

**17 Attachment K – Reservation of Certain Transmission Capacity and LBMP
Transition Period**

17.1 General Description of Existing Transmission Capacity Reservations

This Attachment describes the treatment of Existing Transmission Agreements (“ETA”), including Transmission Wheeling Agreements (“TWA”) and Transmission Facilities Agreements (“TFA”), Existing Transmission Capacity for Native Load and the LBMP Transition Period during which certain rights and obligations apply. The applicability of this Attachment with the exception of Section 17.6 of this Attachment, is subject to the effective date of any necessary Section 205 filing pursuant to the FPA or, for agreements not subject to FERC jurisdictions, the execution of an amendment adopting the provisions of this Attachment.

17.2 Transmission Wheeling Agreement (“TWA”) Treatment

17.2.1 TWAs between Transmission Owners associated with Generators or Power Supply Contracts (Modified Wheeling Agreements or “MWAs”)

Each TWA between Transmission Owners associated with a Generator or a power supply contract shall be converted into a Modified Wheeling Agreement (“MWA”) to be effective upon LBMP implementation. The TWAs being converted to MWAs are listed in Attachment L, Table 1, where the “Treatment” column is denoted as “MWA.” The terms and conditions of each of these TWAs shall remain unchanged by the conversion except as follows: (i) the MWA Customer will have the option of retaining the transmission rights received under the existing TWA (“Grandfathered Rights”) or converting those transmission rights to TCCs (“Grandfathered TCCs”); (ii) the rights and obligations under the MWA shall be assignable, in whole or in part, with the transfer of a Generator or rights under a power supply contract to an assignee that satisfies reasonable creditworthiness standards; (iii) the MWA Customer or the assignee will continue to pay the embedded cost-based rate for Transmission Service in accordance with Sections 17.3.2 and/or 17.4.1, below except that it shall have to pay for losses under this Tariff and the Transmission Owner shall not charge the MWA Customer or the assignee for losses to the extent they are provided under this Tariff; (iv) the payments under MWAs for Grandfathered Rights and Grandfathered TCCs do not include the costs of Ancillary Services and customers under these agreements will be responsible for Ancillary Services consistent with the other provisions of this Tariff; (v) any additional modifications to each TWA necessary to convert it into a MWA shall be the subject of a separate amendment to the TWA; and (vi) the corresponding MWA will be terminated to the extent the TWA is to transmit Energy from such Generator, upon the retirement of the associated Generator, the termination of the associated

power supply contract, or such other date specified in the MWA by mutual agreement of the parties to the TWA, except as follows:

17.2.1.1 Subject to Section 17.2.1.2, for each TWA associated with a power supply contract, that is terminated pursuant to its terms prior to the end of the LBMP Transition Period, the MWA shall remain in effect until the end of the LBMP Transition Period. At the end of the LBMP Transition Period, such MWAs will be automatically terminated.

17.2.1.2 For each TWA associated with (a) the Blenheim-Gilboa power supply contract (as noted in Attachment L, Table 1, Line Items 2, 8, 17, 31, 48 and 59) or, if the power supply contract is terminated pursuant to its terms prior to the end of the LBMP Transition Period, the MWA shall also be terminated.

As long as each MWA Customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all MWAs from each associated Point of Receipt of the Generator or the NYCA Interconnection with another Control Area to the corresponding Point of Delivery of the Load served by the MWA or at the NYCA Interconnection with another Control Area.

Any other differences between the terms and conditions of the MWAs and those of the associated TWAs for which a customer elects Grandfathered Rights or Grandfathered TCCs are discussed in Sections 17.3 and 17.4 of this Attachment, respectively.

