

Attachment II

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 and Customers will purchase Voltage Support Service from the ISO under the ISO OATT.

Eligible Suppliers provide Voltage Support Service from eligible providers which are Resources, as described below, synchronous condensers, and Qualified Non-Generator Voltage Support Resources. 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 provider-specific basis. The ISO shall calculate payments on an annual basis, and make payments 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 Generator that has an AVR (“Resource” for the purpose of this Rate Schedule), or a Qualified Non-Generator Voltage Support Resource, or a synchronous condenser, each of which must be 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, Qualified Non-Generator Voltage Support Resources, or synchronous condensers

within these demonstrated reactive capability limits. Suppliers of Voltage Support Service will test their Resources, Qualified Non-Generator Voltage Support Resources, and synchronous condensers 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, Qualified Non-Generator Voltage Support Resource's or synchronous condenser'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, Qualified Non-Generator Voltage Support Resource's, or synchronous condenser's stated reactive capability. The requirement for a Resource, synchronous condenser, or Qualified Non-Generator Voltage Support Resource to absorb Reactive Power may be set aside by the ISO with input from the Transmission Owner in whose Transmission District the Resource, synchronous condenser, or Qualified Non-Generator Voltage Support 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, synchronous condenser, or Qualified Non-Generator Voltage Support Resource be able to absorb Reactive Power, the ISO shall have determined that: 1) the Resource, synchronous condenser, or Qualified Non-Generator Voltage Support Resource is unable, due to transmission system configuration, to absorb Reactive Power; 2) the ability of the Resource, synchronous condenser, or Qualified Non-Generator Voltage Support Resource to produce Reactive Power is needed for system reliability; and 3) for purposes of system reliability the Resource, synchronous condenser, or Qualified Non-Generator Voltage Support Resource does not need to have the ability to absorb Reactive Power.

15.2.2 Payments

Each 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 of the annual payment calculated under Section 15.2.2.1 of this Rate Schedule allocated for that Billing Period.

Each 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 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 Billing Period, as recorded by the ISO.

Each Billing Period, the Cross-Sound Scheduled Line shall receive the pro rata share of 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 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 J to this ISO Services Tariff. The Lost Opportunity Cost payment shall be calculated as the maximum of zero or the product of: (a) the MW of output reduction; and (b) the Real-Time LBMP at the Generator bus minus the Generator’s Energy Bid for the reduced output of the Generator, multiplied by the time duration of reduction in hours or fractions thereof. 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.

$$LOC_i = \left(\max \left(LBMP_{RT,i} \times (EOP_i - \max(AEB_i, RTS_i, DAS_i)) \right) - \int_{\max(AEB_i, RTS_i, DAS_i)}^{EOP_i} Bid_i, 0 \right) \times \frac{S_i}{3600}$$

Where:

