

Attachment I

1.6 Definitions - F

Federal Power Act ("FPA"): The Federal Power Act, as may be amended from time-to-time (See 16 U.S.C. § 796 et seq.)

Facilities Study: An engineering study conducted by the ISO and/or a Transmission Owner to determine the required modifications to the Transmission Owner's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested facilities.

Facility Flow-Based Methodology: The methodology, as described in Section 20.3.7 of Attachment N, used to allocate Net Auction Revenue among Transmission Owners.

Firm Point-To-Point Transmission Service: Transmission Service under this Tariff that is scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff. Firm Point-To-Point Transmission Service is service for which the Transmission Customer has agreed to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion associated with its Firm Point-To-Point Transmission Service by acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

Firm Transmission Service: Transmission Service requested by a Transmission Customer willing to pay Congestion Rent.

First Settlement: The process of establishing binding financial commitments on the part of Customers participating in the Day-Ahead Market based on Day-Ahead LBMP.

Fixed Block Unit: A unit that, due to operational characteristics, can only be dispatched in one of two states: either turned completely off, or turned on and run at a fixed capacity level.

Fixed Price TCC: TCCs obtained pursuant to Sections 19.2.1 or 19.2.2 of Attachment M of this OATT. If a TCC is obtained pursuant to Section 19.2.1 of Attachment M of this OATT, it is an Historic Fixed Price TCC. If a TCC is awarded to an LSE pursuant to the provisions of Section 19.2.2 of Attachment M of this OATT, it is a Non-Historic Fixed Price TCC.

2.2 Initial Allocation and Renewal Procedures

2.2.1 Initial Allocation of Available Transfer Capability:

Firm Transmission Service under this Tariff is obtained when the Transmission Customer agrees to pay the Congestion associated with its service. A Transmission Customer may fix the price of Congestion costs associated with its Firm Transmission Service through the purchase of a sufficient quantity of Transmission Congestion Contracts (“TCCs”), including Fixed Price TCCs that are obtained under Attachment M to this Tariff, with receipt and delivery points corresponding to its Transmission Service. TCCs are solely financial instruments that do not establish any rights to, or the availability of, Transmission Service. For purposes of determining whether existing capability on the NYS Transmission System is adequate to accommodate a request for Firm Transmission Service under this Tariff, the ISO shall employ Security Constrained Unit Commitment (“SCUC”), Real-Time Commitment (“RTC”) and Real-Time Dispatch (“RTD”) programs in accordance with Attachment C. The availability of TCCs will be determined as described in Attachment M.

2.2.2 Reservation Priority For Existing Firm Service:

Existing firm service customers (wholesale requirements and transmission-only, with a contract term of extending beyond the ISO implementation date), have the right to take Transmission Service from the ISO in accordance with the provisions of Attachment K. This transmission reservation priority is independent of whether the existing customer continues to purchase Capacity and Energy from a Transmission Owner or elects to purchase Capacity and Energy from another Supplier.

At the end of their contract terms, certain LSEs may have the right to obtain Historic

Fixed Price TCCs in accordance with Attachment M to this Tariff.

All NYS Transmission Capacity associated with expired Grandfathered Rights and/or Grandfathered TCCs other than that needed to support Historic Fixed Price TCCs, shall be made available to support TCCs available for purchase in the next Centralized TCC auction facilitated by the ISO, pursuant to the provisions of Attachment M.

17.1 General Description of Existing Transmission Capacity Reservations

This Attachment describes (i) the treatment of Existing Transmission Agreements (“ETA”), including Transmission Wheeling Agreements (“TWA”), Third Party Transmission Wheeling Agreements (“Third Party TWA”), and Transmission Facility Agreements (“TFA”), (ii) the treatment of Grandfathered Rights and Grandfathered TCCs arising out of such Existing Transmission Agreements, and (iii) the creation of Existing Transmission Capacity for Native Load.

Nothing in this Attachment K shall impact the rights of parties to make Section 205 filings pursuant to the FPA to amend, terminate, or otherwise modify ETAs or, for agreements not subject to FERC jurisdiction, the rights of parties to amend, terminate, or otherwise modify ETAs.

17.2 TWA, Third Party TWA, and TFA Treatment; ETCNL Creation

17.2.1 TWAs between Transmission Owners Associated with Generators or Power Supply Contracts (Modified Wheeling Agreements)

17.2.1.1 Each TWA between Transmission Owners associated with a Generator or a power supply contract was converted into a Modified Wheeling Agreement (“MWA”) on or around the start-up of the ISO. Such TWAs converted to MWAs are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “MWA.” The terms and conditions of each of these TWAs shall remain unchanged by the conversion except as follows:

- (i) the MWA customer had the option of retaining Grandfathered Rights or converting those Grandfathered Rights to Grandfathered TCCs pursuant to Section 17.2.5;
- (ii) the rights and obligations under the MWA shall be assignable, in whole or in part, with the transfer of a Generator or rights under a power supply contract to an assignee that satisfies reasonable creditworthiness standards;
- (iii) the MWA customer or the assignee will continue to pay the embedded cost-based rate for Transmission Service in accordance with Section 17.4.
- (iv) the MWA customer shall have to pay for losses under this ISO OATT in accordance with Section 17.5, and the Transmission Owner shall not charge the MWA customer or the assignee of the MWA for losses to the extent they are provided under this ISO OATT;
- (v) the payments under MWAs related to Grandfathered Rights and Grandfathered TCCs do not include the costs of Ancillary Services as provided in Section 17.6, and customers

under these agreements will be responsible for Ancillary Services consistent with the provisions of Section 17.6; and

- (vi) the corresponding MWA will be terminated to the extent the MWA is to transmit Energy from a Generator, upon the retirement of the associated Generator, the termination of the associated power supply contract, or such other date specified in the MWA by mutual agreement of the parties to the MWA.

17.2.1.2 As long as each MWA customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all MWAs from each associated Point of Injection of the Generator or the NYCA Interconnection with another Control Area to the corresponding Point of Withdrawal of the Load served by the MWA or at the NYCA Interconnection with another Control Area. The Point of Injection may be designated as the “Point of Receipt,” or similar, under the MWA. The Point of Withdrawal may be designated as the “Point of Delivery,” or similar, under the MWA.

17.2.2 Third Party TWAs

17.2.2.1 Each existing Third Party TWA, each of which is listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “Third Party TWA” will remain in effect in accordance with its terms and conditions, including provisions governing modification or termination, except that the Third Party TWA customer had the option of:

- (i) retaining Grandfathered Rights; or
 - (ii) converting the Grandfathered Rights to Grandfathered TCCs pursuant to Section 17.2.5;
- or

- (iii) terminating the existing agreement (if the terms and conditions allowed for termination) and obtaining Transmission Service subject to the rates, terms, and conditions of this ISO OATT.

17.2.2.2 As long as each Third Party TWA customer retains Grandfathered Rights or Grandfathered TCCs, it must maintain all Third Party TWAs from each associated Point of Injection of the Generator or the NYCA Interconnection with another Control Area to the corresponding Point of Withdrawal of the Load served by the Third Party TWA or at the NYCA Interconnection with another Control Area.

17.2.2.3 Each Third Party TWA customer, whether it elects Grandfathered TCCs or Grandfathered Rights, shall have the right to inject Energy at the specified Point of Receipt and withdraw it at the specified Point of Delivery in designated amounts without application of a TSC.

17.2.3 Other TWAs Between Transmission Owners

On or around ISO start-up, certain TWAs between the Transmission Owners were terminated. These TWAs are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “Terminated,” and no rights or obligations shall be associated with such terminated TWAs pursuant to this ISO OATT.

17.2.4 Transmission Facilities Agreements

Existing TFAs containing no provisions for transmission service require no modifications. These agreements are listed in Attachment L, Table 2.

TFAs are listed in Attachment L, Table 1A, where the “Treatment” column is denoted as “Facility Agmt - MWA.” These TFAs will remain in effect in accordance with their terms and conditions, including any provision governing modification or termination.

17.2.5 Grandfathered Rights and Grandfathered TCCs Created from MWAs, Third Party TWAs, and TFAs

17.2.5.1 Each MWA customer, Third Party TWA customer, and TFA customer (such customers being listed as the “requestor” in Attachment L, Table 1A):

- (i) was initially deemed to hold a Grandfathered Right with the Point of Injection, Point of Withdrawal, termination date, and other terms of the ETA which Grandfathered Right shall (unless converted to a Grandfathered TCC) continue in effect pursuant to the terms of the ETA, subject to Section 17.9; and
- (ii) was permitted to convert such Grandfathered Right into a Grandfathered TCC until the date that was the earlier of two weeks prior to the first Centralized TCC Auction or six weeks prior to the start-up of the ISO, which Grandfathered TCC shall continue in effect consistent with the terms of the ETA, subject to Section 17.9.

17.2.5.2 Grandfathered Rights may no longer be converted to Grandfathered TCCs. Grandfathered TCCs may not be converted to Grandfathered Rights.

17.2.5.3 For the Third Party TWAs listed in Attachment L, Table 1A, contract numbers 55-62, 65-66, 73-82, 84-92, 98-114, 150-190, each specific individual municipal or cooperative electrical system listed in each such ETA shall be deemed to be the Third Party TWA customer for purposes of holding Grandfathered Rights or Grandfathered TCCs in specified amounts between specified Points of Injection and Points of

Withdrawal. Those Grandfathered Rights or Grandfathered TCCs are the Grandfathered Rights or Grandfathered TCCs of the municipal or cooperative. Whether Grandfathered Rights or Grandfathered TCCs are held by the municipal or cooperative, it thereby waives all rights under the Federal Power Act associated with NYPA's obligation to secure transmission wheeling arrangements on its behalf associated with the Third Party TWA rights elections.

17.2.6 Existing Transmission Capacity for Native Load

Certain transmission capacity associated with the use of a Transmission Owner's own system to serve its own load was designated as Existing Transmission Capacity for Native Load ("ETCNL") as shown on Table 3 of Attachment L.

Such ETCNL shall not be increased above the megawatt (MW) amounts noted in Attachment L, Table 3. The requirements and procedures relating to ETCNL reduction are set forth in Attachment M of the ISO OATT.

17.3 Congestion Terms Applicable to Grandfathered Rights and Grandfathered TCCs Under MWAs, TFAs, and Third Party TWAs

17.3.1 Congestion Charge Relief Associated with Grandfathered Rights

Each holder of Grandfathered Rights has the right to inject power at one specified bus and take power at another specified bus up to amounts reflected in Attachment L, Table 1A, without having to pay the Congestion Component of the TUC, but only to the extent it schedules (in accordance with applicable ISO Procedures) the injection and withdrawal Day-Ahead and is on schedule. If the holder of the Grandfathered Right does not schedule Energy Day-Ahead or inject or withdraw Energy, it will not receive (or pay) any Congestion Rents associated with the Transaction. If the holder of a Grandfathered Right schedules Day-Ahead and/or transacts for a portion of the Grandfathered Rights that are retained, it will not receive any compensation for the unused transmission capacity. If the holder of a Grandfathered Right transmits Energy without scheduling it Day-Ahead (in accordance with applicable ISO Procedures) or exceeds the amounts specified in Attachment L, Table 1A, the customer will pay the real-time TUC for all Energy transmitted under the Transaction exceeding the Day-Ahead schedule or the number of MW of Grandfathered Rights. This TUC will include real-time Congestion Rents.

17.3.2 Congestion Rents Collectible for Grandfathered TCCs

Each holder of Grandfathered TCCs shall receive (or pay, when negative congestion occurs) the Day-Ahead Congestion Rent associated with its Grandfathered TCCs pursuant to Attachment N, but will be subject to the service provisions of the ISO Tariff, including the duty to pay for (i) Congestion Rent, and (ii) Marginal Losses for use of the transmission system in accordance with the provisions of the ISO OATT.

17.4. Obligation to Pay Contractually Agreed Transmission Rates; Relief from TSC

17.4.1 MWA Customers and TFA Customers to Continue to Pay Contractually Agreed Transmission Rates

Each MWA or TFA customer shall continue to pay the Transmission Owner rates set forth in the MWA or TFA. Rates under each MWA or TFA shall be based on embedded cost, and these embedded cost rates may be updated, if allowed for in the terms and conditions of each MWA or TFA. The MWA customer or TFA customer or its assignee shall pay the Transmission Owner directly.

