

6.3 Schedule 3 - Charges for Regulation Service

Regulation Service is necessary to provide for the continuous balance of resources (generation and interchange) with Load. Regulation Service is accomplished by committing on-line Generators whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in Load. The obligation to maintain this balance between Resources and Load lies with the ISO. The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA. The Transmission Customer must either purchase this service from the ISO or make alternative comparable arrangements to satisfy its Regulation Service obligation. The charges for Regulation Service are set forth below.

6.3.1 Customer Obligations and Responsibilities

Transmission Customers and LSEs shall either purchase this service from the ISO, Self-Supply or purchase this service from alternate Suppliers.

6.3.2 Charges to Transmission Customers

6.3.2.1 For all Actual Energy Withdrawals for Load located in the NYCA, the LSE is considered the Transmission Customer taking service under Sections 3, 4 and 5 of this Tariff for purposes of this Rate Schedule and shall pay a charge for this service on all Transmission Service in accordance with this Tariff and purchases in the LBMP Markets in accordance with the ISO Services Tariff, when such service serves Load located in the NYCA.

6.3.2.2 The ISO shall charge Transmission Customers and LSEs serving Load in the NYCA for Regulation and Frequency Response for each hour. The ISO shall charge Transmission Customers or LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for Regulation and Frequency Response for each day. The

charge shall be calculated as the Regulation and Frequency Response Rate, determined as an hourly or a daily rate as appropriate, multiplied by the LSE's or Transmission Customer's Load for the hour or by the Transmission Customers or LSEs withdrawals to provide Station Power as a third party provider for the day. The ISO shall calculate the Regulation and Frequency Response Rate, for an hour or for a day as appropriate, as follows:

$$\text{Rate}_{\text{RFR}} = \frac{(\text{Supplier Payment} - \text{Supplier Charge} - \text{Generator Charge})}{\text{Load}_{\text{NYCA}}}$$

where: Rate_{RFR} is the hourly or daily rate for Regulation and Frequency Response; Supplier Payment is the aggregate of all Day-Ahead Market and Real-Time Market payments (including Regulation Revenue Adjustment Payments) made by the ISO to all Suppliers of this Regulation Service as described in Sections 15.3.4, 15.3.5, 15.3.6 and 15.3.7 of Rate Schedule 3 of the ISO Services Tariff for the hour or for the day;

Supplier Charge is the aggregate of: (i) charges paid by all Suppliers for poor Regulation Service performance, as described in Section 15.3.5.5 and, if its provisions are re-instituted, Section 15.3.8 of Rate Schedule 3 of the ISO Services Tariff; (ii) all real-time imbalance charges paid by Suppliers under Section 15.3.5.3(a) of that Rate Schedule; and (iii) all Regulation Revenue Adjustment Charges assessed pursuant to Section 15.3.6 of that Rate Schedule for the hour or for the day.

Generator Charge is the aggregate of charges paid by all Generators that do not provide Regulation Service and do not follow their RTD Base Points sufficiently accurately, as described in Rate Schedule 3A of the ISO Services Tariff for the hour or for the day; and $\text{Load}_{\text{NYCA}}$ is the total Load in the NYCA for the hour or for the day, as appropriate.

6.3.2.3 In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services Tariff, exceed the payments made to Suppliers of this service (i) the ISO shall not assess a charge against any LSE, and (ii) the surplus will be applied to the following hour as an offset to subsequent payments.

6.3.2.4 Charges to be paid by Transmission Customers for this service shall be aggregated to render a ~~monthly~~ charge for each Billing Period. The ISO shall credit charges paid for Regulation and Frequency Response by Transmission Customers or LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for the day on a Load ratio share basis to Transmission Customers and LSEs serving Load in the NYCA for the day.