17.2.2 Third Party TWAs

Each existing TWA with a Third Party ("Third Party TWA"), all of which are listed in Attachment L, Table 1, where the "Treatment" column is denoted as "Third Party TWA" or "OATT," will remain in effect in accordance with its terms and conditions, including provisions governing modification or termination, except that the Third Party TWA customer may:

17.2.2.1 retain the existing transmission rights (“Grandfathered Rights”) subject to the provisions below;

17.2.2.2 convert the transmission rights to Grandfathered TCCs, and (a) purchase or sell power in the LBMP Market pursuant to this Tariff or (b) execute Bilateral Transactions for Capacity, Energy, and/or Ancillary Services, and obtain Transmission Service subject to the rates, terms, and conditions of this Tariff except as explicitly noted below in this Attachment; or

17.2.2.3 terminate the existing agreement (if the terms and conditions allow termination), and (a) purchase or sell power in the LBMP Market pursuant to this Tariff or (b) execute Bilateral Transactions for Capacity, Energy, and/or Ancillary Services, and obtain Transmission Service subject to the rates, terms, and conditions of this Tariff.

As long as each Third Party TWA Customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all Third Party TWAs from each associated Point of Receipt of the Generator or the NYCA Interconnection with another Control Area to the corresponding Point of Delivery of the Load served by the TWA or at the NYCA Interconnection with another Control Area.

Each Third Party TWA Customer, whether it elects Grandfathered TCCs or Grandfathered Rights, shall have the right to inject Energy at the specified Point of Receipt and withdraw it at the specified Point of Delivery in designated amounts without application of a TSC. Customers electing Grandfathered Rights will be exempt from having to pay the Congestion Component of the TUC.

For the Third Party TWAs listed in Attachment L, Table 1, Line Items 55-62, 65-69, 73-82, 84-92, 98-114, 150-190, each specific individual municipal or cooperative electrical system listed in each such Agreement shall be deemed to be the Third Party TWA Customer for purposes of electing one (1) of the options set forth above. The municipal or cooperative may elect Grandfathered Rights or Grandfathered TCCs in specified amounts between specified Points of Receipt and Points of Delivery. Those Grandfathered Rights or TCCs become the rights or TCCs of the municipal or cooperative. Whichever option is selected by the municipal or cooperative, it thereby waives all rights under the Federal Power Act associated with NYPA's obligation to secure transmission wheeling arrangements on its behalf associated with the TWA rights elections. If any specific municipal or cooperative fails to make this election, NYPA shall have the right to make the election for that municipal or cooperative.

17.2.3 Other TWAs Between Transmission Owners

Commencing with LBMP implementation, certain TWAs between the Transmission Owners will be terminated. These TWAs are listed in Attachment L, Table 1, where the "Treatment" column is denoted as "Terminated."

17.2.4 Transmission Facilities Agreements

Existing TFAs containing no provisions for transmission service require no modifications. These agreements are listed in Attachment L, Table 2.

TFAs that contain provisions for transmission service are listed in Attachment L, Table 1, where the "Treatment" column is denoted as "Facility Agmt - MWA." These TFAs will remain in effect in accordance with their terms and conditions, including any provision governing modification or termination, except that customers under these agreements may elect Grandfathered Rights or may convert their rights to Grandfathered TCCs.

17.2.5 Existing Transmission Capacity for Native Load (“ETCNL”)

Certain transmission capacity associated with the use of a Transmission Owner's own system to serve its own load will be designated as Existing Transmission Capacity for Native Load and shown on Table 3 of Attachment L. The transmission Capacity shown on Table 3 of Attachment L will be available in each Auction; *provided, however*, that the amount of transmission Capacity available from each set of ETCNL may be reduced (i) if the ETCNL was previously sold as TCCs that are valid for any part of the duration of any TCCs to be sold in the Centralized TCC Auction, (ii) if the ETCNL is reduced pursuant to Section 19.8.2 of Attachment M of this Tariff, or (iii) if the ETCNL is converted to ETCNL TCCs pursuant to Section 19.4 of Attachment M of this Tariff.

The Transmission Owners shall release all ETCNL that is not converted into ETCNL TCCs into each Centralized TCC Auction in accordance with Attachment M.

