

Attachment IV

5.1 Control Area Services

The ISO will provide Control Area Services in accordance with the standards and criteria of NERC and NPCC, ~~and the~~ [Reliability Rules of the NYSRC](#), ~~Reliability Rules~~ and Good Utility Practice. The Control Area Services provided by the ISO include, but are not limited to, the following:

- (a) Developing and implementing procedures to maintain the reliability of NYS Power System;
- (b) Coordinating operations with other Control Area operators;
- (c) Arranging for reserve sharing agreements with other ISOs and other Control Areas to enhance reliability during abnormal operating conditions;
- (d) Coordinating the outage schedules for generating units within the NYCA to maintain system reliability;
- (e) Committing adequate generation resources to ensure the reliability of the NYS Power System;
- (f) Taking command and control of the NYCA resources during Emergency conditions and coordinating operations with Transmission Owners;
- (g) Maintaining and Operating a central control center and performing the functions of the NERC security control center for the NYCA under Emergency operating conditions;
- (h) Defining the Installed Capacity requirements for LSEs, inclusive of individual customers taking services directly from the ISO, within the NYCA;
- (i) Determining Locational Installed Capacity requirements for LSEs to ensure the reliable operation of the NYCA;

- (j) Administering of an Installed Capacity Market;
- (k) Training the operating personnel of the ISO and Transmission Owner control rooms; and
- (l) Administering the mandatory NERC reliability compliance process.

5.1.1 Customer Compliance with Reliability Standards; Penalties

5.1.1.1 Customer Compliance with Reliability Standards:

In accordance with applicable requirements in this Tariff and the ISO Procedures, all Customers shall conform to all applicable reliability criteria, policies, standards, rules, regulations and other requirements of NERC, NPCC, NYSRC, any applicable regional council, or their successors, the ISO's specific reliability requirements and ISO Procedures, and applicable operating guidelines and all applicable requirements of federal and state regulatory authorities. Failure to conform to these requirements may subject a Customer to direct assignment of penalties assessed against the ISO by FERC, NERC, NPCC or any other federal or state regulatory authority as a result of such Customer's failure to conform.

5.1.1.2 Direct Assignment of Penalty Costs:

The ISO's compliance with applicable reliability criteria, policies, standards, rules, regulations and other requirements is sometimes dependent on timely, accurate and adequate information and/or action on the part of a Customer. If the ISO is found to be non-compliant with respect to any applicable reliability criteria, policies, standards, rules, regulations and other requirements as a result of a Customer's actions or failure to act in violation of an obligation imposed by the ISO Tariffs, ISO Procedures, or ISO Related Agreements, the ISO may seek to directly assign to the Customer the cost of a penalty imposed on the ISO as a consequence of its

non-compliance. If the Customer is found to be non-compliant with respect to any applicable reliability criteria, policies, standards, rules, regulations and other requirements as a result of the ISO's actions or failure to act in violation of an obligation imposed by the ISO Tariffs, ISO Procedures, or ISO Related Agreements, the Customer may seek to directly assign to the ISO the cost of a penalty imposed on the Customer as a consequence of the ISO's non-compliance. Any direct assignment of penalty costs must first be approved by FERC, as provided in Schedule 6.11 of the OATT.

5.1.1.3 ISO's Recovery of Penalty Costs Through Schedule 11:

If direct assignment to a particular Customer is not possible or if the ISO is directly responsible for a violation because of its own action or inaction, the ISO may seek to recover such penalty costs in Schedule 6.11 Section 6.11.3 of the ISO OATT. Any inclusion of penalty costs in Schedule 6.11 must first be approved by FERC on a case-by-case basis, as provided in Schedule 6.11 of the ISO OATT. Prior to seeking FERC authorization for recovery of a penalty in Schedule 6.11 Section 6.11.3 of the ISO OATT, the ISO shall consult with the Management Committee and any appropriate subcommittee or working groups designated by the Management Committee, regarding the recovery and allocation of such penalty before filing at FERC. Any recommendation by the Management Committee regarding a proposed penalty recovery shall be reported by the ISO to FERC in any ISO filing seeking penalty recovery.

5.1.2 Interregional Congestion Management Pilot Program

The following procedures shall govern the redispatch of generation to alleviate transmission congestion on selected pathways on the transmission systems operated by the ISO and PJM Interconnection, L.L.C. ("PJM") pursuant to an Interregional Congestion Management Pilot Program ("Pilot Program"). The procedures shall be used solely when, in the exercise of

Good Utility Practice, the ISO or PJM determines that the redispatch of generation units on the other's transmission system would reduce or eliminate the need to resort to Transmission Loading Relief or other transmission-related emergency procedures.

