

19.2 Award of TCCs Other Than Through TCC Auctions: Fixed Price TCCs and Incremental TCCs

19.2.1 Converting Transmission Capacity Associated with Expired, Terminated, or Expiring ETAs Into Fixed Price TCCs

As each ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), and that conferred transmission rights on an LSE, expires or terminates, the transmission Capacity associated with it may be used to create Fixed Price TCCs, pursuant to Section 19.2.1 of this Attachment M. When any other ETA terminates, the Grandfathered Rights or Grandfathered TCCs associated with it shall be converted into Residual Transmission Capacity. The revenues associated with the sale or conversion of TCCs created from capacity associated with expired or terminated ETAs shall be allocated among the Transmission Owners as described in Attachment N. All references to “ETAs listed in Table 1A of Attachment L” in this Attachment M shall encompass both those agreements that were previously converted into Grandfathered TCCs and those that were not.

The ISO shall follow the procedures set forth in this Section 19.2.1 prior to the implementation of the End-State Auction process. For purposes of this Section 19.2.1, references to “expired” ETAs shall include ETAs that have been terminated. When determining the Points of Injection, Points of Withdrawal, and MW quantities associated with ETAs listed in Table 1A in effect on November 19, 1999, the ISO shall look to Attachment L of this OATT, as it may be amended, at the time of the conversion.

19.2.1.1 Conversion Rules

Any LSE that had transmission rights under an ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), but has since

expired, shall have a right to obtain Fixed Price TCCs with the same Point of Injection and Point of Withdrawal associated with that ETA.

Any LSE that currently has transmission rights under an ETA in effect on November 19, 1999 that was listed on Table 1A of Attachment L of the OATT (as it may be amended) but has not yet expired, shall likewise have a right to obtain Fixed Price TCCs with the same Point of Injection and Point of Withdrawal as that ETA after its expiration.

LSEs that are eligible to obtain Fixed Price TCCs shall be able to obtain them for a total duration of up to ten years, except as provided in the following paragraph. The ISO shall offer eligible LSEs Fixed Price TCCs with the same Points of Injection and Points of Withdrawals as shown on Table 1A of Attachment L, as it may be amended, associated with their expired or expiring ETAs and a duration of five or ten years (at the LSE's option) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to the expiration of Fixed Price TCCs with a duration of five years that are created pursuant to the preceding sentence, the ISO shall offer those LSEs that hold such Fixed Price TCCs an option to obtain new Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional five-year term, effective upon the expiration of the original Fixed Price TCCs' five year term, at a new price calculated in accordance with Section 19.2.1.2 below.

LSEs that certify to the ISO that they purchase Energy from the New York Power Authority ("NYPA") under agreements that will expire in 2025 and that have ETAs listed on Table 1A to Attachment L, as it may be amended, that will expire in 2013, which they will use to hedge the congestion costs associated with deliveries under their NYPA agreements, shall have the right to obtain Fixed Price TCCs with the same Points of Injection and Points of Withdrawal as shown on Table 1A of Attachment L to the OATT, as it may be amended, associated with the expiring ETA for a total duration of twelve years. The ISO shall offer Fixed Price TCCs with a

duration of five years to LSEs that make the required certification (provided for in this paragraph) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to, but effective upon, the expiration of those Fixed Price TCCs, the ISO shall offer the LSE an option to obtain new Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional seven-year term, effective upon the expiration of the original Fixed Price TCCs, at a new price calculated in accordance with Section 19.2.1.2 below.

To exercise this conversion right, an LSE must notify the ISO, and the Transmission Owner that was (or is) a party to the ETA, in writing, of its decision to obtain Fixed Price TCCs under this provision. That notice must also specify the ETA's expiration or termination date. The LSE must provide this notice prior to a deadline to be established by the ISO. In the case of an ETA that has already expired or been terminated as of the effective date of this Section 19.2.1, or that will expire or be terminated prior to the end of the Winter 2008 Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Autumn 2008 Centralized TCC Auction. In the case of an ETA that will expire or terminate after the end of the 2008 Winter Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Centralized TCC Auction for the Capability Period in which the ETA expires or terminates. The specific deadlines shall be set forth in the ISO Procedures.