17.4.2 Third Party TWA Customers to Continue to Pay Contractually Agreed Transmission Rates

Subject to Section 17.6, each Third Party TWA customer will pay the Transmission Owner transmission charges in accordance with the terms and conditions of the Third Party TWA, including any provisions governing modification or termination. The Third Party TWA customer or its assignee shall pay the Transmission Owner directly.

17.4.3 Transmission Service Charge Relief

Each MWA, Third Party TWA, or TFA customer, whether it elected Grandfathered TCCs or Grandfathered Rights pursuant to Section 17.2.5, shall have the right to inject Energy at the specified Point of Injection and withdraw it at the specified Point of Withdrawal in designated amounts without application of a TSC, provided that the MWA, Third Party TWA, or TFA customer schedules it pursuant to applicable ISO Procedures.

17. 5. Responsibility For Losses

17.5.1 MWA Customers and TFA Customers to Pay Losses

17.5.1.1 Each MWA customer or TFA customer, irrespective of whether it chose Grandfathered Rights or Grandfathered TCCs under Section 17.2.5, shall pay the ISO for losses under this ISO OATT. The Transmission Owner shall not charge for losses under the MWA or TFA to the extent the losses are provided under this ISO OATT. The MWA customer or TFA customer will pay or receive payment for losses between the Point of Injection and the Point of Withdrawal under the MWA or TFA listed in Attachment L, Table 1A, as calculated in accordance with this ISO OATT.

17.5.1.2 To the extent losses on the Transmission Owner's system are not provided under this ISO OATT, the Transmission Owner may charge for losses unless prohibited from doing so under the MWA or TFA.

17.5.2 Third Party TWA Customers to Pay Losses

17.5.2.1 Each Third Party TWA customer, irrespective of whether it chose Grandfathered Rights or Grandfathered TCCs under Section 17.2.5, shall pay the ISO for losses under the ISO OATT. The Transmission Owner shall not charge for losses under the Third Party TWA to the extent the losses are provided under this ISO OATT. The Third Party TWA customer will pay or receive payment for losses between the Points of Injection and Points of Withdrawal under the Third Party TWA listed in Attachment L, Table 1A, as calculated in accordance with this ISO OATT.

17.5.2.2 To the extent losses on the Transmission Owner's system are not provided under this OATT, the Transmission Owner may charge for losses, unless prohibited from doing so under the Third Party TWA.

17.6 Responsibility for Ancillary Services

Irrespective of whether an ETA is a MWA, Third Party TWA or a TFA, or whether a customer thereunder elected Grandfathered Rights or Grandfathered TCCs, the customer shall be responsible for payment for any applicable Ancillary Services that shall be provided pursuant to this ISO OATT.

17.7 LBMP Transition Period and Payment

At the present time, the Member Systems do not have sufficient data to calculate the LTPP term of the TSC formula. This provision shall only become effective upon the filing of such data and the determination of the LTPP payments with the Commission. Prior to such filing, the LTPP will be set to zero.

A “LBMP Transition Period” shall be established under which the Investor-Owned Transmission Owners shall be subject to a schedule of fixed monthly transmission payments (“LBMP Transition Period Payments” or “LTPP”). These payments will occur for the period commencing with the start of the first Centralized TCC Auction and continuing for a period of five (5) years following implementation of both the Day-Ahead and Real-Time Markets. The formula for calculating the LTPP is shown below. The LTPP calculation is based upon the differences between each Investor-Owned Transmission Owner’s net transmission revenues and expenses under the current NYPP system and the proposed restructured NYPP system utilizing LBMP. The specific factors include: (1) the amount of transmission revenues/expenses eliminated through the termination of some TWAs including existing net Transmission Fund (“T-Fund”) distributions in effect under the current NYPP pricing mechanism; (2) estimated Congestion Rents to be paid under LBMP; (3) revenues received from the distribution of Net Congestion Rents and the sale of TCCs; and (4) transmission revenues received from off-system sales. The LTPP to be paid or received by the Investor-Owned Transmission Owners during the LBMP Transition Period are designed to offset the net effect of these revenues and expenses.

The LTPP will be calculated once for the entire LBMP Transition Period within thirty (30) days after the initial Centralized TCC Auction. The sum of all LTPPs for the Investor-Owned Transmission Owners shall be zero.

The formula for the calculation of the LTPP for each Investor-Owned Transmission Owner is as follows:

$$\text{LTPP} = \text{RTA} + \text{CR} - \text{SR}_1 - \text{SR}_2 - \text{CRR} - \text{ROS}$$

Where:

RTA = Net reduction in revenue resulting from the termination of existing transmission wheeling agreements, effective upon LBMP implementation;

CR = Estimated Congestion Rents to be incurred under LBMP;

SR₁ = Revenues from the Direct Sale of Original Residual TCCs and Grandfathered TCCs by Transmission Owners prior to the first Centralized TCC Auction, which are valued at the Market Clearing Prices from the first Centralized TCC Auction;

SR₂ = Actual revenues from the allocation of TCC sales revenues from the first Centralized TCC Auction;¹

¹ For the purposes of calculating the LTPP, each Original Residual TCC shall be valued at a weighted average of the prices determined in Stage 1 of the Centralized TCC Auction. The weighted average shall be computed by multiplying the fraction of total transmission capability offered for sale in Stage 1 of the Auction that will be offered for sale in that round, as determined by the Transmission Providers, and the Market Clearing Price of that TCC in that round, summed over all Stage 1 rounds. The price at which Transmission Providers sell Original Residual TCCs through sales prior to the Centralized TCC Auction shall not affect the calculation of the LTPP. NYPA's NTAC (See Attachment H) shall be calculated by valuing their Original Residual TCCs at the greater of the market value of a TCC, as determined by this weighted average of the Market Clearing Prices of that TCC in Stage 1 of the Centralized TCC Auction, or the price at which NYPA sells the Original Residual TCCs through sales prior to the Centralized TCC Auction, if it chooses to do so.

CRR = Estimated revenues received from the ownership of TCCs, based on the results from the first Centralized TCC Auction and Imputed Revenues from Grandfathered Rights; and

ROS = Transmission revenues received from off-system sales, as reported in FERC Form 1.

All estimates or forecasts used to determine each LTPP are subject to unanimous agreement among the Investor-Owned Transmission Owners; absent unanimous agreement, they may unanimously agree to submit to mediation or arbitration; absent this latter agreement, then each such Transmission Owner reserves its rights under the FPA to justify or protest LTPP estimates or forecasts.

The LTPP will be based on the latest available FERC Form 1 data for transmission revenues and expenses.

17.8 Sale or Other Transfer of Grandfathered Rights and Grandfathered TCCs

17.8.1 Transfers of Grandfathered Rights

An ETA customer will not be permitted to resell or transfer Grandfathered Rights unless permitted in the existing agreements, except as noted in Section 17.2.1.1(ii).

17.8.2 Transfers of Grandfathered TCCs

17.8.2.1 Grandfathered TCCs may be transferred (whether through sale or otherwise) in the same manner in which other types of TCCs may be transferred pursuant to Attachment M; provided, however, if a Transmission Owner sells Grandfathered TCCs, the Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions, as provided in Attachment M of the ISO OATT.

17.8.2.2 To the extent a Grandfathered TCC is transferred (other than in connection with the assignment of the underlying ETA), the relief from the Transmission Service Charge (as provided in Section 17.4.3) and the obligation to pay the transmission charges set forth in an ETA (as provided in Section 17.4.1 and Section 17.4.2) shall continue to apply to the ETA customer, and such rights and obligations shall not transfer with the transfer of the Grandfathered TCC.

17.8.3 Appointment of Settlement Agent is Not a Transfer

A holder of a Grandfathered Right or Grandfathered TCC may appoint the party indicated in Attachment L, Table 1A, in the column labeled "Requestor" to hold the Grandfathered Right or Grandfathered TCC for the ultimate benefit of the ETA customer, and such parties shall be deemed to be the holder of the Grandfathered Right or Grandfathered TCC. The holding by such party shall not be deemed a transfer.

17.9 Basis for Settlements; Procedures for Revising Information Necessary for Grandfathered Right and Grandfathered TCC Settlements

17.9.1 ISO to Make GFR/GFTCC Settlements Based on Information Made Available Through Established Procedures

17.9.1.1 The ISO shall maintain on its website a list of all Accepted Revisions, including the date each such Accepted Revision took effect. The ISO shall also maintain on its website a copy of Attachment L, Table 1A that will be updated from time to time to reflect Accepted Revisions.

17.9.1.2 Notwithstanding other provisions of the ISO Tariffs, but subject to Sections 17.9.1.3, 17.9.1.4, 17.9.1.5 the ISO shall base Settlements pertaining to Grandfathered Rights and Grandfathered TCCs (and conduct Centralized TCC Auctions and administer other processes pertaining to Grandfathered Rights and Grandfathered TCCs) on information listed in Attachment L, Table 1A, and on Accepted Revisions then in effect; provided, however:

- (i) the ISO shall administer Reconfiguration Auctions and Centralized TCC Auctions on the basis of information listed in Table 1A and Accepted Revisions in effect thirty (30) or more days prior to the first round of the relevant auction and the ISO shall not include more recent changes; provided, however, see provisions in 17.9.1.3; and
- (ii) the ISO shall perform Net Congestion Rent calculations under Attachment N of the ISO OATT on the basis of Table 1A and Accepted Revisions in effect thirty (30) or more days prior to the initial ISO calculation of the related allocation factors and the ISO shall not include more recent changes; and

- (iii) the ISO shall process requests for Historic Fixed Price TCCs pursuant to Attachment M, on the basis of information listed in Table 1A and Accepted Revisions in effect thirty (30) or more days prior to the deadline for submitting the documentation necessary to request an Historic Fixed Price TCC; provided, however, for requests for Historic Fixed Price TCCs based on Accepted Revisions in effect fewer than 30 days prior to the deadline or following the deadline for submitting the documentation necessary to request an Historic Fixed Price TCC, see 17.9.1.3.

17.9.1.3 If an Accepted Revision, pursuant to which the ISO may offer an entity an Historic Fixed Price TCC, is in effect fewer than 30 days prior to the deadline or following the deadline for submitting the documentation necessary to request an Historic Fixed Price TCC, the ISO shall:

- (i) As provided for in the ISO Transmission Congestion Contracts Manual, use the specified period of time (“reasonable period”) to expeditiously determine eligibility of the entity and, if eligible, offer the entity an Historic Fixed Price TCC pursuant to Attachment M and process its request for, or decline of, an Historic Fixed Price TCC;
- (ii) Base settlements pertaining to Grandfathered Rights and Grandfathered TCCs pursuant to the terms of the Accepted Revision. Settlements pertaining to Grandfathered TCC or Grandfathered Right will reflect the termination of, or other change in, the Grandfathered TCC or Grandfathered Right provided by the Accepted Revision, except as otherwise provided in 17.9 and Attachment M;
- (iii) Hold the Transmission Capacity made available by the Accepted Revision out of Centralized TCC Auctions and Reconfiguration Auctions until it is determined that the party is not eligible for an Historic Fixed Price TCC or declines the Historic Fixed Price

TCC, or elects an effective date for the Historic Fixed Price TCC of the first day of the following Capability Period. As appropriate, the transmission capacity made available by the Accepted Revision will be released into the first Reconfiguration Auction or Centralized TCC Auction that occurs 30 days or more after the terms of the Accepted Revision make it available. If the entity elects some or all its Historic Fixed Price TCC, the ISO shall not release Transmission Capacity made available by the Accepted Revision into a Reconfiguration Auction or Centralized TCC Auction to the extent it supports the Historic Fixed Price TCC.

17.9.1.4 If a signatory to the ETA provides notification and documentation pursuant to Section 17.9.3 that supports a change in an ETA or a change in Attachment L information, or entitlement to an Historic Fixed Price TCC, that was effective prior to a Settlement, the ISO shall make adjustments to the Settlement, in accordance with and to the extent permitted by the billing and payment provisions of the ISO OATT.

