2.7 Billing and Payment

2.7.1 ISO as Counterparty; Right to Net or Set Off; ISO Clearing Account

2.7.1.1 ISO as Counterparty

The ISO shall be for all purposes the contracting counterparty, in its own name and right, to each Transmission Customer for any purchase or sale of any product or service, or for any other transaction, that is financially settled by the ISO under the ISO Tariffs.

2.7.1.2 Right to Net or Set Off Obligations Owed

Unless otherwise specifically set forth in this ISO OATT, if for any settlement period the
ISO is required to pay any amount to the Transmission Customer and the Transmission Customer
is required to pay any amount to the ISO under this ISO OATT or the ISO Services Tariff, such
amounts shall be netted, and the party owing the greater aggregate amount shall pay to the other
party the difference between the amounts owed. Additionally, all outstanding payment
obligations under this ISO OATT and the ISO Services Tariff between the ISO and the
Transmission Customer may be netted, offset, set off, or recouped, and payment shall be owed as
set forth above.

2.7.1.3 ISO Clearing Account

The ISO will establish one or more accounts (the “ISO Clearing Account”) at a bank or other financial institution, and Transmission Customers shall make payments to the ISO or receive payments from the ISO through the ISO Clearing Account in accordance with their settlement information provided by the ISO as described in Section 2.7.3 of this ISO OATT.
 The funds held by the ISO in the ISO Clearing Account shall not be commingled with funds held by the ISO in any other ISO accounts.

2.7.1.4 ISO Liability for Payment

The obligation of the ISO to pay Transmission Customers for monies owed for a given
settlement period shall be limited so that the aggregate liability of the ISO for such payments
does not exceed the sum of (i) the aggregate amount paid to or recovered by the ISO from
Transmission Customers (including by applying a defaulting Transmission Customer’s financial security) for that settlement period, and (ii) the amount of funds held by the ISO in the Working Capital Fund. The process for declaring and recovering bad debt losses is set forth in
Attachment U to this ISO OATT.

2.7.2 Determination and Payment of Charges Associated with Transmission

Service

This Section 2.7.2 applies to all Transmission Services except Transmission Service pursuant to Grandfathered Agreements listed in Attachment L. Charges applicable to
Grandfathered Agreements are described in Attachment K.

2.7.2.1 Transmission Service Charge - General Applicability

The TSC charge is applied to all Actual Energy Withdrawals from the NYS Power

System under Part 3 or Part 4 of this Tariff, except for withdrawals by a Transmission Owner to provide bundled retail service or scheduled withdrawals associated with grandfathered
transactions as specified in Attachments K and L. The TSC charge also is applied to
Transactions to destinations outside the NYCA (Export or Wheel-Through Transactions), except as provided for in Section 2.7.2.1.4 of this Tariff.

Subject to the foregoing, the TSC applies to all Actual Energy Withdrawals regardless of
whether the withdrawals occur in conjunction with a Bilateral Transaction or through the
purchase of Energy from an LBMP Market. The TSC is payable under this Section regardless of

whether the withdrawal is scheduled under Part 3 or Part 4 of this Tariff. Customers buying

Energy from a Transmission Owner as part of a bundled retail rate will pay a portion of the

Transmission Owner’s transmission revenue requirement as part of their retail rates. Sales to

these customers will be included in the billing units used to calculate each Transmission Owner’s TSC under this Tariff in accordance with Attachment H.

Transmission Customers who are parties to grandfathered agreements specified in

Attachment L will pay the applicable contract rate in those agreements. Revenues from these agreements will be credited against the Transmission Owners’ individual revenue requirements in calculating the TSC.

2.7.2.1.1 Payable to Transmission Owners: The TSC will be payable to

Transmission Owners, in the manner described below in the remainder of Section

2.7.2.1.

2.7.2.1.2 Payable by Retail Access Customers: Retail access customers or LSEs

scheduling on their behalf will pay a TSC to their respective Transmission

Owners under the provisions described in Part 5 of this Tariff. The TSC is

payable under Part 5 (Retail Access Service) regardless of whether the LSE takes service under Part 3 (Point-to-Point Service) or Part 4 (Network Integration
Service) of this Tariff.

2.7.2.1.3 Payable by LSEs Serving Non-Retail Access Load in NYCA: LSEs

serving NYCA Load that is not part of a retail access program, such as customers of municipal electric systems, will pay a TSC to the Transmission Owner in
whose Transmission District the Load is located. The TSC shall apply to Actual Energy Withdrawals by the Load, regardless of whether such withdrawals are associated with Transmission Service under Part 3 or Part 4 of this Tariff or
purchases from an LBMP Market, whether the withdrawals are scheduled or
unscheduled, and regardless of whether the withdrawals were made on the Load’s behalf by the LSE or by another Transmission Customer.