When an LSE elects to convert an ETA that: (i) has expired; (ii) is scheduled to expire, prior to November 1, 2008; or (iii) is scheduled to expire later but that is terminated before November 1, 2008, the term of the Fixed Price TCCs that LSE obtains shall begin on November 1, 2008. When an LSE elects to convert any other ETA it may choose to have the term of the Fixed Price TCCs that it obtains begin either on the day after the ETA's expiration or termination, or at the start of the Capability Period following its expiration or termination. If the LSE chooses the latter option, the ISO shall make the transmission Capacity associated with the

expired ETA available to support the sale of TCCs with a duration of one month in any Reconfiguration Auction(s) held between the ETA's expiration and the start of the next Capability Period. Nothing in this Section 19.2.1 shall be construed as authorizing the early termination of ETAs before their scheduled expiration dates or as excusing the parties to ETAs of their obligations thereunder.

An LSE that exercises its conversion rights under this Section 19.2.1 may elect to receive a number of Fixed Price TCCs up to one hundred percent of the MW quantity specified for the ETA in Table 1A of Attachment L as it may be amended. In the case of ETAs for which more than one MW quantity is listed in Attachment L, the LSE may elect to receive the higher quantity.

The LSE must submit a written certification to the ISO stating that it expects to: (i) be legally obligated to serve the Load that it historically served under the ETA (or a portion of that Load at least equal to the number of Fixed Price TCCs that it plans to obtain under this Section 19.2.1); and (ii) need the transmission Capacity between the Point of Injection and Point of Withdrawal specified in the ETA to serve that Load. The LSE will not be allowed to obtain Fixed Price TCCs under this Section to the extent that it cannot satisfy either or both of these requirements. That is, the LSE's conversion rights may be wholly or partially terminated to the extent that it anticipates losing all or part of the historic Load, or no longer needing all or part of the transmission Capacity associated with the expired ETA to serve it. Additional information regarding the ISO's certification process shall be set forth in the ISO Procedures.

In addition, if the ISO concludes that an LSE's requested conversion would make existing and valid TCCs infeasible, it will reduce the number of Fixed Price TCCs that the LSE may obtain to the extent necessary to avoid the infeasibility. The reduction procedure will use the same optimization model as the Centralized TCC Auctions, except that the expired or

expiring transmission rights subject to conversion will not be represented as fixed injections and withdrawals but will be represented by a bid curve. Additional details shall be specified in the ISO Procedures.

19.2.1.1.1 Special Rules Applicable to LSEs That Were Eligible to Obtain Fixed Price TCCs with a Duration Commencing on November 1, 2008

LSEs that obtained Fixed Price TCCs with a duration of five years commencing on November 1, 2008 shall have a one-time opportunity to elect to replace those Fixed Price TCCs, at no additional cost, with Fixed Price TCCs with a duration of ten years. The ten year duration shall be deemed to have commenced on November 1, 2008. LSEs that elect to replace Fixed Price TCCs under this paragraph shall not be eligible to obtain additional Fixed Price TCCs for an additional five year term at the time that their replacement Fixed Price TCCs expire.

LSEs that were eligible to obtain Fixed Price TCCs with a duration of five years commencing on November 1, 2008, but that opted not to obtain them, shall have a one-time opportunity to obtain Fixed Price TCCs with a duration of ten years. If an LSE makes this election the duration of the Fixed Price TCCs that it obtains will commence at the beginning of a subsequent Capability Period, as specified in the ISO Procedures. An LSE that elects to obtain Fixed Price TCCs under this paragraph shall pay the same price that the ISO originally offered for the same Fixed Price TCCs with a duration of five years, *i.e.*, the price that the ISO calculated under Section 19.2.1.2 for Fixed Price TCCs commencing on November 1, 2008 (including the original historic inflation adjustment) for the LSE in advance of the Autumn 2008 Centralized TCC Auction.