5.1.2.1 Identification of Transmission Constraints

- (a) On a periodic basis determined by the ISO and PJM, the ISO and PJM shall identify potential transmission operating constraints that could result in the need to use Transmission Loading Relief or other emergency procedures in order to alleviate the transmission constraints.
- (b) In addition to the identification of such potential transmission operating constraints, the ISO and PJM shall identify generation units on the other's system, the redispatch of which would eliminate the identified transmission constraints.
- (c) From the identified transmission constraints, the ISO and PJM shall agree in writing on the transmission operating constraints and redispatch options that shall be subject to this Section 5.1.2. In reaching such agreement, the ISO shall endeavor reasonably to limit the number of transmission constraints that are subject to this Section 5.1.2 so as to minimize potential cost shifting among Market Participants in the ISO and PJM Control Areas resulting from the redispatch of generation under the Pilot Program. The ISO shall post the transmission operating constraints that are subject to the Pilot Program on its website.

5.1.2.2 Redispatch Procedures

If (i) a transmission constraint subject to this Section 5.1.2 occurs and continues or reasonably can be expected to continue after the exhaustion of all economic alternatives that are

reasonably available to the transmission system on which the constraint occurs and (ii) the ISO or PJM, as applicable, has determined that it must use either Transmission Loading Relief or other emergency procedures, then (iii) the affected entity may request the other to redispatch one or more of the previously identified generation units to eliminate the transmission constraint. Upon such request, the ISO or PJM, as applicable, shall redispatch such generation if it is then subject to its dispatch control and such redispatch is consistent with Good Utility Practice.

5.1.2.3 Locational Based Marginal Price

In the event that a Generator is redispatched by the ISO in response to a request from PJM under Section 5.1.2, the Generator's bid for the Energy made available by the redispatch shall not be included in the determination of the Locational Based Marginal Price at that Generator's bus.

5.1.2.4 Generator Compensation

Generators that have increased or decreased generation output above or below the level that would otherwise represent the economic dispatch level as a result of a request made pursuant to the Pilot Program (the "MWh Adjustment") shall be compensated, on an interval-by-interval basis, based on the following formulas:

- (a) For a positive MWh Adjustment: $\text{Payment to Generator} = \text{MWh Adjustment} * (\text{unit offer price} - \text{marginal price at the generator bus})$. In addition the Generator shall be paid any applicable Minimum Generation Bid, Start-Up Bid, and Energy Bid price costs not covered by the LBMP revenue for the 24 hour day or not covered by the marginal price, as appropriate.
- (b) For a negative MWh Adjustment: $\text{Payment to Generator} = \text{MWh Adjustment} * (\text{marginal price at the generator bus} - \text{unit offer price})$. In addition the Generator

shall be paid any applicable minimum generation, start-up and Energy Bid price costs not covered by the LBMP revenue for the 24 hour day or not covered by the marginal price, as appropriate.

- (c) MWh adjustment payments to Generators pursuant to this subsection shall not be considered LBMP revenue for purposes of calculating minimum generation, start up and Energy bid price guarantees.

5.1.2.5 Settlements

- (a) If PJM redispatches generation, the ISO shall include in its monthly accounting and billing a payment to PJM for the costs of such redispatch as determined in accordance with Section 5.1.2.4
- (b) If the ISO redispatches generation under the Pilot Program, then it shall include in its monthly accounting and billing a credit to each redispatched Generator calculated in accordance with Section 5.1.2. 4 The ISO shall invoice PJM and PJM shall collect from its market participants and pay to the ISO an amount equal to all such credits to Generators.
- (c) Unless there is a separate Emergency Energy Transaction accompanying a generation adjustment under the Pilot Program there shall be no adjustment in interchange between the ISO and PJM as a result of redispatch under the Pilot Program. In the event that an Emergency Energy Transaction accompanies a generation adjustment under the Pilot Program, compensation for the Emergency Energy Transaction shall be at the rates for emergency purchases and sales which have been approved by the Commission, as they may be amended from time-to-time.

5.1.2.6 Incorporation of Certain Business Practice Standards

- (a) Pursuant to Commission Order No. 676-E, the ISO incorporates by reference the following business practice standards developed by the North American Energy Standards Board's Wholesale Electric Quadrant.

Open Access Same-Time Information Systems (OASIS), Version 1.5 (WEQ-001, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009) , except as provided below;

Coordinate Interchange (WEQ-004, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009), except as provided below;

Area Control Error (ACE) Equation Special Cases Standards (WEQ-005, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009);

Manual Time Error Correction (WEQ-006, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007);

Inadvertent Interchange Payback (WEQ-007, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009);

Transmission Loading Relief - Eastern Interconnection (WEQ-008, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009);

Gas/Electric Coordination (WEQ-011, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009);

Public Key Infrastructure (PKI) (WEQ-012, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009); and

Measurement and Verification of Wholesale Electricity Demand Response (WEQ-015, 2008 Annual Plan Item 5(a), March 16, 2009).

