6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and

Payments

6.1.1 Introduction

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO’s annual budgeted costs as set forth in Article 6.1.2 of this Rate Schedule 1.
 The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges as set forth in Article 6.1.3 of this Rate Schedule 1. The ISO shall also bill each
Transmission Customer each Billing Period to recover the following costs or allocate the
following received payments under this Rate Schedule 1:

(i) bad debt loss charges as set forth in Article 6.1.4;

(ii) Working Capital Fund charges as set forth in Article 6.1.5;

(iii) non-ISO facilities payment charges as set forth in Article 6.1.6;

(iv) charges to recover costs for payments made to Suppliers pursuant to incremental

cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as

set forth in Article 6.1.7;

(v) charges to recover and payments to allocate residual costs as set forth in Article

6.1.8;

(vi) charges for Special Case Resources and Curtailment Service Providers called to

meet reliability needs as set forth in Article 6.1.9;

(vii) charges to recover DAMAP costs as set forth in Article 6.1.10;

(viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in

Article 6.1.11;

(ix) charges to recover Bid Production Cost guarantee payment costs as set forth in

Article 6.1.12;

(x) charges to recover and payments to allocate settlements of disputes as set forth in

Article 6.1.13; and

(xi) payments to allocate financial penalties collected by the ISO as set forth in Article

6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

6.1.2 ISO Annual Budget Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO’s
recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable
through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO
shall calculate the charge for the recovery of these ISO annual budgeted costs from each
Transmission Customer on the basis of its participation in physical market activity as indicated in
Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each
Transmission Customer on the basis of its participation in non-physical market activity, the
Special Case Resource program, and the Emergency Demand Response program as indicated in
Section 6.1.2.4 of this Rate Schedule 1. The ISO shall use the revenue collected through Section

6.1.2.4 of this Rate Schedule 1 to recover any of its annual budgeted costs for the immediately
preceding calendar year that it has not already recovered under Section 6.1.2.2 of this Rate
Schedule for that year. The ISO shall credit any additional revenue collected through Section

6.1.2.4 of this Rate Schedule 1 for the remainder of the calendar year to each Transmission

Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

6.1.2.1 ISO Annual Budgeted Costs

The ISO annual budgeted costs to be recovered through Article 6.1.2 of this Rate

Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

• Processing and implementing requests for Transmission Service including support of

the ISO OASIS node;

• Coordination of Transmission System operation and implementation of necessary

control actions by the ISO and support for these functions;

• Performing centralized security constrained dispatch to optimally re-dispatch the

NYS Power System to mitigate transmission Interface overloads and provide balancing services;

• Costs related to the ISO’s administration and operation of the LBMP market and all

other markets administered by the ISO;

• Costs related to the ISO’s administration of Control Area Services;

• Costs related to the ISO’s administration of the ISO’s Market Power Mitigation

Measures and the ISO’s Market Monitoring Plan;

• Costs related to the maintenance of reliability in the NYCA;

• Costs related to the provision of Transmission Service;

• Preparation of settlement statements;

• NYS Transmission System studies, when the costs of the studies are not recoverable

from a Transmission Customer;

• Engineering services and operations planning;

• Data and voice communications network service coordination;

• Metering maintenance and calibration scheduling;

• Record keeping and auditing;

• Training of ISO personnel;

• Development and maintenance of information, communication and control systems;

• Professional services;

• Carrying costs on ISO assets, capital requirements and debts;

• Tax expenses, if any;

• Administrative and general expenses;

• Insurance premiums and deductibles related to ISO operations;

• Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or
 Section 12.4 of the Services Tariff;

• Regulatory fees; and

• The ISO’s share of the expenses of Northeast Power Coordinating Council, Inc. or its
 successor.

6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission

Customers Participating in Physical Market Activity

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

ISO Annual Budget Chargec,P =

 ISOCosts

InjectionUnitsc,P×0.28×

Annual

+

TotalEstWithdrawalUnitsAnnual

ISOCosts

WithdrawalUnitsc,P×0.72×

Where:

Annual

TotalEstWithdrawalUnits Annual

c = Transmission Customer.

P = The relevant Billing Period.

ISO Annual Budget Chargec,P = The amount, in $, of the ISO annual budgeted costs for which Transmission Customer c is responsible for Billing Period P.

ISOCostsAnnual = The sum, in $, of the ISO’s annual budgeted costs for the current calendar year.

InjectionUnitsc,P = The Injection Billing Units, in MWh, for Transmission Customer c in
Billing Period P, except for Scheduled Energy Injections resulting from CTS Interface
Bids.