2.7.2.1.4 Payable by Transmission Customers Scheduling Export or

Wheel-Through Transactions: Transmission Customers scheduling

Transactions to destinations outside the NYCA (Export or Wheel-Through
Transactions) are subject to a TSC as calculated in Attachment H. The TSC
charge shall be eliminated on all Exports and Wheel-Through Transactions
scheduled with the ISO to destinations within the New England Control Area;
provided that the following conditions shall continue to be met: (1) a
Commission approved tariff provision is in effect that provides for unconditional
reciprocal elimination of charges on Exports and Wheel-Through Transactions
from the New England Control Area to the New York Control Area; (2) no
change in the provisions in this Tariff related to Local Furnishing Bonds and
Other Tax Exempt Financing shall be required for the reciprocal elimination of
charges on Export and Wheel-Through Transactions to the New York Control
Area; and (3) the New York Transmission Owners have the ability to fully

recover the revenues related to the charges on Export and Wheel-Through
Transactions that are eliminated. The ISO and the New York Transmission
Owners, jointly or separately, shall have the right to make a Section 205 filing
with the Commission to reimpose the charge on Exports and Wheel-Through
Transactions if at any time any of the foregoing conditions is no longer satisfied.
The ISO will perform the requisite calculation and inform the Transmission
Customer and the applicable Transmission Owner(s) of the TSC charge. The
TSC will be payable by the Transmission Customer directly to the Transmission
Owner(s).

2.7.2.1.5 Payable by Energy Storage Resources: Energy Storage Resources will

pay a TSC directly to the Transmission Owner in whose Transmission District the Energy Storage Resource is located for Actual Energy Withdrawals by the Energy Storage Resource when it is not providing a service. However, an Energy Storage Resource that participates as a Co-located Storage Resource will only pay a TSC for net Actual Energy Withdrawals by the combined Co-located Storage
Resources. An Energy Storage Resource that participates as a Co-located Storage Resource will not pay a TSC when it receives charging Energy from its co-located Intermittent Power Resource behind the Co-located Storage Resources’ shared
Point of Injection/Point of Withdrawal.

For purposes of this Section 2.7.2.1.5, an Energy Storage Resource is

providing a “service” when it is withdrawing Energy if it also: (1) receives a Real-
Time Market schedule for Operating Reserves; or (2) receives a Real-Time
Market schedule for Regulation Service; or (3) is a qualified Supplier of Voltage

Support Service to the ISO in accordance with Section 15.2 of the ISO Services Tariff; or (4) is dispatched by the ISO as Out-of-Merit to meet NYCA or local system reliability in the same hour.

An Energy Storage Resource that submits Bids utilizing the Self-
Committed Fixed bidding mode shall pay a TSC for its Actual Energy
Withdrawals unless the Energy Storage Resource is either: (a) committed or
dispatched by the ISO as Out-of-Merit to withdraw Energy in the same hour to
address NYCA or local system reliability concerns, or (b) a qualified Supplier of
Voltage Support Service to the ISO in accordance with Section 15.2 of the ISO
Services Tariff.

When an Energy Storage Resource is subjected to a TSC, the TSC shall be payable regardless of whether the withdrawals are scheduled or unscheduled. The ISO will determine the amount of Actual Energy Withdrawals subject to the TSC charge and provide this information to both the Energy Storage Resource and the applicable Transmission Owner. The TSC will be payable by the Energy Storage Resource directly to the Transmission Owner.

2.7.2.2 Transmission Usage Charge (TUC)

2.7.2.2.1 Payable to the ISO: Transmission Usage Charges include Congestion

Rents and charges for Marginal Losses. They are payable directly to the ISO. Attachment J explains the calculation of the TUC.

2.7.2.2.2 Payable by Transmission Customers Scheduling Transmission

Service: All Transmission Customers scheduling Transmission Service under

Part 3 or Part 4 of this Tariff shall pay the applicable TUC charge as calculated in

the Attachment J hereto.

2.7.2.2.3 Payable by Transmission Owners Scheduling Bilateral Transactions

on Behalf of Bundled Retail Customers: Transmission Owners scheduling

Transmission Service to supply bundled retail customers shall pay the applicable TUC charge.

2.7.2.2.4 Payable by Customers Scheduling Direct LBMP Purchases from the

LBMP Market: Any Customer purchasing from the LBMP Market will pay the
Congestion Rent and Marginal Losses charge applicable to its location. These
Congestion Rent and Marginal Losses charges will be included in the calculation
of the LBMP charged by the ISO for the purchase of Energy from the LBMP
Market.

2.7.2.3 Ancillary Services

2.7.2.3.1 Payable to the ISO: All Ancillary Services charges are payable directly

to the ISO.

2.7.2.3.2 Payable by LSEs: All LSEs scheduling Transmission Service under Part

3 or Part 4 or purchases from the LMBP Market to supply Load in the NYCA

shall pay Ancillary Services charges as described in Schedules 1 through 6. The charges will be assessed on the basis of all Actual Energy Withdrawals by the
Load, regardless of whether such withdrawals are scheduled or unscheduled, and regardless of whether they are scheduled on the Load’s behalf by the LSE or by another Transmission Customer. As explained in Schedule 1, in certain
circumstances the Schedule 1 charge may vary depending upon the Transmission District in which the Load is located.

