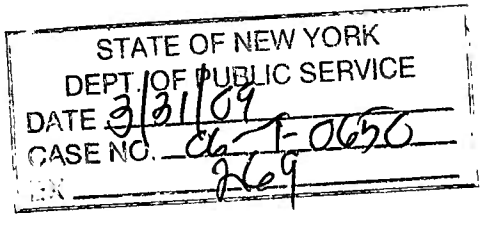
Exhibit ___ (SLC-1)

Attachment S of the NYISO OATT



New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 1

Open Access Transmission Tariff

Composite Tariff Reflecting Commission Orders And NYISO Filings
Through December 10, 2008

Double-Underlined material indicates provisions proposed for addition, and ~~Strike-Through~~ material indicates provision proposed for deletion, in filings awaiting Commission action.

Single-Underlined material indicates additions in effect, Highlighted material indicates deletions in effect, in filings awaiting Commission action.

~~*Italics plus strike-through and double-underline*~~ material indicates provisions proposed for addition and pending Commission action, which have been deleted by superseding provisions and approved by the Commission.

This composite New York Independent System Operator, Inc. OATT has been prepared for the convenience of the Market Participants on the basis of filings made with, or accepted or approved by, the Federal Energy Regulatory Commission. The composite OATT has not been filed with the Commission. The filings made with, and accepted or approved by, the Federal Energy Regulatory Commission shall govern in the case of any discrepancies with the composite OATT.

ATTACHMENT S

RULES TO ALLOCATE RESPONSIBILITY FOR THE COST OF NEW INTERCONNECTION FACILITIES

Table of Contents

ATTACHMENT S

RULES TO ALLOCATE RESPONSIBILITY FOR THE COST OF NEW INTERCONNECTION FACILITIES

I. Introduction

A. Purpose of the Rules

The purpose of these rules is to allocate responsibility among Developers and Transmission Owners and Load Serving Entities ("LSEs"), as described herein, for the cost of the new interconnection facilities that are required for the reliable interconnection of generation projects and merchant transmission projects to the New York State Transmission System in compliance with the requirements of the type of interconnection service elected by the project Developer. Section VI of this Attachment S describes the rules to estimate and allocate responsibility for the cost of the interconnection facilities required for Energy Resource Interconnection Service ("ERIS") and interconnection in compliance with the NYISO Minimum Interconnection Standard. ~~The rules allocate cost responsibility between the Developers of the projects and the Transmission Owners to whose systems the projects will interconnect. The rules also allocate cost responsibility among the Developers of different projects.~~ Section VII of this Attachment S describes the rules to estimate and allocation responsibility for the cost of interconnection facilities required for Capacity Resource Interconnection service ("CRIS") and

interconnection in compliance with the NYISO Deliverability Interconnection Standard. Every Developer is responsible for the cost of the new interconnection facilities required for the reliable interconnection of its generation or merchant transmission project in compliance with the NYISO Minimum Interconnection Standard, as that responsibility is determined by these rules. In addition, every Developer electing CRIS is also responsible for the cost of the interconnection facilities required for the reliable interconnection of its generation or merchant transmission project in compliance with the NYISO Deliverability Interconnection Standard, as that responsibility is determined by these rules.

These rules, and the related interconnection study procedures set out in Attachment X to the NYISO OATT, cover projects larger than ~~1~~20 MW. ~~The study procedures and cost allocation rules exclude projects with a rating of 10 MW or less, based upon the rebuttable presumption that the interconnection of such small projects will pose no reliability issues for the NYISO. Projects with a rating of 10 MW or smaller need only notify the NYISO, and then~~Small Generating Facilities no larger than 20 MWs are interconnected to the New York State Transmission System or to the Distribution System according to the Small Generator Interconnection Procedures ("SGIP") set out in Attachment Z to the NYISO OATT. As described in Section 3.5.3 of the SGIP, if the Interconnection Studies in Attachment Z determine that a Small Generating Facility requires a

~~coordinate the interconnection with the interconnecting Transmission Owner, which will also notify the NYISO of the proposed interconnection. If, on the basis of information provided to the NYISO by the interconnecting Transmission Owner or any other person, the NYISO determines that a project with a rating of 10 MW or less may pose reliability issues for the NYISO, then the interconnection study procedures set out in Attachment X to the NYISO OATT, and these cost allocation rules, will apply to that project, just as if the project had a rating of greater than 10 MW.~~ System Upgrade Facility to interconnect, then that Small Generating Facility is placed in the Class Year then open, and cost responsibility is allocated to the Small Generating Facility in accordance with the procedures and methodologies in this Attachment ~~Z~~S. As described in Section 1.1.7 of the SGIP, Small Generating Facilities larger than 2 MWs wishing to become qualified Installed Capacity Suppliers must elect Capacity Resource Interconnection Service and be evaluated for deliverability in the then open Class Year, pursuant to the Rules in this Attachment S.

As described herein, the intent is that each Developer be held responsible for the net impact of the interconnection of its project on the reliability of the New York State Transmission System. A Developer is held responsible for the cost of the interconnection facilities that are required by its project, facilities that would not be required but for its project. However, a Developer is not responsible for the cost of facilities that are, without considering the impact of its project, required to maintain the reliability of the Transmission System. Transmission Owners are, in accordance with the NYISO OATT and FERC precedent,

responsible for the cost of the facilities that are, without considering the impact of the Developer's project, required to maintain the reliability of the New York State Transmission System.

~~If a Developer's project reduces the need for facilities that would be needed without its project to maintain Transmission System reliability, that beneficial cost reduction impact is recognized by the rules. As described herein, the net cost and cost reduction impact of a Developer's project and the related upgrades is determined by comparing the results of annual Transmission System assessments conducted by the NYISO.~~

B. Definitions

Unless defined here in Section I.B. of this Attachment S, the definition of each defined term used in this Attachment S shall be the same as the definition for that term set forth in Section 1.~~0~~ of the NYISO Open Access Transmission Tariff or Attachment X or Attachment Z to the NYISO OATT, or Article 2 of the NYISO Services Tariff.

Acceptance Notice: The notice by which a Developer communicates to the NYISO its decision to accept a Project Cost Allocation or Revised Project Cost Allocation.

Affected System: An electric system other than the transmission system owned, controlled or operated by the Connecting Transmission Owner that may be affected by the proposed interconnection.

Affected System Operator: The entity that operates an Affected System.

Affected Transmission Owner: The New York public utility or authority (or its designated agent) other than the Connecting Transmission Owner that (i) owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff, and (ii) owns, leases or otherwise possesses an interest in a portion of the New York State Transmission System where System Deliverability Upgrades or System Upgrade Facilities are installed pursuant to Attachment X and Attachment S and Attachment Z of the Tariff.

Annual Transmission Baseline Assessment ("ATBA"): An assessment conducted by the NYISO staff in cooperation with Market Participants, to identify the System Upgrade Facilities that Transmission Owners are expected to need during the time period covered by the Assessment to comply with Applicable Reliability Requirements, and reliably meet the load growth and changes in load pattern projected for the New York Control Area.

Annual Transmission Reliability Assessment ("ATRA"): An assessment, conducted by the NYISO staff in cooperation with Market Participants, to determine the System Upgrade Facilities required for each generation and merchant transmission project included in the~~is~~ Assessment to interconnect to the New York State Transmission System in compliance with Applicable Reliability Requirements and the NYISO Minimum Interconnection Standard.

Applicable Reliability Requirements: The NYSRC Reliability Rules and other criteria, standards and procedures, as described in Section IV.F.1.(a)(1), applied when conducting the Annual Transmission Baseline Assessment and the Annual Transmission Reliability Assessment to determine the System Upgrade Facilities needed to maintain the reliability of the New York State Transmission System. The Applicable Reliability Requirements applied are those in effect when the particular assessment is commenced.

Article VII Certificate: The certificate of environmental compatibility and public need required under Article VII of the New York State Public Service Law for the siting and construction of any new transmission facility of a size and type specified in the statute.

Article X Certificate: The certificate of environmental compatibility and public need required under Article X of the New York State Public Service Law for the siting and construction of a new electric generating facility with 80 megawatts or more of capacity.

Attachment Facilities: The Connecting Transmission Owner's Attachment Facilities and the

Developer's Attachment Facilities. Collectively, Attachment Facilities include all facilities and equipment between the Large Generating Facility or Merchant Transmission Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Large Facility to the New York State Transmission System. Attachment Facilities are sole use facilities and shall not include Stand Alone System Upgrade Facilities or System Upgrade Facilities or System Deliverability Upgrades.

Byway: All transmission facilities comprising the New York State Transmission System that are neither Highways nor Other Interfaces. All transmission facilities in capacity Zone J and capacity Zone K are Byways.

Capacity Region: One of three subsets of the Installed Capacity statewide markets comprised of Rest of State (Zones A through J), Long Island (Zone K), and New York City (Zone J).

Capacity Resource Interconnection Service ("CRIS"): The service provided by NYISO to interconnect the Developer's Large Generating Facility, Merchant Transmission Facility or Small Generating Facility larger than 2 MW to the New York State Transmission System in accordance with the NYISO Deliverability Interconnection Standard, to enable the New York State Transmission System to deliver electric capacity from the Large Generating Facility or Merchant Transmission Facility, pursuant to the terms of the NYISO OATT.

Class Year: The group of generation and merchant transmission projects included in any particular Annual Transmission Reliability Assessment and Class Year Deliverability Study, in accordance with the criteria specified herein for including such projects ~~in the Assessment~~.

Class Year Deliverability Study: An assessment, conducted by the NYISO staff in cooperation with Market Participants, to determine the System Deliverability Upgrades required for each generation and merchant transmission project included in the Class Year to interconnect to the New York State Transmission System in compliance with the NYISO Deliverability Interconnection Standard.

Connecting Transmission Owner: The ~~Transmission Owner to whose system a Developer proposes to interconnect its generation or merchant transmission project.~~ New York public utility or authority (or its designated agent) that (i) owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff, (ii) owns, leases or otherwise possesses an interest in the portion of the New York State Transmission System at the Point of Interconnection, and (iii) is a Party to the Standard Large Interconnection Agreement.

Contribution Percentage: The ratio of an interconnection project's measured impact or pro rata ~~electrical~~ contribution to a System Upgrade Facility identified in the Annual Transmission Reliability Assessment, to the sum of the measured impacts or pro rata ~~electrical~~ contributions of all the projects that have at least a *de minimus* impact or contribution to the System Upgrade Facility.

Energy Resource Interconnection Service "(ERIS"): The service provided by NYISO to interconnect the Developer's Large Generating Facility, Merchant Transmission Facility or Small Generating Facility required to participate in a Class Year under Section 3.5.3 of Attachment Z to the New York State Transmission System in accordance with the NYISO Minimum Interconnection Standard, to enable the New York State Transmission System to receive electric energy from the Large Generating Facility, Merchant Transmission Facility or Small Generating Facility required to participate in a Class Year under Section 3.5.3 of Attachment Z at the Point of Interconnection, pursuant to the terms of the NYISO OATT.

Existing System Representation: The representation of the New York State Power System developed as specified in Section IV.E of these rules.

Final Decision Round: The round of NYISO-communicated cost estimates and Developer responses for a Class Year, in which all remaining eligible Developers issue an Acceptance Notice and post Security.