WithdrawalUnitsc,P = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

TotalEstWithdrawalUnitsAnnual = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation

Methodology

The current 72%/28% cost allocation methodology between Withdrawal Billing Units
and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at
least December 31, 2016 and shall continue to remain unchanged until such point in time that a
study is conducted and the results of the study warrant changing the 72%/28% cost allocation.
The following provisions prescribe the process and timeline for the review and, if warranted by
the results of a future study, modification of the 72%/28% cost allocation on a going forward
basis:

(i) A vote of the Management Committee will be taken in the third calendar quarter

of 2015 on whether a new study should be conducted during late-2015 and 2016 to allow modification of the 72%/28% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2017. A positive vote by 58% of the Management Committee will be required to go forward with the study, but there will no longer be a “material change” standard as was historically applied to the determination of whether a study should be conducted.

(ii) If the Management Committee vote discussed in (i) above determines that a study

should not be conducted, the 72%/28% cost allocation between Withdrawal
Billing Units and Injection Billing Units shall be extended through at least

December 31, 2017. In the third calendar quarter of 2016, a vote will be taken on
whether a new study should be conducted during late-2016 and 2017 to allow
modification of the percentage allocation, if warranted by the results of the study,
to be implemented by January 1, 2018. Unless a 58% vote of the Management
Committee is registered in favor of declining to go forward with the study, the
study will be conducted.

(iii) If the Management Committee vote in the third calendar quarter of 2016

discussed in (ii) above determines that a study should not be conducted, the

current 72%/28% cost allocation shall remain unchanged until such point in time
as the Management Committee determines that a study shall be conducted and the
results of that study warrant changing the percentage allocation between
Withdrawal Billing Units and Injection Billing Units. If the Management
Committee vote in the third calendar quarter of 2016 discussed in (ii) above
determines that a study should not be conducted, the Management Committee will
revisit the issue of conducting a study annually in the third calendar quarter of
each year using the same voting standard (i.e. the study shall be performed unless
58% of the Management Committee votes not to commission the study) that was
applied to the Management Committee vote in the third calendar quarter of 2016
discussed in (ii) above.

(iv) If, and when, the Management Committee determines a study shall be conducted:

(a) Such study shall be completed, and the results thereof shared with Market

Participants, before the end of the second calendar quarter of the year prior to the

date on which a possible change to the then current allocation may become effective; and

(b) The ISO will present a draft study scope to Market Participants for consideration

and comment before the ISO issues the study scope as part of its Request For

Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (e.g., categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission

Customers Participating in Non-Physical Market Activity, the Special
Case Resource Program, or the Emergency Demand Response Program

6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

VTChargec,P = VTRate×VTClearedc,P

Where:

c = Transmission Customer.

P = The relevant Billing Period.

VTChargec,P = The amount, in $, for which Transmission Customer c is responsible for Billing Period P.

VTRate= For calendar year 2012, the applicable rate shall be $0.0871 per cleared MWh
of Virtual Transactions, based on a $2.6 million projected 2012 annual revenue
requirement. For calendar years following 2012, the applicable rate shall be calculated in
accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

VTClearedc,P = The total cleared Virtual Transactions, in MWh, for Transmission Customer c in Billing Period P.

6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission
 Congestion Contracts

The ISO shall charge, and each Transmission Customer that purchases Transmission

Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to

January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

TCCChargec,P = TCCRate×TCCSettledc,P

Where:

c = Transmission Customer.

P = The relevant Billing Period.

TCCChargec,P = The amount, in $, for which Transmission Customer c is responsible for Billing Period P.

TCCRate = For calendar year 2012, the applicable rate shall be $0.0372 per settled MWh
of Transmission Congestion Contracts, based on a $4.9 million projected 2012 annual
revenue requirement. For calendar years following 2012, the applicable rate shall be
calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate
Schedule 1.

TCCSettledc,P = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer c in Billing Period P.

6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case
 Resource Program or Emergency Demand Response Program

The ISO shall charge, and each Transmission Customer that participates in the ISO’s
Special Case Resources program or its Emergency Demand Response program shall pay, a
charge for such activity each Billing Period as calculated according to the following formula.

 ISOCosts

SCR and EDR Chargec,P =

DRInjectionsc,P×0.28×

Annual

TotalEstWithdrawalUnits

Annual

Where:

c = Transmission Customer.

P = The relevant Billing Period.

SCR and EDR Chargec,P = The amount, in $, for which Transmission Customer c is responsible for Billing Period P.

DRInjectionsc,P = The total Load reduction, in MWh, measured and compensated during testing or an actual event for Transmission Customer c in Billing Period P.

ISOCostsAnnual = The sum, in $, of the ISO’s annual budgeted costs in the current calendar year.

