP4 + SP5

Market clearing price for Eastern Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6

Market clearing price for Southeastern 30-Minute Reserves = SP1 + SP4 + SP7

Market clearing price for Southeastern 10-Minute Non-Synchronized Reserves = SP1 + SP2 + SP4 + SP5 + SP7 + SP8

Market clearing price for Southeastern Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6 + SP7 + SP8 + SP9

Market clearing price for L.I. 30-Minute Reserves = SP1 + SP4 + SP7 + SP10

Market clearing price for L.I. Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6+ SP7 + SP8 + SP9 + SP10 + SP11 + SP12

Where:

	SP1	= Shadow Price for total 30-Minute Reserve requirement constraint for the hour
	SP2	= Shadow Price for total 10-Minute Reserve requirement constraint for the hour
	SP3	= Shadow Price for total Spinning Reserve requirement constraint for the hour
	SP4	= Shadow Price for Eastern, Southeastern, or L.I. 30-Minute Reserve requirement constraint for the hour
	SP5	= Shadow Price for Eastern, Southeastern, or L.I. 10-Minute Reserve requirement constraint for the hour
	SP6	= Shadow Price for Eastern, Southeastern, or L.I. Spinning Reserve requirement constraint for the hour
	SP7	= Shadow Price for Southeastern, or L.I. 30-Minute Reserve requirement constraint for the hour
	SP8	= Shadow Price for Southeastern, or L.I. 10-Minute Reserve requirement constraint for the hour
	SP9	=Shadow Price for Southeastern, or L.I. Spinning Reserve requirement constraint for the hour
	SP10	= Shadow Price for Long Island 30-Minute Reserve requirement constraint for the hour
	SP11	= Shadow Price for Long Island 10-Minute Reserve requirement constraint for the hour
	SP12	= Shadow Price for Long Island Spinning Reserve requirement constraint for the hour
	Day-A	head locational Shadow Prices will be calculated by SCUC. Each hourly Day-
Ahead	Shadov	w Price for each Operating Reserves requirement shall equal the marginal Bid cost

of scheduling Resources to provide additional Operating Reserves to meet that requirement in that hour, including any impact on the Bid Production Cost of procuring Energy or Regulation Service that would result from procuring an increment of Operating Reserve to meet the requirement in that hour, as calculated during the fifth SCUC pass described in Section 17.1.3 of Attachment B to this Services Tariff. As a result, the Shadow Price for each Operating Reserves requirement shall include the Day-Ahead Availability Bid of the marginal Resource selected to meet that requirement (or the applicable price on the Operating Reserve Demand Curve for that requirement during shortage conditions), plus any margins on the sale of Energy or Regulation Service in the Day-Ahead Market that that Resource would forego if scheduling it to provide additional Operating Reserve to meet that requirement would lead to it being scheduled to provide less Energy or Regulation Service. Shadow Prices will also be consistent with the Operating Reserve Demand Curves described in Section 15.4.7 of this Rate Schedule, which will ensure that Operating Reserves are not scheduled by SCUC at a cost greater than the relevant Operating Reserve Demand Curve indicates should be paid. If more Operating Reserve of a particular quality than is needed is scheduled to meet a particular locational Operating Reserve requirement, the Shadow Price for that Operating Reserve requirement constraint shall be set at zero.

Each Supplier that is scheduled Day-Ahead to provide Operating Reserve shall be paid the applicable Day-Ahead Market clearing price, based on its location and the quality of Operating Reserve scheduled, multiplied by the amount of Operating Reserve that the Supplier is scheduled to provide in each hour.

15.4.5.2 Other Day-Ahead Payments

A Supplier that bids on behalf of (i) a Generator that provides Operating Reserves or (ii) a Demand Side Resource that provides Operating Reserves may be eligible for a Day-Ahead Bid Production Cost guarantee payment pursuant to Section 4.6.6 and Attachment C of this ISO Services Tariff.

15.4.6 Operating Reserve Settlements – Real-Time Market

15.4.6.1 Calculation of Real-Time Market Clearing Prices

The ISO shall calculate Real-Time Market clearing prices for each Operating Reserve product for each location in every interval. Except when the circumstances described below in Section 15.4.6.2 apply, each real-time market-clearing price shall equal the sum of the relevant real-time locational Shadow Prices for a given product, subject to the restriction described in Section 15.4.4.3 of this Rate Schedule.