Financial Settlement: The Settlement Agreement approved by FERC in Docket Nos. EL02-125-000 and EL02-125-001 addressing the financial issues raised in those proceedings.

Headroom: ~~In the case of any System Upgrade Facility that has been paid for by a Developer, t~~The functional or electrical capacity of the System Upgrade Facility or the electrical capacity of the System Deliverability Upgrade that is in excess of the functional or electrical capacity actually used by the Developer's generation or merchant transmission project.

Highway: 115 kV and higher transmission facilities that comprise the following NYCA interfaces: Dysinger East, West Central, Volney East, Moses South, Central East/Total East, UPNY-SENY and UPNY-ConEd, and their immediately connected, in series, Bulk Power System facilities in the New York State. Each interface shall be evaluated to determine additional "in series" facilities, defined as any transmission facility higher than 115 kV that (a) is located in an upstream or downstream zone adjacent to the interface and (b) has a power transfer distribution factor (DFAX) equal to or greater than five percent when the aggregate of generation in zones or systems adjacent to the upstream zone or zones which define the interface is shifted to the aggregate of generation in zones or systems adjacent to the downstream zone or zones which define the interface. In determining "in series" facilities for Dysinger East and West Central interfaces, the 115 kV and 230 kV tie lines between NYCA and PJM located in LBMP Zones A and B shall not participate in the transfer. Highway transmission facilities are listed in ISO procedures.

Initial Decision Period: The 30 calendar day period within which a Developer must provide an Acceptance Notice or Non-Acceptance Notice to the NYISO in response to the first Project Cost Allocation issued by the NYISO to the Developer.

Interconnection System Reliability Impact Study ("SRIS"): An engineering study that evaluates the impact of the proposed Large Generation Facility or Merchant Transmission Facility on the safety and reliability of the New York State Transmission System and, if applicable, an Affected System, to determine what Attachment Facilities and System Upgrade Facilities are needed for the proposed Large Generation Facility or Merchant Transmission Facility of the Developer to connect reliably to the New York State Transmission System in a manner that meets the NYISO Minimum Interconnection Standard for ERIS. The scope of the SRIS is defined in Section 7.3 of the Large Facility Interconnection Procedures.

NERC Planning Standards: The transmission system planning standards of the North American Electric Reliability Council.

Non-Acceptance Notice: The notice by which a Developer communicates to the NYISO its decision not to accept a Project Cost Allocation or Revised Project Cost Allocation.

Non-Financial Settlement: The Settlement Agreement approved by FERC in Docket Nos. EL02-125-000 and EL01-125-001 addressing non-financial issues for future cost allocations.

NPCC Basic Design and Operating Criteria: The transmission system design and operating criteria of the Northeast Power Coordinating Council.

NYISO Deliverability Interconnection Standard: The standard that must be met by generation projects, excluding those below 2 MW and subject to Attachment Z, or merchant transmission projects proposing to interconnect to the New York State Transmission System and become a qualified Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights. To meet the NYISO Deliverability Interconnection Standard, the Developer of the proposed project must, in accordance with these rules, fund or commit to fund the System Deliverability Upgrades identified for its project in the Class Year Deliverability Study.

NYISO Load and Capacity Data Report: The annual NYISO survey of power demand and supply in New York State, published pursuant to Section 6-106 of the Energy Law of New York State.

NYISO Minimum Interconnection Standard: The reliability standard that must be met by any generation project ~~larger than 10 megawatts,~~ or ~~a~~ merchant transmission project, under these rules, proposing to connect to the New York State Transmission System. The Standard is designed to ensure reliable access by the proposed project to the New York State Transmission System. The Standard does not impose any deliverability test or deliverability requirement on the proposed project.

NYSRC Reliability Rules: The reliability rules of the New York State Reliability Council.

Other Interfaces: Interfaces into New York capacity regions, Zone J and Zone K, and external ties into the New York Control Area.

Overage Cost: The dollar amount by which the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment exceeds the total cost of System Upgrade Facilities considered in the Annual Transmission Baseline Assessment for the same Class Year.

Overage Cost Percentage: The ratio of the Overage Cost to the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment.

Project Cost Allocation: The dollar figure estimate for a Developer's share of the cost of the System Upgrade Facilities required for the reliable interconnection of its project to the transmission system and/or the share of the cost of the System Deliverability Upgrades required for the Developer's project to meet the NYISO Deliverability Interconnection Standard..

Revised Project Cost Allocation: The revised dollar figure cost estimate and related information provided by the NYISO to a Developer following receipt by the NYISO of a Non-Acceptance Notice, or upon the occurrence of a Security Posting Default by another member of the respective Class Year.

Security: Under the interconnection facilities cost allocation rules set out in Attachment S, a Developer must signify its willingness to pay the Connecting Transmission Owner and Affected Transmission Owner(s) for the Developer's share of the required System Upgrade Facilities and System Deliverability Upgrades by posting Security

for the full amount of the Developer's share within a specified time frame. The Security can be a bond, irrevocable letter of credit, parent company guarantee or other form of security from an entity with an investment grade rating, executed for the benefit of the Connecting Transmission Owner and Affected Transmission Owner(s), meeting the requirements of Attachment S, and meeting the commercially reasonable requirements of the Connecting Transmission Owner and Affected Transmission Owner(s).

Security Posting Default: A failure by one or more Developers to post Security as required by this Attachment S.

Subsequent Decision Period: A seven calendar day period within which a Developer must provide an Acceptance Notice or Non-Acceptance Notice to the NYISO in response to the Revised Project Cost Allocation issued by the NYISO to the Developer.

System Deliverability Upgrades: The least costly configuration of commercially available components of electrical equipment that can be used, consistent with Good Utility Practice and Applicable Reliability Requirements, to make the modifications or additions to Byways and Highways and Other Interfaces on the existing New York State Transmission System that are required for the proposed project to connect reliably to the system in a manner that meets the NYISO Deliverability Interconnection Standard at the requested level of Capacity Resource Interconnection Service.

System Upgrade Facilities: The least costly configuration of commercially available components of electrical equipment that can be used, consistent with ~~g~~Good ~~u~~Utility ~~p~~Practice

and Applicable Reliability Requirements, to make the modifications to the existing transmission system that are required to maintain system reliability due to: (i) changes in the system, including

such changes as load growth, and changes in load pattern, to be addressed in accordance with Section IV.~~G.1.a.2~~A; and (ii) proposed interconnections. In the case of proposed interconnection projects, System Upgrade Facilities are the modifications or additions to the existing New York State Transmission System that are required for the proposed project to connect reliably to the system in a manner that meets the NYISO Minimum Interconnection Standard.

~~**Transmission Owner:** The New York public utility or authority (or its designated agent) that owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff. For the purposes of this Attachment S, this definition of Transmission Owner shall supersede the definition of Transmission Owner set out in Section 1.0 of the NYISO Open Access Transmission Tariff.~~

II. Minimum Interconnection Standard

A. Scope and Purpose of Standard.

Each Large Facility or Small Generating Facility subject to Attachment S pursuant to Section 3.5.3 of Attachment Z that is proposed by a generation Developer or merchant transmission Developer, regardless of whether the Developer elects ERIS or CRIS, must meet the New York ISO Minimum Interconnection Standard for reliability described in the Large Facility Interconnection Procedures, that are included in Attachment X to the NYISO OATT. A Transmission Owner that has constructed a reliability-based transmission or distribution system upgrade, or an upgrade pursuant to an order issued by a regulatory body requiring such construction, will not be deemed to be a Developer under these rules because of the construction of that upgrade.

1. The NYISO Minimum Interconnection Standard is designed to ensure reliable access by the proposed project to the New York State Power System. The NYISO Minimum Interconnection Standard does not impose any deliverability test or deliverability requirement on the proposed project. Application of these rules, including the Annual Transmission Baseline Assessment and the Annual Transmission Reliability Assessment, to allocate responsibility for the cost of new transmission facilities to permit interconnection is not intended to affect the NYISO Minimum Interconnection Standard.

   a. Consequently, ~~these rules are~~ the Minimum Interconnection Standard is not intended to address in any way the allocation of responsibility for the cost of Network Upgrades and other new facilities associated with transmission service and the delivery of power across the Transmission System, the reduction of Transmission System Congestion, economic transmission system upgrades, or the mitigation of Transmission System overloads associated with the delivery of power.

   b. It is not anticipated that the installation of any interconnection facilities covered by ~~these rules~~ the Minimum Interconnection Standard will improve the deliverability of

power, reduce Congestion, or mitigate overloads associated with the delivery of power. If the installation of any facilities by a Developer does improve deliverability, reduce Congestion and create Incremental Transmission Congestion Contracts, or mitigate

overloads, then that situation will be handled in accordance with the relevant provisions of the NYISO Open Access Transmission Tariff, including Sections 19 and 32, and applicable FERC precedent.

III. Deliverability Interconnection Standard

A. Scope and Purpose of Standard

Each Large Facility or Small Generating Facility larger than 2 MW that is proposed by a generation Developer or merchant transmission Developer must meet the NYISO Deliverability Interconnection Standard before it can become a qualified Installed Capacity Supplier or receive Unforced Deliverability Rights.

1. The NYISO Deliverability Interconnection Standard is designed to ensure that the proposed project is deliverable throughout the New York Capacity Region where the project will interconnect. The NYISO Deliverability Interconnection Standard is also designed to ensure that the Developer of the project restores the transfer capability of any Other Interfaces degraded by its interconnection.

2. Each interconnecting generation or merchant transmission project electing Capacity Resource Interconnection Service will be allowed to become an Installed Capacity Supplier, or will be allowed to receive Unforced Capacity Deliverability Rights,

in accordance with the rules of the New York capacity market, up to the amount of its deliverable capacity, as that amount is determined in accordance with the rules in this Attachment S, once the Developer of the project has funded or committed to fund any required System Deliverability Upgrades in accordance with the rules in this Attachment S.

3. The requirement that each Large Facility or Small Generating Facility larger than 2 MW that is proposed by a Developer must meet the NYISO Deliverability Interconnection Standard before it can become a qualified Installed Capacity Supplier or receive Unforced Deliverability Rights first applies to the projects comprising Class Year 2007. The interconnection agreements for these projects will explicitly condition participation in the Installed Capacity market on satisfaction of the NYISO Deliverability Interconnection Standard and, to the extent a project is found not to be deliverable, on funding, or committing to fund, any required System Deliverability Upgrades. Implementation of the NYISO Deliverability Interconnection Standard for the projects comprising Class Year 2007 will be accomplished by conducting, only for Class Year 2007, the Project Cost Allocation decision process contained in Section VIII of Attachment S in two separate steps. First, the NYISO will administer the decision process for the System Upgrade Facilities required for the projects in the Class Year.

Then, upon the effectiveness of the NYISO Deliverability Interconnection Standard, the NYISO will separately administer a decision process for the System Deliverability Upgrades and Deliverable MW for the projects in Class Year 2007 that have previously provided an Acceptance Notice and posted Security for the cost of their System Upgrade Facilities. A member of Class Year 2007 cannot modify, as part of the decision process for System Deliverability Upgrades, the decision reflected in its Acceptance or Non-Acceptance Notice regarding its Project Cost Allocation for System Upgrade Facilities. Members of Class Year 2007 that provide a Non-Acceptance Notice or that commit a Security Posting Default relating to their System Upgrade Facilities will be removed form Class Year 2007 and processed further in accordance with Section VIII.B.3 of Attachment S. The Project Cost Allocation decision process for Class Years subsequent to Class Year 2007 will be conducted as described in Section VIII of Attachment S.