2.7.2.3.3 Payable by Customers Scheduling External Transactions:

Transmission Customers scheduling Export or Wheel-Through Transactions to destinations outside the NYCA, or purchases from the LBMP Market to serve Load outside the NYCA shall pay Ancillary Services charges under Schedules 1, 2, 4, and 5 of this Tariff. The charges will be assessed on the basis of all
Scheduled Energy Withdrawals from the NYCA.

2.7.2.3.4 Payable by Transmission Owners Serving Bundled Retail Customers:

Transmission Owners scheduling Transmission Service or purchases from the
LBMP Market to serve of bundled retail customers shall pay the ISO Ancillary
Services charges as described in Schedules 1 to 6 based on Actual Energy
Withdrawals.

2.7.2.4 NYPA Transmission Adjustment Charge (NTAC)

2.7.2.4.1 Payable to the ISO: NTAC charges are calculated in Attachment H. All

NTAC charges are payable to the ISO.

2.7.2.4.2 Payable by LSEs Serving Load in the NYCA: Each LSE serving Load

in the NYCA shall pay an NTAC to the ISO based on the LSE’s Actual Energy

Withdrawals.

2.7.2.4.3 Payable by Transmission Customers Scheduling Export or

Wheel-Through Transactions: Transmission Customers scheduling Export or
Wheel-Through Transactions shall pay an NTAC based on their Transaction
schedules. The NTAC charge shall not apply to Exports and Wheel-Through
Transactions scheduled with the ISO to destinations within the New England
Control Area provided that the conditions listed in Section 2.7.2.1.4 of this Tariff

are satisfied.

2.7.2.4.4 Payable by Energy Storage Resources: Each Energy Storage Resource

in the NYCA shall pay an NTAC to the ISO based on the Energy Storage

Resource’s Actual Energy Withdrawals when the Energy Storage Resource is not
providing a service. However, an Energy Storage Resource that participates as a
Co-located Storage Resource will only pay an NTAC for net Actual Energy
Withdrawals by the combined Co-located Storage Resources. An Energy Storage
Resource that participates as a Co-located Storage Resource will not pay an
NTAC when it receives charging Energy from its co-located Intermittent Power
Resource behind the Co-located Storage Resources’ shared Point of
Injection/Point of Withdrawal.

For purposes of this Section 2.7.2.4.4, an Energy Storage Resource is

providing a “service” when it is withdrawing Energy if it also: (1) receives a RealTime Market schedule for Operating Reserves; or (2) receives a Real-Time
Market schedule for Regulation Service; or (3) is a qualified Supplier of Voltage Support Service to the ISO in accordance with Section 15.2 of the ISO Services Tariff; or (4) is dispatched by the ISO as Out-of-Merit to meet NYCA or local
system reliability in the same hour.

An Energy Storage Resource that submits Bids utilizing the Self-
Committed Fixed bidding mode shall pay an NTAC for its Actual Energy
Withdrawals unless the Energy Storage Resource is either: (a) committed or
dispatched by the ISO as Out-of-Merit to withdraw Energy in the same hour to
address NYCA or local system reliability concerns, or (b) a qualified Supplier of

Voltage Support Service to the ISO in accordance with Section 15.2 of the ISO Services Tariff.

2.7.2.5 Reliability Facilities Charge (“RFC”) and LIPA RFC

2.7.2.5.1 Payable through the ISO: All RFC and LIPA RFC charges are

calculated, collected and payable to the ISO pursuant to Rate Schedule 10.

2.7.2.6 CLCPA Facilities Charge (“CFC”) and LIPA CFC

2.7.2.6.1 Payable to the ISO: All CFC and LIPA CFC charges are calculated,

collected, and payable to the ISO in accordance with the requirements of Rate Schedule 19.

2.7.2.6.2 Payable by LSEs Serving Load in the NYCA: In accordance with the

requirements of Rate Schedule 19, each LSE serving Load in the NYCA shall pay CFC and LIPA CFC charges.

2.7.3 Billing and Payment Procedures

For purposes of this Section 2.7.3:

(i) the term “Complete Week Settlement Period” shall mean the seven day period between Saturday and Friday for which all of the days are in the same month; and
 (ii) the term “Stub Week Settlement Period” shall mean the six or fewer day period between Saturday and Friday for which all of the days are in the same month.

2.7.3.1 Billing and Settlement Information

The ISO shall provide settlement and billing information to Transmission Customers.

The ISO shall inform each Transmission Customer that provides or is provided services

furnished under this ISO OATT or the ISO Services Tariff of the payments due for such service. Such information shall be made electronically available to the Transmission Customer.