Such Existing Transmission Capacity for Native Load shall not be increased above the megawatt (MW) amounts noted in Attachment L, Table 3, of the ISO Tariff.

17.3 Terms Applicable to Grandfathered Rights Under MWAs, TFAs, and Third Party TWAs.

17.3.1 Congestion Charges

Each ETA Customer that maintains Grandfathered Rights under an option listed in Section 17.2 above, retains the right to inject power at one specified bus and take power at another specified bus up to amounts reflected in Attachment L, Table 1, without having to pay the Congestion Component of the TUC, but only to the extent it schedules the injection and withdrawal Day-Ahead and is on schedule. If it does not schedule Energy Day-Ahead or inject or withdraw Energy, it will not receive (or pay) any Congestion Rents associated with the Transaction. If the customer under the MWA, TFA or Third Party TWA transmits Energy without scheduling it Day-Ahead or exceeds the amounts specified in Attachment L, Table 1, the customer will pay the real-time TUC for all Energy transmitted under the Transaction exceeding the Day-Ahead schedule or the number of MW of Grandfathered Rights. This TUC will include real-time Congestion Rents. If the ETA Customer schedules Day-Ahead and/or transacts for a portion of the Grandfathered Rights that are retained, it will not receive any compensation for the unused transmission capacity. The ETA Customer will not be permitted to resell or transfer these Grandfathered Rights unless permitted in the existing agreements, except as noted above.

17.3.2 MWAs and TFAs

Subject to the losses provision below, each MWA or TFA Customer shall pay the contract rates for the Grandfathered Rights which shall be frozen at the contract rates that were in effect on the date the ISO Tariff was originally filed at FERC (January 31, 1997), through the LBMP Transition Period or the termination date of the TFA, if earlier. After the LBMP

Transition Period, rates under each MWA or TFA will be based on embedded cost, and these contract rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. Each MWA or TFA Customer or its assignee shall pay the Transmission Owner under the MWA or TFA directly for the Grandfathered Rights.

Each MWA or TFA customer that chooses Grandfathered Rights shall pay the ISO for losses, under this Tariff. The Transmission Owner shall not charge for losses under the ETA, MWA or TFA to the extent the losses are provided under this Tariff. To the extent losses on the Transmission Owner's system are not provided under this Tariff, the Transmission Owner may charge for losses unless prohibited from doing so under the MWA or TFA. The customer will pay or receive payment for losses between the Point of Receipt and the Point of Delivery under the MWA or TFA listed in Attachment L, Table 1, as calculated in accordance with this Tariff.

17.3.3 Third Party TWAs

Subject to Section 17.5 below, each Third Party TWA Customer will compensate the Transmission Owner under a Third Party TWA for transmission charges in accordance with the terms and conditions of the TWA, including any provisions governing modification or termination.

Third Party TWA Customers that choose Grandfathered Rights shall pay the ISO for losses under the ISO Tariff. The Transmission Owner shall not charge for losses under the Third Party TWA to the extent the losses are provided under this Tariff. To the extent losses on the Transmission Owner's system are not provided, the Transmission Owner may charge for losses, unless prohibited from doing so under the Third Party TWA. The Transmission Customer will pay or receive payment for losses between the Points of Receipt and Points of Delivery under the Third Party TWA listed in Attachment L, Table 1, as calculated in accordance with this Tariff.

17.4 Terms Applicable to Conversion to Grandfathered TCCs

Each ETA Customer, that has the right to convert transmission rights to TCCs in accordance with Section 17.2 above, must notify the ISO of its election to convert to TCCs the earlier of two weeks prior to the first TCC Auction or six weeks prior to the start-up of the ISO in accordance with procedures that the ISO will post. Where the applicable ETA provides for more than one Point of Receipt and/or more than one Point of Delivery, these ETA Customers may designate Grandfathered Rights or Grandfathered TCCs, but not both, from each Point of Receipt to each Point of Delivery. The ISO will assign point-to-point TCCs to the ETA Customer, equivalent to the amount of transmission capacity (in MWs) associated with the transmission service received under each ETA, as measured between the Generator bus or NYCA Interconnection with another Control Area where the power is injected and the Point of Delivery of the Load served by the ETA or at the NYCA Interconnection with another Control Area. If the ETA Customer fails to duly notify the ISO of its conversion to Grandfathered TCCs, the ISO and Transmission Owner will deem the ETA Customer to have elected Grandfathered Rights.

