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15.2 Rate Schedule 2 - Payments for Supplying Voltage Support Service

This Rate Schedule applies to payments to Suppliers who provide Voltage Support Service to the ISO. Transmission Customers will purchase Voltage Support Service from the ISO under the ISO OATT.

The rate provided in this Rate Schedule shall be used to calculate payments to all eligible Suppliers providing Voltage Support Service as applied on a Resource-specific basis (or Qualified Non-Generator Voltage Support Resource-specific). The ISO shall calculate payments on an annual basis, and make payments ~~monthly~~each Billing Period.

15.2.1 Responsibilities

The ISO shall coordinate the Voltage Support Service provided by Suppliers that qualify to provide such services as described in Section 15.2.1.1 of this Rate Schedule. The ISO shall also establish methods and procedures for Reactive Power (MVar) capability testing.

15.2.1.1 Suppliers

To qualify for payments, Suppliers of Voltage Support Service shall provide a Resource that has an AVR, or a Qualified Non-Generator Voltage Support Resource, which resource is electrically located within the NYCA. All Suppliers of Voltage Support Service must successfully perform Reactive Power (MVar) capability testing in accordance with the ISO Procedures and prevailing industry standards. The ISO may direct Suppliers to operate their Resources and Qualified Non-Generator Voltage Support Resources within these demonstrated reactive capability limits. Suppliers of Voltage Support Service will test their Resources and Qualified Non-Generator Voltage Support Resources and provide these services in accordance with ISO Procedures.

Voltage Support Service includes the ability to produce or absorb Reactive Power within the Resource's or Qualified Non-Generator Voltage Support Resource's tested reactive capability, and the ability to maintain a specific voltage level under both steady-state and post-contingency operating conditions subject to the limitations of the Resource's stated reactive capability. The requirement for a Resource or Qualified Non-Generator Voltage Support Resource ("Resource") to absorb Reactive Power may be set aside by the ISO with input from the Transmission Owner in whose Transmission District the Resource is located, which input may include, at the Transmission Owner's option, an executive level review. To grant an exemption from the requirement that the Resource be able to absorb Reactive Power, the ISO shall have determined that: 1) the resource is unable, due to transmission system configuration, to absorb Reactive Power; 2) the ability of the Resource to produce Reactive Power is needed for system reliability; and 3) for purposes of system reliability the Resource does not need to have the ability to absorb Reactive Power.

15.2.2 Payments

Each ~~month~~Billing Period, Suppliers whose Resource(s) meet the requirements to supply Installed Capacity, as described in Article 5 of the ISO Services Tariff, and are under contract to supply Installed Capacity shall receive the pro rata share~~one-twelfth (1/12th)~~ of the annual payment calculated under Section 15.2.2.1 of this Rate Schedule, ~~for Voltage Support Service allocated for that Billing Period.~~

Each ~~month~~Billing Period, Suppliers whose Generators are not under contract to supply Installed Capacity, Suppliers with synchronous condensers, and, except as noted in the following paragraph, Qualified Non-Generator Voltage Support Resources shall receive the pro rata share~~one-twelfth (1/12th)~~ of the annual payment calculated under Section 15.2.2.1 of this Rate

Schedule allocated for that Billing Period, which will then be pro-rated by the number of hours that the Generator, synchronous condenser, or Qualified Non-Generator Voltage Support

Resource operated in that ~~month~~Billing Period, as recorded by the ISO.

Each ~~month~~Billing Period, the Cross-Sound Scheduled Line shall receive the pro rata share of one-twelfth (1/12th) the annual payment calculated under Section 15.2.2.1 of this Rate Schedule allocated for the Billing Period, which will then be pro-rated by the number of hours that it is energized in that ~~month~~Billing Period, as recorded by the ISO.