2.7.3.2 Invoicing and Payment

2.7.3.2.1 Weekly Invoice

On or about each Wednesday, as set forth in ISO Procedures, the ISO shall submit an invoice to a Transmission Customer that indicates the net amount owed by or owed to the
Transmission Customer for those services furnished under this ISO OATT or the ISO Services Tariff for the previous Complete Week Settlement Period or Stub Week Settlement Period that are designated as Weekly Invoice Components in ISO Procedures; provided, however, that the net amount owed by or owed to the Transmission Customer for those services furnished for a Stub Week Settlement Period that concludes a month shall be included in the next monthly invoice issued in accordance with Section 2.7.3.2.2 of this ISO OATT.

2.7.3.2.2 Monthly Invoice

Within five (5) business days after the first day of each month, the ISO shall submit an invoice to a Transmission Customer that indicates the net amount owed by or owed to the Transmission Customer:

(i) for those services furnished under this ISO OATT or the ISO Services Tariff for a

Stub Week Settlement Period that concludes the previous month that are

designated as Weekly Invoice Components in ISO Procedures;

(ii) for any adjustments to amounts contained in the weekly invoices issued in the

previous month pursuant to Section 2.7.3.2.1 of this ISO OATT;

(iii) for those services furnished under this ISO OATT or the ISO Services Tariff in

the previous month that are designated as Monthly Invoice Components in ISO

Procedures;

(iv) for any adjustments to amounts contained in a previously issued monthly invoice

that was issued on or about one hundred twenty (120) days prior to the issuance of this invoice; and

(v) for any adjustments to amounts contained in a previously issued monthly invoice

as part of the Close-Out Settlement of that monthly invoice pursuant to Section

2.7.4.2.2 of this ISO OATT.

2.7.3.2.3 Payment by the Transmission Customer

A Transmission Customer owing payments on net in its weekly invoice or its monthly
invoice shall make those payments to the ISO through the ISO Clearing Account by the second business day after the date on which the weekly invoice or monthly invoice is rendered by the
ISO unless otherwise specified in ISO Procedures. In accordance with Section 2.7.1.2 of this
ISO OATT, the ISO may net any overpayment by the Transmission Customer for past estimated charges against current amounts due from the Transmission Customer or, if the Transmission
Customer has no outstanding amounts due, the ISO may pay to the Transmission Customer an
amount equal to the overpayment.

2.7.3.2.4 Payment by the ISO

Except as provided in Section 2.7.1.4 of this ISO OATT, the ISO shall pay all net monies
owed to a Transmission Customer in its weekly invoice or its monthly invoice from the ISO
Clearing Account by the second business day after the due date for Transmission Customer
payments set forth in Section 2.7.3.2.3 of this ISO OATT unless otherwise specified in ISO
Procedures.

2.7.3.3 Use of Estimated Data and Meter Data

The ISO may use estimates, including estimated meter data, in whole or in part to settle a

weekly or monthly invoice in accordance with ISO Procedures. The ISO shall use meter data

submitted to the ISO in accordance with Section 3.16 of this ISO OATT. Any charges based on estimates shall be subject to true-up in invoices subsequently issued by the ISO after the ISO has obtained the requisite actual information, provided that the ISO shall only true-up charges based on meter data prior to the deadline for finalizing the meter data established in Section 2.7.4.2 of this ISO OATT. A trued-up charge shall include interest amounts calculated at the rate set forth in Section 2.7.4 of this ISO OATT from the weekly or monthly due date for the charge until the date of payment of the trued-up amount for that charge.

2.7.3.4 Method of Payment

All payments by the Transmission Customer shall be made by either (i) wire transfer in
immediately available funds payable to the ISO through the ISO Clearing Account or (ii) any
other method set forth in ISO Procedures. All payments by the ISO shall be made either (i) by
wire transfer in immediately available funds payable to the Transmission Customer by the ISO
through the ISO Clearing Account or (ii) any other method set forth in ISO Procedures.

2.7.3.5 Verification of Payments

The ISO shall verify that all payments owed by Transmission Customers in accordance with this ISO OATT and the ISO Services Tariff have been paid to the ISO in a timely manner. If a Transmission Customer fails to make a payment within the time period established in
Sections 2.7.3.2.1, 2.7.3.2.2, and 2.7.3.6 of this ISO OATT or pays less than the amount due, the ISO shall take measures pursuant to Section 2.7.5 of this ISO OATT. Except as provided in
Section 2.7.1.4 of this ISO OATT, the ISO shall also ensure that monies owed to Transmission Customers in accordance with this ISO OATT and the ISO Services Tariff are paid through the ISO Clearing Account in a timely manner.

2.7.3.6 TCC Auction Settlements

Notwithstanding Sections 2.7.3.2.1 and 2.7.3.2.2 of this ISO OATT, the ISO shall make settlements related to the Centralized TCC Auction and the Reconfiguration Auction as set forth in this Section 2.7.3.6.

2.7.3.6.1 The ISO shall submit invoices to, and make settlements with, Transmission Owners in connection with the allocation of Net Auction Revenues in accordance with the timeline set forth in ISO Procedures.