17.4.1 MWAs and TFAs

Each MWA or TFA Customer shall continue to pay the Transmission Owner rates which shall be frozen at the contract rates that were in effect on the date this Tariff was originally filed at FERC (January 31, 1997), through the LBMP Transition Period or the termination date of the MWA or TFA, if earlier. After the LBMP Transition Period, rates under each MWA or TFA shall be based on embedded cost, and these embedded cost rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. The MWA or TFA Customer or its assignee shall pay the Transmission Owner directly for the Grandfathered TCCs.

Each MWA or TFA Customer that chooses Grandfathered TCCs, shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its Grandfathered TCCs, and will be subject to the service provisions of the ISO Tariff, including the duty to pay for (i) Congestion Rent; and (ii) Marginal Losses for use of the transmission system.

17.4.2 Third Party TWAs

Subject to Section 17.5, below, each Third Party TWA Customer will pay the Transmission Owner transmission charges in accordance with the terms and conditions of the Third Party TWA, including any provisions governing modification or termination. Third Party TWA Customers that convert the existing transmission rights to TCCs shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its TCCs, and will be subject to the service provisions of this Tariff, including the duty to pay for:

(i) Congestion Rent; and (ii) Marginal Losses for use of the transmission system.

17.5 Responsibility for Ancillary Services

Irrespective of whether an ETA is a MWA, Third Party TWA or a TFA, or whether a customer thereunder elects Grandfathered Rights or Grandfathered TCCs, the customer shall be responsible for payment for any applicable Ancillary Services that shall be provided pursuant to this Tariff.

17.6 LBMP Transition Period and Payment

In the absence of an effective Section 205 Filing under the FPA, the ISO shall follow the methodology prescribed in the Transmission Agreement governing the specific transaction in question. The ISO shall not hold a Transmission Owner responsible for any shortfall in loss revenue resulting from discrepancies between losses calculations used by the ISO and losses calculations prescribed by any Transmission Agreement. In the event Third Party TWAs do not convert the existing rights to TCCs, and in which the participants pay losses other than marginal losses, and in the event the applicable Transmission Owner experiences losses revenue deficiencies due to the event that the Transmission Owner is charged on a marginal losses basis by the ISO for the losses associated with these unmodified TWAs the following procedures shall be implemented. To the extent any Transmission Owner incurs payments to the ISO for its unmodified TWAs resulting from any marginal losses provisions of this Tariff over and above the compensation the Transmission Owner receives under its TWA, and the following is a good faith effort by the Transmission Owner to modify the TWA via a FERC Section 205 filing pursuant to the Federal Power Act to pay charges consistent with this Tariff, the ISO will reimburse each affected Transmission Owner for its losses revenue deficiencies as follows:

(a) for each specific bilateral transaction associated with an unmodified TWA, the ISO will calculate the marginal loss component “L” of the TUC; (b) the Transmission Owner will be responsible to the ISO for each marginal losses charge “L”; (c) the Transmission Owner will submit arrangements specified in each of its unmodified TWAs to the ISO including the amount of reimbursement “R” from the participant for the losses associated with each bilateral transaction; (d) the Transmission Owner will compute its losses revenue variances for each applicable unmodified TWA as its marginal losses charge “L” minus the amount of

reimbursement “R” for the losses associated with the bilateral transaction; (e) the ISO will settle with each Transmission Owner for the sum total of its losses revenue variances; and (f) total losses revenue variances will reduce or increase the amount of the Residual Adjustment in Schedule 1 of this Tariff.