The Real-Time Market clearing price for a particular Operating Reserve product for a particular location shall reflect the Shadow Prices associated with all of the ISO-defined Operating Reserve requirements, including locational requirements, that a particular Operating Reserves product from that location may be used to satisfy in a given interval. The ISO shall calculate the Real-Time Market clearing prices using the following formulae:

Market clearing price for Western 30-Minute Reserves = SP1 Market clearing price for Western 10-Minute Non-Synchronized Reserves = SP1 + SP2 Market clearing price for Western Spinning Reserves = SP1 + SP2 + SP3 Market clearing price for Eastern 30-Minute Reserves = SP1 + SP4 Market clearing price for Eastern 10-Minute Non-Synchronized Reserves = SP1 + SP2 + SP4 + SP5 Market clearing price for Eastern Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6

Market clearing price for Southeastern 30-Minute Reserves = SP1 + SP4 + SP7

 $\label{eq:market} \begin{array}{l} \mbox{Market clearing price for Southeastern 10-Minute Non-Synchronized Reserves} = SP1 + \\ SP2 + SP4 + SP5 + SP7 + SP8 \end{array}$

 $\label{eq:market} \begin{array}{l} \mbox{Market clearing price for Southeastern Spinning Reserves} = SP1 + SP2 + SP3 + SP4 + \\ SP5 + SP6 + SP7 + SP8 + SP9 \end{array}$

Market clearing price for L.I. 30-Minute Reserves = SP1 + SP4 + SP7 + SP10

Market clearing price for L.I. 10-Minute Non-Synchronized Reserves = SP1 + SP2 + SP4 + SP5 + SP7 + SP8 + SP10 + SP11

Market clearing price for L.I. Spinning Reserves = SP1 + SP2 + SP3 + SP4 + SP5 + SP6+ SP7 + SP8 + SP9 + SP10 + SP11+ SP12

Where:

SP1	= Shadow Price for total 30-Minute Reserve requirement constraint for the interval
SP2	= Shadow Price for total 10-Minute Reserve requirement constraint for the interval
SP3	= Shadow Price for total Spinning Reserve requirement constraint for the interval
SP4	= Shadow Price for Eastern, Southeastern, or L.I. 30-Minute Reserve requirement constraint for the interval
SP5	= Shadow Price for Eastern, Southeastern, or L.I. 10-Minute Reserve requirement constraint for the interval
SP6	= Shadow Price for Eastern, Southeastern, or L.I. Spinning Reserve requirement constraint for the interval
SP7	= Shadow Price for Southeastern, or L.I. 30-Minute Reserve requirement constraint for the interval
SP8	= Shadow Price for Southeastern, or L.I. 10-Minute Reserve requirement constraint for the interval
SP9	= Shadow Price for Southeastern, or L.I. Spinning Reserve requirement constraint for the interval

- SP10 = Shadow Price for Long Island 30-Minute Reserve requirement constraint for the interval
- SP11 = Shadow Price for Long Island 10-Minute Reserve requirement constraint for the interval
- SP12 = Shadow Price for Long Island Spinning Reserve requirement constraint for the interval

Real-time locational Shadow Prices will be calculated by the ISO's RTD. Each Real-Time Shadow Price for each Operating Reserves requirement in each RTD interval shall equal the marginal Bid cost of scheduling Resources to provide additional Operating Reserves to meet that requirement in that interval, including any impact on the Bid Production Cost of procuring Energy or Regulation Service that would result from procuring an increment of Operating Reserve to meet the requirement in that interval, as calculated during the third RTD pass described in Section 17.1.2.1.2.3 of Attachment B to this ISO Services Tariff. As a result, the Shadow Price for each Operating Reserves requirement shall include the Real-Time Availability Bid of the marginal Resource selected to meet that requirement (or the applicable price on the Operating Reserve Demand Curve for that requirement during shortage conditions), plus any margins on the sale of Energy or Regulation Service in the Real-Time Market that that Resource would forego if scheduling it to provide additional Operating Reserve to meet that requirement would lead to it being scheduled to provide less Energy or Regulation Service. Shadow Prices will also be consistent with the Operating Reserve Demand Curves described in Section 15.4.7 of this Rate Schedule, which will ensure that Operating Reserves are not scheduled by RTC at a cost greater than the relevant Operating Reserve Demand Curve indicates should be paid. If there is more Operating Reserve of the required quality than is needed to meet a particular locational Operating Reserve requirement then the Shadow Price for that Operating Reserve requirement constraint shall be zero.