17.9.1.5 A termination of an ETA based on the occurrence of an event, which event is described in the cells of Attachment L, Table 1A, and a change to information in the cells of Attachment L, Table 1A, which change is related to a footnote to Table 1A that informs, supplements or modifies information in the cells of Table 1A, shall be in effect as an Accepted Revision after the ISO receives written notification of the occurrence of the event or the change to information in the cells of Attachment L, Table 1A from a signatory to the ETA in accordance with the provisions of Section 17.9.3.

17.9.2 Responsibility for Providing Revised Information

The signatories to an ETA shall notify the ISO of any revisions to Table 1A information that may impact Settlements (and TCC related processes), including the termination of an ETA based on the

occurrence of an event, in accordance with the provisions of Section 17.9.3. The signatories to an ETA shall also notify the ISO of any revisions to information in the cells of Attachment L, Table 1A, which revision may impact Settlements (and TCC related processes) and which is related to a footnote to Table 1A that informs, supplements, or modifies information in the cells of Table 1A.

17.9.3 Process for Making Accepted Revisions Other than Accepted Revisions Pursuant to Section 17.9.1.4

17.9.3.1 *Non-NYPA/LIPA ETAs (Accepted Revision Due to ETA Amendment).* For an ETA in which neither NYPA nor LIPA is the provider of service, a proposed revision to Attachment L, Table 1A pursuant to an amendment of the underlying ETA will be in effect as an Accepted Revision as of the start of the second day following the day that (i) the ISO has received a written notification of a change in the ETA from a signatory to the ETA in accordance with ISO Procedures, and (ii) the ISO has received a FERC order approving the change; *provided, however*, settlements and the administration of other processes pertaining to Grandfathered Rights and Grandfathered TCCs will be made in accordance with the provisions of Section 17.9.1.

17.9.3.2 *Non-NYPA/LIPA ETAs (Accepted Revision Not Due to ETA Amendment).* For ETAs in which neither NYPA nor LIPA is the provider of service, a proposed revision to Attachment L, Table 1A to make it consistent with the existing terms of an ETA will be in effect as an Accepted Revision as of the start of the second day following the day that: (i) the ISO has received a written notification of a change in the Table 1A information from a signatory to the ETA in accordance with ISO Procedures and confirmation that a copy of the notification has been provided to all other signatories to the ETA, and a copy thereof, and (ii) the ISO has received FERC orders, copies of the relevant agreement(s) (including amendments thereto), or other information relevant to the change; *provided*,

however, settlements and the administration of other processes pertaining to Grandfathered Rights and Grandfathered TCCs will be made in accordance with the provisions of Section 17.9.1. If the ISO receives notification from any signatory to the ETA that it objects to the requested change in the information in Table 1A, the ISO will immediately notify the party requesting the change and the ISO will not implement the requested change until the disagreement between the signatories has been resolved pursuant to the dispute resolution provisions of the ETA or by an appropriate legal authority.

17.9.3.3 *NYPA/LIPA ETAs.* For ETAs in which NYPA or LIPA is the provider of service, a proposed revision to Attachment L, Table 1A pursuant to an amendment of a transmission agreement or to make Table 1A consistent with the existing terms of a transmission agreement will be in effect as an Accepted Revision as of the start of the second day following the day that (i) the ISO has received a written notification of a change in the ETA or change in Attachment L information from a signatory to the ETA in accordance with ISO Procedures and confirmation that a copy of the notification has been provided to all other signatories to the ETA, and a copy thereof, and (ii) the ISO has received copies of the relevant agreement(s) (including amendments thereto) or other information relevant to the change; *provided, however*, settlements and the administration of other processes pertaining to Grandfathered Rights and Grandfathered TCCs will be in accordance with the provisions of Section 17.9.1. If the ISO receives notification from any signatory to the ETA that it objects to the requested change in the information in Table 1A, the ISO will immediately notify the party requesting the change and the ISO will not implement the requested change until the

disagreement between the signatories has been resolved pursuant to the dispute resolution provisions of the ETA or by an appropriate legal authority.

17.9.3.4 *ISO to Notify Market.* The ISO shall provide reasonable notice to all Customers when it receives written notification of a change to Table 1A information pursuant to Section 17.9.1.4 or Sections 17.9.3.1(i), 17.9.3.2(i), or 17.9.3.3(i).

17.9.3.5 *ISO Responsibility for Review.* In receiving written notification of a proposed revision to Attachment L, Table 1A and copies of information related to such change, the ISO will process the Accepted Revision strictly on the basis of the receipt of such information and the representations it receives from the parties to the ETA.

17.9.4 Accepted Revisions to be Incorporated into Attachment L

The ISO shall biannually present revisions to Attachment L, Table 1A to stakeholders for filing with the Commission to reflect Accepted Revisions posted on the ISO website; *provided, however*, that the ISO shall have no obligation to propose revisions to Table 1A if no Accepted Revisions have been posted on the ISO website.

19.1 Overview of the Sales of TCCs

TCCs will be made available through: (i) the Centralized TCC Auction and Reconfiguration Auction, which will be conducted by the ISO; (ii) Direct Sales by the Transmission Owners, which will be non-discriminatory, auditable sales conducted solely on the OASIS in compliance with the applicable requirements and restrictions set forth in Order No. 889 et seq.; (iii) the conversion of transmission Capacity associated with certain Existing Transmission Agreements (“ETAs”) pursuant to Section 19.2.1 of this Attachment M; (iv) the award of Non-Historic Fixed Price TCCs pursuant to Section 19.2.4 of this Attachment M; (v) the award of Incremental TCCs pursuant to Section 19.2.4 of this Attachment M; (vi) the conversion of ETCNL into ETCNL TCCs; and (vii) the conversion of RCRRs into RCRR TCCs. TCCs may also be available through resale on the Secondary Markets. Prior to the first Centralized TCC Auction, the NYISO distributed to Transmission Owners Original Residual TCCs, the NYISO designated certain transmission Capacity as ETCNL, and some Transmission Owners converted their Grandfathered Rights into Grandfathered TCCs.

19.1.1 Preservation of Tax-Exempt Financing

Notwithstanding any other provision of Section 19.2.1 of this Attachment M, neither the ISO nor the Transmission Owners shall be required to grant, or allow the use of, transmission rights that would jeopardize the tax-exempt status of any Local Furnishing Bond(s), Government Bonds, LIPA Tax-Exempt Bonds or any other tax-exempt debt obligations, or impair the ability of a Transmission Owner to issue future tax-exempt obligations.

19.2 Award of TCCs Other Than Through TCC Auctions: Fixed Price TCCs and Incremental TCCs

19.2.1 Converting Transmission Capacity Associated with Expired, Terminated, or Expiring ETAs Into Historic Fixed Price TCCs

As each ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), and that conferred transmission rights on an LSE, expires or terminates, the transmission Capacity associated with it may be used to create Historic Fixed Price TCCs, pursuant to Section 19.2.1 of this Attachment M. When any other ETA terminates, the Grandfathered Rights or Grandfathered TCCs associated with it shall be converted into Residual Transmission Capacity. The revenues associated with the sale or conversion of TCCs created from capacity associated with expired or terminated ETAs shall be allocated among the Transmission Owners as described in Attachment N. All references to “ETAs listed in Table 1A of Attachment L” in this Attachment M shall encompass both those agreements that were previously converted into Grandfathered TCCs and those that were not.

The ISO shall follow the procedures set forth in this Section 19.2.1 prior to the implementation of the End-State Auction process. For purposes of this Section 19.2.1, references to “expired” ETAs shall include ETAs that have been terminated. When determining the Points of Injection, Points of Withdrawal, and MW quantities associated with ETAs listed in Table 1A in effect on November 19, 1999, the ISO shall look to Attachment L of this OATT, as it may be amended, at the time of the conversion.

19.2.1.1 Conversion Rules

Any LSE that had transmission rights under an ETA in effect on November 19, 1999 that was listed in Table 1A of Attachment L to this OATT (as it may be amended), but has since expired, shall have a right to obtain Historic Fixed Price TCCs with the same Point of Injection and Point of Withdrawal associated with that ETA.

Any LSE that currently has transmission rights under an ETA in effect on November 19, 1999 that was listed on Table 1A of Attachment L of the OATT (as it may be amended) but has not yet expired, shall likewise have a right to obtain Historic Fixed Price TCCs with the same Point of Injection and Point of Withdrawal as that ETA after its expiration.

LSEs that are eligible to obtain Historic Fixed Price TCCs shall be able to obtain them for a total duration of up to ten years, except as provided in the following paragraph. The ISO shall offer eligible LSEs Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawals as shown on Table 1A of Attachment L, as it may be amended, associated with their expired or expiring ETAs and a duration of five or ten years (at the LSE's option) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to the expiration of Historic Fixed Price TCCs with a duration of five years that are created pursuant to the preceding sentence, the ISO shall offer those LSEs that hold such Historic Fixed Price TCCs an option to obtain new Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional five-year term, effective upon the expiration of the original Historic Fixed Price TCCs' five year term, at a new price calculated in accordance with Section 19.2.1.2 below.

LSEs that certify to the ISO that they purchase Energy from the New York Power Authority ("NYPA") under agreements that will expire in 2025 and that have ETAs listed on Table 1A to Attachment L, as it may be amended, that will expire in 2013, which they will use to hedge the congestion costs associated with deliveries under their NYPA agreements, shall have the right to obtain Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal as shown on Table 1A of Attachment L to the OATT, as it may be amended, associated with the expiring ETA for a total duration of twelve years. The ISO shall offer Historic Fixed Price TCCs with a duration of five years to LSEs that make the required certification (provided for in this paragraph) at a price to be determined in accordance with Section 19.2.1.2 below. Prior to, but effective upon, the expiration of those Historic

Fixed Price TCCs, the ISO shall offer the LSE an option to obtain new Historic Fixed Price TCCs with the same Points of Injection and Points of Withdrawal for one additional seven-year term, effective upon the expiration of the original Historic Fixed Price TCCs, at a new price calculated in accordance with Section 19.2.1.2 below.

To exercise this conversion right, an LSE must notify the ISO, and the Transmission Owner that was (or is) a party to the ETA, in writing, of its decision to obtain Historic Fixed Price TCCs under this provision. That notice must also specify the ETA's expiration or termination date. The LSE must provide this notice prior to a deadline to be established by the ISO. In the case of an ETA that has already expired or been terminated as of the effective date of this Section 19.2.1, or that will expire or be terminated prior to the end of the Winter 2008 Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Autumn 2008 Centralized TCC Auction. In the case of an ETA that will expire or terminate after the end of the 2008 Winter Capability Period, the ISO shall set the deadline on a date prior to the beginning of the Centralized TCC Auction for the Capability Period in which the ETA expires or terminates. The specific deadlines shall be set forth in the ISO Procedures.

When an LSE elects to convert an ETA that: (i) has expired; (ii) is scheduled to expire, prior to November 1, 2008; or (iii) is scheduled to expire later but that is terminated before November 1, 2008, the term of the Historic Fixed Price TCCs that LSE obtains shall begin on November 1, 2008. When an LSE elects to convert any other ETA it may choose to have the term of the Historic Fixed Price TCCs that it obtains begin either on the day after the ETA's expiration or termination, or at the start of the Capability Period following its expiration or termination. If the LSE chooses the latter option, the ISO shall make the transmission Capacity associated with the expired ETA available to support the sale of TCCs with a duration of one month in any Reconfiguration Auction(s) held between the ETA's expiration and the start of the next Capability Period. Nothing in this Section 19.2.1 shall be construed as

authorizing the early termination of ETAs before their scheduled expiration dates or as excusing the parties to ETAs of their obligations thereunder.

An LSE that exercises its conversion rights under this Section 19.2.1 may elect to receive a number of Historic Fixed Price TCCs up to one hundred percent of the MW quantity specified for the ETA in Table 1A of Attachment L as it may be amended. In the case of ETAs for which more than one MW quantity is listed in Attachment L, the LSE may elect to receive the higher quantity.