15.2.2.1 Annual Payment for Voltage Support Service

For purposes of the calculation set forth in Section 15.2.2 of this Rate Schedule, the annual payment to Suppliers qualified and eligible to provide Voltage Support Service shall equal: (i) in the case of Generators and synchronous condensers the product of \$3919/MVAr and the tested MVAr capacity of the Generator or synchronous condenser; (ii) in the case of Qualified Non-Generator Voltage Support Suppliers, other than the Cross-Sound Scheduled Line, the product of \$3919/MVAr and its tested MVAr capacity as determined pursuant to the ISO Procedures; and (iii) in the case of the Cross-Sound Scheduled Line, the product of \$3919/MVAr and the tested, Reactive Power (MVAr) capacity measured at maximum real power flow.

15.2.2.2 Lost Opportunity Costs

A Supplier of Voltage Support Service from a Generator that is being dispatched by the ISO shall also receive a payment for Lost Opportunity Costs ("LOC") when the ISO directs the resource to reduce its real power (MW) output below its Economic Operating Point in order to allow the resource to produce or absorb more Reactive Power (MVAr), unless the Supplier is already receiving a Day-Ahead Margin Assurance Payment for that reduction under Attachment

to this ISO Services Tariff. The Lost Opportunity Cost payment shall be calculated as the product of: (a) the MW of output reduction; (b) the time duration of reduction in hours or fractions thereof; and (c) the Real-Time LBMP at the Generator bus minus the Generator's Energy Bid for the reduced output of the Generator. The details of the Lost Opportunity Cost payments are as follows:

The formula below describes the calculation of LOC as applied to each Generator supplying Voltage Support Service.

$$LOC = P_{RT} (D_1 - D_2) - \int_{D_2}^{D_1} Bid$$

Where:

P_{RT} = Real-Time LBMP

D_1 = Original dispatch point, which shall be equal to the Generator's Economic Operating Point.

D_2 = New dispatch point, which shall be the greater of the Generator's Real-Time Scheduled Energy Injection, the Generator's Actual Energy Injection, or the amount of Energy the Generator is scheduled to produce for the hour in the Day-Ahead Market.

Bid = Bid curve or Generation supplying Voltage Support Service

Figure 2.0(b) below graphically portrays the calculation of the LOC for a generator which reduced its MW output to allow it to produce or absorb more Reactive Power (MVar).

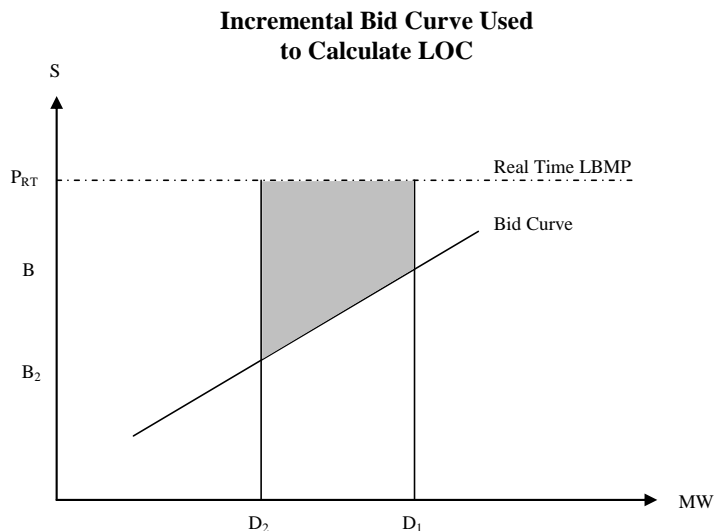


Figure 2.0(b)- Incremental Bid Curve Used to Calculate LOC

15.2.2.3 Other Payments to Synchronous Condensers and Qualified Non-Generator Voltage Support Resources

If a synchronous condenser or Qualified Non-Generator Voltage support Resource energizes in order to provide Voltage Support Service in response to a request from the ISO, the ISO shall compensate the facility for the cost of Energy it consumes to energize converters and other equipment necessary to provide that Voltage Support Service.

15.2.2.4 Failure to Perform by Suppliers

A Resource or a Qualified Non-Generator Voltage Support Resource will have failed to provide voltage support if it:

- 15.2.2.4.1 fails at the end of 10 minutes to be within 5% (+/-) of the requested Reactive Power (MVAR) level of production or absorption as requested by the ISO or applicable Transmission Owner for levels below it's Normal Operating

limit which must be at least 90% of its Dependable Maximum Net Capability (DMNC).