IV. Interconnection Facilities Covered by Attachment S

A. Interconnection Standards

The interconnection facilities covered by these cost allocation rules are those required for the proposed project to reliably interconnect to the transmission system in a manner that meets the NYISO Minimum Interconnection Standard for ERIS, and the NYISO Deliverability Interconnection Standard for CRIS.

B. Interconnection Facilities

The interconnection facilities covered by these cost allocation rules are comprised of the following ~~two~~ three types of facilities: Attachment Facilities, System Upgrade Facilities and System Deliverability Upgrades.

~~1. Attachment Facilities. These are the facilities that are constructed for the sole benefit of the Developer's individual project, to physically attach that project to the existing transmission system. Examples of Attachment Facilities are depicted in ISO Procedures.~~

~~2. System Upgrade Facilities. These are made up of the least costly configuration of commercially available components of electrical equipment that can be used, consistent with good utility practice and Applicable Reliability Requirements, to make the modifications to the~~

~~existing transmission system that are required to maintain system reliability due to (i) changes in the system, including such changes as load growth and changes in load pattern, to be addressed in accordance with Section IV.G.1.a.2; and (ii) proposed interconnection projects. In the~~

Reserved for future use.

~~case of proposed interconnection projects, System Upgrade Facilities are the modifications or additions to the existing transmission system that are required for the proposed project to reliably interconnect to the system in a manner that meets the NYISO Minimum Interconnection Standard.~~

~~IV.~~ Cost Responsibility Rules for Both ERIS and CRIS

A. Side Agreements

These cost allocation rules will not preclude or supersede any binding cost allocation agreements that are executed between or among Developers, ~~and~~ Connecting Transmission Owners and/or Affected Transmission Owners; provided, however, that no such agreements will increase the cost responsibility or cause a material adverse change in the circumstances as determined by these rules of any Developer or Connecting Transmission Owner who is not a party to such agreement.

B. Costs Covered By Attachment S

The interconnection facility cost allocated by these rules is comprised of all costs and overheads associated with the design, procurement and installation of the new interconnection facilities. These rules do not address in any way the allocation of responsibility for the cost of operating and maintaining the new interconnection facilities once they are installed. Nor do these rules address in any way the ownership of the new interconnection facilities.

C. Dispatch Costs

~~Neither~~ Developers, ~~nor~~ Connecting Transmission Owners and Affected Transmission Owners will not be charged directly for any redispatch cost that

may be caused by the temporary removal of transmission

Issued by: ~~William J. Museler, President~~Elaine D. Robinson, Dir. Reg. Affairs Effective: August ~~6~~4, 200~~4~~8
Issued on: ~~October 5~~August 4, 200~~4~~8
Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER04-449-000, *et al.*, ~~-001 and -002,~~ issued ~~August 6~~March 21, 200~~4~~8, 1~~08~~22 FERC ¶ 61,~~159~~267 (200~~4~~8).

facilities from service to install new interconnection facilities, as such cost is reflected in Locational Based Marginal Prices. Nor will existing generators be paid for any lost opportunity cost that may be incurred when their units are dispatched down or off in connection with the installation of new interconnection facilities.

D. Transmission Owners' Cost Recovery

Any Connecting or Affected Transmission Owner implementation and construction of (i) System Upgrade Facilities as identified in the Annual Transmission Baseline Assessment or Annual Transmission Reliability Assessment, or (ii) System Deliverability Upgrades as identified in the Class Year Deliverability Study, shall be in accordance with the NYISO Open Access Transmission Tariff, Commission-approved ISO Related Agreements, the Federal Power Act and Commission precedent, and therefore shall be subject to the Connecting or Affected Transmission Owner's right to recover, pursuant to appropriate financial arrangements contained in agreements or Commission-approved tariffs, all reasonably incurred costs, plus a reasonable return on investment.

E. Existing System Representation

The NYISO shall include in the Existing System Representation for purposes of the ATBA and ATRA for a given Class Year:

1. (i) All generation and transmission facilities identified in the NYISO's Load and Capacity Data Report as existing as of January 1 of that year, excluding those facilities that are subject to Class Year cost allocation but for which Class Year cost allocations have not been accepted; (ii) all planned generation and merchant transmission projects that have accepted their cost allocation in a prior Class Year cost allocation process and System Upgrade Facilities and System Deliverability Upgrades associated with those projects except that System Deliverability Upgrades where construction has been deferred pursuant to Section VII.K.2 and VII.K.3 of Attachment S will only be included if construction of the System Deliverability Upgrades has been triggered under Section VII.K.3 of Attachment S; (iii) all generation and transmission retirements and derates identified in the Load and Capacity Data Report as scheduled to occur during the five-year cost allocation study planning period; and (iv) all other changes to existing facilities, other than changes that are subject to Class Year cost allocation but that have not accepted their Class Year cost allocation, that are identified in the Load and Capacity Data Report or reported by Market Participants to the NYISO as scheduled to occur during the five year cost allocation study planning period.

2. The System Upgrade Facilities listed on Exhibit A to the Financial Settlement shall be included in the Existing System Representation. Such System Upgrade Facilities shall be shown as in service in the first year of

the five-year cost allocation study planning period and in each subsequent year, unless such System Upgrade Facilities are cancelled or otherwise not in service by January 1, 2010; provided that if such facilities are expected to be in service after January 1, 2010, starting with the Class Year 2010, the NYISO shall independently determine such later date when the System Upgrade Facilities are expected to be in service and represent them according to the NYISO's determination.

3. System Upgrade Facilities not listed on Exhibit A to the Financial Settlement, but for which cost allocations have been accepted in a prior Class Year cost allocation process, shall be represented in the Existing System Representation for subsequent cost allocation studies in the year of their anticipated in-service date.

F. Attachment Facilities.

Each Developer is responsible for 100% of the cost of the Attachment Facilities.

G. No Prioritization of Class Year Projects

There will be no prioritization of the projects grouped and studied together in a Class Year. Each such project will share in the then currently available functional or electrical capability of the transmission system, and share in the cost of the

System Upgrade Facilities required to interconnect its respective project and, for Developers seeking CRIS, System Deliverability Upgrades required under the NYISO Deliverability Interconnection Standard, in accordance with the rules set forth herein.

VI. Cost Allocation Methodology For ERIS

A. Cost Allocation Between Developers and Connecting Transmission Owners (ATBA).

~~System Upgrade Facilities.~~ The cost of System Upgrade Facilities is first allocated between Developers and Connecting Transmission Owners, ~~and then the Developers' share of the cost is allocated among Developers~~ in accordance with the rules that are discussed below in this Section ~~I~~VI.~~G~~A.

1. ~~Cost Sharing Between Developers and TOs.~~ The cost of System Upgrade Facilities is allocated between Developers and Connecting Transmission Owners based upon the results of an Annual Transmission Baseline Assessment of the five-year need for System Upgrade Facilities. The Annual

Transmission Baseline Assessment, as described in these rules, will be conducted by the NYISO staff in cooperation with Market Participants. No Market Participant will have decisional control over any determinative aspect of the Annual Transmission Baseline Assessment. The NYISO and its staff will have decisional control over the entire Annual Transmission Baseline Assessment. If, at any time, the NYISO staff decides that it needs specific expert services from entities such as Market Participants, consultants or engineering firms for it to conduct the Annual Transmission Baseline Assessment, then the NYISO will enter into appropriate contracts with such entities for such input. As it conducts each Annual Transmission Baseline Assessment, the NYISO staff will provide regularly scheduled status reports and working drafts, with supporting data, to the Operating Committee to ensure that all affected Market Participants have an opportunity to contribute whatever information and input they believe might be helpful to the process. Each completed Annual Transmission Baseline Assessment will be reviewed and approved by the Operating Committee. Each Annual Transmission Baseline Assessment is reviewable by the NYISO Board of Directors in accordance with provisions of the Commission-approved ISO Agreement.

a. The purpose of the Annual Transmission Baseline Assessment is to identify the System Upgrade Facilities that Transmission Owners are expected to need during the five-year period covered by the Assessment to reliably meet the load growth and changes in the load pattern projected for the New York Control Area, with cost estimates for the System Upgrade Facilities.

(1) Procedure for Annual Transmission Baseline Assessment. The procedure used to identify the System Upgrade Facilities will ensure that New York State Transmission System facilities are sufficient to reliably serve existing load and meet load growth and changes in load patterns in compliance with NYSRC Reliability Rules, NPCC Basic Design and Operating Criteria, NERC Planning Standards,

NYISO rules, practices and procedures, and ~~local~~ the Connecting Transmission Owner criteria included in FERC Form No. 715 (collectively "Applicable Reliability Requirements"). The procedure will use the Applicable Reliability Requirements in effect when the Annual Transmission Baseline Assessment is commenced. The procedure will be:

(a) The NYISO staff will first develop the Existing System Representation.

(b) The NYISO staff will then utilize the Existing System Representation to develop existing system improvement plans with each Transmission Owner. These improvement plans will use NYISO data from the annual NYISO Load and Capacity Data Report to project system load growth and changes in load patterns, including those that reflect demand side management, and will identify the System Upgrade Facilities needed year-by-year for the existing system to reliably serve projected load in the Transmission Owner's Transmission District for

a five-year period. The NYISO staff will integrate these existing system improvement plans into the Annual Transmission Baseline Assessment to ensure that the System Upgrade Facilities needed for a five-year period are identified on a New York State Transmission System-wide basis. The Annual Transmission Baseline Assessment will identify each anticipated System Upgrade Facility project, its estimated cost, its anticipated in-service date, and the status of the

project (in construction, budget approval received, budget approval pending).

(c) The NYISO will identify in the Annual Transmission Baseline Assessment the System Upgrade Facilities needed to reliably meet projected load growth and changes in load pattern without the interconnection of any proposed Developer projects, except for those proposed projects included in the Existing System Representation pursuant to Section ~~I~~V.E.

(d) NYISO staff will perform thermal, voltage, and stability analyses, as appropriate, to determine the

normal and emergency transfer capabilities of the statewide existing system.

(e) NYISO staff will perform resource reliability

analysis of the existing system to verify that the existing system meets Applicable Reliability Requirements. The results of this analysis will be reported for the entire state and for each of the New York zones.

(f) If the transmission and generation facilities included in the Existing System Representation, combined with previously approved and accepted System Upgrade Facilities, are insufficient to meet Applicable Reliability Requirements on a year by year basis, then the NYISO staff will develop feasible generic solutions that satisfy the Applicable Reliability Requirements, in accordance with Section ~~I~~VI.~~G~~A.2, below.

(g) If the existing system meets Applicable Reliability Requirements, the NYISO staff will perform short circuit analysis to determine whether there is sufficient interrupting capability in the

existing system. If there are any breaker overloads, the NYISO staff will determine the System Upgrade Facilities needed to mitigate the short circuit overloads.

(h) A reassessment of Steps (d) through (f) shall be reassessed and, to the extent required by Good Utility Practice, repeated if the improvement plan impacts the transmission transfer capability of the system. The results of the short circuit analysis will be treated in the same manner as the results of thermal, voltage and stability analyses for all purposes under these cost allocation rules.