2.7.3.6.2 Transmission Customers owing payments to the ISO as a result of their activity
in or related to a Centralized TCC Auction or Reconfiguration Auction, pursuant to an award
notice or a comparable invoice rendered by the ISO, shall make those payments to the ISO
through the ISO Clearing Account in accordance with the timeline set forth in ISO Procedures.

2.7.3.6.3 Except as provided in Section 2.7.1.4 of this ISO OATT, the ISO shall pay all
net monies owed to Transmission Customers as a result of their activity in or related to a
Centralized TCC Auction or a Reconfiguration Auction, pursuant to an award notice or a
comparable invoice rendered by the ISO, from the ISO Clearing Account in accordance with ISO
Procedures.

2.7.3.6.4 Sections 2.7.3.1, 2.7.3.3, 2.7.3.4 and 2.7.3.5 of this ISO OATT and Section

19.9.6 of Attachment M of this ISO OATT shall apply to settlements calculated in accordance with this Section 2.7.3.6.

2.7.3.7 Settlement Information and Billing Procedures for TSCs

The ISO shall provide each Member System with information to facilitate TSC billing.
Settlement information and billing procedures for payments of the TSC by retail access
customers or LSEs serving retail access customers in accordance with Section 5 of this ISO

OATT shall be separately issued, paid and collected in accordance with Section 5 of this ISO OATT. Settlement information and billing procedures for payments for TSCs for customers other than retail access customers and LSEs serving retail access customers shall be separately issued, paid and collected in accordance with the terms and conditions set forth in Attachment H of this ISO OATT in accordance with Section 5 of this ISO OATT.

2.7.3.8 Billing Procedures for Retail Access Programs

The billing procedures for customers participating in retail access programs shall be in accordance with Section 5 of this ISO OATT.

2.7.4 Interest on Unpaid Balances:

Interest on any unpaid amount whether owed to a Transmission Customer or to the ISO
(including amounts placed in escrow) shall be calculated in accordance with the methodology
specified for interest on refunds in the Commission’s regulations at 18 C.F.R. § 35.19a (a) (2)
(iii). Interest on unpaid amounts shall be calculated from the due date of the bill to the date of
payment. Invoices shall be considered as having been paid on the date of receipt of payment by
the ISO.

If the ISO is unable to provide settlement information on time due to the actions or

inactions of the Transmission Customer, in addition to any other remedies the ISO may have at law or in equity, the Transmission Customer shall pay interest on amounts due, as calculated above, from the first day of the Billing Period following the Billing Period in which charges are accrued, to the time of payment of those charges.

2.7.4.1 Billing Disputes:

This Section 2.7.4.1 establishes the process and timeframe for review, challenge, and

correction of Transmission Customer invoices. For purposes of this Section 2.7.4.1, any deadline that falls on a Saturday, Sunday, or holiday for which the ISO is closed shall be observed on the ISO’s next business day.

For purposes of this Section 2.7.4.1, “finalized” data and invoices shall not be subject to
further correction, including by the ISO, except as ordered by the Commission or a court of
competent jurisdiction; provided, however, that nothing herein shall be construed to restrict any
stakeholder’s right to seek redress from the Commission in accordance with the Federal Power
Act.

2.7.4.2 Settlement Cycle for Services Furnished On and After January 1, 2009

2.7.4.2.1 ISO Corrections or Adjustments and Transmission Customer

Challenges to the Accuracy of Settlement Information

Settlement information for services furnished beginning January 1, 2009, and thereafter
shall be subject to review, comment, and challenge by a Transmission Customer and correction
or adjustment by the ISO for errors at any time for up to five (5) months from the date of the
initial invoice for the month in which service is rendered as set forth in Section 2.7.3.2.2 of this
ISO OATT and as further provided in Section 2.7.4.2.2, subject to the following requirements
and limitations:

(i) A Supplier or meter authority may review, comment on, and challenge Generator,

tie-line, and sub-zone Load metering data for fifty-five (55) days from the date of
the initial invoice for the month in which service is rendered. Following this
review period, the ISO shall then have five (5) days to process and correct
Generator, tie-line, and sub-zone Load metering data, after which time it shall be
finalized.

(ii) The meter authority shall provide to the ISO all LSE bus metering data then

available within seventy (70) days from the date of the initial invoice and shall
provide any necessary updates to the LSE bus metering data as soon as possible
thereafter. The ISO shall post all available LSE bus metering data within
approximately seventy-five (75) days from the date of the initial invoice and shall
continue to post incoming LSE bus metering data as soon as practicable after it is
received.

(iii) The ISO shall post advisory settlement information, including available LSE bus

metering data, within ninety (90) days from the date of the initial invoice.