All elections under this Section 19.2.1.1.1 shall be made during an election period specified in the ISO Procedures and shall be subject to all of the notification, certification, feasibility and other requirements established under Section 19.2.1 and the ISO Procedures.

19.2.1.2 Calculating Prices for Fixed Price TCCs

Except as is specifically noted below, if an LSE chooses to obtain Fixed Price TCCs pursuant to this Section 19.2.1 it shall pay a base price per MW/year equal to the average of:

(i) the average of the inflation-adjusted market-clearing prices calculated for TCCs with the POI and POW associated with the Fixed Price TCC in the one-year Sub-Auction rounds of each of the four previous Centralized TCC Auctions. The average adjusted market-clearing price will be determined by first calculating the average market clearing price in the one-year Sub-Auction rounds for each Centralized TCC Auction. One-year Sub-Auction-round market clearing prices from Centralized TCC Auctions conducted before May 1, 2010 are those from the Stage 1 one-year rounds of the Centralized TCC Auctions. The average market-clearing price for the first, second, and third of the four previous Centralized TCC Auctions will then be adjusted for inflation between: (a) the date that TCCs sold in them went into effect, and (b) the start of the Capability Period during which the TCCs sold in the fourth Centralized Auction went into effect; and (ii) the inflation-adjusted average annual difference between the Day-Ahead Market Congestion Component at the POW and the POI associated with the TCCs, summed over the hours of the four most recently concluded Capability Periods. The inflation-adjusted average annual difference for a given Fixed Price TCC would be calculated by summing the Day-Ahead Market Congestion Component for the POW associated with that Fixed Price TCC minus the Day-Ahead Market Congestion Component for the POI associated with that Fixed Price TCC over the hours of each month of the four most recently concluded Capability Periods; adjusting each monthly total for inflation, between the end of the month in question and the start of the most recently concluded Capability Period; summing those inflation-adjusted monthly totals over those four Capability Periods; and dividing by two.

If an LSE chooses to obtain a Fixed Price TCC with a POW at or inside of Load Zone K

(Long Island) pursuant to this Section 19.2.1, it shall pay a base price per MW/year equal to the

inflation-adjusted average annual difference between the Day-Ahead Market Congestion Component at the POW and the POI associated with the TCCs, summed over the hours of the four most recently concluded Capability Periods. The inflation-adjusted average annual difference for a given Fixed Price TCC would be calculated by summing the Day-Ahead Market Congestion Component for the POW associated with that Fixed Price TCC over the hours of each month of the four most recently concluded Capability Periods, adjusting each monthly total for inflation between the end of the month in question and the start of the most recently concluded Capability Period; summing those inflation-adjusted monthly totals over those four Capability Periods; and dividing by two.

All inflation calculations referenced in this Section 19.2.1.2 shall be made using the applicable inflation rates specified in the Personal Consumption Expenditures Implicit Price Deflator published by the Bureau of Economic Analysis of the United States Department of Commerce. A Fixed Price TCC shall not have a price of less than zero. To the extent that the formula in this Section 19.2.1.2 produces a price for a Fixed Price TCC of less than zero, the price shall be zero.

19.2.1.3 Miscellaneous

The ISO shall post the following information promptly after transmission Capacity associated with expired or terminated ETAs is converted into Fixed Price TCCs: (i) the quantity of TCCs converted (in MW); (ii) the Point of Injection and Point of Withdrawal for each Fixed Price TCC converted; and (iii) the price paid for each Fixed Price TCC.