(i) Each Annual Transmission Baseline Assessment conducted by NYISO staff will be reviewed and approved by the Operating Committee, and its effectiveness will be subject to the approval of the Operating Committee. Each Annual Transmission Baseline Assessment will be completed by a date to ensure that such Assessment can be presented for review and final Operating Committee approval during February. In its report to the Operating Committee, the NYISO shall explain its reasons for all of its recommendations.

(j) Each most recently completed Annual Transmission Baseline Assessment will be reviewed the following year by the NYISO staff and updated, as necessary, following the criteria and procedures described herein.

2. In developing solutions as required by Section ~~I~~VI.~~G~~A.1.f, the NYISO will, as it develops its own generic solutions, also utilize the following procedures.

a. The NYISO will first select as generic solutions proposed Class Year Developer projects sufficient to meet Applicable Reliability Requirements on a year by year basis. If a proposed Class Year Developer project is larger than necessary, the NYISO shall select that portion or segment of the project that is sufficient to meet but not exceed Applicable Reliability Requirements. If the proposed Developer project is not capable of being segmented or if the Developer project cannot meet Applicable Reliability Requirements on a year by year basis, the NYISO shall not select it.

b. If the generation and transmission facilities included in the Existing System Representation, together with any proposed Developer ~~P~~projects that qualify as solutions pursuant to Section IV.G.2.a, above, are not sufficient to meet Applicable Reliability Requirements, the NYISO shall complete the development of its own generic solutions, taking into account any generic solutions proposed pursuant to Section ~~IV~~I.~~G~~A.2.c, below, for inclusion in the ATBA.

c. Market Participants may also propose generic solutions for inclusion in the ATBA. The Market Participant proposing such solutions shall provide the NYISO with all data necessary for the NYISO to determine the feasibility of such proposed generic solutions.

d. The NYISO shall develop and consider alternative sets of proposed generic solutions that fairly represent the range of feasible solutions to Applicable Reliability Requirements.

e. The NYISO shall determine the feasibility of additional generic solutions developed pursuant to Sections ~~IV~~I.~~G~~A.2.b, ~~IV.G.~~2.c and ~~IV.G.~~2.d according to the following criteria:

(1) The NYISO shall select only solutions that are based on proven technologies that have actually been licensed and financed, are under construction or have already been built in similar locations.

(2) The NYISO shall select as additional generic solutions only units and facilities that can reasonably be placed in service in time to meet Applicable Reliability Requirements on a year by year basis. In making this determination, the NYISO shall consider the size and type of facility, access to fuel, access to transmission facilities, transmission upgrade requirements, construction time, and Good Utility Practice.

f. The NYISO will submit its proposed generic solutions and the alternatives that it considered to Market Participants and to an independent expert for review and will make the results of the expert's review available to Market Participants. The independent expert shall review the feasibility of the proposed generic solutions developed pursuant to Sections ~~IV~~I.~~G~~A.2.b, ~~IV.G.~~2.c, and ~~IV.G.~~2.d, and of generic

solutions based on the segmentation of any Class Year developer projects under Section ~~IV~~I.~~G~~A.2.a, according to the criteria set forth in Section ~~IV~~I.~~G~~A.2.e.

(1) If the independent expert concludes that one or more generic is not feasible, the NYISO shall eliminate that solution from further review.

(2) If the NYISO does not adopt the expert's recommendations, it will state in its report to the Operating Committee its reasons for not adopting those recommendations.

h. Subject to Section ~~IV~~VI.~~G~~A.2.~~i~~h, below, in the event that more than one generic solution or set of solutions satisfies the feasibility requirement of Section ~~IV~~VI.~~G~~A.2.~~i~~h, the NYISO shall compare the System Upgrade Facilities that would be necessary to interconnect each such generic solution and shall adopt the solution that is most consistent with Good Utility Practice. For these purposes, in comparing alternative solutions, a generic solution that satisfies sub-load pocket deficiencies shall normally be selected first.

i. The NYISO shall be responsible for determining whether any generic solution or proposed Developer Project meets Applicable Reliability Requirements.

3. With the exception of those upgrades that were previously allocated to, and accepted by Developer projects as a part of the Annual Transmission Reliability Assessment in the Final Decision Round of previous Class Years, Developers are not responsible for the cost of any System Upgrade Facilities that are identified in the Annual Transmission Baseline Assessment, or any System Upgrade Facilities that resolve in whole or in part a deficiency in the system identified in the Annual Transmission Baseline Assessment.

4. Developers are responsible for 100% of the cost of the System Upgrade Facilities, not already identified in the Annual Transmission Baseline Assessment that are needed as a result of their projects, and required for their projects to reliably interconnect to the transmission system in a manner that meets the NYISO Minimum Interconnection Standard. The System Upgrade Facilities necessary to accommodate Developer projects will be determined by the

Interconnection Facilities Studies and the Annual Transmission Reliability Assessment. The criteria and procedures that will be followed to conduct the Annual Transmission Reliability Assessment are discussed below.

a. If a Connecting Transmission Owner or Developer elects~~, for whatever reason,~~ to construct System Upgrade Facilities that are larger or more extensive than the minimum facilities required to reliably interconnect the proposed project, and are reasonably related to the interconnection of the proposed project, then the Connecting Transmission Owner or Developer is responsible for the cost of those System Upgrade Facilities in excess of the minimum System Upgrade Facilities required by the Developer projects. If there is Headroom associated with these larger System Upgrade Facilities and a Developer of any subsequent project interconnects and uses the Headroom within ten years of its creation, such subsequent Developer shall pay the Connecting Transmission Owner or the Developer for this Headroom in accordance with these rules, including Section ~~IV~~III.G.14-~~IV.~~G.16, below.

5. The System Upgrade Facilities cost for which a Developer is responsible will be determined on a "net" basis; that is, the Developer's System

Upgrade Facilities cost will be determined net of the benefits, or System Upgrade Facility cost reductions, that result from the construction and operation of its project and the related upgrades. The net cost responsibility of a Developer will not be less than zero. Also, the cost responsibility of the Connecting Transmission Owner for System Upgrade Facilities will be no greater than it would have been without the Developer's project. Specifically, the Connecting Transmission Owner shall not be required to pay (in total) more than 100% of the cost of installing a specific piece of equipment.

b. The purpose of this approach is to allocate to the Developer the responsibility for the cost of the net impact of its project on the needs of the transmission system for System Upgrade Facilities. Thus, a Developer is responsible for the cost of the System Upgrade Facilities that are required by, or caused by, its project. A Developer is not responsible for the cost of System Upgrade Facilities that would be required anyway, without the construction of its project. If a Developer's project reduces the cost of System Upgrade Facilities that would be required anyway, that beneficial cost reducing impact will be recognized.

b. The net System Upgrade Facilities cost and cost reduction benefits of a Developer's project are determined by NYISO staff comparing and netting the results of an Annual Transmission Baseline Assessment with the corresponding Annual Transmission Reliability Assessment in accordance with these rules.

c. The net System Upgrade Facilities cost and cost reduction benefits of a Developer's project are comprised of those costs and cost reduction benefits caused by (1) the construction of System Upgrade Facilities not contained in the Annual Transmission Baseline Assessment, and (2) eliminating or reducing the need for the construction of System Upgrade Facilities contained in the Annual Transmission Baseline Assessment, due to the construction of System Upgrade Facilities associated with the proposed project.

d. The Developer's net cost responsibility will be determined using constant dollars. That is, when netting the cost of System Upgrade Facilities required for its project, as identified in the Annual Transmission Reliability Assessment, with those identified in the Annual Transmission Baseline Assessment, the cost of System Upgrade Facilities in the out-years of the Annual Transmission Baseline Assessment and the out-years of the Annual Transmission

Reliability Assessment will be discounted to a current year value for netting. The cost of out-year System Upgrade Facilities will be discounted to a current value using the weighted average cost of capital of the Connecting Transmission Owner.

~~6~~B. Cost Allocation Among Developers (ATRA).

The Developers' share of the cost of System Upgrade Facilities is allocated among Developers based upon the NYISO Annual Transmission Reliability Assessment. The Annual Transmission Reliability Assessment will be conducted by NYISO staff to ensure New York State Transmission System compliance with Applicable Reliability Requirements. The NYISO staff will conduct the Annual Transmission Reliability Assessment, as described in these rules, in cooperation with Market Participants. No Market Participant will have decisional control over any determinative aspect of the Annual Transmission Reliability Assessment. The NYISO and its staff will have decisional control over the entire Annual Transmission Reliability Assessment. If, at any time, the NYISO staff decides that it needs specific expert services from entities such as Market Participants, consultants or engineering firms for it to conduct the Annual Transmission Reliability Assessment, then the NYISO will enter into appropriate contracts with

such entities for such input. As it conducts each Annual Transmission Reliability Assessment, the NYISO staff will provide regularly scheduled status reports and working drafts, with supporting data, to the Operating Committee to ensure that all affected Market Participants have an opportunity to contribute whatever information and input they believe might be helpful to the process. Each completed Annual Transmission Reliability Assessment will be reviewed and approved by the Operating Committee. Each Annual Transmission Reliability Assessment is reviewable by the NYISO Board of Directors in accordance with the provisions of the Commission-approved ISO Agreement. The Annual Transmission Reliability Assessment will begin on March 1 each year, with a planned completion date six months after that.

~~a~~1. The Annual Transmission Reliability Assessment for each Class Year will identify the System Upgrade Facilities required for all Class Year projects, with cost estimates for the System Upgrade Facilities. The System Upgrade Facilities identified through the Annual Transmission Reliability Assessment will only be those System Upgrade Facilities that are not already included in an Annual Transmission Baseline Assessment.

~~b~~2. For each Annual Transmission Reliability Assessment, the NYISO will utilize the Existing System Representation used for the corresponding Annual Transmission Baseline Assessment.

~~c~~3. Each Annual Transmission Reliability Assessment will update the results of Interconnection System Reliability Impact Studies that have previously

been performed for certain proposed interconnection projects.

~~(1)~~a. An Interconnection System Reliability Impact Study will be updated, and a project included in the Annual Transmission Reliability Assessment for a given year (a "Class Year"), if (a) the Operating Committee has approved the Interconnection System Reliability Impact Study for the project, and (b) state regulators have determined that the Article X, Article VII or comparable permitting application for the project is complete, before the NYISO Staff begins the Annual Transmission Reliability Assessment on March 1 each year.

~~d~~4. The Annual Transmission Reliability Assessment will update Interconnection System Reliability Impact Study results in accordance with the Interconnection Facilities Study procedures in Section 8 of the Large Facility Interconnection Procedures in Attachment X to the NYISO OATT.

e5. For interconnection projects included in each Annual Transmission Reliability Assessment, the Interconnection System Reliability Impact Study updated results will specify the impact of each project in the Class Year on the reliability of the transmission system, that is, the pro rata contribution of each project in the Class Year to each of the individual System Upgrade Facility identified in the updates.

~~(1)~~a. ~~The~~In the case of a new System Upgrade Facility that has a functional capacity not readily measured in amperes or other discrete electrical units, such as a System Upgrade Facility dedicated to system protection, the pro rata impact of each project in the Class Year on the reliability of the transmission system will ~~not simply~~ be based upon the number of projects in the Class Year contributing to the need for the new System Upgrade Facility. The pro rata impact of each project in the Class Year needing such a new System Upgrade Facility will be equal. Accordingly, the pro rata contribution of each of the projects to the need for the new System Upgrade Facility will be equal to (1/a), where "a" is the total number of projects in the Class Year needing the new System Upgrade Facility.