17.7 LBMP Transition Period and Payment

At the present time, the Member Systems do not have sufficient data to calculate the LTPP term of the TSC formula. This provision shall only become effective upon the filing of such data and the determination of the LTPP payments with the Commission. Prior to such filing, the LTPP will be set to zero.

A “LBMP Transition Period” shall be established under which the Investor-Owned Transmission Owners shall be subject to a schedule of fixed monthly transmission payments (“LBMP Transition Period Payments” or “LTPP”). These payments will occur for the period commencing with the start of the first Centralized TCC Auction and continuing for a period of five (5) years following implementation of both the Day-Ahead and Real-Time Markets. The formula for calculating the LTPP is shown below. The LTPP calculation is based upon the differences between each Investor-Owned Transmission Owner’s net transmission revenues and expenses under the current NYPP system and the proposed restructured NYPP system utilizing LBMP. The specific factors include: (1) the amount of transmission revenues/expenses eliminated through the termination of some TWAs including existing net Transmission Fund (“T-Fund”) distributions in effect under the current NYPP pricing mechanism; (2) estimated Congestion Rents to be paid under LBMP; (3) revenues received from the distribution of Net Congestion Rents and the sale of TCCs; and (4) transmission revenues received from off-system sales. The LTPP to be paid or received by the Investor-Owned Transmission Owners during the LBMP Transition Period are designed to offset the net effect of these revenues and expenses.

The LTPP will be calculated once for the entire LBMP Transition Period within thirty (30) days after the initial Centralized TCC Auction. The sum of all LTPPs for the Investor-Owned Transmission Owners shall be zero.

The formula for the calculation of the LTPP for each Investor-Owned Transmission Owner is as follows:

$$\text{LTPP} = \text{RTA} + \text{CR} - \text{SR}_1 - \text{SR}_2 - \text{CRR} - \text{ROS}$$

Where:

RTA = Net reduction in revenue resulting from the termination of existing transmission wheeling agreements, effective upon LBMP implementation;

CR = Estimated Congestion Rents to be incurred under LBMP;

SR₁ = Revenues from the Direct Sale of Original Residual TCCs and Grandfathered TCCs by Transmission Owners prior to the first Centralized TCC Auction, which are valued at the Market Clearing Prices from the first Centralized TCC Auction;

SR₂ = Actual revenues from the allocation of TCC sales revenues from the first Centralized TCC Auction;¹

CRR = Estimated revenues received from the ownership of TCCs, based on the results from the first Centralized TCC Auction and Imputed Revenues from Grandfathered Rights; and

¹ For the purposes of calculating the LTPP, each Original Residual TCC shall be valued at a weighted average of the prices determined in Stage 1 of the Centralized TCC Auction. The weighted average shall be computed by multiplying the fraction of total transmission capability offered for sale in Stage 1 of the Auction that will be offered for sale in that round, as determined by the Transmission Providers, and the Market Clearing Price of that TCC in that round, summed over all Stage 1 rounds. The price at which Transmission Providers sell Original Residual TCCs through sales prior to the Centralized TCC Auction shall not affect the calculation of the LTPP. NYPA's NTAC (See Attachment H) shall be calculated by valuing their Original Residual TCCs at the greater of the market value of a TCC, as determined by this weighted average of the Market Clearing Prices of that TCC in Stage 1 of the Centralized TCC Auction, or the price at which NYPA sells the Original Residual TCCs through sales prior to the Centralized TCC Auction, if it chooses to do so.

ROS = Transmission revenues received from off-system sales, as reported in FERC Form 1.

All estimates or forecasts used to determine each LTPP are subject to unanimous agreement among the Investor-Owned Transmission Owners; absent unanimous agreement, they may unanimously agree to submit to mediation or arbitration; absent this latter agreement, then each such Transmission Owner reserves its rights under the FPA to justify or protest LTPP estimates or forecasts.

The LTPP will be based on the latest available FERC Form 1 data for transmission revenues and expenses.