TotalEstWithdrawalUnitsAnnual = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion
 Contracts Related Charges

For each calendar year after calendar year 2012, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual
Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

ResetRate =

Where:

AnnRevRequirement - Over/UnderCollection
 3YearRollingAvgBillUnits

ResetRate = For each calendar year after calendar year 2012, this rate will be used for either (i) the VTRate in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the TCCRate in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

AnnRevRequirement = The product, in $, of (i) the prior year’s annual revenue

requirement for either (A) Virtual Transaction market activity or (B) Transmission

Congestion Contract market activity, and (ii) an escalation factor. The ISO shall

calculate the escalation factor as the percentage change in the ISO budget between (i) the
ISO budget for the calendar year two years prior to the current calendar year (“Calendar

Year Minus 2”) and (ii) the ISO budget for the calendar year one year prior to the current calendar year (“Calendar Year Minus 1”).

Over/Under Collection = The ISO shall calculate the amount, in $, that it has over or
under collected for the prior year’s annual revenue requirement for either (A) Virtual
Transaction market activity or (B) Transmission Congestion Contract market activity, as
the case may be, as follows: (i) The ISO shall divide the annual revenue requirements
for the applicable market activity for Calendar Year Minus 2 and for Calendar Year
Minus 1 into twelve equal monthly revenue requirements for each of these calendar
years. (ii) The ISO shall then calculate the amount of revenue, in $, that it over or under
collected for each of the months from July of Calendar Year Minus 2 through June of
Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in $, that
the ISO collected for each month for the applicable market activity, minus (b) the
monthly revenue requirement, in $, for that month as determined above. If the result of
this calculation is positive, then the ISO overcollected for that month. If the result of this
calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall
then calculate the total over or under collection amount, in $, for the period of July of
Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to

(a) the sum, in $, of the revenue that the ISO overcollected for each month during this

period (i.e., the sum of the positive monthly results determined above), minus (b) the

sum, in $, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results
determined above).

3YearRollingAvgBillUnits = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year (“Calendar Year Minus 4”) and June of Calendar Year Minus 1.

The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

6.1.2.5 Credit for Transmission Customers Participating in Physical Market

Activity After Recovery of ISO Annual Budgeted Costs for the Preceding

Year

The ISO shall use the revenue collected each Billing Period pursuant to Section 6.1.2.4 of
this Rate Schedule 1 to recover any of its annual budgeted costs for the immediately preceding
calendar year that it has not already recovered under Section 6.1.2 of this Rate Schedule for that
year. Once it has recovered its annual budgeted costs for the immediately preceding calendar
year, the ISO shall distribute each Billing Period for the remainder of the calendar year any

additional revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule to each

Transmission Customer that participates in physical market activity as calculated according to the following formula.

ISO Annual Budget Creditc,P =

NonPhysicalActivityRevenue P

×0.28×

InjectionUnits c,P

+

TotalInjectionUnitsP

WithdrawalUnits c,P

NonPhysicalActivityRevenueP×0.72×

Where:

c = Transmission Customer.
P = The relevant Billing Period.

TotalWithdrawalUnits

P

ISO Annual Budget Creditc,P = The amount, in $, that Transmission Customer c will receive for Billing Period P.

NonPhysicalActivityRevenueP= The sum, in $, of the revenue collected by the ISO for
Billing Period P through the charges to Transmission Customers for non-physical market
activity, the Special Cases Resource program, and the Emergency Demand Response
program as calculated in Section 6.1.2.4 of this Rate Schedule 1, less the amount the ISO
is using to recover the annual budgeted costs for the immediately preceding calendar year
that it did not recover 1) under Section 6.1.2.2 of this Rate Schedule for that year or 2)
through NonPhysicalActivityRevenue previously used for this purpose in the current
calendar year provided, however, NonPhysicalActivityRevenueP shall not be less than
zero

InjectionUnitsc,P = The Injection Billing Units, in MWh, for Transmission Customer c in
Billing Period P, except for Scheduled Energy Injections resulting from CTS Interface
Bids.

WithdrawalUnitsc,P = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

TotalInjectionUnitsP = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period P, except for Scheduled Energy Injections resulting from CTS Interface Bids.

TotalWithdrawalUnitsP = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

Following the end of calendar year 2017, the ISO shall review the credits that have been
made to Transmission Customers participating in physical market activity pursuant to this
Section 6.1.2.5 and shall present the results of its review to Market Participants for comment.

6.1.3 NERC and NPCC Charges

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter’s costs related to the dues, fees, and related charges of:

(i) the NERC for its service as the Electric Reliability Organization for the United

States (“ERO”), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-
1-000 and RR06-3-000 and related dockets, and

(ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc.

(“NPCC”), or its successors, incurred to carry out functions that are delegated by
the NERC and that are related to ERO matters pursuant to Section 215 of the
FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking

service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

6.1.3.1 Calculation of NERC and NPCC Charges

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly

basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the

upcoming calendar quarter. This charge shall be calculated according to the following formula.