An LSE that obtains Fixed Price TCCs pursuant to this Section 19.2.1 shall be required to pay the ISO the total amount specified in this Section 19.2.1 in equal annual payments for each year of the Fixed Price TCC's duration. An LSE that has made the required annual payments may reassign, reconfigure, or sell its Fixed Price TCCs for any period of time for which it had

made the required annual payment. Each annual payment shall entitle the LSE to extend the term of the Fixed Price TCC for an additional year, subject to Section 19.2.1.1, above. The ISO shall allocate funds collected pursuant to this provision under the terms of Attachment N to this Tariff. An LSE that fails to make any required annual payment for its Fixed Price TCCs shall permanently surrender those Fixed Price TCCs for that year and for all subsequent years (and shall not have a right to renew for an additional five or seven year term), provided however that the ISO shall provide a one week cure period to an LSE that has failed to make the required annual payment for its Fixed Price TCCs before the LSE has its Fixed Priced TCCs permanently surrendered, pursuant to ISO Procedures.

If an LSE acquires Load from another LSE that holds Fixed Price TCCs, it may request that the Fixed Price TCCs be reassigned to follow the transferred Load. In such case, the quantity of the Fixed Price TCCs that transfers to the assignee shall be equal to: (i) the amount of transferred Load divided by total Load associated with those Fixed Price TCCs, (ii) multiplied by the quantity of the Fixed Price TCCs held by the LSE losing Load between the same Point of Injection and Point of Withdrawal; provided however, that no Fixed Price TCC will transfer under this paragraph if the calculation above indicates that less than one Fixed Price TCC will transfer. If at least one Fixed Price TCC would transfer pursuant to this paragraph, the quantity of reassigned Fixed Price TCCs shall be rounded down to the nearest whole number of Fixed Price TCCs. An LSE that is reassigned Fixed Price TCCs under this paragraph shall hold such Fixed Price TCCs for the remainder of their term, and have rights of renewal as provided in this Section 19.2.1, provided it makes all required payments.

To the extent that Fixed Price TCCs are created pursuant to this Section 19.2.1, the transmission Capacity that supports them shall not be available for sale in the Centralized TCC Auctions until those Fixed Price TCCs expire.

All rights and obligations that apply to an LSE in connection with obtaining and holding Fixed Price TCCs as provided for in this Section 19.2.1 shall also be applicable to an ETA Agent, except as the context otherwise requires (for example, an ETA Agent cannot obtain Fixed Price TCCs on its own behalf).

19.2.1.4 Responsibilities of LSEs that Obtain Fixed Price TCCs Under Section 19.2.1

Each LSE that obtains a Fixed Price TCC under Section 19.2.1 of this Attachment M must submit such information to the ISO regarding its creditworthiness as the ISO may require. Each such LSE must also: (i) comply with the applicable TCC conversion deadlines established by the ISO under Section 19.2.1; and (ii) pay the price determined pursuant to Section 19.2.1.

19.2.2 Awards of Incremental TCCs

19.2.2.1 Overview

The ISO shall follow the procedures set forth in this Section 19.2.2 to determine awards of Incremental TCCs to any person or entity that requests them in connection with the funding or construction of new transmission facilities or transmission facility improvements that increase the Transfer Capability of the New York State Transmission System.

These procedures shall only apply to requests for awards that are submitted on or after November 1, 2008 and not to: (i) requests for awards that are pending as of that date; (ii) or to Incremental TCC award determinations that were made by the ISO on or prior to that date; neither shall these procedures interfere with the completion of requests for awards that are pending as of that date or require that award determinations made by the ISO prior to that date be reopened. Award determinations that were made prior to November 1, 2008 or that were pending as of that date shall remain effective as described in the ISO's Automated Market System.

Throughout this Section 19.2.2 (i) any change to, reconfiguration of, and/or construction of new transmission facilities or other transmission facility improvements that are potentially eligible for an award of Incremental TCCs shall be referred to as an “Expansion;” and (ii) a person or entity that is pursuing an Expansion and requesting Incremental TCCs shall be referred to as an “Expander.”