Transmission Customers may review, comment on, and challenge this settlement
information, except for Generator, tie-line, and sub-zone Load metering data, after
which the ISO shall process and correct the data and issue a corrected invoice

with the regular monthly invoice issued on or about one hundred twenty (120)

days from the date of the initial invoice. Following the ISO’s issuance of a

corrected invoice, Transmission Customers may continue to review, comment on,
 and challenge their settlement information, excepting Generator, tie-line, and sub-
 zone Load metering data, until the end of the five-month review period.
 (iv) The meter authority shall provide to the ISO any final updates or corrections to
 LSE bus metering data within one hundred thirty (130) days from the date of the
 initial invoice. The ISO shall then post any updated and corrected LSE bus
 metering data within one hundred thirty-five (135) days from the date of the
 initial invoice. Transmission Customers may then review, comment on, and
 challenge the LSE bus metering data for an additional ten (10) days. Following
 this review period, the ISO shall have five (5) days to process and correct the LSE

bus metering data, after which it shall be finalized.

The ISO shall use reasonable means to post metering revisions for review by

Transmission Customers and to notify Transmission Customers of the approaching expiration of review periods. To challenge settlement information contained in an invoice, a Transmission Customer shall first make payment in full, including any amounts in dispute. Transmission
Customer challenges to settlement information shall: (i) be submitted to the ISO in writing,
(ii) be clearly identified as a settlement challenge, (iii) state the basis for the Transmission
Customer’s challenge, and (iv) include supporting documentation, if applicable. The ISO shall notify all Transmission Customers of errors identified and the details of corrections or
adjustments made pursuant to this Section 2.7.4.2.1.

2.7.4.2.2 Review and Correction of Challenged Invoices

The ISO shall evaluate a settlement challenge as soon as possible within two (2) months
following the conclusion of the challenge period specified in Section 2.7.4.2.1; provided,
however, the ISO may, upon notice to Transmission Customers within this time of extraordinary
circumstances requiring a longer evaluation period, take up to six (6) months to evaluate a
settlement challenge. The ISO shall not be limited to the scope of Transmission Customer
challenges in its review of a challenged invoice and may, at its discretion, review and correct any
other elements and intervals of a challenged invoice, except Load and meter data as specified in
Section 2.7.4.2.1. Corrections to a challenged invoice shall be applied to all Transmission
Customers that were or should have been affected by the original settlement and shall not be
limited to the Transmission Customer challenging the invoice; provided, however, that the ISO
may recover de minimis amounts or amounts that the ISO is unable to collect from individual
Transmission Customers through Rate Schedule 1 of this ISO OATT.

Upon completing its evaluation, the ISO shall provide written notice to the challenging
Transmission Customer of the ISO’s final determination regarding the Transmission Customer’s
settlement challenge. If the ISO determines that corrections or adjustments to a challenged
invoice are necessary and can quantify them with reasonable certainty, the ISO shall provide all
Transmission Customers with the details of the corrections or adjustments within the timeframe
established in this Section 2.7.4.2.2. The ISO shall then provide a period of twenty-five (25)
days for Transmission Customers to review the corrected settlement information and provide
comments to the ISO regarding the implementation of those corrections or adjustments;
provided, however, that in the event of a dispute resolution proceeding conducted in accordance
with Section 2.7.4.3 of this ISO OATT, this twenty-five (25) day period shall not start or, if it
has already started, shall be suspended until the conclusion of the dispute resolution proceeding.
Following the conclusion of the dispute resolution proceeding, the ISO shall make any
corrections to Transmission Customers’ settlement invoices that it determines to be necessary
and shall then start or re-start the twenty-five (25) day Transmission Customer comment period.
 If no errors in the implementation of corrections or adjustments are identified during the twenty-five (25) day Transmission Customer comment period, the ISO shall issue a finalized close-out settlement (“Close-Out Settlement”), clearly identified as such, in the next regular
monthly billing invoice. If an error in the implementation of a correction or adjustment is
identified during the twenty-five (25) day Transmission Customer comment period, the ISO shall
have one (1) month to make such further corrections as are necessary to address the error and
provide Transmission Customers with one additional period of twenty-five (25) days to review
and comment on the implementation of those further corrections. If an error in the
implementation of those further corrections is identified, the ISO shall then have one (1) month

to make any final corrections that are necessary and shall issue a finalized Close-Out Settlement in the next regular monthly billing invoice.

2.7.4.3 Expedited Dispute Resolution Procedures for Unresolved Settlement

Challenges

2.7.4.3.1 Applicability of Expedited Dispute Resolution Procedures

This Section 2.7.4.3 establishes expedited dispute resolution procedures applicable to

address any dispute between a Transmission Customer and the ISO regarding a Transmission

Customer settlement that was not resolved in the ordinary settlement review, challenge, and

correction process; provided, however, that nothing herein shall restrict a Transmission Customer
or the ISO from seeking redress from the Commission in accordance with the Federal Power Act.
 A Transmission Customer may request expedited dispute resolution if it has previously presented a settlement challenge consistent with the requirements of Section 2.7.4.2.1 of this ISO OATT and has received from the ISO a final, written determination regarding the settlement
challenge pursuant to Section 2.7.4.2.2 of this ISO OATT. The scope of an expedited dispute
resolution proceeding shall be limited to the subject matter of the Transmission Customer’s prior
settlement challenge. Transmission Customer challenges regarding Generator, tie-line, sub-zone
Load, and LSE bus metering data shall not be eligible for formal dispute resolution proceedings
under this ISO OATT. To ensure consistent treatment of disputes, separate requests for
expedited dispute resolution regarding the same issue and the same service month or months may
be resolved on a consolidated basis, consistent with applicable confidentiality requirements.