Each Supplier that is scheduled in real-time to provide Operating Reserve shall be paid the applicable Real-Time Market clearing price, based on its location and the quality of Operating Reserve scheduled, multiplied by the amount of Operating Reserve that the Supplier is scheduled to provide in each interval that was not scheduled Day-Ahead.

15.4.6.2 Calculation of Real-Time Market Clearing Prices for Operating Reserves During EDRP/SCR Activationse

During any interval in which the ISO is using scarcity pricing to calculate LBMPs under Section 17.1.2.2 of Attachment B to this ISO Services Tariff, the ISO shall also determine whether scarcity conditions for Operating Reserves exist, as defined below and shall apply the appropriate scarcity pricing rule for Operating Reserves as indicated. When scarcity conditions for pricing Operating Reserves exist, as described below the real-time market clearing prices for some Operating Reserves products may be recalculated in light of the Lost Opportunity Costs of Resources that are scheduled to provide Spinning Reserves and synchronized 30-Minute Reserves in the manner described below. The ISO shall also consider the Lost Opportunity Costs of Resources providing lower quality Operating Reserves to ensure that the requirements of Section 15.4.4.3 of this Rate Schedule are not violated.

The ISO shall use the scarcity pricing rule described in Section 15.4.6.2.1. below, for each interval in which EDRP/SCR Resources have been called in response to a reliability need in any Load Zone in the NYCA, and the NYISO uses the scarcity pricing rule described in Section 17.1.2.2 of this Services Tariff in the interval, and the aggregate of Available Reserves in all Load Zone(s) in the NYCA are less than the number of EDRP/SCR MW called for that event.

If the NYISO does not use the scarcity pricing rule described in Section 15.4.6.2.1 in an interval in which EDRP/SCR Resources have been called only in a Load Zone or Load Zones East of Central East, the ISO shall use the scarcity pricing rule described in Section 15.4.6.2.2,

below, for each interval in which EDRP/SCR Resources have been called in response to a reliability need only in a Load Zone or Load Zones East of Central East, and the NYISO uses the scarcity pricing rule described in Section 17.1.2.2 of this Services Tariff in the interval, and the aggregate of Available Reserves in all Load Zone(s) East of Central East are less than the number of EDRP/SCR MW called for that event.

If the NYISO does not use the scarcity pricing rule described in Section 15.4.6.2.1 or 15.4.6.2.2 in an interval in which EDRP/SCR Resources have been called only in a Load Zone or Load Zones in Southeastern New York, the ISO shall use the scarcity pricing rule described in Section 15.4.6.2.3, below, for each interval in which EDRP/SCR Resources have been called in response to a reliability need only in a Load Zone or Load Zones in Southeastern New York, and the NYISO uses the scarcity pricing rule described in Section 17.1.2.2 of this Services Tariff in the interval, and the aggregate of Available Reserves in all Load Zone(s) in Southeastern New York are less than the number of EDRP/SCR MW called for that event.

If no scarcity pricing rule is indicated under either test described above, the NYISO shall apply the pricing rules contained in Section 14.4.6.1 for each Operating Reserves product.

15.4.6.2.1 Pricing of Operating Reserves During Intervals of Statewide Scarcity

The Eastern Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Spinning Reserve or synchronized 30-Minute Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Eastern 10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of synchronized 30-Minute

Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Eastern 30-Minute Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of synchronized 30-Minute Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Spinning Reserve or synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern 10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern 30-Minute Reserve market clearing price shall be the higher of : (i) the highest Lost Opportunity Cost of any provider of synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Western Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Western Spinning Reserve or Western synchronized 30- Minute Reserves that is scheduled by RTD; and (ii) the original market clearing price calculated under Section 15.4.6.1 above. The Western 10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Western synchronized 30 Minute-Reserve that is scheduled by RTD; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Western 30-Minute Reserve market clearing price shall be the higher of: i) the highest Lost Opportunity Cost of any provider of Western synchronized 30-Minute Reserve that is scheduled by RTD; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