NERC&NPCC Chargec,Q =

Where:

NERC&NPCCCostsQ×

TUWithdrawalUnits c,M

TUTotalWithdrawalUnits M

c = Transmission Customer.

Q = The relevant calendar quarter, for which the NERC and NPCC costs apply.

NERC&NPCC Chargec,Q = The amount of the NERC and NPCC costs invoiced to the
ISO, in $, for which Transmission Customer c is responsible for calendar quarter Q.

NERC&NPCCCostsQ = The NERC and NPCC costs, in $, invoiced to the ISO for calendar quarter Q.

M = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter Q.

TUWithdrawalUnitsc,M = The Withdrawal Billing Units, in MWh, for Transmission
Customer c in its four-month true-up invoice that is issued with its regular monthly
invoice in month M, except for Withdrawal Billing Units for Wheels Through and
Exports.

TUTotalWithdrawalUnitsM = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month M, except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO

shall use the LSE bus meter data that have been submitted by the meter authorities for use in the
calculation of the four-month true-up of the Transmission Customer’s monthly invoice pursuant
to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and

2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

6.1.4 Bad Debt Loss Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the

recovery of bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

6.1.5 Working Capital Fund Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge for the

collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

6.1.6 Non-ISO Facilities Payment Charge

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 of this Rate Schedule 1 for the recovery of the costs of the ISO’s monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such payments to:

(i) Consolidated Edison Co. of New York, Inc. for the purchase, installation,

operation, and maintenance of phase angle regulators at the Branchburg-Ramapo
 Interconnection between the ISO and PJM Interconnection, LLC, and
 (ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR
 Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.
 In addition to the facilities listed above that are needed for the economic and reliable operation of the NYS Transmission System, the NYISO is required by the Commission to pass through charges assessed by the Midwest Independent Transmission System Operator, Inc.
(“MISO”) for the cost of International Transmission Company’s (“ITC’s”) Bunce Creek PARs.
The NYISO shall include, on a temporary basis, the charges that the NYISO receives for these

PARs as NonISOFacilitiesCosts in the formula set forth in Sections 6.1.6.1.1 and 6.1.6.1.2

below. If and to the extent the NYISO receives a refund of Bunce Creek PARs charges the

NYISO shall refund to each Transmission Customer the NonISOFacilitiesCosts it paid pursuant to this paragraph for charges assessed by the MISO for the cost of ITC’s Bunce Creek PARs. To the extent the refund is for less than the full amount of NonISOFacilitiesCosts charges paid
pursuant to this paragraph, the refund to each Transmission Customer shall reflect the percent reduction of the refund amount paid to the NYISO.

Bunce Creek PAR charges paid by Transmission Customers that are no longer Market
Participants at the time refunds are issued shall be allocated to each Transmission Customer in
the market at the time refunds are issued using the same load ratio share basis used to allocate
Bunce Creek PAR charges to that Transmission Customer. Interest which may be payable to
Transmission Customers receiving refunds shall be allocated to each Transmission Customer in
the market at the time of the refund in the same manner as refunds are allocated.

If the Commission issues a final determination that NYISO customers must pay a portion of the cost of ITC’s PARs, the NYISO will commence a stakeholder process to develop a
permanent cost recovery mechanism.

6.1.6.1 Calculation of Non-ISO Facilities Payment Charge

6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a

non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

Non-ISO Facilities Payment Chargec,h =

NonISOFacilitiesCosts M

N

Where:

×

WithdrawalUnits c,h

TotalWithdrawalUnits h

c = Transmission Customer.
M = The relevant month.

h = A given hour in the relevant Billing Period in month M. N = Total number of hours h in month M.

Non-ISO Facilities Payment Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h.

NonISOFacilitiesCostsM = The sum, in $, of the ISO’s bills for month M for the non-ISO
facilities from (i) Consolidated Edison Co. of New York (less the one-half of such bill
paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

WithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider, except for Scheduled Energy Withdrawals resulting from CTS
Interface Bids.

TotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT.

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO
facilities payment charge for each Billing Period. This charge shall be equal to the sum of the daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Chargec,d =

NonISOFacilitiesCosts M

N

Where:

×

StationPower c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period in month M. N = Number of days d in month M.

StationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day d.

6.1.6.1.3 Non-ISO Facilities Payment Credit

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units
that are not used to supply Station Power as a third-party provider, an amount of the revenue
collected through the non-ISO facilities payment charge under Section 6.1.6.1.2 of this Rate
Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for
the Transmission Customer, as calculated according to the following formula, for each day in the
relevant Billing Period.