Commission, Docket No. ER048-449~~1272-000, et al.~~, issued ~~March 21~~September 12, 2008, 1224 FERC ¶ 61,26~~738~~ (2008).

~~(2)~~b. ~~Instead,~~In the case of a new System Upgrade Facility that has a capacity readily measured in amperes or other discrete electrical units, the impact of each project in the Class Year will be stated in terms of its pro rata contribution to the total electrical impact on each individual System Upgrade Facility in the Class Year of all projects that have at least a *de minimus* impact, as described in Section ~~I~~VI.~~F~~A.~~5~~6.~~ea~~.~~(1)~~ of these rules. The contribution to electrical impact will be measured in various ways depending on the nature of the

transmission problem primarily causing the need for the individual System Upgrade Facility.

(~~a~~1) Contribution to short circuit current for interrupting duty beyond the rating of equipment.

(~~b~~2) Contribution to MW loading on the critical element for thermal overloads under the test conditions that cause the need for a System Upgrade Facility. MW contribution will be calculated by multiplying the associated distribution factor by the declared maximum MW of the project. The distribution factor is calculated by pro rata displacement of New York System load by the added generation.

(~~c~~3) Contribution to voltage drop on the most critical bus for voltage problems. A critical bus will be defined as representative for voltage conditions during a specific contingency. The pro rata impact of each project is measured as the ratio of the voltage drop at the critical bus caused by the project when none of the other projects are represented, to the voltage

drop at the critical bus when all of the projects in the Class Year are represented.

(~~d~~4) Contribution to transient stability problems as measured by the fault current calculated for the most critical stability test that is causing the need for the System Upgrade Facility.

~~f~~6. For each individual electrical impact standard listed in subsections ~~f~~6.(~~1~~a)(~~a~~1) through ~~f~~6.(~~1~~a)(~~d~~4) below, a Developer will not be responsible for the cost associated with a corresponding System Upgrade Facility if its project's contribution is less than the *de minimus* impacts defined below. The costs of projects that would otherwise have been allocated to certain Developer's projects but for the sub-*de minimus* impact exemption, shall be allocated 100 percent to the other Developers in the Class Year according to their pro rata contribution.

~~(1)~~a. *De minimus* impact is defined in terms of any one of the factors listed below in this subsection. Examples of

computations used to determine *de minimus* impact are shown in ISO Procedures.

(~~a~~1) Short Circuit Contribution: Equal to or greater than 100 amperes of the existing rating of the equipment that needs to be replaced.

(~~b~~2) Thermal Loadings: Equal to or greater than 10 MW on the most limiting monitored element under the most critical contingency that is causing the need for transmission improvements.

(~~c~~3) Voltage Effects: Equal to or greater than 2% of the voltage drop occurring with all Class Year projects at the most critical bus.

(~~d~~4) Stability Effects: Equal to or greater than 100 amperes of the fault current for the most critical stability test that is causing the need for the System Upgrade Facility..

~~g~~7. The pro rata contribution of each project in the Class Year to each of the System Upgrade Facilities identified in the Annual Transmission Reliability Assessment.

~~(1)~~a. First, in accordance with Section ~~I~~VI.~~G~~A.5. of these rules, the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment is compared and netted with the total cost of System Upgrade Facilities identified in the Annual Transmission Baseline Assessment. If the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment does not exceed the total cost of System Upgrade Facilities identified in the Annual Transmission Baseline Assessment, then there is no cost to be allocated among Class Year Developers.

~~(2)~~b. If the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment does exceed the total cost of System Upgrade Facilities identified in the Annual Transmission Baseline Assessment by some amount, then this amount ("Overage Cost") is a cost to be allocated among Class Year Developers. Appendix One to this Attachment S sets out an example of an allocation of Overage Cost among Class Year Developers.

~~(3)~~c. The Overage Cost represents a percentage of the total cost of System Upgrade Facilities identified in the Annual Transmission Reliability Assessment ("Overage Cost Percentage").

~~(4)~~d. Each System Upgrade Facility identified in the Annual Transmission Reliability Assessment has a cost specified for it in the Annual Transmission Reliability Assessment.

~~(5)~~e. The pro rata contribution of each project in the Class Year to a System Upgrade Facility identified in the Annual Transmission Reliability Assessment represents a percentage contribution to the need for that System Upgrade Facility ("Contribution Percentage").

~~(6)~~f. An individual Developer's pro rata responsibility for the cost of each System Upgrade Facility identified in the Annual Transmission Reliability Assessment is the product of (a) the Overage Cost Percentage; (b) the Developer's Contribution Percentage for the particular System Upgrade Facility; and (c) the cost of the particular System Upgrade Facility as specified in the Annual Transmission Reliability Assessment.

~~(7)~~g. If the least cost solution identified is to install one System Upgrade Facility (e.g., a series reactor) rather than replacing a number of System Upgrade Facilities (e.g., breakers), the NYISO staff will determine each Developer's Contribution Percentage by calculating what each Developer's pro rata contribution would have been on the System Upgrade Facilities not replaced (e.g., breakers) and applying that percentage to the System Upgrade Facility that is installed (e.g., series reactor).

VII. Cost Allocation Methodology for CRIS.

A. Cost Allocation Among Developers in a Class Year.

~~7. There will be no prioritization of the projects grouped and studied together in a Class Year.~~ Each ~~such~~ project in a Class Year will share in the then currently available ~~functional or electrical capability of the transmission system, and share in the cost of the System Upgrade Facilities required to interconnect its respective project, in accordance with the rules set forth herein.~~deliverability capability of the New York State Transmission System, and will also share in the cost of any System Deliverability Upgrades required for its project to qualify for CRIS at the requested level. The total cost of the System Deliverability Upgrades required for

all the projects in the Class Year will be allocated among the projects in the Class Year based on the pro rata impact of each Class Year project on the deliverability of the New York State Transmission System, that is, the pro rata contribution of each project in the Class Year to each of the System Deliverability Upgrades identified in the Class Year Deliverability Study. In addition to this allocation of cost responsibility for System Deliverability Upgrades among the projects in a Class Year, the cost of certain Highway upgrades will be shared with Load Serving Entities and subsequent Developers, as described below in Section VII.K of these rules.

B. Categories of transmission facilities.

For purposes of applying the NYISO Deliverability Interconnection Standard, transmission facilities comprising the New York State Transmission System will be categorized as either Byways or Highways or Other Interfaces.

1. **Byways.** The Developer of a proposed generation or merchant transmission project will pay one hundred percent (100%) of its pro rata share of the cost of the System Deliverability Upgrades to any Byway needed to make the Developer's project deliverable in accordance with these rules. The System Deliverability Upgrades on the Byway or Byways will be identified by the NYISO, with input from the Connecting

Transmission Owner and from the Affected Transmission Owner(s), in the Class Year Deliverability Study. A Developer paying to upgrade a Byway will be eligible to receive Headroom payments in accordance with these rules. A Developer paying to upgrade a Byway will receive any Incremental TCC's created. A subsequent Developer paying for use of Headroom on System Deliverability Upgrades will receive the corresponding TCCs.

2. **Highways.** The Developer of a proposed generation or merchant transmission project will pay an allocated share of the cost of the System Deliverability Upgrades to any Highway needed to make the Developer's project deliverable in accordance with these rules. The System Deliverability Upgrades on the Highway or Highways, and the Developer's allocated share of the cost of those System Deliverability Upgrades, will be identified by the NYISO, with input from the Connecting Transmission Owner and from the Affected Transmission Owner(s), in the Class Year Deliverability Study. A Developer paying to upgrade a Highway will be eligible to receive Headroom payments in accordance with these rules to the extent that it pays for System

Deliverability Upgrade capacity in excess of that required to provide the requested level of CRIS. A Developer paying to upgrade a Highway will receive a share of any incremental TCCs created, in accordance with these rules. A subsequent Developer paying for use of Headroom on System Deliverability Upgrades will receive the corresponding TCCs, if any, based on its share of the System Deliverability Upgrade costs.

3. **Other Interfaces.** If the proposed generation or merchant transmission project degrades the transfer capability of any one of the Other Interfaces below the transfer capability identified in the current ATBA, then the Developer will pay for one hundred percent (100%) of its pro rata share of the cost of the System Deliverability Upgrades needed to restore the transfer capability of the Other Interfaces degraded by its proposed project to what the transfer capability of those Other Interfaces would have been without its project, as that transfer capability was measured in the current ATBA. Where two or more projects would cause degradation of an Other Interface's transfer capability, the cost of the necessary System Deliverability Upgrades to restore the original transfer capability of the interface shall be shared on a pro rata basis, based on the MW of degradation that each project would cause.

C. New York Capacity Regions.

The deliverability test will be applied within each of the three (3) New York Capacity Regions: Rest of State, Long Island and New York City. To be declared deliverable a generator or merchant transmission project must be deliverable throughout the NYISO Capacity Region in which the project is interconnected. For example, a proposed generator or merchant transmission project interconnecting in the Rest of State Capacity Region will be required to demonstrate deliverability throughout the Rest of State Capacity Region, but will not be required to demonstrate deliverability to or within either the Long Island Capacity Region or the New York City Capacity Region.

D. Participation in Capacity Markets.

A Developer, in order to be eligible to become an Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights, must elect CRIS. The MW amount of CRIS requested by a Developer, stated in MWs of Installed Capacity, cannot exceed the name plate capacity of its generation or merchant transmission project. The NYISO will perform the Class Year Deliverability Study in accordance with these rules and with input of Market Participants, to determine the deliverability of each of the members of the Class Year that have requested some level of CRIS. The Class Year Deliverability Study will identify and allocate the cost of the System Deliverability Upgrades needed to make deliverable each Class Year member that has

requested CRIS. In order to be eligible to become an Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights, a Developer must fund or commit to fund, in accordance with these rules, the System Deliverability Upgrades needed for its project to be deliverable at the requested level of CRIS.

E. The Pre-Existing System.

Where the Existing System Representation demonstrates deliverability issues, a Developer electing CRIS need only address the incremental deliverability of its inter-connecting generator or merchant transmission project, not the deliverability of the pre-existing system depicted in the Existing System Representation. Likewise, Transmission Owners will not be responsible for curing any pre-existing issues related to the deliverability of generators.

F. CRIS Values.

A Developer may elect partial CRIS for its project. Generators qualifying for CRIS will have two CRIS values: one for the summer capability period and one for the winter capability period. The CRIS value for the summer capability period will be set using the deliverability test methodology and procedures described below. The CRIS value for the winter capability period will be set at a value that will maintain the same proportion of CRIS to ERIS as for the summer capability period.