15.4.6.2.2 Pricing Operating Reserves During Intervals of Eastern Scarcity

The Eastern Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern Spinning Reserve or Eastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Eastern 10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Eastern 30-Minute Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located in Southeastern New York; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern or Southeastern Spinning Reserve or

Eastern or Southeastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern or Southeastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern 30-Minute Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Eastern or Southeastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

15.4.6.2.3 Pricing Operating Reserves During Intervals of Southeastern Scarcity

The Southeastern Spinning Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Southeastern Spinning Reserve or Southeastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern10-Minute Non-Synchronized Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Southeastern synchronized 30-Minute Reserve that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

The Southeastern 30-Minute Reserve market clearing price shall be the higher of: (i) the highest Lost Opportunity Cost of any provider of Southeastern synchronized 30-Minute Reserve

that is scheduled by RTD and is not located on Long Island; and (ii) the original market clearing price calculated under Section 15.4.6.1 above.

15.4.6.3 Operating Reserve Balancing Payments

Any deviation in performance from a Supplier's Day-Ahead schedule to provide Operating Reserves, including deviations that result from schedule modifications made by the ISO, shall be settled pursuant to the following rules.

- (a) When the Supplier's real-time Operating Reserves schedule is less than its Day-Ahead Operating Reserves schedule, the Supplier shall pay a charge for the imbalance equal to the product of: (i) the Real-Time Market clearing price for the relevant Operating Reserves Product in the relevant location; and (ii) the difference between the Supplier's Day-Ahead and real-time Operating Reserves schedules.
- (b) When the Supplier's real-time Operating Reserves schedule is greater than its Day-Ahead Operating Reserves schedule, the ISO shall pay the Supplier an amount to compensate it for the imbalance equal to the product of: (i) the Real-Time Market clearing price for the relevant Operating Reserve product in the relevant location; and (ii) the difference between the Supplier's Day-Ahead and real-time Operating Reserves schedules.

15.4.6.4 Other Real-Time Payments

The ISO shall pay Generators that are selected to provide Operating Reserves Day-Ahead, but are directed to convert to Energy production in real-time, the applicable Real-Time LBMP for all Energy they are directed to produce in excess of their Day-Ahead Energy schedule. A Supplier that bids on behalf of (i) a Generator that provides Operating Reserves or (ii) a Demand Side Resource that provides Operating Reserves may be eligible for a Bid Production Cost guarantee payment pursuant to Section 4.6.6 and Attachment C of this ISO Services Tariff.

A Supplier that provides Operating Reserves may also be eligible for a Day-Ahead Margin Assurance Payment pursuant to Section 4.6.5 and Attachment J of this ISO Services Tariff.

15.4.7 Operating Reserve Demand Curves

The ISO shall establish twelve Operating Reserve Demand Curves, one for each Operating Reserves requirement. Specifically, there shall be a demand curve for: (i) Total Spinning Reserves; (ii) Eastern, Southeastern or Long Island Spinning Reserves; (iii) Southeastern or Long Island Spinning Reserves (iv) Long Island Spinning Reserves; (v) Total 10-Minute Reserves; (vi) Eastern, Southeastern or Long Island 10-Minute Reserves; (vii) Southeastern or Long Island 10-Minute Reserves; (viii) Long Island 10-Minute Reserves; (vii) Southeastern or Long Island 10-Minute Reserves; (viii) Long Island 10-Minute Reserves; (ix) Total 30-Minute Reserves; (x) Eastern, Southeastern or Long Island 30-Minute Reserves; (xi) Southeastern or Long Island 30-Minute Reserves; and (xii) Long Island 30-Minute Reserves. Each Operating Reserve Demand Curve will apply to both the Day-Ahead Market and the Real-Time Market for the relevant product and location.

The market clearing pricing for Operating Reserves shall be calculated pursuant to Sections 15.4.5.1 and 15.4.6.1 of this Rate Schedule and in a manner consistent with the demand curves established in this Section so that Operating Reserves are not purchased by SCUC or RTC at a cost higher than the relevant demand curve indicates should be paid.