LOC_i = Lost Opportunity Cost for interval i

LBMP_{RT,i} = Real-time LBMP for interval i

EOP_i = The Generator's Economic Operating Point for interval i

AEI_i = The Generator's Actual Energy Injection for the interval i

RTS_i = The Generator's Real-Time Energy Schedule for interval i

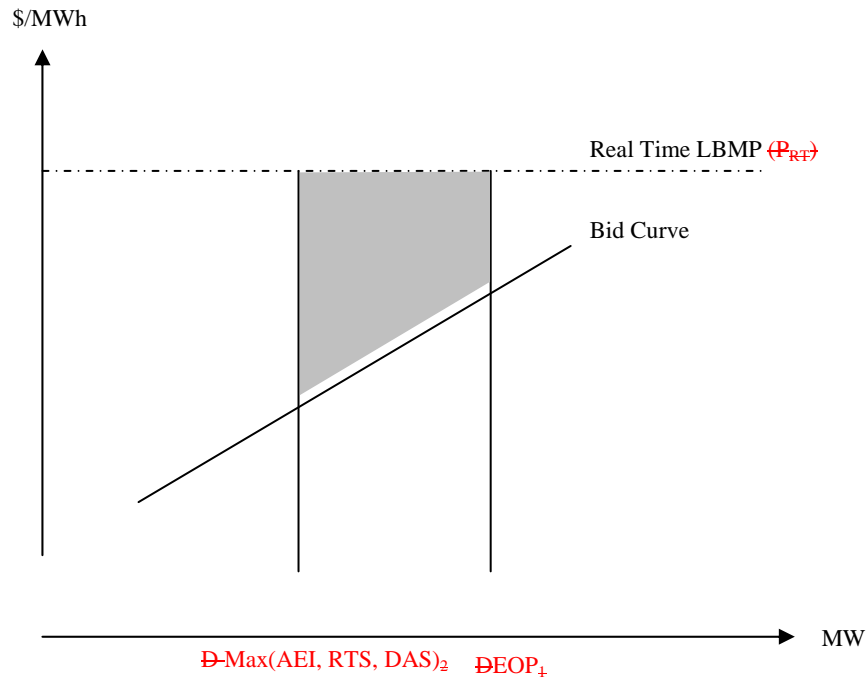
DAS_i = The Generator's Day-Ahead Schedule for the hour containing i

Bid_i = Generator's Bid curve in effect for interval i

$S_i/3600$ = The length of interval i , containing S_i seconds, in units of hours

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_[A1]



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.

15.2.3 Failure to Perform by Suppliers

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

15.2.3.1 when operating at real-power levels consistent with test conditions, 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 **except when the Resource is requested not to produce or absorb Reactive Power in which case that Resource, synchronous condenser, or Qualified Non-Generator Voltage Support Resource fails to provide Voltage Support if the absolute value of its level of Reactive Power production or absorption at the end of ten minutes is greater than 5% multiplied by the sum of the absolute values of (a) that Resource's maximum reactive power production level under test conditions and (b) that Resource's maximum reactive power absorption level under test conditions;**

.15.2.3.2 when operating at real-power levels consistent with test conditions, fails at the end of 10 minutes to be at 95% or greater of the Resource's, synchronous condenser's, or Qualified Non-Generator Voltage Support Resource's demonstrated Reactive Power capability (tested pursuant to ISO Procedures) 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;

15.2.3.3 fails to provide Voltage Support Service in a Contingency, as defined by ISO Procedures;

15.2.3.4 fails to maintain its automatic voltage regulator (as appropriate) in service and in automatic voltage control mode, or fails to commence timely repairs to the automatic voltage regulator.

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 15.2.4, 15.2.5, and 15.2.6 below.

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

Failure: If a Supplier's Resource, synchronous condenser, or 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, synchronous condenser, 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). 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: In addition to the charges for failure, the non-complying Supplier will also be subject to the charges described in this paragraph. If a Supplier's Resource, synchronous condenser, or Qualified Non-Generator Voltage Support 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, synchronous condenser, 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:

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

15.2.4.2 the Supplier's Resource, synchronous condenser, 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.

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

If a Supplier's Resource, synchronous condenser, 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, synchronous condenser, 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, synchronous condenser, 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, synchronous condenser, or Qualified Non-Generator Voltage Support Resource until the Supplier complies with the following conditions to the ISO's satisfaction:

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

15.2.5.2 the Supplier's Resource, synchronous condenser, 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 for this resource during this period.

15.2.6 Failure to Maintain an Automatic Voltage Regulator or Commence Timely Repairs

If a Supplier's Resource or Qualified Non-Generator Voltage Support Resource fails to maintain its automatic voltage regulator in operation and fails to commence timely repairs following a failure of the automatic voltage regulator within a 30-day period, the Resource will be disqualified as a supplier of Voltage Support Service. The Supplier will not receive Voltage Support Service payments for the disqualified Resource until the Supplier complies with the following conditions:

- (1) the Supplier provides documentation to the NYISO of the completion of the repairs;

- (2) the Supplier's Resource or Qualified Non-Generator Voltage Support Resource successfully performs a Reactive Power (MVAR) capability test, and;
- (3) the Supplier's Resource or Qualified Non-Generator Voltage Support Resource provides 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.

15.2.7 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.