15.2.2.4.2 fails at the end of 10 minutes to be at 95% or greater of the Resource's demonstrated Reactive Power capability (tested at its Normal Operating Limit or at 90% of its DMNC, whichever is greater in MW) in the appropriate lead or lag direction when requested to go to maximum lead or lag reactive capability by the ISO or applicable Transmission Owner.

Whether the Resource or Qualified Non-Generator Voltage Support Resource has failed to provide Voltage Support Service in a Contingency shall be defined by ISO Procedures. Suppliers of Voltage Support Service that fail to comply with the ISO Procedures will be assessed charges by the ISO in the manner described in Sections 15.2.2.5 and 15.2.2.6 below.

15.2.2.5 Failure to Respond to ISO's Request for Steady-State Voltage Control

Initial Failure: If a Resource or a Qualified Non-Generator Voltage Support Resource fails to comply with the ISO's request for steady-state voltage control, the ISO shall withhold Voltage Support Service payments from the non-complying Supplier equivalent to one-twelfth (1/12th) of the annual payment for that specific Resource or a Qualified Non-Generator Voltage Support Resource (or an amount equal to the last month's voltage support payment made to it, if it is not an Installed Capacity provider). The Supplier shall also be liable for any additional cost in procuring replacement Voltage Support Service including LOC incurred by the ISO as a direct result of the Supplier's non-performance.

Repeated Failures: For each instance of failure to perform, the non-complying Supplier will be subject to the charges described herein. If a Resource fails to comply with the ISO's request on three (3) separate days, within a thirty (30) day period, then upon the third occurrence,

the non-complying Supplier will no longer be eligible for Voltage Support Service payments for service provided by that Resource or Qualified Non-Generator Voltage Support Resource. The ISO may reinstate payments once the Supplier complies with the following conditions to the ISO's satisfaction:

15.2.2.5.1 the Supplier's Resource or Qualified Non-Generator Voltage Support Resource must successfully perform a Reactive Power (MVar) capability test, and

15.2.2.5.2 the Resource or Qualified Non-Generator Voltage Support Resource must provide Voltage Support Service for thirty (30) consecutive days without any compliance failures. No payments for Voltage Support Service or LOC will be made to the Supplier during this period.

15.2.2.6 Failure to Provide Voltage Support Service When a Contingency Occurs on the NYS Power System

If a Supplier's Resource or Qualified Non-Generator Voltage Support Resource fails to respond to a contingency, based on ISO review and analysis, the ISO shall withhold Voltage Support Service payments from the non-complying Supplier as follows:

Initial Failure: The ISO will withhold from the Supplier one-twelfth (1/12th) of the annual payment for the specific Resource or Qualified Non-Generator Voltage Support Resource (or an amount equal to the last month's voltage support payment made to it, if it is not an Installed Capacity provider).

Second Failure within the same thirty (30) day period: The ISO shall withhold from the Supplier one-fourth (1/4th) of the annual payment for the specific Resource or Qualified Non-Generator Voltage Support Resource (or an amount equal to the last three (3) months' voltage support payments made to it, if it is not an Installed Capacity provider). In addition, the Supplier

that is in violation shall be prohibited from receiving Voltage Support Service payments for the non-complying Resource or Qualified Non-Generator Voltage Support Resource until the Supplier complies with the following conditions to the ISO's satisfaction:

15.2.2.6.1 the Supplier's Resource or Qualified Non-Generator Voltage Support Resource shall successfully perform a Reactive Power (MVar) capability test, and

15.2.2.6.2 the Resource or Qualified Non-Generator Voltage Support Resource shall provide Voltage Support Service for thirty (30) consecutive days without any compliance failures. No payments for Voltage Support Service, or LOC shall be made to the Supplier during this period.

15.2.3 Consistence with Cross-Sound Scheduled Line Protocols

Nothing in this Rate Schedule shall be construed to change existing protocols between the ISO and ISO New England, Inc. regarding the operation of the Cross-Sound Scheduled Line.