The ISO Procedures shall establish and post a target level for each Operating Reserves requirement for each hour, which will be the number of MW of Operating Reserves meeting that

requirement that the ISO would seek to maintain in that hour. The ISO will then define an Operating Reserves demand curve for that hour corresponding to each Operating Reserves requirement as follows:

- (a) Total Spinning Reserves: For quantities of Operating Reserves meeting the total Spinning Reserves requirement that are less than or equal to the target level for that requirement, the price on the total Spinning Reserves demand curve shall be \$775/MW. For all other quantities, the price on the total Spinning Reserves demand curve shall be \$0/MW.
- (b) Eastern, Southeastern or Long Island Spinning Reserves: For quantities of Operating Reserves meeting the Eastern, Southeastern or Long Island Spinning Reserves requirement that are less than or equal to the target level for that requirement, the price on the Eastern, Southeastern or Long Island Spinning Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Eastern, Southeastern or Long Island Spinning Reserves demand curve shall be \$25/MW.
- (c) Southeastern or Long Island Spinning Reserves: For quantities of Operating Reserves meeting the Southeastern or Long Island Spinning Reserves requirement that are less than or equal to the target level for that requirement, the price on the Southeastern or Long Island Spinning Reserves demand curve shall be \$25/MW.
 For all other quantities, the price on the Southeastern or Long Island Spinning Reserves demand curve shall be \$0/MW.
- (d) Long Island Spinning Reserves: For quantities of Operating Reserves meeting theLong Island Spinning Reserves requirement that are less than or equal to the

target level for that requirement, the price on the Long Island Spinning Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Long Island Spinning Reserves demand curve shall be \$0/MW.

- (e) Total 10-Minute Reserves: For quantities of Operating Reserves meeting the total 10-minute reserves requirement that are less than or equal to the target level for that requirement, the price on the total 10-minute reserves demand curve shall be \$750/MW. For all other quantities, the price on the total 10-minute reserves demand curve shall be \$0/MW.
- (f) Eastern, Southeastern or Long Island 10-Minute Reserves: For quantities of Operating Reserves meeting the Eastern, Southeastern or Long Island 10-minute reserves requirement that are less than or equal to the target level for that requirement, the price on the Eastern, Southeastern or Long Island 10-minute reserves demand curve shall be \$775/MW. For all other quantities, the price on the Eastern, Southeastern or Long Island 10-minute reserves demand curve shall be \$0/MW.
- (g) Southeastern or Long Island 10-Minute Reserves: For quantities of Operating Reserves meeting the Southeastern or Long Island 10-Minute Reserves requirement that are less than or equal to the target level for that requirement, the price on the Southeastern or Long Island 10-Minute Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Southeastern or Long Island 10-Minute Reserves demand curve shall be \$0/MW.
- (h) Long Island 10-Minute Reserves: For quantities of Operating Reserves meeting the Long Island 10-minute reserves requirement that are less than or equal to the

target level for that requirement, the price on the Long Island 10-minute reserves demand curve shall be \$25/MW. For all other quantities, the price on the Long Island 10-minute reserves demand curve shall be \$0/MW.

- (i) Total 30-Minute Reserves: For quantities of Operating Reserves meeting the total 30-Minute Reserves requirement that are less than or equal to the target level for that requirement minus 955 MW, the price on the total 30-Minute Reserves demand curve shall be \$750/MW. For quantities of Operating Reserves meeting the total 30-Minute Reserves requirement that are less than or equal to the target level for that requirement minus 655 MW but that exceed the target level for that requirement minus 955 MW, the price on the total 30-Minute Reserves demand curve shall be \$200/MW. For quantities of Operating Reserves meeting the total 30-Minute Reserves requirement that are less than or equal to the target level for that requirement minus 300 MW but that exceed the target level for that requirement minus 655 MW, the price on the total 30-Minute Reserves demand curve shall be \$100/MW. For quantities of Operating Reserves meeting the total 30-Minute Reserves requirement that are less than or equal to the target level for that requirement but that exceed the target level for that requirement minus 300 MW, the price on the total 30-Minute Reserves demand curve shall be \$25/MW. For all other quantities, the price on the total 30-Minute Reserves demand curve shall be \$0/MW. However, the ISO will not schedule more total 30-Minute Reserves than the level defined by the requirement for that hour.
- (j) Eastern, Southeastern or Long Island 30-Minute Reserves: For quantities ofOperating Reserves meeting the Eastern, Southeastern or Long Island 30-Minute

Reserves requirement that are less than or equal to the target level for that requirement, the price on the Eastern, Southeastern or Long Island 30-Minute Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Eastern, Southeastern or Long Island 30-Minute Reserves demand curve shall be \$0/MW.