Non-ISO Facilities Payment Creditc,d =

NonISOFacPayCharged×

Where:

WithdrawalUnits c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Non-ISO Facilities Payment Creditc,d = The amount, in $, that Transmission Customer c will receive for day d.

NonISOFacPayCharged = The sum of non-ISO facilities payment charges, in $, for all
Transmission Customers as calculated in Section 6.1.6.1.2 of this Rate Schedule 1 for
day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 shall be determined for day d.

6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost

Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a
charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost
recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability
Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the
daily charges for the Transmission Customer, as calculated according to the following formula,
for each day in the relevant Billing Period. The ISO shall perform this calculation separately to
recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the

payment costs related to Local Reliability Rule I-R5.

Local Reliability Rules Payment Recovery Chargec,d =

LRRPaymentd ×

Where:

TDWithdrawalUnits c,d

TDTotalWithdrawalUnits d

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability Rules Payment Recovery Chargec,d = The amount, in $, for which Transmission Customer c is responsible for day d.

LRRPaymentd - The amount, in $, paid in day d to Suppliers pursuant to the incremental
cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-

R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

TDWithdrawalUnitsc,d = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in day d in either (i) the Consolidated Edison Transmission District (in the

case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TDTotalWithdrawalUnitsd = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in day d in either (i) the Consolidated Edison Transmission

District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

6.1.8 Residual Costs Payment/Charge

The ISO’s payments for market transactions by Transmission Customers will not equal
the ISO’s payments to Suppliers for market transactions. Part of the difference consists of Day-
Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall
calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal
Billing Units. The most significant component of the residual adjustment is the residual costs
payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

6.1.8.1 Calculation of Residual Costs Payment/Charge

6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall calculate, and each Transmission Customer shall receive or pay based on
its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a
residual costs payment or a residual costs charge for each Billing Period. The payment or charge
for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments
for the Transmission Customer as calculated according to the following formula for each hour in
the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the

Transmission Customer as calculated in the following formula for each hour in the relevant

Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this
determination is negative, the ISO shall charge the Transmission Customer a residual costs
charge for the relevant Billing Period.

Residual Costs Payment/Chargec,h =

WithdrawalUnits c,h

(CustomerPaymentsh

−ISOPayments h )

Where:
 c = Transmission Customer.

×

TotalWithdrawalUnits h

h = A given hour in the relevant Billing Period.

Residual Costs Payment/Charge c,h = The amount, in $, for hour h that Transmission

Customer c will receive (if positive) or for which Transmission Customer c is responsible (if negative).

WithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider, except for Scheduled Energy Withdrawals resulting from CTS
Interface Bids.

TotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

CustomerPaymentsh = The ISO’s receipts, in $, for each hour h from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

(i) payments of the Energy component and Marginal Losses Component of LBMP

for Energy scheduled in the LBMP Market in hour h in the Day-Ahead Market;

(ii) payments of the Energy component, Marginal Losses Component, and

Congestion Component of LBMP for Energy purchased in the Real-Time LBMP Market for hour h that was not scheduled Day-Ahead;

(iii) payments of the Energy component, Marginal Losses Component, and

Congestion Component of LBMP for Energy by Suppliers that provided less

Energy in the real-time dispatch for hour h than they were scheduled Day-Ahead to provide in hour h for the LBMP Market;

(iv) the Marginal Losses Component of the TUC payments made in accordance with

this ISO OATT for Bilateral Transactions that were scheduled in hour h in the Day-Ahead Market; and

(v) the Marginal Losses Component and Congestion Component of the real-time

TUC payments made in accordance with this ISO OATT for Bilateral

Transactions that were not scheduled in hour h in the Day-Ahead Market.

(vi) the M2M settlement between the ISO and PJM Interconnection, L.L.C. for hour h,

determined in accordance with Section 8 of Schedule D to Attachment CC to this ISO OATT.

ISOPaymentsh = The ISO’s payments, in $, in each hour h to Suppliers that equal the
sum of the following components, which could be either positive or negative amounts:

(i) payments of the Energy component and Marginal Losses Components of LBMP

for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour h in the Day-Ahead Market;

(ii) payments to Suppliers of the Energy component, Marginal Losses Component,

and Congestion Component of LBMP for Energy provided to the ISO in the

Real-Time Dispatch for hour h that those Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;

(iii) payments of the Energy component and Marginal Losses Component of LBMP

for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and

(iv) payments of the Marginal Losses Component and Congestion Component of the

real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT.

The ISO shall calculate, and each Transmission Customer shall receive or pay based on
its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual
costs payment or a residual costs charge for each Billing Period. The payment or charge for the
relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the
Transmission Customer as calculated according to the following formula for each day in the
relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the
Transmission Customer as calculated in the following formula for each day in the relevant
Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission
Customer a residual costs payment for the relevant Billing Period. If the result of this
determination is negative, the ISO shall charge the Transmission Customer a residual costs
charge for the relevant Billing Period.