The LSE must submit a written certification to the ISO stating that it expects to: (i) be legally obligated to serve the Load that it historically served under the ETA (or a portion of that Load at least equal to the number of Historic Fixed Price TCCs that it plans to obtain under this Section 19.2.1); and (ii) need the transmission Capacity between the Point of Injection and Point of Withdrawal specified in the ETA to serve that Load. The LSE will not be allowed to obtain Historic Fixed Price TCCs under this Section to the extent that it cannot satisfy either or both of these requirements. That is, the LSE's conversion rights may be wholly or partially terminated to the extent that it anticipates losing all or part of the historic Load, or no longer needing all or part of the transmission Capacity associated with the expired ETA to serve it. Additional information regarding the ISO's certification process shall be set forth in the ISO Procedures.

In addition, if the ISO concludes that an LSE's requested conversion would make existing and valid TCCs infeasible, it will reduce the number of Historic Fixed Price TCCs that the LSE may obtain to the extent necessary to avoid the infeasibility. The reduction procedure will use the same optimization model as the Centralized TCC Auctions, except that the expired or expiring transmission rights subject to conversion will not be represented as fixed injections and withdrawals but will be represented by a bid curve. Additional details shall be specified in the ISO Procedures.

19.2.1.1.1 Special Rules Applicable to LSEs That Were Eligible to Obtain Historic Fixed Price TCCs with a Duration Commencing on November 1, 2008

LSEs that obtained Historic Fixed Price TCCs with a duration of five years commencing on November 1, 2008 shall have a one-time opportunity to elect to replace those Historic Fixed Price TCCs, at no additional cost, with Historic Fixed Price TCCs with a duration of ten years. The ten year duration shall be deemed to have commenced on November 1, 2008. LSEs that elect to replace Historic Fixed Price TCCs under this paragraph shall not be eligible to obtain additional Historic Fixed Price TCCs for an additional five year term at the time that their replacement Historic Fixed Price TCCs expire.

LSEs that were eligible to obtain Historic Fixed Price TCCs with a duration of five years commencing on November 1, 2008, but that opted not to obtain them, shall have a one-time opportunity to obtain Historic Fixed Price TCCs with a duration of ten years. If an LSE makes this election the duration of the Historic Fixed Price TCCs that it obtains will commence at the beginning of a subsequent Capability Period, as specified in the ISO Procedures. An LSE that elects to obtain Historic Fixed Price TCCs under this paragraph shall pay the same price that the ISO originally offered for the same Historic Fixed Price TCCs with a duration of five years, *i.e.*, the price that the ISO calculated under Section 19.2.1.2 for Historic Fixed Price TCCs commencing on November 1, 2008 (including the original historic inflation adjustment) for the LSE in advance of the Autumn 2008 Centralized TCC Auction.

All elections under this Section 19.2.1.1.1 shall be made during an election period specified in the ISO Procedures and shall be subject to all of the notification, certification, feasibility and other requirements established under Section 19.2.1 and the ISO Procedures.

19.2.1.2 Calculating Prices for Historic Fixed Price TCCs

Except as is specifically noted below, if an LSE chooses to obtain Historic Fixed Price TCCs pursuant to this Section 19.2.1 it shall pay a base price per MW/year equal to the average of:

- (i) the average of the inflation-adjusted market-clearing prices calculated for TCCs with the POI and POW associated with the Historic Fixed Price TCC in the one-year Sub-Auction rounds of each of the four previous Centralized TCC Auctions. The average adjusted market-clearing price will be determined by first calculating the average market clearing price in the one-year Sub-Auction rounds for each Centralized TCC Auction. One-year Sub-Auction-round market clearing prices from Centralized TCC Auctions conducted before May 1, 2010 are those from the Stage 1 one-year rounds of the Centralized TCC Auctions. The average market-clearing price for the first, second, and third of the four previous Centralized TCC Auctions will then be adjusted for inflation between: (a) the date that TCCs sold in them went into effect, and (b) the start of the Capability Period during which the TCCs sold in the fourth Centralized Auction went into effect; and
- (ii) the inflation-adjusted average annual difference between the Day-Ahead Market Congestion Component at the POW and the POI associated with the TCCs, summed over the hours of the four most recently concluded Capability Periods. The inflation-adjusted average annual difference for a given Historic Fixed Price TCC would be calculated by summing the Day-Ahead Market Congestion Component for the POW associated with that Fixed Price TCC minus the Day-Ahead Market Congestion Component for the POI associated with that Historic Fixed Price TCC over the hours of each month of the four most recently concluded Capability Periods; adjusting each monthly total for inflation, between the end of the month in question and the start of the most recently concluded Capability Period; summing those inflation-adjusted monthly totals over those four Capability Periods; and dividing by two.

If an LSE chooses to obtain an Historic Fixed Price TCC with a POW at or inside of Load Zone K (Long Island) pursuant to this Section 19.2.1, it shall pay a base price per MW/year equal to the inflation-adjusted average annual difference between the Day-Ahead Market Congestion Component at the POW and the POI associated with the TCCs, summed over the hours of the four most recently concluded Capability Periods. The inflation-adjusted average annual difference for a given Historic Fixed Price TCC would be calculated by summing the Day-Ahead Market Congestion Component for the POW associated with that Historic Fixed Price TCC over the hours of each month of the four most recently concluded Capability Periods, adjusting each monthly total for inflation between the end of the month in question and the start of the most recently concluded Capability Period; summing those inflation-adjusted monthly totals over those four Capability Periods; and dividing by two.

All inflation calculations referenced in this Section 19.2.1.2 shall be made using the applicable inflation rates specified in the Personal Consumption Expenditures Implicit Price Deflator published by the Bureau of Economic Analysis of the United States Department of Commerce. An Historic Fixed Price TCC shall not have a price of less than zero. To the extent that the formula in this Section 19.2.1.2 produces a price for a Historic Fixed Price TCC of less than zero, the price shall be zero.

19.2.1.3 Payment

An LSE that obtains Historic Fixed Price TCCs pursuant to Section 19.2.1 shall be required to pay the ISO the total amount specified in equal annual payments for each year of the Historic Fixed Price TCC's duration. Each annual payment shall entitle the LSE to extend the term of the Historic Fixed Price TCC for an additional year, subject to the provisions of Section 19.2.1.1. Billing for Historic Fixed Price TCCs shall be in accordance with ISO Procedures. To challenge settlement information contained in an invoice, a purchaser of Historic Fixed Price TCCs shall first make payment in full, including any amounts in dispute.

An LSE that obtains Fixed Price TCCs pursuant to this Section 19.2.1 shall be required to pay the ISO the total amount specified in this Section 19.2.1 in equal annual payments for each year of the Fixed Price TCC's duration. Each annual payment shall entitle the LSE to extend the term of the Fixed Price TCC for an additional year, subject to Section 19.2.1.1, above.

An LSE that fails to make any required annual payment for its Historic Fixed Price TCCs shall permanently surrender those Historic Fixed Price TCCs for that year and for all subsequent years (and shall not have a right to renew for additional term(s)), provided however that the ISO shall provide a one week cure period to an LSE that has failed to make the required annual payment for its Historic Fixed Price TCCs before the LSE has its Historic Fixed Priced TCCs permanently surrendered, pursuant to ISO Procedures.

19.2.2 Awards of Non-Historic Fixed Price TCCs

19.2.2.1 Initial Purchase of Non-Historic Fixed Price TCCs

LSEs may be eligible to purchase Non-Historic Fixed Price TCCs, at prices established pursuant to Section 19.2.2.3.1. below if, pursuant to ISO Procedures, they submit a completed Notice of Intent to Purchase specifying the quantity of Non-Historic Fixed Price TCCs they intend to obtain under this Section 19.2.2.1 by Load Zone Point of Withdrawal. The LSE shall also indicate for each Load Zone potential Points of Injection for their Non-Historic Fixed Price TCCs. The LSE must provide its completed Notice of Intent to Purchase prior to the deadline established by the ISO. The LSE's completed Notice of Intent to Purchase shall also include a written certification. The written certification shall state that the LSE: (i) expects to be legally obligated to serve Load in each identified Load Zone in an amount and for a term that equals or exceeds the sum of the number of Non-Historic Fixed Price TCCs that it intends to obtain under this Section 19.2.2.1 with a Point of Withdrawal in that Load Zone and the number of

Grandfathered TCCs, Grandfathered Rights and Historic Fixed Price TCCs, in effect for the same term, that are held by or on behalf of the LSE with Points of Withdrawal in that Load Zone; and (ii) has served Load in the identified Load Zone in the most recently concluded Capability Period. The LSE will not be allowed to obtain Non-Historic Fixed Price TCCs under this Section to the extent that it does not satisfy either or both of these requirements prior to the deadline established by the ISO for this submittal. Additional information regarding the Notice of Intent to Purchase, including the written certification included therein, shall be set forth in the ISO Procedures.

The NYISO shall notify each LSE requesting a Notice of Intent to Purchase of the number of Non-Historic Fixed Price TCCs which the LSE is eligible to purchase by Load Zone Point of Withdrawal.

19.2.2.1.1 Availability

A percentage of the transmission Capacity that is available, pursuant to Section 19.8.3 of this Attachment M, to support the purchase of TCCs in any Centralized TCC Auction during which Non-Historic Fixed Price TCCs may be obtained shall be available to support the purchase of Non-Historic Fixed Price TCCs. The final decision concerning the percentage of the transmission Capacity that will be available to support the purchase of Non-Historic Fixed Price TCCs will be made by the ISO and shall not exceed five percent. The scaling factor for the allocation of Non-Historic Fixed Price TCCs during the period of any Centralized TCC Auction shall equal the percentage of available transmission Capacity that has not yet been made available to support the sale of TCCs in previous rounds of that Centralized TCC Auction, divided by the percentage of available transmission Capacity that will be made available to support Non-Historic Fixed Price TCCs that may be purchased during the period of the Centralized TCC Auction.

19.2.2.1.2 Limits on Availability

The ISO may limit the availability of Non-Historic Fixed Price TCCs for initial purchase, by Load Zone, based on each LSE's average hourly load in that Load Zone and number of Grandfathered Rights and TCCs, Historic Fixed Price TCCs and other Non-Historic Fixed Price TCCs with POWs in that Load Zone held by or on behalf of the LSE.

In no event shall an LSE be eligible to purchase new Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone for which the number of Grandfathered TCCs, Grandfathered Rights, Non-Historic and Historic Fixed Price TCCs held by or on behalf of the LSE with a Point of Withdrawal in that Load Zone equals or exceeds the average hourly load of the LSE in that Load Zone. Additional details shall be specified in the ISO Procedures.

Non-Historic Fixed Price TCCs may be offered by the ISO periodically, but no less frequently than every other year. They will be offered, if at all, with an initial term of two years. Renewal terms for Non-Historic Fixed Price TCCs shall be one year.

19.2.2.2 Renewal

LSEs may be eligible to renew Non-Historic Fixed Price TCCs at a new price calculated in accordance with Section 19.2.2.3.1 below if, pursuant to ISO Procedures, they submit a completed Notice of Intent to Renew specifying the Non-Historic Fixed Price TCC they intend to renew (by Point of Injection, Point of Withdrawal and quantity). The LSE must provide this notice prior to a deadline to be established by the ISO. The LSE's Notice of Intent to Renew shall also include a written certification stating that the LSE: (i) expects to be legally obligated to serve Load in each identified Load Zone in an amount and for a term that equals or exceeds the number of Non-Historic Fixed Price TCCs that it intends to renew under this Section 19.2.2.2 with a Point of Withdrawal in that Load Zone given the number of Grandfathered TCCs, Grandfathered Rights and Historic Fixed Price TCCs, in effect for the

same term, that are held by or on behalf of the LSE with Points of Withdrawal in that Load Zone; and (ii) needs the transmission Capacity between the Point of Injection and Point of Withdrawal specified in the Non-Historic Fixed Price TCC to serve its Load. In no event shall an LSE be eligible to renew Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone if the number of these Non-Historic Fixed Price TCCs when added to the number of Grandfathered TCCs, Grandfathered Rights, Historic Fixed Price TCCs and Non-Historic Fixed Price TCCs held by or on behalf of the LSE with a Point of Withdrawal in that Load Zone equals or exceeds the average hourly load of the LSE in that Load Zone.