- (k) Southeastern or Long Island 30-Minute Reserves: For quantities of Operating Reserves meeting the Southeastern or Long Island 30-Minute Reserves requirement that are less than or equal to the target level for that requirement, the price on the Southeastern or Long Island 30-Minute Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Southeastern or Long Island 30-Minute Reserves demand curve shall be \$0/MW.
- (1) Long Island 30-Minute Reserves: For quantities of Operating Reserves meeting the Long Island 30-Minute Reserves requirement that are less than or equal to the target level for that requirement, the price on the Long Island 30-Minute Reserves demand curve shall be \$25/MW. For all other quantities, the price on the Long Island 30-Minute Reserves demand curve shall be \$0/MW.

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

reliability problems. The ISO will consult with its Market Monitoring Unit when it conducts this investigation.

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

Not later than 90 days after the implementation of the Operating Reserves Demand Curves the ISO, in consultation with its Market Advisor, shall conduct an initial review of them in accordance with the ISO Procedures. The scope of the review shall include, but not be limited to, an analysis of whether any Operating Reserve Demand Curve should be adjusted upward or downward in order to optimize the economic efficiency of any, or all, of the ISO Administered Markets. The ISO and the Market Advisor shall perform additional quarterly reviews, subject to the same scope requirement, during the remainder of the first year that this Section 15.4.7 is in effect. After the first year, the ISO shall perform periodic reviews, subject to the same scope requirement, and the Market Monitoring Unit shall be given the opportunity to review and comment on the ISO's periodic reviews of the Operating Reserve Demand Curves.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Rate Schedule 4 to the Services Tariff are also addressed in Section 30.4.6.4.2 of Attachment O.
15.4.8 Self-Supply

Transactions may be entered into to provide for Self-Supply of Operating Reserves. Except as noted in the next paragraph, Customers seeking to Self-Supply Operating Reserves must place the Generator(s) supplying any one of the Operating Reserves under ISO control. The Generator(s) must meet ISO rules for acceptability. The amount that any such Customer will be charged for Operating Reserves will be reduced by the market value of the services provided by the specified Generator(s) as determined in the ISO Services Tariff.

Alternatively, Customers, including LSEs, may enter into Day-Ahead Bilateral financial Transactions, *e.g.*, contracts-for-differences, in order to hedge against price volatility in the Operating Reserves markets.

15.6 Rate Schedule 6 - Quick Start Reserves

This Rate Schedule applies to the scheduling and payment mechanisms for Quick Start Reserves.

15.6.1 Qualification to Provide Quick Start Reserves

- 15.6.1.1 A Supplier may offer Quick Start Reserves from one or more blocks of generator units to the Transmission Owner to which the block of generator units is interconnected if the block of generator units is (i) qualified to provide 30-Minute Reserves, and (ii) capable of being set to Quick Start Mode.
- 15.6.1.2 A Supplier intending to offer Quick Start Reserves shall undertake a test scheduled pursuant to the ISO Procedures for Installed Capacity Suppliers qualifying to sell Installed Capacity in the NYCA to determine the DMNC of the Supplier's block of generator units. The Supplier shall, while undertaking the DMNC test in Quick Start Mode, make record of and notify, for information purposes, the Transmission Owner in the Supplier's Transmission District and the ISO of (i) the output level in MWs that the block of generator units produced at ten (10) minutes following start-up; and (ii) the output level in MWs that the block of generator units produced at fifteen (15) minutes following start-up. Delivery of this information to the Transmission Owner in the Supplier's Transmission District and the ISO shall constitute and be deemed to be a standing offer to provide Quick Start Reserves pursuant to Section 15.6.2 of this Rate Schedule until (i) the Supplier performs another DMNC test and provides the information required pursuant to this Section 15.6.1.2 to the ISO and the Transmission Owner, (ii) thirty (30) days after providing a notice to the ISO and

the Transmission Owner that it no longer offers Quick Start Reserves from any one or more blocks of generator units, provided that the supplier is not otherwise required to provide Quick Start Reserves, or (iii) the Supplier is not paid for Quick Start Reserves as provided herein.