2.7.4.3.2 Initiation of Expedited Dispute Resolution Proceeding

To initiate an expedited dispute resolution proceeding, a Transmission Customer shall
submit a written request to the ISO Chief Financial Officer within eleven (11) business days

from the date that the ISO issues a final, written determination regarding a Transmission

Customer settlement challenge pursuant to Section 2.7.4.2.2 of this ISO OATT. A Transmission
Customer’s written request for expedited dispute resolution shall contain: (i) the name of the
Transmission Customer making the request, (ii) an indication of other potentially affected
parties, to the extent known, (iii) an estimate of the amount in controversy, (iv) a description of
the Transmission Customer’s claim with sufficient detail to enable the ISO to determine whether
the claim is within the subject matter of a settlement challenge previously submitted by the
Transmission Customer, (v) copies of the settlement challenge materials previously submitted by
the Transmission Customer to the ISO, and (vi) citations to the ISO Tariffs and other relevant
materials upon which the Transmission Customer’s settlement challenge relies.
 The ISO Chief Financial Officer shall acknowledge in writing receipt of the Transmission Customer’s request to initiate an expedited dispute resolution proceeding. If the ISO determines that the proceeding would be likely to aid in the resolution of the dispute, the ISO shall accept the Transmission Customer’s request and provide written notice of the proceeding to all
Transmission Customers through the ordinary means of communication for settlement issues.
The ISO shall provide written notice to the Transmission Customer in the event that the ISO
declines its request for expedited dispute resolution.

2.7.4.3.3 Participation by Other Interested Transmission Customers

Any Transmission Customer with rights or interests that would be materially affected by
the outcome of an expedited dispute resolution proceeding may participate; provided, however,
that a Transmission Customer seeking or supporting a change to the NYISO’s determination
regarding a Transmission Customer settlement challenge must have previously raised the issue in
a settlement challenge consistent with the requirements of Section 2.7.4.2.1 of this ISO OATT.

To participate, such Transmission Customer shall submit to the ISO Chief Financial Officer a written request to participate that meets the requirements for an initiating request for expedited dispute resolution within eleven (11) business days from the date that the ISO issues notice of the expedited dispute resolution proceeding. If the ISO determines that the Transmission Customer has met the requirements of this Section 2.7.4.3.3, the ISO will accept the Transmission
Customer’s request to participate in the dispute resolution proceeding.

2.7.4.3.4 Selection of a Neutral

As soon as reasonably possible following the ISO’s acceptance of a Transmission

Customer’s request for expedited dispute resolution under Section 2.7.4.3.2, the ISO shall

appoint a neutral to preside over the proceeding by randomly selecting from a list (i) provided to the ISO by the American Arbitration Association or (ii) developed by the ISO with input from the appropriate stakeholder committee, until an available neutral is found. To the extent
possible, the neutral shall be knowledgeable in electric utility matters, including electric
transmission and bulk power issues and the financial settlement of electric markets.
 No person shall be eligible to act as a neutral who is a past or present officer, employee, or consultant to any of the disputing parties, or of an entity related to or affiliated with any of the disputing parties, or is otherwise interested in the matter in dispute except upon the express
written consent of the parties. Any individual appointed as a neutral shall make known to the disputing parties any such disqualifying relationship or interest and a new neutral shall be
appointed, unless express written consent is provided by each party.

2.7.4.3.5 Conduct of the Expedited Dispute Resolution Proceeding

The neutral shall schedule the initial meeting of the disputing parties within five (5)

business days of appointment. Except as otherwise provided in this Section 2.7.4.3, the neutral

shall have discretion over the conduct of the dispute resolution process including, but not limited to: (i) requiring the disputing parties to meet for discussion, (ii) allowing or requiring written
submissions, (iii) establishing guidelines for such written submissions, and (iv) allowing the
participation of Transmission Customers that have requested an opportunity to be heard.
 Within sixty (60) days of the appointment of the neutral, if the dispute has not been
resolved, the neutral shall provide the disputing parties with a written, confidential, and non-
binding recommendation for resolving the dispute. The disputing parties shall then meet in an
attempt to resolve the dispute in light of the neutral’s recommendation. If the disputing parties
have not resolved the dispute within ten (10) days of receipt of the neutral’s recommendation, the dispute resolution process will be concluded.

Neither the recommendation of the neutral, nor statements made by the neutral or any party, including the ISO, or their representatives, nor written submissions prepared for the dispute resolution process, shall be admissible for any purpose in any proceeding.

2.7.4.3.6 Allocation of Costs

Each party to a dispute resolution proceeding shall be responsible for its own costs

incurred during the process and for a pro rata share of the costs of a neutral.