In no event shall the ISO offer renewals that would extend a Non-Historic Fixed Price TCC for a total term of more than ten years,

19.2.2.3 Provisions affecting the Initial Purchase and the Renewal of Non-Historic Fixed Price TCCs

19.2.2.3.1 Pricing

Non-Historic Fixed Price TCCs intended to be purchased or renewed shall be priced for the initial or renewal term based on the market-clearing price calculated in the first round of the Sub-Auction of the Centralized TCC Auction conducted immediately subsequent to receipt of the completed Notice of Intent to Purchase or Notice of Intent to Renew in which TCCs with the same term as the Non-Historic Fixed Price TCCs being purchased or renewed were offered for sale, as established in ISO procedures. Such market clearing prices shall have been calculated for a TCC with the same purchase or renewal term respectively (in years), and POI and POW, that is associated with the Non-Historic Fixed Price TCC. A Non-Historic Fixed Price TCC shall not have a purchase or renewal price of less than zero. To the extent that the formula in this Section 19.2.2.3.1 produces a purchase or renewal price for a Non-Historic Fixed Price TCC of less than zero, the price shall be zero.

19.2.2.3.2 Purchase or Renewal

The ISO shall provide to each LSE, that submitted a completed Notice of Intent to Purchase or a Notice of Intent to Renew, the purchase or renewal price of the Non-Historic Fixed Price TCCs identified in the LSE's completed Notice of Intent or Purchase or completed Notice of Intent to Renew, as appropriate. Within a period to be established by the ISO, following this notification, the purchasing or renewing LSE shall nominate the Non-Historic Fixed Price TCCs by Point of Injection and Point of Withdrawal that it has chosen to purchase or renew, provided that the availability of Non-Historic Fixed Price TCCs with a Point of Withdrawal in a Load Zone shall be limited by the lesser of the number of Non-Historic Fixed Price TCCs indicated as available by the ISO for that LSE with a Point of Withdrawal in that Load Zone or the number of Non-Historic Fixed Price TCCs identified in the LSE's completed Notice of Intent to Purchase or Notice of Intent to Renew with a Point of Withdrawal in that Load Zone. The ISO may establish a deadline by which the ISO must receive the LSE's nominations of which Non-Historic Fixed Price TCCs it wishes to purchase or renew. An LSE that chooses not to renew its Non-Historic Fixed Price TCCs forfeits its entitlement to further renewals of that Non-Historic Fixed Price TCC.

If the ISO concludes that awarding the Non-Historic Fixed Price TCCs nominated by LSEs for purchase would make existing and valid TCCs infeasible, it will reduce the number of Non-Historic Fixed Price TCCs that an LSE can purchase to the extent necessary to avoid infeasibility. Such reduction shall use the same optimization model as the Centralized TCC Auctions, except that the nominated TCCs will not be represented as fixed injections and withdrawals but will be represented by a bid curve, pursuant to ISO Procedures.

Non-Historic Fixed Price TCCs shall become effective with the first day of the Capability Period immediately following their purchase or renewal.

19.2.2.3.3 Payment

An LSE that obtains Non-Historic Fixed Price TCCs pursuant to Section 19.2.2 shall be required to pay the ISO the total amount specified in annual payments for each year of the initial term of the Non-Historic Fixed Price TCC's and for each year of the renewal term of the Non-Historic Fixed Price TCC. Billing for Non-Historic Fixed Price TCCs shall be in accordance with ISO Procedures. To challenge settlement information contained in an invoice, a purchaser of Non-Historic Fixed Price TCCs shall first make payment in full, including any amounts in dispute.

An LSE that fails to make the required annual payment for the initial or any renewal term of its Non-Historic Fixed Price TCC shall, notwithstanding any provision in this OATT to the contrary, permanently surrender its right to future renewals of those Non-Historic Fixed Price TCCs and shall not have a right to renew for additional term(s), pursuant to ISO Procedures.

19.2.3 Miscellaneous Provisions Affecting Historic and Non-Historic Fixed Price TCCs

The ISO shall post the following information promptly after awarding Fixed Price TCCs: (i) the quantity of TCCs awarded (in MW); (ii) the Point of Injection and Point of Withdrawal for each Fixed Price TCC awarded; and (iii) the price paid for each Fixed Price TCC.

If an LSE acquires Load from another LSE that holds Fixed Price TCCs, it may request that the Fixed Price TCCs be reassigned to follow the transferred Load. In such case, the quantity of the Fixed Price TCCs that transfers to the assignee shall be equal to: (i) the amount of transferred Load divided by total Load associated with those Fixed Price TCCs, (ii) multiplied by the quantity of the Fixed Price TCCs held by the LSE losing Load between the same Point of Injection and Point of Withdrawal; provided however, that no Fixed Price TCC will transfer under this paragraph if the calculation above indicates that less than one Fixed Price TCC will transfer. If at least one Fixed Price TCC would transfer pursuant to this paragraph, the quantity of reassigned Fixed Price TCCs shall be rounded down to the nearest

whole number of Fixed Price TCCs. An LSE that is reassigned Fixed Price TCCs under this paragraph shall hold such Fixed Price TCCs for the remainder of their term, and have rights of renewal as provided in Sections 19.2.1 and 19.2.2, provided it makes all required payments.

An LSE that has met all required payment and collateral obligations for its Fixed Price TCC, including LSEs that have transferred Load to a new LSE, may reassign, reconfigure, or sell its Fixed Price TCCs for any period of time for which its Fixed Price TCC is valid. Such assignment, reconfiguration, or sale shall not include renewal rights otherwise associated with the Fixed Price TCC, which renewal rights will remain with the LSE to which the Fixed Price TCCs were originally awarded, provided however that renewal rights associated with Fixed Price TCCs that are reassigned to follow the transferred Load shall be reassigned to follow the transferred Load. To the extent that Fixed Price TCCs are created pursuant to Section 19.2.1 or 19.2.2, the transmission Capacity that supports them shall not be available for sale in the Centralized TCC Auctions until those Fixed Price TCCs expire.

All rights and obligations that apply to an LSE in connection with obtaining and holding Fixed Price TCCs as provided for in Sections 19.2.1, 19.2.2 and 19.2.3, shall also be applicable to an ETA Agent, except as the context otherwise requires (for example, an ETA Agent cannot obtain Fixed Price TCCs on its own behalf).

The ISO shall establish a dispute period following the conclusion of the Centralized TCC Auction during the conduct of which Fixed Price TCCs are awarded, challenges to awards of Fixed Price TCCs may be made and mistakes in the calculation of Fixed Price TCC prices may be corrected. Notice of the dispute period established by the ISO and of procedures to be employed in bringing a dispute or correcting a Fixed Price TCC price shall be provided by the ISO on its OASIS.

Following the resolution of challenges, if any, to the award of Fixed Price TCCs, or mistakes in the calculation of Fixed Price TCC prices, raised during the dispute period, charges and payments for

Fixed Price TCCs awarded shall be final as provided in the award notices provided by the ISO and shall not be subject to revision.

19.2.3.1 Responsibilities of LSEs that Obtain Fixed Price TCCs

To obtain a Fixed Price TCC under Section 19.2.1 or 19.2.2 of this Attachment M an LSE must submit such information to the ISO regarding its creditworthiness as the ISO may require. Each such LSE must also: (i) comply with the applicable deadlines established by the ISO under Sections 19.2.1, 19.2.2 and 19.2.3; (ii) satisfy all ISO credit requirements; and (iii) pay the price determined pursuant to Section 19.2.1 or 19.2.2.3.1, as appropriate.

19.2.4 Awards of Incremental TCCs

19.2.4.1 Overview

The ISO shall follow the procedures set forth in this Section 19.2.4 to determine awards of Incremental TCCs to any person or entity that requests them in connection with the funding or construction of new transmission facilities or transmission facility improvements that increase the Transfer Capability of the New York State Transmission System.

These procedures shall only apply to requests for awards that are submitted on or after November 1, 2008 and not to: (i) requests for awards that are pending as of that date; (ii) or to Incremental TCC award determinations that were made by the ISO on or prior to that date; neither shall these procedures interfere with the completion of requests for awards that are pending as of that date or require that award determinations made by the ISO prior to that date be reopened. Award determinations that were made prior to November 1, 2008 or that were pending as of that date shall remain effective as described in the ISO's Automated Market System.

Throughout this Section 19.2.4: (i) any change to, reconfiguration of, and/or construction of new transmission facilities or other transmission facility improvements that are potentially eligible for an award of Incremental TCCs shall be referred to as an “Expansion;” and (ii) a person or entity that is pursuing an Expansion and requesting Incremental TCCs shall be referred to as an “Expander.”

The ISO shall not award Incremental TCCs: (i) when the ISO cannot calculate the effect on Transfer Capability associated with an Expansion in the Day-Ahead Market with reasonable certainty; (ii) for Expansions that involve controllable transmission facilities that are under the operational control of a Control Area operator other than the ISO; or (iii) to the extent that an Expansion’s impact on Transfer Capability is solely dependent on a Generator’s operating state. Additional information concerning eligibility for Incremental TCC awards shall be set forth in the ISO Procedures. The ISO shall not award Incremental TCCs before the provisions of Section 19.2.4.5.2 have all been fulfilled.

The ISO shall also follow the procedures in this Section 19.2.4 to determine whether “Partial Outage Incremental TCCs” should be created in connection with final awards of Incremental TCCs.

19.2.4.2 Requests for Incremental TCC Awards

An Expander pursuing an Expansion and seeking an Incremental TCC award shall submit a request for an award to the ISO. A request for an Incremental TCC award must be submitted prior to the associated Expansion’s expected commercial operation date. A request for an Incremental TCC award shall not be deemed to be complete, and shall not be considered by the ISO, unless it includes all of the information and satisfies all of the technical requirements required by this Section 19.2.4 and by the ISO Procedures. Prior to submitting its request for a non-binding estimate, an Expander must have: (i) completed all of the engineering studies that are required under the ISO OATT, including Attachments X, S, and Z; and (ii) obtained all permits and regulatory approvals necessary to commence construction. If an Expansion is subject to the Class Year study requirements under Attachment S of the ISO OATT then

the Expander must have accepted its Class Year cost allocation and posted the security required under Attachment S.

As part of its request for an award, an Expander shall request that the ISO prepare one or more non-binding estimates of an Expansion's impact on Transfer Capability between one or more POI/POW combinations. The ISO shall be required to prepare up to three non-binding estimates with respect to an Expansion. Additional rules governing requests for non-binding estimates shall be set forth in the ISO Procedures.

An Expander that is not subject to Section 20.2.5 of Attachment N to the ISO OATT that requests an Incremental TCC award associated with an Expansion that will consist of multiple transmission facilities that might separately be taken out of service or derated in connection with the outage of an External transmission facility must provide additional information regarding partial outage states, as specified in the ISO Procedures, as part of its request. The ISO will use this information to analyze the creation of Partial Outage Incremental TCCs.

19.2.4.3 Non-Binding Estimates

The ISO shall provide non-binding estimates of Incremental TCCs that might be awarded between different POI/POW combinations that are identified in a complete request for a non-binding estimate. The ISO shall only prepare non-binding estimates if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall estimate whether, and to what extent, Incremental TCCs may be created by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for a non-binding estimate. Incremental TCCs shall not be created for Transfer Capability that the ISO determines would exist on the system even in the

absence of an Expansion. The ISO shall make these determinations using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion associated with the request for a non-binding estimate. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. Additional detail concerning the Optimal Power Flow model to be used by the ISO shall be set forth in the ISO Procedures. The ISO shall not be bound by the findings of previous engineering studies, conducted under the ISO OATT or otherwise, regarding the impact of an Expansion on Transfer Capability when preparing non-binding estimates (or when determining awards under Section 19.2.4.5).

If the ISO estimates that Incremental TCCs would be created by an Expansion it shall separately estimate the quantity of Incremental TCCs that would be created for both the Summer and Winter Capability Periods.

19.2.4.4 Partial Outage Incremental TCCs

The ISO shall use the additional information submitted by certain Expanders regarding partial outage states pursuant to Section 19.2.4. to determine whether Partial Outage Incremental TCCs shall be created. Partial Outage Incremental TCCs shall not be awarded. They shall only be used to determine day-ahead outage charges, implemented through settlements for Day-Ahead Market Congestion Rents associated with Expansions that are partially out of service, or that are derated due to the outage of an External transmission facility, in connection with the calculation of outage charges under Section 19.2.4.9.