- 15.6.1.3 A Supplier shall maintain each block of generator units for which Quick Start Reserves are offered in good working order to provide Energy in an amount at its temperature-adjusted DMNC within fifteen (15) minutes of remote start-up.
- 15.6.1.4 A Transmission Owner receiving the information specified in Section 15.6.1.2 of this Rate Schedule shall confirm to the ISO and the Supplier whether the Transmission Owner has the ability to remotely start up a block of generator units that the Supplier has offered for Quick Start Reserves. This confirmation informs the Supplier that the Transmission Owner or the ISO may elect to purchase Quick Start Reserves from each block of generator units that the Supplier has offered for Quick Start Reserves.

15.6.2 Purchase and Selection of Quick Start Reserves and Associated Duties

15.6.2.1 When a Transmission Owner has issued confirmation pursuant to Section 15.6.1.4 of this Rate Schedule and requires Quick Start Reserves, the Transmission Owner may purchase Quick Start Reserves from the Supplier by telephonic request; provided, however, that the Transmission Owner shall not purchase Quick Start Reserves unless the Transmission Owner has received the ISO's concurrence with the proposed purchase of Quick Start Reserves. The telephonic request shall specify the starting time and either the number of MWs of Quick Start Reserves required or the block of generator units from which the

Supplier is to sell Quick Start Reserves. In addition, the telephonic request shall, if available and for information purposes only, specify the estimated number of hours for which the Transmission Owner intends to purchase Quick Start Reserves. The Transmission Owner shall give written notice by electronic mail (or fax if electronic mail is not available) to each of the Supplier and the ISO of the telephonic request within ten (10) minutes of making the telephonic request, and the written notice by electronic mail or fax shall provide the same information specified in the Transmission Owner's telephonic request and shall also provide the time of the telephonic request. If the Supplier has not received such written notice or disagrees with its contents, the Supplier shall give notice by electronic mail (or fax if electronic mail is not available) to each of the ISO and the Transmission Owner confirming the telephonic request, and the notice by electronic mail or fax shall provide the same information specified in the Transmission Owner's telephonic request and shall also provide the time of the telephonic request.

15.6.2.2 A Transmission Owner shall stop purchasing some or all the Quick Start Reserves from a Supplier upon giving telephonic notice to the Supplier that the Transmission Owner no longer requires some or all the Quick Start Reserves; provided, however, that the Transmission Owner shall not stop the purchase of Quick Start Reserves without the ISO's concurrence. The Transmission Owner shall give written notice by electronic mail (or fax if electronic mail is not available) to each of the Supplier and the ISO of the telephonic notice within ten (10) minutes of providing the telephonic notice, and the written notice by electronic mail or fax shall provide the time of the telephonic notice. If the Supplier has not received such written notice or disagrees with its contents, the Supplier shall give notice by electronic mail (or fax if electronic mail is not available) to each of the ISO and the Transmission Owner of the telephonic notice, and the notice by electronic mail or fax shall provide the same information specified in the Transmission Owner's telephonic notice and shall also provide the time of the telephonic notice.

- 15.6.2.3 The ISO shall maintain complete and accurate records of all notices received by electronic mail or fax pursuant to Sections 15.6.2.1 and 15.6.2.2 of this Rate Schedule.
- 15.6.2.4 A Supplier offering Quick Start Reserves that receives a telephonic request to purchase or to select Quick Start Reserves shall set one or more blocks of generator units to Quick Start Mode as requested within ten (10) minutes of the telephonic request; provided, however, that the Supplier shall have no obligation to set a block of generator units to or to maintain a block of generator units in Quick Start Mode during (i) periods of forced outage, (ii) maintenance outages that are approved in advance pursuant to the ISO Services Tariff, or (iii) any period when the requested block of generator units is producing Energy.
- 15.6.2.5 During any period when the Transmission Owner has not purchased Quick Start Reserves from an offered block of generator units, the Supplier shall not be required to set the block of generator units to or to maintain the block of generator units in Quick Start Mode, subject to the requirement that the Supplier set the block of generator units to Quick Start Mode within ten (10) minutes of a request

pursuant to Section 15.6.2.1 of this Rate Schedule.

15.6.2.6 A Supplier offering Quick Start Reserves shall maintain Hour-Ahead Bids for Energy at all times for each of the Supplier's block of generator units comprising the offered, purchased, or selected Quick Start Reserves, and shall maintain these Bids in the Real-Time Market.