Residual Costs Payment/Chargec,d =

(CustomerPaymentsd -ISOPaymentsd )

TotalWithdrawalUnits d

Where:

×StationPower c,d

d = A given day in the relevant Billing Period.

StationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c that it used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day d.

6.1.8.1.3 Residual Costs Adjustment

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated
according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the
adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall
charge the Transmission Customer the adjustment amount.

Residual Costs Adjustmentc,d =

ResidCharge/PaymentCostsd×

Where:

WithdrawalUnits c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Residual Costs Adjustmentc,d = The amount, in $, for day d that Transmission Customer c
will receive (if positive) or for which Transmission Customer c is responsible (if
negative).

ResidCharge/PaymentCostsd = (i) If Transmission Customers were responsible for a

residual costs charge for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in $, of the costs that the ISO has collected through the residual costs charges for all Transmission Customers for day d. (ii) If Transmission Customers
received a residual costs payment for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (negative) amount, in $, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day d.

6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the

recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission
Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

6.1.9.1 Recovery of Costs for Payments for Special Case Resources and

Curtailment Service Providers Called to Meet the Reliability Needs of a

Local System

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and
Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

Local Reliability SCR and CSP Chargec,h =

SZWithdrawalUnits c,h

LocalReliabilityCostsh

×

Where:

SZTotalWithdrawalUnits h

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Local Reliability SCR and CSP Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

LocalReliabilityCostsh = The payments, in $, for hour h in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

SZWithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h in the relevant Subzone, except for Withdrawal Billing
Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.9.2 Recovery of Costs for Payments for Special Case Resources and

Curtailment Service Providers Called to Meet the Reliability Needs of the

NYCA

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the
NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.
 NYCA Reliability SCR and CSP Chargec,h =

WithdrawalUnits c,h

NYCAReliabilityCostsh

×

Where:

TotalWithdrawalUnits h

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

NYCA Reliability SCR and CSP Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h.

NYCAReliabilityCostsh = The payments, in $, for hour h made to Suppliers for Special
Case Resources and Curtailment Service Providers called to meet the reliability needs of
the NYCA.

WithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the

recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period

shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as
applicable, in the relevant Billing Period and for each Subzone, where applicable.

6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability
 Needs of a Local System

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone
where the Resource is located shall pay based on its Withdrawal Billing Units that are not used

to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

SZWithdrawalUnits c,h

Local Reliability DAMAP Chargec,h = DAMAPCostsh

×

Where:

c = Transmission Customer.
h = A given hour in the relevant Billing Period.

SZTotalWithdrawalUnits

h

Local Reliability DAMAP Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

DAMAPCostsh = The DAMAP costs, in $, for hour h in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

SZWithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h in the relevant Subzone, except for Withdrawal Billing
Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply
Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

Local Reliability DAMAP Chargec,d =

Where:

DAMAPCosts d

SZTotalWithdrawalUnits

×SZStationPower c,d
d

d = A given day in the relevant Billing Period.

SZStationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day d.

6.1.10.1.3 Local Reliability DAMAP Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the

Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue
collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.
 Local Reliability DAMAP Creditc,d =

LocRelDAMAPCharged×

Where:

SZWithdrawalUnits c,d

SZTotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Local Reliability DAMAP Creditc,d = The amount, in $, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelDAMAPCharged = The sum of charges, in $, for all Transmission Customers in

the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day d.

6.1.10.2 Recovery of Costs of All Remaining DAMAPs

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not
recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

Remaining DAMAP Chargec,h =

Where:
 c = Transmission Customer.

RemainingDAMAPCostsh×

WithdrawalUnits c,h

TotalWithdrawalUnits h

h = A given hour in the relevant Billing Period.

Remaining DAMAP Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h.

RemainingDAMAPCostsh = The DAMAP costs, in $, for hour h not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

WithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider, except for Scheduled Energy Withdrawals resulting from CTS
Interface Bids.

TotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

Remaining DAMAP Chargec,d =

Where:

RemainingDAMAPCosts d

TotalWithdrawalUnits d

×StationPower c,d

d = A given day in the relevant Billing Period.

StationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day d.

6.1.10.2.3 Remaining DAMAP Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate
Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

Remaining DAMAP Creditc,d =

Where:

RemainingDAMAPCharged×

WithdrawalUnits c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Remaining DAMAP Creditc,d = The amount, in $, that Transmission Customer c will receive for day d.

RemainingDAMAPCharged = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day d.