- (b) The ISO is not required to comply with the following Standards:

Open Access Same-Time Information Systems (OASIS), Version 1.5 (WEQ-001, Version 002.1, March 11, 2009, with minor corrections applied on May 29, 2009 and September 8, 2009): Standards 001-2, *et seq.* through 001-12, *et seq.*, 001-

13.1.2 *et seq.*, 001-13.1.3(b), 001-13.1.3(c); 001-14, *et seq.* through 001-22, *et seq.* and Appendices 001-A, 001-B, and 001-D;

Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols, Version 1.5 (WEQ-002, Version 002.1, March 11, 2009 with minor corrections applied May 29, 2009 and September 8, 2009): Standard 002, *et. seq.*

Open Access Same-Time Information Systems (OASIS) Data Dictionary, Version 1.5 (WEQ-003, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009);

Coordinate Interchange (WEQ-004, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009): Standards 004-3, 004-3.1, 004-8.2, 004-11.1(a), 004-18, *et seq.*, and Appendices 004-A, and 004-C to the extent they govern physical transmission reservations; and

Open Access Same-Time Information Systems (OASIS) Implementation Guide, Version 1.5 (WEQ-013, Version 002.1, March 11, 2009, with minor corrections applied May 29, 2009 and September 8, 2009): Standard 013, *et. seq.*.

5.2 Independent System Operator Authority

The ISO will act as the Control Area operator, as defined by NERC, for the NYCA. The ISO will provide all Control Area Services in the NYCA. Control Area Services provided by the ISO will be in accordance with the terms of the ISO Services Tariff, the Reliability Rules, the ISO Related Agreements and Good Utility Practice. The ISO will ~~inter~~act with other Control Area operators as required to ~~effect~~modify External Transactions pursuant to this Tariff and to ensure the effective and reliable coordination with the interconnected Control Areas. In acting as the Control Area operator, the ISO will be responsible for maintaining the safety and the short-term reliability of the NYCA and for the implementation of reliability standards promulgated by NERC and NPCC and for the Reliability Rules promulgated by the NYSRC. To be included within NYCA, a Market Participant must meet the requirements of Section 5.6. Each Market Participant that (1) withdraws Energy to supply Load within the NYCA; or (2) provides installed Capacity to an LSE serving Load within the NYCA, benefits from the Control Area Services provided by the ISO and from the reliability achieved as a result of ISO Control Area Services and therefore must take service as a Customer under the Tariff. To be included within NYCA, a Market Participant must meet the requirements of Section 5.6. A Market Participant that is not included within the NYCA may take service as a Customer under the Tariff, provided that it meets the requirements of Section 5.7.

5.2.1 Suspension of Virtual Transactions

The ISO may temporarily suspend Virtual Transactions if it determines that:

- 5.2.1.1 The financial exposure of customers engaged in Virtual Transactions cannot be determined with a reasonable degree of accuracy or to factors such as software or system failures;

5.2.1.2 A market aberration associated with Virtual Transactions substantially impairs the functioning of the ISO-administered markets; or

5.2.1.3 Virtual Transactions substantially impair the ability of the ISO to maintain the reliability of the electric system.

As soon as reasonably practicable, the ISO shall notify the Commission and Market Participants of the reason(s) for any suspension of Virtual Transactions, the action(s) necessary to restore Virtual Transactions, and the estimated time required to restore Virtual Transactions.

5.2.2 Suspension of the Ability of Generators to Increase Their Bids in Real-Time

The ISO may temporarily suspend the ability to submit Incremental Energy Bids in the real-time market that exceed the Incremental Energy Bids submitted in the Day-Ahead Market or the mitigated Day-Ahead Incremental Energy Bids where appropriate for the portions of Generators' Capacity that were scheduled in the Day-Ahead Market, if the ISO determines that:

5.2.2.1 a market aberration associated with Incremental Energy Bids submitted in the real-time market that exceed the Incremental Energy Bids submitted in the Day-Ahead Market for the portions of Generators' Capacity that were scheduled in the Day-Ahead Market substantially impairs the functioning of the ISO-administered markets; or

5.2.2.2 Permitting Incremental Energy Bids submitted in the real-time market to exceed the Incremental Energy Bids submitted in the Day-Ahead Market or the mitigated Day-Ahead Incremental Energy Bids where appropriate, for portions of Generators' Capacity that were scheduled in the Day-Ahead Market substantially impairs the ability of the ISO to maintain the reliability of the electric system.

As soon as reasonably practicable, the ISO shall notify the Commission and Market Participants of the reason(s) for any suspension of the ability for Incremental Energy Bids submitted in the real-time market to exceed the Incremental Energy Bids submitted in the Day-Ahead Market or the mitigated Day-Ahead Incremental Energy Bids where appropriate, for portions of Generators' Capacity that were scheduled in the Day-Ahead Market; the action(s) necessary to restore this feature to the ISO-Administered Markets; and the estimated time required to restore this feature to the ISO-Administered Markets.