2.7.5 Customer Default

2.7.5.1 Events of Default

A Transmission Customer shall be in default, upon written notice from the ISO, in the
event that: (i) the Transmission Customer fails to timely make a payment due to the ISO,
regardless of whether such payment obligation is in dispute, (ii) the Transmission Customer fails
to comply with the ISO’s creditworthiness requirements, or (iii) the Transmission Customer fails
to cure its default in another independent system operator/regional transmission organization
market. In the event of a billing dispute between the ISO and the Transmission Customer, the

ISO will continue to provide service under the Service Agreement as long as the Transmission Customer continues to make all payments.

2.7.5.2 Cure

Unless otherwise provided in Attachment W to this OATT, a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to timely make a payment due to the ISO. A Transmission Customer shall have two (2) business days to cure a default resulting from its failure to comply with the ISO’s creditworthiness requirements;
provided, however, that a Transmission Customer shall have one (1) business day to cure a default resulting from its failure to comply with the ISO’s creditworthiness requirements
following termination of a Prepayment Agreement.

2.7.5.3 ISO Remedies

In addition to any and all other remedies available under the ISO Tariffs or pursuant to law or equity, the ISO shall have the following remedies:

(i) Event of Default. Upon an event of default and expiration of the relevant cure

period, the ISO may terminate service to a Transmission Customer immediately

upon notice to the Commission. In addition, in the event of a payment default, the
ISO shall have the sole and exclusive right to initiate debt collection procedures
against a Transmission Customer on account of any such default. The process for
declaring and recovering bad debt losses is set forth in Attachment U to this
OATT.

(ii) Financial Distress. In the event of a reduction in the amount of a Transmission

Customer’s Unsecured Credit (a) by fifty percent (50%) or more as determined in
accordance with Section 26.5 of Attachment K to the ISO Services Tariff, or (b)

as a result of a material adverse change as determined in accordance with Section

26.14 of Attachment K to the ISO Services Tariff, then the ISO shall have the
right to: (1) immediately issue an invoice to such Transmission Customer
requiring payment within two (2) business days from the invoice date for initial
settlements representing the sum of that Billing Period’s daily billing data
available as of the invoice date, and/or (2) require such Transmission Customer to
prepay estimated charges weekly for up to twelve months in accordance with ISO
Procedures.

(iii) Default in Another ISO/RTO. In the event a Transmission Customer fails to

cure its default in another independent system operator/regional transmission

organization market, then the ISO shall have the right to: (1) demand immediate payment by the Transmission Customer to the ISO for any amounts owed as of the date of the demand, and/or (2) require the Transmission Customer to prepay estimated charges weekly for a minimum of twelve months in accordance with ISO Procedures, and/or (3) reduce or eliminate the amount of the Transmission Customer’s Unsecured Credit.

(iv) Two Late Payments. In the event a Transmission Customer fails to pay its

invoice when due on two occasions within a rolling twelve (12) month period,
then the ISO shall have the right to: (1) require the Transmission Customer to
prepay estimated charges weekly, based on the charges incurred by the
Transmission Customer in the previous week, for up to twelve months, and/or

(2) reduce or eliminate the amount of the Transmission Customer’s Unsecured Credit for up to twelve (12) months.

2.7.5.4 Notice to Transmission Customers

The ISO shall notify all Transmission Customers in the event that a Transmission

Customer is in default and shall also notify all Transmission Customers in the event that the

Transmission Customer subsequently cures the default or the ISO terminates the Transmission
Customer due to the default. In the event of a payment default or creditworthiness default, the
ISO will disclose in its notice to Transmission Customers the approximate amount of the default
as follows:

Default Amount
 Range

$0 to $100,000

$100,001 to $500,000
$500,001 to $1,000,000

$1,000,001 to $5,000,000 $5,000,001 to $10,000,000 > $10,000,000

Type of Default
Payment Creditworthiness

In addition, in the event of a payment default, unless otherwise precluded, the ISO will also disclose the amount and type of collateral, if any, held by the ISO to secure the defaulting Transmission Customer's obligations to the ISO.

2.7.6 Stranded Costs

The Transmission Owners other than NYPA may seek to recover stranded costs from the
Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and
procedures set forth in Commission Order No. 888. However, the Transmission Owners must
separately file any proposal to recover stranded costs under Section 205 of the FPA. This
provision shall not supersede or otherwise affect a Transmission Owner’s right to recover
stranded costs under other authority. To the extent that LIPA’s rates for service are established
by LIPA’s Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities

Law, Sections 1020-f(u) and 1020-s and are not subject to Commission and/or PSC jurisdiction,
LIPA’s recovery of stranded costs will not be subject to the foregoing requirements.
 Upon filing of a proposal to recover stranded costs under the FPA, the Transmission Owner shall immediately provide the ISO with a copy of the appropriate rate schedule which will be incorporated as a new Stranded Service and Point-to-Point Service Customers and remit the collected amounts to the applicable Transmission Owner(s). Any SIRC rate schedule
developed by LIPA under this Tariff will be effective upon receipt by the ISO, subject to any
applicable laws and orders.