6.1.11 Recovery of Import Curtailment Guarantee Payment Costs

6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a
charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments
paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall
be equal to the sum of the hourly charges for the Transmission Customer, as calculated in
accordance with the following formula, for each hour in the relevant Billing Period.

Import Curtailment Guarantee Chargec,h =

Where:
 c = Transmission Customer.

ImportCurtGuarCostsh×

WithdrawalUnits c,h

TotalWithdrawalUnits h

h = A given hour in the relevant Billing Period.

Import Curtailment Guarantee Chargec,h = The amount, in $, for which Transmission Customer c is responsible for hour h.

ImportCurtGuarCostsh = The costs, in $, for the Import Curtailment Guarantee Payments to Import Suppliers for hour h.

WithdrawalUnitsc,h = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider, except for Scheduled Energy Withdrawals resulting from CTS
Interface Bids.

TotalWithdrawalUnitsh = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be
equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

Import Curtailment Guarantee Chargec,d =

Where:

ImportCurtGuarCosts d

TotalWithdrawalUnits

×StationPower c,d
d

d = A given day in the relevant Billing Period.

StationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day d.

6.1.11.3 Import Curtailment Guarantee Credit

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units
that are not used to supply Station Power as a third-party provider, an amount of the revenue
collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each
Billing Period. This credit shall be equal to the sum of daily payments for the Transmission
Customer, as calculated according to the following formula, for each day in the relevant Billing
Period.

Import Curtailment Guarantee Creditc,d =

Where:

ImpCurtGuarCharged×

WithdrawalUnits c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Import Curtailment Guarantee Creditc,d = The amount, in $, that Transmission Customer c will receive for day d.

ImpCurtGuarCharged = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day d.

6.1.12 Recovery of Bid Production Cost Guarantee Payment and Demand Reduction

Incentive Payment Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the

recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and for each Subzone, where applicable.

6.1.12.1 Costs of Demand Reduction BPCGs and Demand Reduction Incentive
 Payments

After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee
payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.

6.1.12.2 Costs of BPCGs for Additional Generating Units Committed to Meet
 Forecast Load

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral

Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve
Load in the Day-Ahead schedule is less than the ISO’s Day-Ahead forecast of Load, the ISO
may commit Resources in addition to the reserves that it normally maintains to enable it to
respond to contingencies to meet the ISO’s Day-Ahead forecast of Load. The ISO shall recover
a portion of the costs associated with Bid Production Cost guarantee payments for the additional
Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission
Customers pursuant to the methodology established in Attachment T of this ISO OATT. The
ISO shall recover the residual costs of such Bid Production Cost guarantee payments not
recovered through the methodology in Attachment T of the ISO OATT pursuant to Section

6.1.12.6 of this Rate Schedule 1.

6.1.12.3 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local
 System

Pursuant to this Section 6.1.12.3, the ISO shall recover the costs for Bid Production Cost
guarantee payments incurred to compensate Suppliers for their Resources, other than Special
Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

6.1.12.3.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the
following formula for each Subzone.

Local Reliability BPCG Chargec,d = BPCGCostsd×

Where:

c = Transmission Customer.
d = A given day in the relevant Billing Period.

SZWithdrawalUnits c,d

SZTotalWithdrawalUnits d

Local Reliability BPCG Chargec,d = The amount, in $, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCostsd = The Bid Production Cost guarantee payments, in $, made to Suppliers for Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

SZWithdrawalUnitsc,d = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for
Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnitsd = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing
Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.12.3.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply
Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

Local Reliability BPCG Chargec,d =

Where:

BPCGCosts d

SZTotalWithdrawalUnits

×SZStationPower c,d
d

SZStationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above,

6.1.12.3.3 Local Reliability BPCG Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the

Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that
are not used to supply Station Power as a third-party provider, an amount of the revenue
collected through the charge under Section 6.1.12.3.2 of this Rate Schedule 1. This credit shall
be calculated according to the following formula for each day in the relevant Billing Period.

Local Reliability BPCG Creditc,d =

Where:

LocRelBPCGCharged×

SZWithdrawalUnits c,d

SZTotalWithdrawalUnits d

Local Reliability BPCG Creditc,d = The amount, in $, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelBPCGCharged = The sum of charges, in $, for all Transmission Customers in the
relevant Subzone as calculated in Section 6.1.12.3.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above.

6.1.12.4 Cost of BPCGs for Special Case Resources Called to Meet the Reliability
 Needs of a Local System

Pursuant to this Section 6.1.12.4, the ISO shall recover the costs of Bid Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

Local Reliability SCR BPCG Chargec,d = BPCGCostsd×

Where:

c = Transmission Customer.
d = A given day in the relevant Billing Period.