The ISO shall not award Incremental TCCs: (i) when the ISO cannot calculate the effect on Transfer Capability associated with an Expansion in the Day-Ahead Market with reasonable certainty; (ii) for Expansions that involve controllable transmission facilities that are under the operational control of a Control Area operator other than the ISO; or (iii) to the extent that an Expansion’s impact on Transfer Capability is solely dependent on a Generator’s operating state. Additional information concerning eligibility for Incremental TCC awards shall be set forth in the ISO Procedures. The ISO shall not award Incremental TCCs before the provisions of Section 19.2.2.5.2 have all been fulfilled.

The ISO shall also follow the procedures in this Section 19.2.2 to determine whether “Partial Outage Incremental TCCs” should be created in connection with final awards of Incremental TCCs.

19.2.2.2 Requests for Incremental TCC Awards

An Expander pursuing an Expansion and seeking an Incremental TCC award shall submit a request for an award to the ISO. A request for an Incremental TCC award must be submitted prior to the associated Expansion’s expected commercial operation date. A request for an Incremental TCC award shall not be deemed to be complete, and shall not be considered by the ISO, unless it includes all of the information and satisfies all of the technical requirements required by this Section 19.2.2 and by the ISO Procedures. Prior to submitting its request for a non-binding estimate, an Expander must have: (i) completed all of the engineering studies that

are required under the ISO OATT, including Attachments X, S, and Z; and (ii) obtained all permits and regulatory approvals necessary to commence construction. If an Expansion is subject to the Class Year study requirements under Attachment S of the ISO OATT then the Expander must have accepted its Class Year cost allocation and posted the security required under Attachment S.

As part of its request for an award, an Expander shall request that the ISO prepare one or more non-binding estimates of an Expansion's impact on Transfer Capability between one or more POI/POW combinations. The ISO shall be required to prepare up to three non-binding estimates with respect to an Expansion. Additional rules governing requests for non-binding estimates shall be set forth in the ISO Procedures.

An Expander that is not subject to Section 20.2.5 of Attachment N to the ISO OATT that requests an Incremental TCC award associated with an Expansion that will consist of multiple transmission facilities that might separately be taken out of service or derated in connection with the outage of an External transmission facility must provide additional information regarding partial outage states, as specified in the ISO Procedures, as part of its request. The ISO will use this information to analyze the creation of Partial Outage Incremental TCCs.

19.2.2.3 Non-Binding Estimates

The ISO shall provide non-binding estimates of Incremental TCCs that might be awarded between different POI/POW combinations that are identified in a complete request for a non-binding estimate. The ISO shall only prepare non-binding estimates if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall estimate whether, and to what extent, Incremental TCCs may be created by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for a non-binding estimate.

Incremental TCCs shall not be created for Transfer Capability that the ISO determines would exist on the system even in the absence of an Expansion. The ISO shall make these determinations using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion associated with the request for a non-binding estimate. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. Additional detail concerning the Optimal Power Flow model to be used by the ISO shall be set forth in the ISO Procedures. The ISO shall not be bound by the findings of previous engineering studies, conducted under the ISO OATT or otherwise, regarding the impact of an Expansion on Transfer Capability when preparing non-binding estimates (or when determining awards under Section 19.2.2.5).

If the ISO estimates that Incremental TCCs would be created by an Expansion it shall separately estimate the quantity of Incremental TCCs that would be created for both the Summer and Winter Capability Periods.

19.2.2.4 Partial Outage Incremental TCCs

The ISO shall use the additional information submitted by certain Expanders regarding partial outage states pursuant to Section 19.2.2.1 to determine whether Partial Outage Incremental TCCs shall be created. Partial Outage Incremental TCCs shall not be awarded. They shall only be used to determine day-ahead outage charges, implemented through settlements for Day-Ahead Market Congestion Rents associated with Expansions that are partially out of service, or that are derated due to the outage of an External transmission facility, in connection with the calculation of outage charges under Section 19.2.2.9.