G. Class Year Deliverability Study Procedures.

The NYISO staff will conduct the Class Year Deliverability Study, as described in these rules, in cooperation with Market Participants. No Market Participant will have decisional

control over any determinative aspect of the Class Year Deliverability Study. The NYISO and its staff will have decisional control over the entire Class Year Deliverability Study. If, at any time, the NYISO staff decides that it needs specific expert services from entities such as Market Participants, consultants or engineering firms for it to conduct the Class Year Deliverability Study, then the NYISO will enter into appropriate contracts with such entities for such input. As it conducts each Class Year Deliverability Study, the NYISO staff will provide regularly scheduled status reports and working drafts, with supporting data, to the Operating Committee to ensure that all affected Market Participants have an opportunity to contribute whatever information and input they believe might be helpful to the process. Each completed Class Year Deliverability Study will be reviewed and approved by the Operating Committee, when the Operating Committee approves the ATRA for the same Class Year. Each Class Year Deliverability Study is reviewable by the NYISO Board of Directors in accordance with the provisions of the Commission-approved ISO Agreement.

H. Deliverability Test Methodology for Highways and Byways.

1. Definition of NYCA Deliverability. The NYCA transmission system shall be able to deliver the aggregate of NYCA capacity resources to the aggregate of the NYCA load under summer peak load conditions. This is accomplished through ensuring the deliverability of new Large Facilities, new Small Generators larger than 2 MWs, and any existing facility increasing its capacity by more than the 2 MWs allowed by Section IX.B.3 of Attachment S, in the three Capacity Regions in New York State.

2. NYCA Deliverability Testing Methodology. The current Class Year ATRA will serve as the starting base case for testing under summer peak system conditions, subject to the following:

a. All proposed projects seeking CRIS will be evaluated on an aggregate Class Year basis. Deliverability will be determined through a shift from generation to generation within the Capacity Regions in New York State. Each Capacity Region will be tested on an individual basis.

b. Each Developer requesting CRIS will request that a certain number of MWs, not to exceed the name plate rating of its facility, be evaluated for deliverability. These MWs will represent Installed Capacity, and will be derated for the deliverability analysis. At the conclusion of the analysis, the NYISO will reconvert only the deliverable MWs and report them in terms of MWs of Installed Capacity using the same derating factor utilized at the beginning of the deliverability analysis.

A derated generator capacity incorporating availability is used. This derated generator capacity is based on the unforced capacity or "UCAP" of each resource and can be referred to as the UCAP Deration

Factor ("UCDF"). The UCDF used is the average from historic ICAP to UCAP translations on a Capacity Region basis, as determined in accordance with ISO Procedures. This is the average EFORd, which will be used for all non intermittent ICAP providers. The UCDF for intermittent resources will be calculated based on their resource type in accordance with ISO Procedures. The UCDF factor for proposed projects will be applied to the requested CRIS level. For facilities modeled in the ATBA, the UCDF will be applied to their CRIS level.

c. Load uncertainties will be addressed in accordance with ISO Procedures by taking the impact of Load Forecast Uncertainty ("LFU") from the most recent base case IRM.

d. ATRA base case conditioning steps will be consistent with those used for the IRM, RNA and ATBA transfer limit calculation methodology.

e. Emergency criteria and contingency testing corresponding to that used in NYSRC IRM and NYISO RNA studies will be applied in deliverability testing.

f. The NYISO will monitor all transmission facilities that are part of the New York State Transmission System.

g. Deliverability testing will proceed as follows - The generation/load mix is split into two groups of generation and load, one upstream and one downstream for each zone or sub-zone tested within the Capacity Region. All elements that are part of the New York State Transmission System within the Capacity Region will be monitored. If there is excess generation upstream (that is, more upstream generation than is necessary to serve the upstream load plus LFU) then the generation excess, taking into account generator derate factors described in Section VII.H.2.b above, is assumed to displace downstream generation. If the dispatch of the upstream excess generation causes an overload, this overload is flagged as a potential deliverability problem and will be used to determine the amount of capacity that is assigned CRIS status and the overload mitigation.

h. When either the voltage or stability transfer limit of an interface calculated in the ATBA is more binding than the calculated thermal transfer limit, then the lower of the ATBA voltage or stability transfer limit will be included in the deliverability testing as a proxy limit.

i. External system imports, other than the grandfathered import contract rights listed in Attachment E to the Installed Capacity Manual and operating protocols set forth in Attachment M-1 of the Services Tariff, will be adjusted as necessary to eliminate or minimize overloads.

j. Flows associated with generators physically located in the NYCA but selling capacity out of the market will be modeled in the ATRA base case.

k. PARs within the applicable Capacity Region will be adjusted as necessary, in either direction and within their angle capability, to eliminate or minimize overloads without creating new ones. PARs controlling external ties and ties between the Capacity Regions will be modeled, within their angle capability, to hold the tie flows to their respective base case schedules, which shall be set recognizing firm commitments and operating protocols set forth in Attachment M-1 of the Services Tariff.

l. For Highway interfaces in Rest of State Capacity Region, the generator or merchant transmission projects in a Class Year, whether or not they are otherwise deliverable, will not be considered deliverable if their aggregate impact degrades the transfer capability of the interface more than the

lesser of 25 MW or 2 percent of the transfer capability identified in the ATBA and results in an increase to the NYCA LOLE determined for the ATBA of .01 or more. The Class Year projects will be responsible, on a pro rata basis, for restoring transfer capability only to the extent their aggregate degradation of transfer capability, compared to that in the ATBA, would not occur but for the Class Year projects.

I. Deliverability Test Methodology for Other Interfaces.

The generator or merchant transmission projects in a Class Year, whether or not they are otherwise deliverable across Highways and Byways, will not be considered deliverable if their aggregate impact degrades the transfer capability of any Other Interface more than the lesser of 25 MW or 2 percent of the transfer capability of the Other Interface identified in the ATBA. Each Developer will be responsible for 100% of its pro rata Class Year share of the cost of System Deliverability Upgrades needed to restore transfer capability on the Other Interfaces impacted by the Class Year projects but only to the extent that the degradation of transfer capability on the Other Interfaces, compared to that measured in the current Class Year ATBA, would not occur but for the aggregate impact of the Developers' projects. Where two or more projects contribute to the degradation of the transfer capability of an Other Interface, each project Developer shall pay for a share of the required System Deliverability Upgrades based on its contribution to the degradation of the transfer capability.

J. Deliverability of External Resources.

The deliverability of external resources for the upcoming Capability Year will be considered through the annual process of setting import rights under the NYISO Services Tariff. Under this process, the grandfathered import contract rights listed in Attachment E to the Installed Capacity Manual will be considered deliverable. The remaining external ICAP import rights will be subject to the deliverability test.

K. Cost Allocation for Highway Upgrades

1. If the portion of the System Deliverability Upgrades for a Highway upgrade (measured in MWs) required to make one or more projects in a Class Year deliverable is ninety percent (90%) or more of the total size (measured in MW) of the System Deliverability Upgrades, the Developer(s) of the project(s) will be responsible for one hundred percent (100%) of its pro rata Class Year share of the cost of the System Deliverability Upgrades.

2. If the portion of the System Deliverability Upgrades required to make one or more projects in a Class Year deliverable is less than 90% of the total size (measured in MWs) of the Highway upgrade, the Developer(s)

will be required to pay or commit to pay for its pro rata share of the Highway upgrade project cost. The Developer's pro rata share of the total cost of the System Deliverability Upgrades needed for the Highway upgrade project will be determined on the basis of the impact of the Developer's generator or merchant transmission facility on the deliverability of Highway, that is, on the basis of the Large Facility's pro rata contribution to the need for the System Deliverability Upgrades to be used for the Highway project. Other Large Facilities in the current Class Year may share in the cost of these System Deliverability Upgrades, on the same basis. The rest of the cost of these System Deliverability Upgrades will be allocated to Load Serving Entities and subsequent Developers, as described in this Section VII.K. The Developer may either (1) make a cash payment of its proportionate share of the upgrade, which will be held by the Connecting Transmission Owner and Affected Transmission Owner(s) in interest-bearing account(s); or (2) post Security (as defined in this Attachment S) meeting the commercially reasonable requirements of the Connecting Transmission Owner and Affected Transmission Owner(s) for the Developer's proportionate share of the cost of the upgrade. The amount(s) of cash or Security that a Developer must

provide to its Connecting Transmission Owner and any Affected Transmission Owners will be included in the Class Year Deliverability Study report. If the Developer chooses to provide Security, its allocated cost will be increased by an annual construction-focused inflation index. The Developer will update its Security on an annual basis to reflect this increase. Except for this adjustment for inflation, the cost allocated to the Developers will not be increased if the estimated cost of the Highway upgrade project increases. However, the costs allocated to subsequent Developers will be based on a current cost estimate of the Highway upgrade project.

3. The generator or merchant transmission facility will be considered deliverable, and eligible to become a qualified Installed Capacity Supplier or to receive Unforced Capacity Deliverability Rights, when it is in service, provided it has paid its share of the total cost of System Deliverability Upgrades necessary to support the requested CRIS level, or made a satisfactory commitment to do so. Highway upgrades--where the System Deliverability Upgrades are below the 90% threshold discussed in Section VII.I.2. above--will be constructed and funded either (i) according to subsections (a) and (b) below, or (ii) according to subsection (c) below.

a. When a threshold of 60% of the most current cost estimate of the System Deliverability Upgrade has been paid or posted as Security by Developers, the Highway upgrade will be built by the Transmission Owner that owns the facility to be upgraded. If the facility to be constructed will be entirely new, construction should be completed by the Transmission Owner that owns or controls the necessary site or right of way. If no Transmission Owner(s) has such control, construction should be completed by the Transmission Owner in whose service territory the facility would be construed. If the upgrade crosses multiple service areas, each Transmission Owner will be responsible for the portion of the upgrade in its service area; and

b. The actual cost of the Highway upgrade project above that paid for by Developers will be funded by Load Serving Entities, based on their proportionate share of the ICAP requirement in the statewide capacity market, reflecting locational capacity requirements. Provided, however, Load Serving Entities will not be responsible

for actual costs in excess of their share of the final Class Year estimated cost of the Highway upgrade if the excess results from causes within the control of a Transmission Owner(s) responsible for constructing the Highway upgrade; or

c. If the NYISO Comprehensive Reliability Planning Process ("CRPP") identifies a Reliability Need requiring a Highway facility to be constructed earlier than would be the case pursuant to Section VII.K.3.a., the facility will be constructed as determined in the CRPP. Funds collected from Developers (pursuant to Section VII.K.2., above) will be used to cover a portion of the regulated solution costs to the extent that the funds collected from Developers were collected for System Deliverability Upgrades that are actually constructed by the regulated solution. To the extent this is true, these funds will be used as an offset to the total reliability solution upgrade cost, with the remainder of the upgrade cost to be allocated per the requirements of the CRPP, as set forth in Sections 13, 14 and 16 of Attachment Y to the NYISO OATT.

4. If a Developer has accepted its Project Cost Allocation, before construction of an identified System Deliverability Upgrade for a

Highway upgrade is commenced, if a Developer elects to be retested for deliverability it may request to be placed in the then open Class Year. The Developer's cost responsibility for System Deliverability Upgrades shall not increase as a result of such retesting. It may decrease or be eliminated. If the Developer's Large Facility is found to be deliverable without the System Deliverability Upgrades previously identified, the Developer's Security posting will be terminated, or the Developer's cash payment will be returned with the interest earned.

5. When the System Deliverability Upgrades for the Highway project are built, any resulting TCCs will be distributed to the Developers and Load Serving Entities in proportion to their funding of the Highway project.