15.6.3 Duty to Produce Energy

- 15.6.3.1 A Transmission Owner may remotely start up any block of generator units that is providing Quick Start Reserves. Upon remote start-up, the Transmission Owner shall give notice to the ISO that the block of generator units have been started up out of merit for local reliability. A Transmission Owner may dispatch off a block of generator units started up out of merit when Energy from the block of generator units is no longer required for local reliability, subject to any minimum run time of the block of generator units; provided, however, that the Transmission Owner shall not dispatch off the block of generator units without the ISO's concurrence.
- 15.6.3.2 During each period when a Transmission Owner has purchased Quick Start Reserves, the Supplier shall respond to each remote start-up order from the Transmission Owner, and shall cause the Supplier's remotely started up block of generator units to be synchronized and at full output within fifteen (15) minutes.

15.6.4 Failure to Achieve Timely Synchronization

If a Supplier that has sold Quick Start Reserves fails to have the block of generator units synchronized in the amount of the Energy Bid pursuant to Section 15.6.2.6 of this Rate Schedule within fifteen (15) minutes of a remote start-up, the Supplier shall be subject to the provisions

applicable to Suppliers of 10-Minute Non-Spinning Reserves and 30-Minute Reserves that fail to provide Energy within the time allotted; provided, however, that charges against Quick Start Reserves payments shall be based upon the blended rate of 85% of $P_{10MNSR,h}$ plus 15% of $P_{30MR,h}$, as applied in Section 15.6.5.1 of this Rate Schedule.

15.6.5 Payments to Suppliers; Payments by Load Serving Entities

15.6.5.1 A Supplier that provides Quick Start Reserves shall receive each Billing Period a payment for each block of generator units that provided Quick Start Reserves in any hour of the previous Billing Period, unless the block of generator units also produced Energy during the hour. The amount of this payment shall equal:

$$\sum_{h} (C_h * (0.85 * P_{10MNSR,h} + 0.15 * P_{30MR,h}) - Q_h * P_{30MR,h})$$

where:

- h = An hour in which the block of generator units provided Quick Start Reserves, unless the block of generator units produced Energy during the hour
- C = Capacity in MWs of Hour-Ahead Bids for Energy for the block of generator units
- P_{10MNSR} = Price of 10-Minute NSR (SENY) in the Day-Ahead Market
- P_{30MR} = Price of 30-Minute Reserves (SENY) in the Day-Ahead Market
 - Q = Quantity of MWs from the block of generator units accepted into the 30-Minute Reserves market.

15.6.5.2 Any block of generator units requested for Quick Start Reserves for any portion of an hour shall be deemed to have provided Quick Start Reserves for the entire hour unless the block of generator units also produced Energy during the

hour.

- 15.6.5.3. In addition to payments due to a Supplier of Quick Start Reserves pursuant to Section 15.6.5.1 of this Rate Schedule, the Supplier shall be eligible to receive payments for Energy, Installed Capacity, Operating Reserves, and other Ancillary Services pursuant to the other provisions of this Services Tariff.
- 15.6.5.4 Amounts due to a Supplier pursuant to this Rate Schedule that are attributable to local reliability shall be recovered from LSEs in the Transmission District of the Supplier selling the Quick Start Reserves on the basis of each LSE's contribution to Load share in the Billing Period in which the payment obligation is incurred. Amounts attributable to local reliability are those amounts incurred pursuant to Sections 15.6.2.1 and 15.6.3.1 of this Rate Schedule.

15.6.6 Dispute Resolution

15.6.6.1 In the event of a dispute between a Transmission Owner and a Supplier of Quick Start Reserves regarding the hours or MWs of Quick Start Reserves purchased by a Transmission Owner or the Energy output achieved within fifteen (15) minutes of a remote start-up, the Transmission Owner and Supplier shall attempt to resolve the dispute promptly, and either party may request the ISO to refer to the ISO logs to help resolve the dispute. If a Transmission Owner and a Supplier selling Quick Start Reserves cannot resolve any dispute regarding the hours or MWs of Quick Start Reserves purchased by a Transmission Owner or the Energy output achieved within fifteen (15) minutes of a remote start-up within fifteen (15) days, then the Transmission Owner and Supplier may resolve the dispute through the ISO's Expedited Dispute Resolution Procedures. 15.6.6.2 Disputes other than those addressed pursuant to Section 15.6.6.1 of this Rate Schedule may be resolved through the ISO's Dispute Resolution Process.