Partial Outage Incremental TCCs shall be created to the extent that the ISO finds, as part of its determination of final Incremental TCC awards pursuant to Section 19.2.2.5, that a revised set of Incremental TCCs would exist between a given POI/POW combination regardless of whether a portion of the associated Expansion is out of service or derated as a result of the outage of an External transmission facility. Partial Outage Incremental TCCs may be created between POI/POW combinations that differ from those for which the ISO may determine that Incremental TCCs would be available in a non-binding estimate or in any award of Incremental TCCs.

If the ISO determines that Partial Outage Incremental TCCs may be created as the result of an Expansion it shall separately calculate the number that would be created for the Summer and Winter Capability Periods.

19.2.2.5 Incremental TCC Awards

The ISO shall respond to complete requests for Incremental TCC awards by determining: (i) whether, and to what extent, Incremental TCCs should be awarded for the POI/POW combinations selected by the Expander; and (ii) whether, and to what extent, Partial Outage Incremental TCCs should be created. An Expander may select all of the POI/POW combinations that were analyzed in any one of the non-binding estimates prepared by the ISO under Section 19.2.2.3 to be included in the award determination. It may not select the POI/POW combinations from more than one non-binding estimate or select fewer than all of the POI/POW combinations that were analyzed in any one non-binding estimate.

The ISO shall determine both temporary and final awards using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion, and to represent any of the Expansion's partial outage states, at the time that an award is determined. The ISO shall

determine whether, and to what extent, Incremental TCCs shall be awarded by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for an award. Incremental TCCs shall not be awarded for Transfer Capability that the ISO determines would exist on the system even in the absence of an Expansion. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. The ISO shall make separate determinations for temporary and final awards of Incremental TCCs.

The ISO shall only determine or make an Incremental TCC award if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall only determine, award, or create Incremental TCCs (including, for purposes of this paragraph, Partial Outage Incremental TCCs) in whole number MW quantities. If the ISO determines that an Expansion will create one or more non-whole number quantity Incremental TCCs, the ISO shall round each non-whole number Incremental TCC to a whole number in a manner that minimizes the risk of infeasibility caused by rounding with respect to the entire Incremental TCC award.

If the ISO determines that Incremental TCCs should be awarded, it shall make separate awards for the Summer and Winter Capability Periods.

19.2.2.5.1 Temporary Awards

If the ISO determines that Incremental TCCs should be awarded in connection with an Expansion and the Expansion goes into commercial operation during a Capability Period, the ISO shall make a temporary award of Incremental TCCs as soon as reasonably possible after notice that the Expansion has entered commercial operation has been provided in writing to the

ISO pursuant to the ISO Procedures. Temporary awards of Incremental TCCs shall terminate at the end of the last day before a final award of Incremental TCCs becomes effective. In the case of an Expansion that enters commercial operation less than 90 days before the beginning of a Capability Period, the temporary award that is effective during the Summer Capability Period (or any portion thereof) may differ from the temporary award that is effective during the Winter Capability Period (or any portion thereof). The quantity of Incremental TCCs included in a temporary award may differ from the quantity included in any of the non-binding estimate(s) associated with the Expansion and/or in the final award.

19.2.2.5.2 Final Awards

Awards of Incremental TCCs shall be final on the date by which the following are fulfilled: (i) an Expansion has actually entered commercial operation; (ii) written notice has been provided to the ISO pursuant to the ISO Procedures; and (iii) the ISO has determined the final award using an Optimal Power Flow analysis that reflects the results of the most recently completed Centralized TCC Auction. The quantity of Incremental TCCs included in a final award may differ from the quantity included in the temporary award, or in the non-binding estimate(s), associated with the Expansion.

Incremental TCCs included in final awards shall become effective on the first day of the first Capability Period following the date that the award became final. If, however: (i) the associated Expansion enters commercial operation fewer than ninety days before the end of a Capability Period then the Incremental TCCs included in a final award shall become effective on the first day of the next like Capability Period after the associated Expansion enters commercial operation; or (ii) the associated Expansion results in an increase to a limit that must be approved by the Operating Committee, and the Operating Committee's approval is granted fewer than

ninety days before the end of a Capability Period, then the final award shall become effective on the first day of the next like Capability Period following the Operating Committee's approval.