Partial Outage Incremental TCCs shall be created to the extent that the ISO finds, as part of its determination of final Incremental TCC awards pursuant to Section 19.2.4.5, that a revised set of Incremental TCCs would exist between a given POI/POW combination regardless of whether a portion of

the associated Expansion is out of service or derated as a result of the outage of an External transmission facility. Partial Outage Incremental TCCs may be created between POI/POW combinations that differ from those for which the ISO may determine that Incremental TCCs would be available in a non-binding estimate or in any award of Incremental TCCs.

If the ISO determines that Partial Outage Incremental TCCs may be created as the result of an Expansion it shall separately calculate the number that would be created for the Summer and Winter Capability Periods.

19.2.4.5 Incremental TCC Awards

The ISO shall respond to complete requests for Incremental TCC awards by determining: (i) whether, and to what extent, Incremental TCCs should be awarded for the POI/POW combinations selected by the Expander; and (ii) whether, and to what extent, Partial Outage Incremental TCCs should be created. An Expander may select all of the POI/POW combinations that were analyzed in any one of the non-binding estimates prepared by the ISO under Section 19.2.4.3 to be included in the award determination. It may not select the POI/POW combinations from more than one non-binding estimate or select fewer than all of the POI/POW combinations that were analyzed in any one non-binding estimate.

The ISO shall determine both temporary and final awards using an Optimal Power Flow model that is updated and modified as necessary to represent the state of the New York State Transmission system both with and without the Expansion, and to represent any of the Expansion's partial outage states, at the time that an award is determined. The ISO shall determine whether, and to what extent, Incremental TCCs shall be awarded by analyzing whether an Expansion will actually increase Transfer Capability with respect to the entire set of POI/POW combinations included in a request for an award. Incremental TCCs shall not be awarded for Transfer Capability that the ISO determines would exist on

the system even in the absence of an Expansion. If an Expansion is intended to increase voltage or transient stability limits the ISO shall conduct transfer limit studies as necessary to confirm the Expansion's impact on interface limits as specified in the ISO Procedures. The ISO shall make separate determinations for temporary and final awards of Incremental TCCs.

The ISO shall only determine or make an Incremental TCC award if the associated Expansion is expected to enter commercial operation within the current or next like Capability Period.

The ISO shall only determine, award, or create Incremental TCCs (including, for purposes of this paragraph, Partial Outage Incremental TCCs) in whole number MW quantities. If the ISO determines that an Expansion will create one or more non-whole number quantity Incremental TCCs, the ISO shall round each non-whole number Incremental TCC to a whole number in a manner that minimizes the risk of infeasibility caused by rounding with respect to the entire Incremental TCC award.

If the ISO determines that Incremental TCCs should be awarded, it shall make separate awards for the Summer and Winter Capability Periods.

19.2.4.5.1 Temporary Awards

If the ISO determines that Incremental TCCs should be awarded in connection with an Expansion and the Expansion goes into commercial operation during a Capability Period, the ISO shall make a temporary award of Incremental TCCs as soon as reasonably possible after notice that the Expansion has entered commercial operation has been provided in writing to the ISO pursuant to the ISO Procedures. Temporary awards of Incremental TCCs shall terminate at the end of the last day before a final award of Incremental TCCs becomes effective. In the case of an Expansion that enters commercial operation less than 90 days before the beginning of a Capability Period, the temporary award that is effective during the Summer Capability Period (or any portion thereof) may differ from the temporary award that is

effective during the Winter Capability Period (or any portion thereof). The quantity of Incremental TCCs included in a temporary award may differ from the quantity included in any of the non-binding estimate(s) associated with the Expansion and/or in the final award.

19.2.4.5.2 Final Awards

Awards of Incremental TCCs shall be final on the date by which the following are fulfilled: (i) an Expansion has actually entered commercial operation; (ii) written notice has been provided to the ISO pursuant to the ISO Procedures; and (iii) the ISO has determined the final award using an Optimal Power Flow analysis that reflects the results of the most recently completed Centralized TCC Auction. The quantity of Incremental TCCs included in a final award may differ from the quantity included in the temporary award, or in the non-binding estimate(s), associated with the Expansion.

Incremental TCCs included in final awards shall become effective on the first day of the first Capability Period following the date that the award became final. If, however: (i) the associated Expansion enters commercial operation fewer than ninety days before the end of a Capability Period then the Incremental TCCs included in a final award shall become effective on the first day of the next like Capability Period after the associated Expansion enters commercial operation; or (ii) the associated Expansion results in an increase to a limit that must be approved by the Operating Committee, and the Operating Committee's approval is granted fewer than ninety days before the end of a Capability Period, then the final award shall become effective on the first day of the next like Capability Period following the Operating Committee's approval.

If more than one Expansion enters commercial operation in the same Capability Period, the ISO shall make its final award determinations, and shall make final Incremental TCC awards, in the same order as the Expansions actually enter commercial operation.

19.2.4.6 Acceptance of Incremental TCC Awards

An Expander may elect to accept or reject a temporary or final award of Incremental TCCs in its entirety. Partial acceptances shall not be permitted. Deadlines for confirming the acceptance or rejection of an award shall be specified in the ISO Procedures.

An Expander that elects to accept a final award of Incremental TCCs shall inform the ISO, no later than the time that it accepts its final award, of the awarded Incremental TCCs' duration. Incremental TCCs shall have a duration of no less than twenty and no more than fifty years, starting on the date that the final award becomes effective, provided that their duration may not exceed the expected operating life of the associated Expansion. The ISO shall record the existence and duration of the Incremental TCCs in the Automated Market System.

If an Expander fails to accept a final award of Incremental TCCs and to specify the award's duration by the deadline established in the ISO Procedures it will forfeit its right to collect Day-Ahead Market Congestion Rent payments in connection with the Incremental TCCs until it confirms its acceptance in the manner specified in the ISO Procedures.

19.2.4.7 Attributes of Incremental TCCs

Incremental TCCs, but not partial outage Incremental TCCs, shall have the same attributes as other TCCs and shall be subject to the same rules under the ISO Tariffs, except as specifically provided in this Section 19.2.4.

19.2.4.8 Restrictions on Transfers of Incremental TCCs

Secondary Market transfers of fewer than all of the Incremental TCCs associated with a given Expansion that were included in a final award shall not be allowed, *i.e.*, an Expander may only make Secondary Market transfers of all of the Incremental TCCs for all of the POI/POW combinations that

were included in a final award for a given Expansion. This restriction shall not prohibit the sale of fewer than all of the Incremental TCCs included in a final award through a Centralized TCC Auction or a Reconfiguration Auction. Transferees of Incremental TCCs shall be subject to all existing ISO credit requirements and may be subject to any future credit requirements that may be applied to TCCs with a duration longer than one year.

Incremental TCCs that are awarded pursuant to a temporary award may not be sold or transferred through a Secondary Market transfer, through a Centralized TCC Auction, through a Reconfiguration Auction, or otherwise.

19.2.4.9 Outage Charges

Any person or entity that is not subject to Section 20.2.5 of Attachment N to the ISO OATT and that owns an Expansion (or a portion of an Expansion) associated with a temporary or final award of Incremental TCCs shall pay an outage charge to the ISO for any hour in the Day-Ahead Market during which the Expansion associated with the Incremental TCCs is modeled to be wholly or partially out of service. All outage charges shall be implemented through the billing of Day-Ahead Market Congestion Rents to the person or entity responsible for paying the outage charge and, as such, will be credits to Day-Ahead Market Congestion Rents in the ISO settlement system.

Outage charges shall be determined as follows:

- If the entire Expansion is modeled as out of service in the Day-Ahead Market; the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.
- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market, or derated by the outage of an External Transmission facility, and Partial Outage

Incremental TCCs have not been created, the outage charge shall be equal to the Day-Ahead Market Congestion Rent payment for all of the Incremental TCCs associated with the entire Expansion.

- If one or more portions of an Expansion are modeled as out of service in the Day-Ahead Market or are caused to be out of service or derated by the outage of an External transmission facility, and Partial Outage Incremental TCCs have been created for such an out-of-service state or derating, the outage charge shall be calculated as follows:

$$\text{Outage charge} = A - B$$

where:

- “A” is the sum, over all different POI and POW combinations associated with the Incremental TCCs for an Expansion, of the product of (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Incremental TCCs between that POI and POW associated with the Expansion, and “B” is the sum, over all different POI and POW combinations associated with the Partial Outage Incremental TCCs for that out-of-service state or derating of the Expansion, of the product of: (i) the Congestion Component at the POW minus the Congestion Component at the POI; and (ii) the number of Partial Outage Incremental TCCs between that POI and POW associated with that out-of-service state or derating of the Expansion.

19.7 Primary Holders

Parties that purchase TCCs at the close of the Centralized TCC Auction, that convert their ETAs to Historic Fixed Price TCCs, buyers of Non-Historic Fixed Price TCCs, buyers in the Secondary Market that meet the eligibility criteria listed herein, and Expanders (as defined in Section 19.2.2.1) accepting a Temporary or Final Award of Incremental TCCs become Primary Holders of those TCCs. The ISO shall make all TCC settlements with Primary Holders. When selling TCCs, Transmission Owners are considered Primary Holders of those TCCs. A Primary Holder of a TCC which sells that TCC through a Direct Sale continues to be the Primary Holder of that TCC unless the buyer elects to become the Primary Holder of that TCC.

Primary Holders must meet the following eligibility criteria; (i) register as Transmission Customers and otherwise comply with all applicable registration requirements established in ISO Procedures; (ii) comply with all applicable credit requirements as set forth in Attachment K of the ISO Services tariff; and (iii) submit a statement signed by the buyer, representing that the buyer is financially able and willing to pay for the TCCs it proposes to purchase as well as all other obligations associated with the purchase of such TCCs, including without limitation, Congestion Rent due pursuant to this Tariff.

Where a buyer electing to become a Primary Holder fails to meet the eligibility criteria or the above financial criteria (as determined by the ISO), or fails to provide information required by the ISO, the seller of the TCCs in a Direct Sale shall be the Primary Holder with respect to those TCCs. Note new language is not being added.

19.8 Auctions for TCCs

19.8.1 Overview

The ISO will conduct Centralized TCC Auctions before each Capability Period. Winning bidders in each such auction will purchase TCCs that will be valid for one or more Capability Periods, beginning with the first Capability Period that begins after the conclusion of the auction. The ISO will also conduct Reconfiguration Auctions each month. Winning bidders in each such auction will purchase TCCs that will be valid for the calendar month that follows the conclusion of the auction.

19.8.2 Description of the Reduction Process For Reducible ETCNL/GFTCCs

Before each Centralized TCC Auction, the ISO shall ensure that all of the following correspond to a simultaneously feasible security constrained Power Flow: (i) existing TCCs and Grandfathered Rights that are valid for any part of the duration of any TCCs to be sold in the Centralized TCC Auction, including but not limited to Fixed Price TCCs that were created pursuant to Section 19.2.1 or 19.2.2 of this Attachment M and Incremental TCCs awarded pursuant to Section 19.2.4 of this Attachment M; Grandfathered TCCs not subject to reduction and Original Residual TCCs to the extent not previously used to support the purchase of TCCs that are valid for any part of the duration of any TCCs to be sold in the Centralized TCC Auction (henceforth “TCCs and Grandfathered Rights listed in Section 19.8.2 (i)”); and (ii) ETCNL (to the extent not previously used to support the purchase of TCCs that are valid for any part of the duration of any TCCs to be sold in the Centralized TCC Auction) and Grandfathered TCCs subject to reduction as listed in Table 1 of this Attachment M (henceforth “Table 1 ETCNL/TCCs”). In some cases, the total set of all the TCCs, Grandfathered Rights, and Table 1 ETCNL/TCCs listed in (i) through (ii) above may not correspond to a simultaneously feasible Power Flow in some period of time. In such cases, Table 1 ETCNL/TCCs, will be reduced for that period in order to make the total set of TCCs

and Grandfathered Rights listed in Section 19.8.2 (i), and Table 1 ETCNL/TCCs remaining after reduction correspond to a simultaneously feasible Power Flow.

