

Attachment III

2.3 Ancillary Services

Ancillary Services are needed with Transmission Service to maintain reliability within and among the Control Areas affected by the Transmission Service. The ISO ~~is required to provide, and the Transmission Customer is required to purchase,~~ the following Ancillary Services: (i) Scheduling, System Control and Dispatch, (ii) Voltage Support Service, (iii) Regulation Service, (iv) Energy Imbalance, (v) Operating Reserves Service, and (vi) Black Start Service.

~~The ISO is required to offer to provide the following Ancillary Services only to the Transmission Customers serving Load within the NYCA: (i) Regulation and Frequency Response, and (ii) Operating Reserves. The Transmission Customer serving Load within the NYCA is required to acquire these Ancillary Services, whether from the ISO, a third party, or by Self Supply pursuant to Schedules 3 and 5. The Transmission Customer may not decline the ISO's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the ISO.~~

~~The ISO shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer.~~

The specific Ancillary Services, prices and/or compensation methods are described on the schedules that are attached to and made a part of this Tariff. Sections 2.3.1 through 2.3.6 below list the six Ancillary Services.

2.3.1 Scheduling, System Control and Dispatch Service:

The costs for Scheduling, System Control, and Dispatch Service are included among those costs recovered through Schedule 1.

2.3.2 Voltage Support Service:

The rates and/or methodology are described in Schedule 2.

2.3.3 Regulation ~~and Frequency Response~~ Service:

The rates and/or methodology are described in Schedule 3.

2.3.4 Energy Imbalance Service:

The rates and/or methodology are described in Schedule 4.

2.3.5 Operating Reserve Service:

The rates and/or methodology are described in Schedule 5.

2.3.6 ISO Black Start Capability:

The rates and/or methodology are described in Schedule 6.

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 and when LSEs use Energy from the LBMP Market to service 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~~ LSEs

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~~ the OATT or buying Energy from the LBMP Market for purposes of this Rate Schedule and shall pay a charge for this service on all ~~Transmission Service withdrawals to serve Load in the NYCA~~ in accordance with this ~~Tariff Rate Schedule~~ 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 Service~~ 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 Service~~ for each day. The charge shall be calculated as the Regulation ~~and Frequency Response Service~~ 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~~ LSE's withdrawals to provide Station Power as a third party provider for the day. The ISO shall calculate the Regulation ~~and Frequency Response Service~~ Rate, for an hour or for a day as appropriate, as follows:

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

where: Rate_{RFRReg} is the hourly or daily rate for Regulation ~~and Frequency Response Service (\$/MWh)~~; 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 Load_{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~~ LSEs for this service shall be aggregated to render a monthly charge. The ISO shall credit charges paid for Regulation ~~and Frequency Response Service~~ 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.

6.5 Schedule 5 - Charges for Operating Reserve Service

The ISO must offer this service when Transmission Service is used to serve Load within the NYCA. ~~The Transmission Customers and LSEs~~ must either purchase this service from the ISO ~~or make alternative comparable arrangements to satisfy its Operating Reserve obligation.~~

The charges for Operating Reserve Service are set forth below. ~~Operating Reserves requirements are defined by the ISO as is described in Rate Schedule 4 of the ISO Services Tariff, in accordance with the Reliability Rules and other applicable reliability standards. The ISO shall monitor the level of Operating Reserves utilizing the security monitoring program. Transmission Customers, Transmission Owners and Suppliers shall supply all data required for the proper operation of the security monitoring program.~~

The NYSRC shall be responsible for evaluating the adequacy of the criteria for determining the required level of Operating Reserves and shall modify such criteria from time to time as required. The ISO shall establish additional categories of Operating Reserves if necessary to ensure reliability.

~~6.5.1~~ General Requirements

~~The ISO shall select Operating Reserves Suppliers that are properly located electrically so that all Operating Reserves requirements, as defined in Rate Schedule 4 of the ISO Services Tariff are satisfied and so that transmission Constraints resulting from either the commitment or dispatch of Suppliers do not limit the ability to deliver Energy to Loads in the case of a Contingency.~~ The ISO will ensure that Suppliers that are compensated for using Capacity to provide one Operating Reserve product are not simultaneously compensated for providing another Operating Reserve product, or Regulation Service, using the same Capacity (consistent

with the additive nature of the market clearing price calculation formulae in Sections 15.4.5.1 and 15.4.6.1 of Rate Schedule 4 of the ISO Services Tariff).

6.5.21 Operating Reserves Charges

~~Each~~ Transmission Customers engaging in ~~an~~ Export Bilateral Transactions, Customers engaged in Export Transactions and ~~each~~ LSEs shall pay an hourly charge equal to the product of (A) cost to the ISO of providing all Operating Reserves for a given hour; and (B) the ratio of (i) the LSE's hourly Load or the Transmission Customer's hourly scheduled Export to (ii) the sum of all Load in the NYCA and all scheduled Exports for a given hour. The cost to the ISO of providing Operating Reserves in each hour will equal the total amount that the ISO pays to procure Operating Reserves on behalf of the market in the Day-Ahead Market and the Real-Time Market, less payments collected from entities that are scheduled to provide less Operating Reserves in the Real-Time Market than in the Day-Ahead Market during that hour, under Rate Schedule 4 of the ISO Services Tariff. The ISO shall aggregate the hourly charges to produce a total charge for a given Dispatch Day.