If more than one Expansion enters commercial operation in the same Capability Period, the ISO shall make its final award determinations, and shall make final Incremental TCC awards, in the same order as the Expansions actually enter commercial operation.

19.2.2.6 Acceptance of Incremental TCC Awards

An Expander may elect to accept or reject a temporary or final award of Incremental TCCs in its entirety. Partial acceptances shall not be permitted. Deadlines for confirming the acceptance or rejection of an award shall be specified in the ISO Procedures.

An Expander that elects to accept a final award of Incremental TCCs shall inform the ISO, no later than the time that it accepts its final award, of the awarded Incremental TCCs' duration. Incremental TCCs shall have a duration of no less than twenty and no more than fifty years, starting on the date that the final award becomes effective, provided that their duration may not exceed the expected operating life of the associated Expansion. The ISO shall record the existence and duration of the Incremental TCCs in the Automated Market System.

If an Expander fails to accept a final award of Incremental TCCs and to specify the award's duration by the deadline established in the ISO Procedures it will forfeit its right to collect Day-Ahead Market Congestion Rent payments in connection with the Incremental TCCs until it confirms its acceptance in the manner specified in the ISO Procedures.

19.2.2.7 Attributes of Incremental TCCs

Incremental TCCs, but not partial outage Incremental TCCs, shall have the same attributes as other TCCs and shall be subject to the same rules under the ISO Tariffs, except as specifically provided in this Section 19.2.2.

19.2.2.8 Restrictions on Transfers of Incremental TCCs

Secondary Market transfers of fewer than all of the Incremental TCCs associated with a given Expansion that were included in a final award shall not be allowed, *i.e.*, an Expander may only make Secondary Market transfers of all of the Incremental TCCs for all of the POI/POW combinations that were included in a final award for a given Expansion. This restriction shall not prohibit the sale of fewer than all of the Incremental TCCs included in a final award through a Centralized TCC Auction or a Reconfiguration Auction. Transferees of Incremental TCCs shall be subject to all existing ISO credit requirements and may be subject to any future credit requirements that may be applied to TCCs with a duration longer than one year.

Incremental TCCs that are awarded pursuant to a temporary award may not be sold or transferred through a Secondary Market transfer, through a Centralized TCC Auction, through a Reconfiguration Auction, or otherwise.

19.2.2.9 Outage Charges

Any person or entity that is not subject to Section 20.2.5 of Attachment N to the ISO OATT and that owns an Expansion (or a portion of an Expansion) associated with a temporary or final award of Incremental TCCs shall pay an outage charge to the ISO for any hour in the Day-Ahead Market during which the Expansion associated with the Incremental TCCs is modeled to be wholly or partially out of service. All outage charges shall be implemented through the billing of Day-Ahead Market Congestion Rents to the person or entity responsible for paying the outage charge and, as such, will be credits to Day-Ahead Market Congestion Rents in the ISO settlement system.

Outage charges shall be determined as follows:

- If the entire Expansion is modeled as out of service in the Day-Ahead Market; the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.
- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market, or derated by the outage of an External Transmission facility, and Partial Outage Incremental TCCs have not been created, the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.
- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market or are caused to be out of service or derated by the outage of an External transmission facility, and Partial Outage Incremental TCCs have been created for such an out-of-service state or derating, the outage charge shall be calculated as follows:

$$\text{Outage charge} = A - B$$

where:

- “A” is the sum, over all different POI and POW combinations associated with the Incremental TCCs for an Expansion, of the product of (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Incremental TCCs between that POI and POW associated with the Expansion, and “B” is the sum, over all different POI and POW combinations associated with the Partial Outage Incremental TCCs for that out-of-service state or derating of the Expansion, of the product of: (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Partial Outage Incremental

TCCs between that POI and POW associated with that out-of-service state or derating
of the Expansion.