SZWithdrawalUnits c,d

SZTotalWithdrawalUnits d

Local Reliability SCR BPCG Chargec,d = The amount, in $, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCostsd = The Bid Production Cost guarantee payments, in $, made to Suppliers for Special Case Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

SZWithdrawalUnitsc,d = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for
Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnitsd = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing
Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability
 Needs of the NYCA

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost
guarantee payments to compensate Special Case Resources called to meet the reliability needs of
the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in
the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station
Power as a third-party provider, a daily charge in accordance with the following formula.

NYCA Reliability SCR BPCG Chargec,d = BPCGCostsd×

Where:

c = Transmission Customer.
d = A given day in the relevant Billing Period.

WithdrawalUnits c,d

TotalWithdrawalUnits d

NYCA Reliability SCR BPCG Chargec,d = The amount, in $, for which Transmission Customer c is responsible for day d.

BPCGCostsd = The Bid Production Cost guarantee payments, in $, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day d.

WithdrawalUnitsc,d = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in day d, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnitsd = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in day d, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

6.1.12.6 Costs of All Remaining BPCGs

Pursuant to this Section 6.1.12.6, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production Cost
guarantee payments for additional Resources not recovered through the methodology in
Attachment T of this ISO OATT, from all Transmission Customers.

6.1.12.6.1 Transmission Customer Charge Based on Withdrawal Billing Units Not
 Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

Remaining BPCG Chargec,d =

Where:
 c = Transmission Customer.

RemainingBPCGCostsd×

WithdrawalUnits c,d

TotalWithdrawalUnits d

d = A given day in the relevant Billing Period.

Remaining BPCG Chargec,d = The amount, in $, for which Transmission Customer c is responsible for day d.

RemainingBPCGCostsd = The BPCG costs, in $, for day d not recovered by the ISO

through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule
1.

WithdrawalUnitsc,d = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in day d, except for the Withdrawal Billing Units to supply Station Power as a third-party provider, except for Scheduled Energy Withdrawals resulting from CTS
Interface Bids.

TotalWithdrawalUnitsd = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in day d, except for the Withdrawal Billing Units to supply Station Power as third-party providers, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to
 Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its

Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

Remaining BPCG Chargec,d =

Where:

RemainingBPCGCosts d

×StationPower
TotalWithdrawalUnits d

c,d

StationPowerc,d = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

6.1.12.6.3 Remaining BPCG Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its

Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.6.2 of this Rate

Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

Remaining BPCG Creditc,d =

Where:

RemainingBPCGCharged×

WithdrawalUnits c,d

TotalWithdrawalUnits d

Remaining BPCG Creditc,d = The amount, in $, that Transmission Customer c will receive for day d.

RemainingBPCGCharged = The sum of charges, in $, for all Transmission Customers as calculated in Section 6.1.12.6.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

6.1.13 Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the
settlement of a dispute.

6.1.13.1 Calculation of the Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

Dispute Resolution Payment/ Chargec,P =

Where:

c = Transmission Customer.
P = The relevant Billing Period.

DisputeResolutionCostsP×

WithdrawalUnits c,P

TotalWithdrawalUnits P

Dispute Resolution Payment/Chargec,P = The amount, in $, for Billing Period P that (i) Transmission Customer c will receive if the ISO is distributing funds that it has collected in the settlement of a dispute, or (ii) Transmission Customer c will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

DisputeResolutionCostsP = The amount, in $, for Billing Period P that (i) the ISO has
collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a
dispute.

WithdrawalUnitsc,P = The Withdrawal Billing Units, in MWh, for Transmission

Customer c in Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

TotalWithdrawalUnitsP = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers in Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

6.1.14 Credit for Financial Penalties

The ISO shall distribute to each Transmission Customer each Billing Period in

accordance with the following formula any payments that it has collected from Transmission

Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2
of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO
Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services
Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power
mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services
Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and

(v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO
will perform this calculation separately for the allocation of the revenue from each financial
penalty.

Financial Penalties Creditc,P

Where:

= PenaltyRevenueP×

WithdrawalUnits c,P

TotalWithdrawalUnits P

c = Transmission Customer.

P = A given day in the relevant Billing Period.

Financial Penalties Creditc,P = The amount, in $, that Transmission Customer c will receive for Billing Period P.

PenaltyRevenueP = The sum, in $, of revenue that the ISO has collected for Billing Period P from a Transmission Customer for one of the financial penalties indicated in this
Article 6.1.14 of this Rate Schedule 1.

WithdrawalUnitsc,P = The Withdrawal Billing Units, in MWh, for Transmission

Customer c for Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.

TotalWithdrawalUnitsP = The sum, in MWh, of Withdrawal Billing Units for all

Transmission Customers for Billing Period P, except for Scheduled Energy Withdrawals resulting from CTS Interface Bids.