6. As new generators and merchant transmission facilities come on line and use the Headroom on System Deliverability Upgrades created by a prior Highway upgrade project, the Developers of those new facilities will reimburse the prior Developers and Load Serving Entities who funded the System Deliverability Upgrades for use of the Headroom created by the prior Developers and Load Saving Entities in accordance with Sections VIII.G and VIII.H of these rules. As new Developers make these Headroom payments, the related TCCs will be transferred to them.

7. The Transmission Owner responsible for constructing a System Deliverability Upgrade or a Developer contributing toward the cost of a System Deliverability Upgrade can elect to construct upgrades that are larger and/or more expensive than the System Deliverability Upgrades identified to support the requested level of CRIS for the Developer's project in the Class Year Deliverability Study, provided that those upgrades are reasonably related to the Developer's project. The party electing to construct the larger upgrade will pay for the incremental cost of the upgrade; i.e., the difference in cost between the cost of the System Deliverability Upgrades as determined by these rules, and the cost of the larger and/or more expensive upgrade.

VIII. Project Cost Allocation Decisions

A. Project Cost Allocation Figures

~~8.~~ Based on the Annual Transmission Reliability Assessment update of Interconnection System Reliability Impact Study results, and on the results of the Class Year Deliverability Study, NYISO staff will, in accordance with these rules, provide the Developer of each interconnection project included in the then current ~~Annual Transmission Reliability Assessment~~

Class Year with a dollar figure ("Project Cost Allocation") for its share of the cost of System Upgrade Facilities and System Deliverability Upgrades required for reliable interconnection of the project to the New York State ~~t~~Transmission ~~s~~System. The NYISO shall also provide a dollar figure for the total cost of the System Upgrade Facilities and System Deliverability Upgrades required for ~~reliable~~ interconnection of the Developer's project, as well as a description of the required

System Upgrade Facilities and System Deliverability Upgrades, their expected in-service date, and a plan for their installation that is sufficient to verify these dollar figures. The NYISO shall also provide a dollar figure for the total cost of all System Upgrade Facilities and System Deliverability Upgrades required by projects in the Class Year and a dollar figure for the total cost of the System Deliverability Upgrades necessary to support the level of CRIS requested by each Developer of the Class Year. The NYISO will also provide each Class Year member requesting CRIS with the number of MWs of Installed Capacity, if any, that are deliverable from its facility with no new System Deliverability Upgrades ("Deliverable MWs"). Each Developer will be given this Project Cost Allocation and, as applicable its Deliverable MWs, as soon as practicable prior to the submittal of the Annual Transmission Reliability Assessment and Class Year Deliverability Study to the Operating Committee.

~~9~~B. Decision Periods

Within 30 calendar days following approval of the Annual Transmission Reliability Assessment and Class Year Deliverability Study by the Operating Committee (the "Initial Decision Period"), or within 7 calendar days following the NYISO's issuance of a revised Annual Transmission

Reliability Assessment, class Year Deliverability Study and accompanying Revised Project Cost Allocation and revised Deliverable MWs report, as defined in and pursuant to Section ~~I~~VIII.~~F~~C.~~10~~ (a "Subsequent Decision Period"), if applicable, each Developer shall provide notice to the NYISO, in writing and via electronic mail, indicating whether it shall (i) accept its Project Cost Allocation ("Acceptance Notice"), or (ii) not accept its Project Cost Allocation ("Non-Acceptance Notice"). A Developer requesting CRIS may, at this time, accept the cost of both its system Deliverability Upgrades and System Upgrade Facilities, or the Developer may provide a Non-Acceptance Notice for the cost of its System Deliverability Upgrades and accept or not its Deliverable MWs, or the Developer may elect ERIS by providing an Acceptance Notice only for the cost of its System Upgrade Facilities.

As soon as practicable following receipt of either an Acceptance Notice or Non-Acceptance Notice from each Class Year Developer, but not later than 2 business days following receipt, the

NYISO shall inform all Class Year Developers, in writing and via electronic mail, indicating whether or not all Developers in the then-current Class Year have elected to accept their respective Project Cost Allocations.

~~a~~1. If, following the Initial Decision Period or any Subsequent Decision Period, each and every Developer that remains eligible at that time provides Acceptance Notice, each Developer must signify its willingness to pay the Connecting Transmission Owner and Affected Transmission Owner(s) for its share of the required System Upgrade Facilities ~~by~~ and System Deliverability Upgrades by paying cash for System Deliverability Upgrades by paying cash for System Deliverability Upgrades in accordance with Section VII.K.2 of these rules, or posting Security (as hereinafter defined) for the full amount of its respective Project Cost Allocation within 5 business days after the end of the Initial Decision Period or Subsequent Decision Period, as applicable. "Security" means a bond, irrevocable letter of credit, parent company guarantee or other form of security from an entity with an investment grade rating, executed for the benefit of the Connecting Transmission Owner and Affected Transmission Owner(s), meeting the requirements of

these cost allocation rules, and meeting the respective commercially reasonable requirements of the Connecting Transmission Owner and Affected Transmission Owner(s). Security shall be posted to cover the period ending on the date on which full payment is made to the Connecting Transmission Owner for the System Upgrade Facilities, and the date(s) on which full payment is made to the Connecting Transmission Owner or Affected Transmission Owner(s) for the System Deliverability Upgrades; provided, however, that Security may be posted with a term as short as one year, so long as such Security is replaced no later than 15 business days before its stated expiration. In the event Security is not replaced as required in the preceding sentence, the Connecting Transmission Owner, or an Affected Transmission Owner in the case of Security for System Deliverability Upgrades, shall be entitled to draw upon the Security and convert it to cash, which cash shall be held by the Connecting Transmission Owner or Affected Transmission Owner

for the account of the Developer. The round in which all remaining eligible Developers issue an Acceptance Notice and post Security shall be the final round for that class Year (the "Final Decision Round").

~~b~~2. At the end of the Initial Decision Period or any Subsequent Decision Period, if one or more of the Developers in the Class Year provides Non-Acceptance Notice (such event a "Non-Acceptance Event"), then every Developer in the Class Year shall be relieved of its obligation to pay cash or post Security in connection with that version of its Project Cost ~~a~~Allocation for both System Upgrade Facilities and System Deliverability Upgrades. In addition, following the

Initial Decision Period or any Subsequent Decision Period, if all Developers in the Class Year provide Acceptance Notice under the Class Year Deliverability Study, the ATRA or both, but one or more of the Developers fails to pay cash or post the Security required hereunder (such event a "Security Posting Default"), then the beneficiaries of the payments and Security posted by the Developers that did pay or post Security (~~i.~~e.g., the Connecting Transmission Owners and Affected Transmission Owners) shall surrender the cash and posted Security to the respective Developers immediately. The Connecting Transmission Owners or Affected Transmission Owner(s) shall not make any draws or encumbrances on any cash or posted Security unless and until cash has been paid and Security has been posted by all Developers that issued Acceptance Notices in the Final Decision Round.

~~e~~3. Following the Initial Decision Period, or any Subsequent Decision Period, if a Non-Acceptance Event or a Security Posting Default shall have occurred with respect to the ATRA, the Developer that provided the Non-Acceptance Notice or committed the Security Posting Default will be removed by the NYISO from the then

current Class Year and the Interconnection Facilities Study for that Developer will be removed from the then current Annual Transmission Reliability Assessment and, if applicable, the Class Year Deliverability Study. In addition, a Developer that commits a Security Posting Default with respect to either the ATRA or Class Year Deliverability Study or both shall be removed from both studies. A Developer providing a Non-Acceptance Notice only for the cost of its System Deliverability Upgrades shall only be removed from the Class Year Deliverability Study. If a Developer provides an Acceptance Notice and posts the required Security for the cost of its System Upgrade Facilities, but provides a Non-Acceptance Notice with respect to its share of System Deliverability Upgrade costs, it may issue an Acceptance Notice for its Deliverable MW and interconnect taking CRIS at that level. Alternatively, the Developer may provide a Non-Acceptance Notice with respect to both its System Deliverability Upgrade costs and its Deliverable MW. In that case, the Developer may continue to participate in the ATRA and interconnect taking ERIS if it

provides an Acceptance Notice and posts the required Security for the cost of the System Upgrade Facilities. The Developer may later request to be placed in the then open Class Year and be evaluated for CRIS. If a Developer provides a Non-Acceptance Notice for the cost of both its System Deliverability Upgrades and its System Upgrade Facilities, ~~.~~ ~~T~~the Interconnection Request of each such Developer will be processed further in the following manner; ~~described herein~~

~~(1)~~a. At any time prior to the time when the Developer's ~~Large Facility~~ generator or merchant transmission facility commences construction, the Developer may elect to enter the open Class Year that is current at the time of the Developer's election. If the Developer makes no such election, the NYISO will assign the Developer's ~~Large Facility~~ generator or merchant transmission facility to the open Class Year that is current when the Large Facility commences construction. The Developer will elect ERIS alone, or ERIS with some level of CRIS when it executes the Interconnection Facilities Study Agreement for the Class Year study.

~~(2)~~b. If the Developer fails to accept the NYISO assignment of its ~~Large Facility~~ generator or merchant transmission facility to a new Class Year, the NYISO will deem the Developer's Interconnection Request for that ~~Large Facility~~ generator or merchant transmission facility to have been withdrawn in accordance with Section 3.6 of the Large Facility Interconnection Procedures in Attachment X of the OATT, or in accordance with Attachment Z of the OATT, as applicable.

~~(3)~~c. If a Developer does enter a new Class Year by election or NYISO assignment, and then provides another Non-Acceptance Notice or commits another Security Posting

Default with respect to its Project Cost Allocation for System Upgrade Facilities, the NYISO will remove that Developer's Interconnection Facilities Study from the then current Annual Transmission Reliability Assessment and class Year Deliverability Study, as applicable, and the NYISO will deem the Developer's Interconnection Request for that Large Facility to have been withdrawn in accordance with Section 3.6 of the Large Facility Interconnection Procedures in Attachment X of the OATT, or in accordance with Attachment Z of the OATT, as applicable.

~~(4)~~d. Any Developer who's Interconnection Request is deemed to have been withdrawn may file a new Interconnection Request in accordance with the Large Facility Interconnection Procedures in Attachment X of the OATT, or in accordance with Attachment Z of the OATT, as applicable.

~~d~~4. Whenever projects are removed from an Annual Transmission Reliability Assessment and/or Class Year Deliverability Study, NYISO staff will immediately notify the Developers of the remaining projects still included in the Annual Transmission Reliability Assessment and/or Class Year Deliverability Study.

~~10~~C. Revised Study Results and Project Cost Allocations

Immediately following receipt of Non-Acceptance Notice or upon the occurrence of a Security Posting Default, the NYISO shall update the Interconnection Facilities Study results for those remaining Developer projects that continue to be included in the then-current Annual Transmission Reliability Assessment and Class Year Deliverability Study, as necessary, to reflect the impact of the project removals. The NYISO shall issue a revised ~~a~~Annual Transmission Reliability Assessment and Class Year Deliverability Study together with an updated Project Cost Allocation for each remaining Developer's share of System Upgrade Facilities and System Deliverability Upgrades (each a "Revised Project Cost Allocation") together with a revised Deliverable MWs report as soon as practicable, but in no event later than 14 calendar days following the occurrence of the Non-Acceptance Event or the Security Posting Default

that necessitated development of the Revised Project Cost Allocation and revised Deliverable MWs report. The NYISO shall also provide the additional dollar figures relating to total cost and Class Year projects, and the related information, described in

Section ~~I~~VIII.~~G~~A.~~8.~~, above. Following the issuance of the revised Annual Transmission Reliability Assessment and Class Year Deliverability Study, and the issuance of Revised Project Cost Allocations and the revised Deliverable MWs report, each remaining Developer shall provide notice to the NYISO within 7 calendar days whether it will accept its respective Revised Project Cost Allocation and revised Deliverable MWs.

