

5.1 Control Area Services

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

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

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

5.1.1 Customer Compliance with Reliability Standards; Penalties

5.1.1.1 Customer Compliance with Reliability Standards:

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

5.1.1.2 Direct Assignment of Penalty Costs:

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

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

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

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

5.1.2 Interregional Congestion Management Pilot Program

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

other's transmission system would reduce or eliminate the need to resort to Transmission Loading Relief or other transmission-related emergency procedures.

5.1.2.1 Identification of Transmission Constraints

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

5.1.2.2 Redispatch Procedures

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

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

5.1.2.3 Locational Based Marginal Price

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

5.1.2.4 Generator Compensation

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

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

costs not covered by the LBMP revenue for the 24 hour day or not covered by the marginal price, as appropriate.

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

5.1.2.5 Settlements

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

5.1.2.6 Incorporation of Certain Business Practice Standards

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

Business Practices for Open Access Same-Time Information Systems (OASIS), Version 1.4 (WEQ-001, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standards 001-0.2 through 001-0.8, 001-0.14 through 001-0.20;

Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols, Version 1.4 (WEQ-002, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standards 002-1 through 002-5.10, except as provided below;

Coordinate Interchange (WEQ-004, Version 001, October 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 004-0.1 through 004-17.2, and 004-A through 004-D, except as provided below;

Area Control Error (ACE) Equation Special Cases Standards (WEQ-005, Version 0010, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 005-0.1 through 005-3.1.3, and 005-A;

Manual Time Error Correction (WEQ-006, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 006-0.1 through 006-12;

Inadvertent Interchange Payback (WEQ-007, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 007-0.1 through 007-2, and 007-A;

Transmission Loading Relief - Eastern Interconnection (WEQ-008, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Purpose, Applicability, and Standards 008-0.1 through 008-3.11.2.8, and 008-A through 008-D;

Gas/Electric Coordination (WEQ-011, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Standards 011-0.1 through 011-1.6;

Public Key Infrastructure (PKI) (WEQ-012, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Recommended Standard,

Certification, Scope, Commitment to Open Standards, and Standards 012-0.1 through 012-1.26.5; and

Business Practices for Open Access Same-Time Information Systems (OASIS) Implementation Guide, Version 1.4 (WEQ-013, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007) including Introduction and Standards 013-0.1 through 013-4.2, except as provided below.

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

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

Business Practices for Open Access Same-Time Information Systems (OASIS), Version 1.4 (WEQ-001, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007): Standards 001-2.0 through 001-12.5.2, and Appendices 001-A and 001-B;

Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols, Version 1.4 (WEQ-002, Version 001, Oct. 31, 2007 with minor corrections applied on Nov. 16, 2007): Standards 002-4.2.10, 002-4.2.11, 002-4.2.12, 002-4.3, *et seq.*, and 002-4.4;

Open Access Same-Time Information Systems (OASIS) Data Dictionary, Version 1.4 (WEQ-003, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007): Standard 003-0;

Coordinate Interchange (WEQ-004, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007): Standards 004-3, 004-3.1, 004-8.2, 004-11.1(a) Appendices 004-A, and 004-C to the extent they govern physical transmission reservations; and

Business Practices for Open Access Same-Time Information Systems (OASIS) Implementation Guide, Version 1.4 (WEQ-013, Version 001, Oct. 31, 2007, with minor corrections applied on Nov. 16, 2007): Standard 013-4.1.