~~Transmission Customers~~ LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers shall pay to the ISO a daily charge for this service equal to the product of (A) the cost to the ISO of providing all Operating Reserves for the day ~~less any revenues from penalties collected during the day~~ and (B) the ratio of (i) the ~~Transmission Customer's~~ LSE's Station Power supplied under Section 5 of the OATT for the day to (ii) the sum of all Load in the NYCA and all scheduled Exports for the day. The ISO shall credit the daily charges paid for Operating Reserves by ~~Transmission Customers~~ LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers on a Load ratio share basis to the Load in the NYCA for that day and all scheduled Exports for the day.

6.5.32 Self-Supply

Transmission Customers, including LSEs, may provide for Self-Supply of Operating Reserve by placing ~~generation facilities~~ Resources supplying any one of the Operating Reserves under ISO Operational Control. The ~~generation facilities~~ Resources must meet ISO rules for acceptability, pursuant to Rate Schedule 4 of the Services Tariff. The specified Resources will receive ~~The amount that any such customer will be charged for Operating Reserves Services will be reduced by~~ the market value of the Operating Reserves services provided by the specified ~~Resource~~ generation facilities as determined in the ISO Services Tariff. In addition, Transmission Customers, including LSEs, may enter into Day-Ahead bilateral financial transactions, *e.g.*, contracts-for-differences, in order to hedge against price volatility in the Operating Reserves markets.

6.6 Schedule 6 - Black Start and System Restoration Services

Black Start and System Restoration Services are provided by key generation facilities that are capable of starting without an outside electrical supply and/or that are otherwise integral to the restoration of the system after an outage under the ISO's Black Start and System Restoration Services plan (the "ISO Plan") and/or an individual Transmission Owner's Black Start and System Restoration Services plan.

6.6.1 Requirements

The ISO shall develop and periodically review a Black Start and System Restoration Services plan for transmission facilities that are part of the ISO Plan. The ISO may amend this restoration plan to account for changes in system configuration if the ISO determines that additional Black Start and System Restoration Services are needed.

Transmission Customers and Customers shall pay a Black Start and System Restoration Services charge on all Transactions to supply Load in the NYCA ~~(including Internal Wheels and Import Transactions)~~ equal to the product of (a) the Transmission Customer's hourly Load Ratio Share and (b) the hourly embedded cost charge for Black Start and System Restoration Services (net of all payments forfeited due to a Generator's failure to pass a required test of its ability to provide Black Start and System Restoration Services).

Transmission Customers or LSEs taking service under the OATT to supply Station Power as third-party providers shall pay a Black Start and System Restoration Services charge to the ISO as a daily charge for this service equal to the product of (A) the cost to ISO of providing all a Black Start and System Restoration Services for the day and (B) the ratio of (i) the Transmission Customer's Station Power supplied under the OATT for the day to (ii) the sum of all Load in the NYCA. The ISO shall credit the daily charges paid for Black Start and System

Restoration Services by Transmission Customers taking service under Part IV of the OATT to supply Station Power as third-party providers on a Load ratio share basis to the Load in the NYCA for that day.

The full restoration of the NYS Power System will require additional Black Start and System Restoration Services from Generators, which are located in local Transmission Owner areas and which are not presently listed in the ISO Plan. Although the ISO Plan will restore a major portion of the NYS Power System, there are portions of the NYS Power System that will remain under Transmission Owner restoration control. Where the Transmission Owner's restoration plan requires additional local Black Start and System Restoration Services, the ISO will make payments for such local services directly to the Generators that provide them, under the terms of Section 15.5.2 of Rate Schedule 5 to the ISO Services Tariff, except with respect to Black Start and System Restoration Services payments that are subject to Section 15.5.3.1 of that Rate Schedule. The LSEs in those local Transmission Owner areas will be additionally charged for Black Start and System Restoration Services by the ISO using the formula set forth in the following paragraph, except with respect to Black Start and System Restoration Services changes that are subject to Section 15.5.3.2 of Rate Schedule 5 to the ISO Services Tariff. Generating facilities, which are obligated to provide Black Start and System Restoration Services as a result of divestiture contract agreements, will not receive ISO payments for that service if they are already compensated for such service as part of those divestiture contracts.

The charge for LSEs in Local Transmission Owner areas shall be equal to the product of (a) the Transmission Customer's hourly Load Ratio Share of Load requiring local Black Start and System Restoration Services, and (b) the hourly embedded cost charge for providing local Black Start and System Restoration Services capability (net of all payments forfeited due to a local

generation facilities failure to pass a Black Start and System Restoration Services capability test), described in ISO Services Tariff, Rate Schedule 5.

6.6.2 Self Supply

Transmission Customers may not Self-Supply this Black Start Capability Service.