This reduction procedure will use the same optimization model that will be used in the Centralized TCC Auction to determine the amount by which Table 1 ETCNL/TCCs will be reduced. Each of the TCCs and Grandfathered Rights listed in Section 19.8.2 (i) above will be represented in the Centralized TCC Auction model by a fixed injection of 1 MW at its Point of Injection, and a fixed withdrawal of 1 MW at its Point of Withdrawal. In addition, Table 1 ETCNL/TCCs will be represented in the model, but they will be represented in such a way as to allow their reduction. To do so, bids for each Table 1 ETCNL/TCC will consist of a line which intersects the y-axis at \$1/TCC (or any other value selected by the ISO, so long as that value is constant for each bid curve for all of these Table 1 ETCNL/TCCs) and which intersects the x-axis at 1 MW. An example of the bid curve B_j for a representative Table 1 ETCNL/TCC is illustrated in the diagram below.

The TCC auction software will determine the amount of each Table 1 ETCNL/TCC that will remain after reduction, which is designated as A_j in the diagram. The objective function that the TCC auction software will use to determine these coefficients A_j will be to maximize:

$$\sum_{j \in N} \int_0^{A_j} B_j$$

Where:

N = The set of Table 1 ETCNL/TCCs

j = Any individual Table 1 ETCNL/TCC

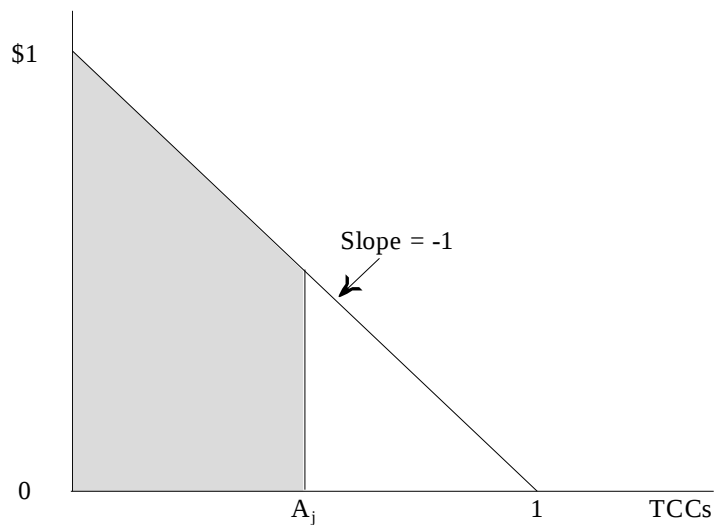
A_j = Any amount of each Table 1 ETCNL/TCC(j) remaining

B_j = As defined by the diagram

subject to the constraint that injections and withdrawals corresponding to the TCCs and Grandfathered Rights listed in Section 19.8.2 and Table 1 ETCNL/TCCs remaining after reduction must be simultaneously feasible in a Power Flow.

As a result, the objective function will maximize the area under the bid curve for each Table 1 ETCNL/TCC that remains after reduction, summed over all Table 1 ETCNL/TCCs, subject to the simultaneous feasibility constraint. This area for one Table 1 ETCNL/TCC is illustrated in the following diagram:

Bid Curve B_j for TCC j



The ISO shall apply this methodology as follows:

19.8.2.1 first, on the Table 1 ETCNL/TCCs (prior to the conversion of any ETCNL to ETCNL TCCs), and

19.8.2.2 second, on the Table 1 ETCNL/TCCs remaining after conversion into ETCNL TCCs of ETCNL included in such Table 1 ETCNL/TCCs.

For purpose of the second reduction, a holder of ETCNL may elect to disaggregate the ETCNL in accordance with ISO Procedures prior to conducting the reduction process. If a TO elects to have its ETCNL disaggregated, the number of MW of ETCNL allocated to that TO specifying each Load Zone as its POW shall be replaced by the same number of MW of ETCNL, specifying the same POI as the original ETCNL, but specifying various buses within that Load Zone as the POWs, as determined in accordance with ISO Procedures.

To the extent more than one model is used in a given Centralized TCC Auction (*e.g.* to reflect different summer / winter ratings), the ISO shall retest the Table 1 ETCNL/TCCs remaining after reduction so as to avoid reducing the Table 1 ETCNL/TCCs more than is necessary to prevent infeasibility in a given Sub-Auction. However, any Table 1 ETCNL/TCC that is deemed infeasible in one Centralized TCC Auction may be deemed reduced and not eligible for retesting in a subsequent Centralized TCC Auction.

19.8.3 Transmission Capacity Sold in Centralized Auctions for TCCs

Transmission Owners with ETCNL will release that transmission Capacity to support the sale of TCCs in each Centralized TCC Auction, unless the Transmission Owner has converted the ETCNL into ETCNL TCCs pursuant to Section 19.4 of this Attachment M. Transmission Owners which have not sold their Original Residual TCCs through a Direct Sale on the OASIS prior to the Centralized TCC Auction, shall sell them through the Centralized TCC Auction. Transmission Owners may retain their

Grandfathered TCCs. If it sells Grandfathered TCCs, a Transmission Owner shall do so either through Direct Sales or through Centralized TCC Auctions or Reconfiguration Auctions.

Capacity associated with the termination of ETAs in effect on November 19, 1999, listed in Table 1A of Attachment L to this OATT (as it may be amended), that conferred transmission rights on an LSE and is not used to create Fixed Price TCCs, pursuant to Section 19.2.1 of this Attachment M shall be converted into Residual Transmission Capacity.

In each Centralized TCC Auction, the following transmission Capacity not required to support already outstanding TCCs or Grandfathered Rights shall be available to support TCCs that can be purchased in that Centralized TCC Auction:

19.8.3.1 following any reduction pursuant to Section 19.8.2 of this Attachment M, all of the transmission Capacity associated with ETCNL, (a) that the Transmission Owners do not sell through a Direct Sale in advance of the Auction, or (b) that the Transmission Owners do not convert to ETCNL TCCs or (c) that has not been used to support the sale of existing TCCs that are valid for any part of the duration of any TCCs sold in the Centralized TCC Auction;

19.8.3.2 all of the transmission Capacity associated with Original Residual TCCs, that the Transmission Owners do not sell through a Direct Sale in advance of the Auction, that has not been used to support the sale of existing TCCs that are valid for any part of the duration of any TCCs sold in the Centralized TCC Auction;

19.8.3.3 all of the transmission Capacity associated with TCCs offered for sale by TCC Primary Holders; and

19.8.3.4 any Residual Transmission Capacity, provided however that LIPA shall not be required to release available transmission Capacity into the Centralized TCC Auction and shall release available transmission Capacity into the Reconfiguration Auction.

19.8.4 Centralized TCC Auctions

TCCs with durations of 6 months and 1 year shall be available in each Centralized TCC Auction. TCCs with durations of 2 years, 3 years, 4 years, or 5 years may also be available in this Auction, at the ISO's discretion.

The final decision concerning the percentage of the transmission Capacity that will be available in the Centralized TCC Auction to support TCCs of different durations will be made by the ISO. The ISO will conduct a polling process to assess the market demand for TCCs with different durations, which it will take into consideration when making this determination. The ISO may elect not to sell any TCCs with one or more of the above durations. However, all transmission Capacity not associated with ETAs or outstanding TCCs or not reserved through conversion of ETCNL to ETCNL TCCs or RCRRs to RCRR TCCs must be available to support TCCs of some duration sold in the Centralized TCC Auction.

The Centralized TCC Auction will consist of a series of Sub-Auctions, which will be conducted consecutively. In each Sub-Auction, TCCs of a single duration will be available (*e.g.*, only TCCs with a five-year duration might be available in one Sub-Auction). Sub-Auctions will be conducted in decreasing order of the length of the period for which TCCs sold in the Sub-Auction are valid. Therefore, if the ISO were to determine that five years would be the maximum length of TCCs available in the Centralized TCC Auction, then the Sub-Auction for TCCs with a duration of five years would be held first. All TCCs sold in the 5-year TCC Sub-Auction (other than those offered for sale in the next Sub-Auction, as described in Section 19.9.1) would then be modeled as fixed injections and withdrawals in the next Sub-Auction, in which TCCs of the next longest duration, as determined by the ISO (*e.g.*, four years), would be available

for purchase. Following that Sub-Auction, TCCs sold in either of the first two Sub-Auction (other than those offered for sale in the next Sub-Auction) would then be modeled as fixed injections and withdrawals in the third Sub-Auction (e.g., a Sub-Auction for TCCs with a duration of three years), etc.

Each Sub-Auction shall normally consist of at least four rounds unless the Transmission Owners unanimously consent to fewer rounds. The ISO shall have the authority to determine the percentage of the available transmission Capacity that will be available to support TCCs sold in each round of each Sub-Auction such that all of the transmission Capacity offered for sale in that Sub-Auction shall be offered by the last round of that Sub-Auction. The ISO shall announce these percentages before the Sub-Auctions. The “scaling factor” for each round shall equal the percentage of available transmission Capacity that has not yet been made available to support the sale of TCCs in previous rounds, divided by the percentage of available transmission Capacity that will be made available to support the sale of TCCs in that round.

The ISO shall also determine the maximum duration of TCCs sold in the Centralized TCC Auction, and whether the TCCs sold in the Centralized TCC Auction shall be separately available for purchase as on-peak and off-peak TCCs. (For purposes of this Attachment, the on-peak period will include the hours from 7 a.m. to 11 p.m. Prevailing Eastern Time Monday through Friday. The remaining hours in each week will be included in the off-peak period.)

19.8.5 Reconfiguration Auctions

A Reconfiguration Auction is an auction in which monthly TCCs may be offered and purchased. This will allow Market Participants to purchase and sell short-term TCCs. Reconfiguration Auctions will also capture short-term changes in transmission Capacity. The ISO will conduct Reconfiguration Auctions monthly and TCCs purchased in Reconfiguration Auctions will be valid for the month following the Reconfiguration Auction. A Reconfiguration Auction will consist of a single round. Any Primary

Holder of a TCC that is valid for the month in which TCCs are being sold in the Reconfiguration Auction, including a purchaser of a TCC in a Centralized TCC Auction that has not sold that TCC and a Transmission Owner that is the Primary Owner of an ETCNL TCC or RCRR TCC, may offer that TCC for sale in a Reconfiguration Auction; provided however that the sale of TCCs in a Reconfiguration Auction shall be subject to the limitations and prohibitions set forth in this ISO OATT including the limitation on the sale or transfer of Fixed Price TCCs and the limitation on the sale or other transfer of Incremental TCCs. The transmission Capacity used to support these TCCs, as well as any other transmission Capacity not required to support already-outstanding TCCs, will be available to support TCCs purchased in the Reconfiguration Auction.

LIPA may offer transmission Capacity associated with LIPA's Transmission District in a Reconfiguration Auction.

19.9 Procedures for Sales of TCCs in Each Auction

19.9.1 Auction Structure

Participation in a Sub-Auction-TCCs may be offered for sale in each Sub-Auction round of the Centralized TCC Auction.

TCCs purchased in any round of any Sub-Auction may be resold in a subsequent round of that Sub-Auction. For example, the purchaser of a 5-year TCC purchased in the 5 year Sub-Auction may release a 4-year TCC with the same Point of Injections and Point of Withdrawal for sale in the 4-year Sub-Auction. Similarly, that purchaser could instead release a corresponding 3-year TCC for sale in the 3-year Sub-Auction.

The following holders of TCCs may offer to sell TCCs in any round of a Sub-Action appropriate to their duration (i) Primary Holders who did not sell those TCCs in a Direct Sale or in a previous round of the Centralized TCC Auction ; (ii) purchasers of TCCs in previous rounds of that Centralized TCC Auction or in previous Auctions who have not subsequently sold those TCCs through an Auction; and (iii) purchasers of TCCs through a Direct Sale who qualify to become Primary Holders and have not already sold those TCCs through an Auction or through a Direct Sale, provided however that the sale of TCCs shall be subject to the limitations and prohibitions set forth in this ISO OATT including the limitation on the sale or transfer of Fixed Price TCCs and the limitation on the sale or other transfer of Incremental TCCs.

19.9.1.1 Bid Requirements

Bidders shall submit Bids into the Auction in accordance with this Attachment and ISO Procedures. Bidders shall submit Bids such that the sum of the value of its Bids (excluding Bids for TCCs

already held by that bidder) shall not exceed that bidder's ability to pay for TCCs, as determined by ISO Procedures.

19.9.1.2 Bidding Rounds

Bidders shall be awarded TCCs in each round of the Auction and shall be charged the market clearing price for that round, as defined in this Attachment, for all TCCs they purchase.

19.9.1.3 Reconfiguration Auctions

All rules stated in this Section 19.9 for the auction rounds of a Centralized TCC Auction shall also apply to Reconfiguration Auctions unless otherwise stated or the context otherwise requires it. The scaling factor for the single round of a Reconfiguration Auction shall be one.

19.9.2 Responsibilities of the ISO

The ISO shall establish the Auction rules and procedures consistent with this Tariff. The ISO shall conduct the Optimal Power Flows in each round of the Centralized TCC Auction. The ISO will verify that the Optimal Power Flows calculated in each round of the Centralized TCC Auction corresponds to a simultaneously feasible Power Flow as described in Section 19.9.7 of this Attachment M. The ISO shall notify the Transmission Owners if: (1) the Optimal Power Flow results calculated are inaccurate; or (2) the Optimal Power Flow is not calculated in accordance with the correct procedure.

Additionally, the ISO will determine the information pertaining to the Auction to be made available to Centralized TCC Auction participants over the OASIS and publish information on its OASIS accordingly. The ISO may develop a list of POIs and POWs between which TCCs may not be purchased and shall post such list on its OASIS. The ISO will identify the details to be included in development of the Auction software and arrange for development of the software.

The ISO will apply the credit requirements established in this ISO OATT and Attachment K of the Services tariff to Primary Holders of TCCs and to bidders in the Centralized TCC Auctions and Reconfiguration Auctions.

The ISO shall not reveal the Bid Prices submitted by any bidder in the Auction until six months following the date of the Auction. When these Bid Prices are posted, the names of the bidders shall not be publicly revealed, but the data shall be posted in a way that permits third parties to track each individual bidder's bids over time.

The ISO will settle all Centralized TCC Auctions and Reconfiguration Auctions, and will settle all Congestion settlements related to the Day-Ahead Market, pursuant to Attachment N.

19.9.3 Additional Responsibilities of the ISO

The ISO shall be capable of completing the Centralized TCC Auction within the time frame specified in this Attachment M.

The ISO will establish an auditable information system to facilitate analysis and acceptance or rejection of Bids, and to provide a record of all Bids and the award of Fixed Price TCCs. The ISO shall also provide all necessary assistance in the resolution of disputes that arise from questions regarding the acceptance, rejection, award and recording of Bids, or the award of Fixed Price TCCs, pursuant to Sections 19.2.1 or 19.2.2.above. The ISO will establish a system to communicate Auction-related information to all Auction participants between rounds of the Auction. (This last requirement will not apply to single-round Auctions.)

The ISO will receive Bids to buy TCCs from any entity that meets the eligibility criteria established in this ISO OATT and will implement the Auction bidding rules previously established by the ISO. In accordance with ISO Procedures, the ISO shall unbundle TCCs in accordance with a request made

by a Transmission Customer awarded a TCC. Unbundling TCCs shall consist of replacing that TCC with an equivalent set of TCCs. In all cases, the amount payable to (or by) the Primary Holder of such a set of TCCs will be equal to the amount payable to (or by) the Primary Holder of the original TCC.

The ISO will be required to solve Optimum Power Flows for the NYS Transmission System; properly utilize an Optimum Power Flow program to determine the set of winning Bids for each round of the Centralized TCC Auction; and calculate the market clearing price of all TCCs at the conclusion of each round of the Centralized TCC Auction, in the manner described in this Attachment M.

19.9.4 Responsibilities of each Bidder

To qualify to submit Bids and offers in a Centralized TCC Auction, a party shall register as a Customer or Transmission Customer and shall otherwise comply with all applicable registration requirements established in ISO Procedures. All Customers and Transmission Customers seeking to submit Bids and Offers in a Centralized TCC Auction shall comply with all applicable credit requirements as set forth in Attachment K of the Services tariff.

Each bidder shall submit Bids to purchase and sell TCCs into the Centralized TCC Auction in accordance with this Attachment M and ISO Procedures. Each bidder shall submit the following information with its Bids to purchase TCCs: (i) the number of TCCs for which an offer to purchase is made, (ii) the Bid Price (in \$/TCC) which represents the maximum amount the bidder is willing to pay for the TCC (Bid Prices may be negative, indicating that a bidder would have to be paid in order to accept a TCC); (iii) the location of the Point of Injection and the Point of Withdrawal for the TCC to which the Bid applies (these locations may be any locations for which the ISO calculates an LBMP and which is otherwise available as a TCC POI or POW); and (iv) if the Auction is a Centralized TCC Auction, the duration in multiples of Capability Periods of the TCC for which the bidder is bidding. Additionally, if the

ISO offers TCCs for sale that are valid in sub-periods (e.g., on-peak or off-peak TCCs), this information must also be provided by the Bidder.

Each bidder must submit such information to the ISO regarding the bidder's or LSE's creditworthiness as the ISO may require, along with a statement signed by the bidder, or LSE representing that the bidder or LSE is financially able and willing to pay for the TCCs for which it is bidding or converting. The aggregate value of the Bids submitted by any bidder into the Auction shall not exceed that bidder's ability to pay or the maximum value of Bids that bidder is permitted to place, as determined by the ISO (based on an analysis of that bidder's creditworthiness).

19.9.5 Selection of Winning Bids and Determination of the Market Clearing Price

The ISO shall determine the winning set of Bids in each round of the Centralized TCC Auction as follows: (i) the ISO shall use an Optimal Power Flow program with the initial assumptions identified by the ISO; (ii) the Optimal Power Flow shall use the same Reference Bus and system security constraints assumptions as used by the ISO subject to ISO Procedures; (iii) the ISO shall select the set of Bids that maximizes the value of the TCCs awarded to the winning bidders; (iv) the aggregate market value of the TCCs awarded to each bidder shall not exceed that bidder's ability to pay, since each bidder is not allowed to Bid more than its ability to pay as determined by the ISO; and (v) the selected set of Bids must be simultaneously feasible as described in this Attachment.

In the Centralized TCC Auction, if the ISO elects to perform separate Auctions for on-peak and off-peak TCCs, the procedure used to select winning Bids in an on-peak Auction will not depend on winning Bids selected in an off-peak Auction; nor shall the procedure used to select winning Bids in an off-peak Auction depend on winning Bids selected in an on-peak Auction.

The market clearing price for each TCC in each round of a Centralized TCC Auction shall be determined using a similar algorithm to that used to determine LBMPs (refer to Attachment J and ISO Procedures). The market clearing price for each TCC shall be based on the lowest winning Bid made in that round for that TCC (or for other TCCs if injections and withdrawals corresponding to those TCCs would have the same impact on flows over congested Interfaces as injections and withdrawals corresponding to that TCC).

19.9.6 Settlements, Billing, Payment, and Disputes

Each bidder must pay the market clearing price for each TCC it is awarded in the Centralized TCC Auction.

Charges for TCCs awarded in the Centralized TCC Auction, shall be billed upon completion of the Centralized TCC Auction or Reconfiguration Auction process through the delivery of an award notice by the ISO. The ISO shall establish a dispute period following the conclusion of the Centralized TCC Auction during which challenges to awards may be made and mistakes in the calculation of market clearing prices may be corrected. Notice of the dispute period established by the ISO and of procedures to be employed in bringing a dispute or correcting a market clearing price shall be provided by the ISO on its OASIS.

Following the resolution of challenges, if any, to Centralized TCC Auction or Reconfiguration Auction awards, or mistakes in the calculation of market clearing prices, raised during the dispute period, charges and payments for TCCs awarded or sold in the Centralized TCC Auction and Reconfiguration Auction shall be final as provided in the award notices provided by the ISO and shall not be subject to revision.

19.9.7 Simultaneous Feasibility

The set of winning Bids selected in each round of a Sub-Auction shall correspond to a simultaneously feasible Power Flow.

The Power Flow must be able to accommodate in each round injections and withdrawals corresponding to each of the following TCCs and Grandfathered Rights: (i) TCCs not offered for sale in that round, including Grandfathered TCCs, Original Residual TCCs, or any other existing TCCs whether purchased in a previous Auction, an earlier round of the current Auction or otherwise acquired that are valid for any part of the duration of any TCCs to be sold in that round; (ii) Grandfathered Rights; and (iii) TCCs awarded in the current round. Each injection and withdrawal associated with TCCs and Grandfathered Rights will be multiplied by a scaling factor which apportions the transmission Capacity available among each of the rounds.

A set of injections and withdrawals shall be judged simultaneously feasible if it would not cause any thermal, voltage, or stability violations within the NYCA for base case conditions or any monitored contingencies.

When performing Power Flows for the purpose of determining simultaneous feasibility, injections for TCCs that specify a Load Zone as the Point of Injection will be modeled as a set of injections at each Load bus in the Load Zone containing the Point of Injection equal to the product of the number of TCCs and the ratio of Load served at each bus to Load served in the Load Zone, based on the bus Loads used in calculating zonal LBMPs.

When performing the above Power Flows, withdrawals for TCCs that specify a Load Zone as the Point of Withdrawal will be modeled as a set of withdrawals at each Load bus in the Load Zone containing the Point of Withdrawal equal to the product of the number of TCCs and the ratio of the Load

served at each bus to the total Load served in the Load Zone based on the ISO's estimate of the bus Loads used in calculating the Zonal LBMPs.

The Power Flow simulations shall take into consideration the effects of parallel flows on the transmission Capacity of the NYS Transmission System when determining which sets of injections and withdrawals are simultaneously feasible.

19.9.8 Information to be Made Available to Bidders

The ISO shall provide over the ISO's OASIS the expected non-simultaneous Total Transfer Capability for each Interface (as displayed on the OASIS).

The ISO shall make the following information available before each Centralized TCC or Reconfiguration Auction:

- 19.9.8.1 for each Generator bus, external bus and Load Zone for the previous ten (10) Capability Periods, if available, (a) the average Congestion Component of the LBMP, relative to the Reference Bus, and (b) the average Marginal Losses Component of the LBMP, relative to the Reference Bus;
- 19.9.8.2 for the previous two Capability Periods, (a) data from which the following can be determined: historical flow for each of the closed Interfaces, and (b) historically, the number of hours that the most limiting facilities were physically constrained;
- 19.9.8.3 Subject to a Transmission Customer's completion of a non-disclosure agreement in the form required by ISO procedures: (a) Power Flow data to be used as the starting point for the Centralized TCC Auction or Reconfiguration Auction, including all assumptions, (b) all limits associated with transmission facilities, contingencies, thermal,

voltage and stability to be monitored as constraints in the Optimum Power Flow determination;

19.9.8.4 (a) assumptions made by the ISO relating to transmission maintenance outage schedules, and (b) the ISO summer and winter operating study results (non-simultaneous Interface Transfer Capabilities);

19.9.8.5 on its website no fewer than five (5) business days prior to the date on which a Centralized TCC Auction will begin, the number of megawatts of each set of ETCNL that each Transmission Owner has elected to convert to ETCNL TCCs for the Centralized TCC Auction and the RCRRs that each Transmission Owner has elected to convert to RCRR TCCs for the Centralized TCC Auction;

19.9.8.6 between each round of bidding during the Centralized TCC Auction, for all bidders bidding in subsequent rounds, the Market-Clearing Price, stated relative to the Reference Bus for each Generator bus, External bus and Load Zone; and

19.9.8.7 for each TCC awarded in each round, (a) the number of TCCs awarded, (b) the Point of Injection and Point of Withdrawal for that TCC, (c) the market clearing price for the TCC, and (d) the Auction participant awarded the TCC.

Items 19.9.8.1, 19.9.8.2, 19.9.8.3, 19.9.8.4(b), and 19.9.8.6 above shall be made available separately for on-peak and off-peak periods, if on-peak and off-peak TCCs will be separately available for purchase in the upcoming Auction.

The ISO will make available information about Secondary Market transactions, and all sales of TCCs by Direct Sale, to the extent received by the ISO.