~~11~~D. Completion of Decision Process

The process set forth in Sections ~~I~~VIII.~~G~~B.~~9~~ through ~~I~~VIII.~~G~~C.~~10~~ shall be repeated until either (a) all of the remaining eligible Developers in the Class Year provide Acceptance Notice in the same round and post their required cash or Security, or (b) all Developers have dropped out of the Class Year.

~~12~~E. **Forfeiture of Security**

With the exception of the requirement that cash and Security shall be surrendered back to the issuing Developer in connection with a Security Posting Default, once a Developer has accepted a Project Cost Allocation or Revised Project Cost Allocation, as the case may be, and paid cash and posted Security or posted Security for that amount, such cash payment and Security shall be irrevocable and shall be subject to forfeiture as provided herein in the event that the Developer that paid cash and posted Security or posted the Security subsequently terminates or abandons development of its project. Any cash and Security previously posted on a terminated interconnection project will be

subject to forfeiture to the extent necessary to defray the cost of the System Upgrade Facilities and System Deliverability Upgrades required for the projects still included in the Annual Transmission Reliability Assessment and class Year Deliverability Study, but only as described below.

~~13~~F. Developer's Future Cost Responsibility

Once a Developer has accepted a Project Cost Allocation or Revised Project Cost Allocation, as the case may be, in the Final Decision Round and paid cash and posted Security or posted Security for that amount, then the accepted figure caps the Developer's maximum potential responsibility for the cost of System Upgrade Facilities and System Deliverability Upgrades required for its project, except ~~for circumstances involving errors of estimation,~~ as discussed below.

1. If the portion of the System Deliverability Upgrades for a Highway Upgrade required to make the Developer's generator or merchant transmission facility deliverable is less than 90% of the total size of the Highway upgrade identified for the Developer's project, and the Developer elects to commit to pay for its proportionate share of the Highway upgrade by posting Security instead of paying cash, then the Developer's allocated cost of the Highway upgrade will be

increased during the period of construction deferral by application of a construction inflation adjustment, as discussed in Section VII.K.2 of these rules. When deferred construction of the Highway upgrade commences, the Developer will be responsible for actual costs in excess of the secured amount only when the excess results from changes to the operating characteristics of the Developer's project. If the portion of the System Deliverability Upgrades for a Highway upgrade required to make one or more generators or merchant transmission facilities in a Class Year deliverable is ninety percent (90%) or more of the total size (measured in MWs) of the System Deliverability Upgrades, and construction is not deferred, then those Developers will be responsible for actual costs in excess of the secured amount in accordance with the rules in Section VIII.F.2-VIII.F.4 of Attachment S.

~~a~~2. If the actual cost of the Developer's share of required System Upgrade Facilities or System Deliverability Upgrades is less than the agreed-to and secured amount, the Developer is responsible only for the actual cost figure.

~~b~~3. If the actual cost of the Developer's share of required ~~s~~System Upgrade Facilities or System Deliverability Upgrades would be greater than the agreed-to and secured amount because other projects have been expanded, accelerated, otherwise modified or terminated, then the Developer is responsible only for the agreed-to and secured amount for its

project. The additional cost is covered by the Developers of the modified projects, in accordance with these cost allocation rules, or by the drawing on the cash that has been paid and the Security that has been posted for terminated projects, depending on the factors that caused the additional cost. Forfeitable cash and Security will be drawn on only as needed for this purpose, and only to the extent that the terminated project associated with that Security has caused additional cost.

~~e~~4. If the actual cost of the Developer's share of required System Upgrade Facilities or System Deliverability Upgrades is greater than the agreed-to and secured amount because of ~~errors of estimation concerning its project~~circumstances that are not within the control of the Connecting Transmission Owner (such as, for example~~,~~; (i) changes to the design or operating characteristics of the Developer's project that impact the scope or cost of related System Upgrade Facilities; (ii) any costs that were not within the scope of the Class Year Interconnection Facilities Study that subsequently become known as part of the final construction design; or (iii) cost escalation of materials or labor, or changes in the commercial availability of physical components required for construction), the

cost cap shall be adjusted by any such amount and the Developer will ~~then~~ pay the additional costs ~~overage~~ to the Connecting Transmission Owner or Affected Transmission Owner(s) as such costs are incurred by ~~the Connecting Transmission Owner~~each of them. However, to the extent that some or all of the excess cost is due to factors within the control of the Connecting Transmission Owner or the Affected Transmission Owner(s) (such as, for example, additional construction man-hours due to Connecting Transmission Owner or the Affected Transmission Owner(s) management, or correcting equipment scope deficiencies due to Connecting Transmission Owner or the Affected Transmission Owner(s) oversights),

then that portion of the excess cost will be borne by the Connecting Transmission Owner or the Affected Transmission Owner(s). Disputes between the Developer and the Connecting Transmission Owner concerning costs in excess of the agreed-to and secured amount ~~errors of estimation~~ will be resolved by the~~ese two~~ parties in accordance with the terms and conditions of their interconnection agreement. Disputes between the Developer and an Affected Transmission Owner will be resolved in accordance with Section 13.5 of the LFIP, or Section 4.2 of Attachment Z, as applicable.

~~14~~G. Headroom Accounting

If, pursuant to these rules, a Developer, Connecting Transmission Owner, Affected Transmission Owner or Load Serving Entity (each an "Entity") pays for any System Upgrade Facilities or System Deliverability Upgrades, or for any Attachment Facilities that are later determined to be System Upgrade Facilities or System Deliverability Upgrades, that create ~~electrical capacity or~~ "Headroom" ~~in excess of the electrical capacity actually used by its project~~, then that ~~Developer~~ Entity will be repaid the depreciated cost of that ~~h~~Headroom by the Developer of any subsequent project that interconnects and uses the Headroom within ten years of the creation of the headroom. Headroom means that the System Upgrade Facilities have the electrical or functional capacity to accommodate additional projects.

~~a~~1. Developers of terminated projects who have paid for Headroom with forfeited cash or ~~s~~Security instruments, as well as Developers of completed projects who have paid for Headroom, will be repaid in accordance with these rules.

~~b~~2. The Developer of the subsequent project shall repay the prior ~~Developer~~ Entity as soon as the cost responsibilities of the subsequent Developer are determined in accordance with these rules.

~~e~~3. The NYISO will determine the depreciated cost of the System Upgrade Facilities and/or System Deliverability Upgrades associated with the ~~Developer~~Entity -created Headroom using the FERC-approved depreciation schedule applied to comparable facilities by the Connecting Transmission Owner or the applicable Affected Transmission Owner.

~~d~~4. ~~Developer~~Entity -created Headroom will be measured by the NYISO in accordance with these rules. The use that a subsequent project makes of ~~Developer~~Entity -created Headroom~~, that is, the reliability impact that a subsequent project has on the transmission system and its pro rata cost responsibility for the~~ will also be measured by the NYISO in accordance with these rules.

a. In the case of Headroom on System Upgrade Facilities~~, will also be measured~~ that have an excess functional capacity not readily measured in amperes or other discrete electrical units, the use ~~the~~ that each subsequent project makes of the ~~Developer~~Entity-created Headroom will be measured solely by using the total number of projects in the current ~~or~~ and prior Class Years needing or using the System Upgrade Facility.

(1) The use that each project in a subsequent Class Year makes of Headroom on such a System Upgrade Facility will be measured as an amount equal to (1/b), where "b" is the total number of

projects in all prior and current Class Years using the System Upgrade Facility.

(2) Each Developer in a subsequent Class Year that uses Headroom on such a System Upgrade Facility will make a Headroom payment to all prior Developers that have previously made payments for that System Upgrade Facility, both the prior Developers that have previously made Headroom payments and the Developers in the first Class Year that paid for the original installation of the System Upgrade Facility. The amount of the Headroom payment to each prior Developer that each Developer in a subsequent Class Year must make for its use of Headroom on such a System Upgrade Facility will be an amount equal to c/(b)x(d), where "c" is the depreciated cost of the System Upgrade Facility at the time of the subsequent Class Year Facilities Study, "b" is the total number of projects in all prior and current Class Years using the System Upgrade Facility, and "d" is the total

number of projects in all the prior Class Years that have previously made payments for the System Upgrade Facility, both Headroom payments and payments for original installation.

b. In the case of System Upgrade Facilities or System Deliverability Upgrades that have an excess capacity readily measured in amperes or other discrete electrical units, the use the subsequent project makes of the ~~Developer~~Entity-created Headroom will be measured in terms of the electrical impact of the subsequent project, as that electrical impact is determined by the NYISO in accordance with these rules.

c. The NYISO will publish accounts showing the Headroom for each Class Year of Developers and other Entities, and will update those accounts to reflect the impact of subsequent projects. The NYISO will close the Headroom account of an ~~Developer~~ Entity when the~~electrical~~capacity values in the account are reduced to zero or when ten years have passed since the establishment of the account, whichever occurs first.

~~(1)~~ad. If a subsequent Developer uses up all the Headroom of an earlier ~~Developer~~Entity, and also triggers the need for a new

System Upgrade Facility or System Deliverability Upgrade, then the subsequent Developer will pay the Connecting Transmission Owner or Affected Transmission Owner for the new System Upgrade Facility or System Deliverability Upgrade, but will not pay the earlier ~~Developer~~ Entity for the Headroom used up or the account extinguished. However, the earlier ~~Developer~~ Entity will get a new Headroom account and a *pro rata* share of the Headroom in the new System Upgrade Facility or System Deliverability Upgrade purchased by the subsequent Developer. The economic value of this *pro rata* share will be equal to the economic value of the earlier ~~Developer's~~ Entity's Headroom account that was extinguished by the subsequent Developer.

~~e~~5. For Class Years 2001 and 2002, the NYISO shall account for Headroom as provided by the Non-Financial Settlement. Developers in Class Year 2002 shall reimburse Class Year 2001 Developers in accordance with the terms of the Non-Financial Settlement.

~~15~~H. Headroom Account Adjustments in the ATBA

In addition to the adjustments made by the NYISO in Headroom accounts to reflect the impact of subsequent projects, the NYISO will

make other adjustments to Headroom accounts when preparing for each Annual Transmission Baseline Assessment. The NYISO will make these adjustments to reflect the impact of changes in the Existing System Representation modeled for the Annual Transmission Baseline Assessment that result from the installation, expansion or retirement of generation and transmission facilities for load growth and changes in load patterns. Such changes in the Existing System Representation can also result from changes in these rules or the criteria, methods or, software used to apply these rules.

~~a~~1. No compensation will be paid as a result of these changes to the Existing System Representation. However, the NYISO will adjust the ratios of dollars to electrical values in each ~~Developer's~~ Entity's account to maintain the economic value of the ~~Developer's~~ Entity's account that existed before the changes were made in the Existing System Representation.

~~b~~2. The NYISO will make no adjustments to Headroom accounts for the impact of subsequent generic solutions, except in those cases where the generic solution is a Class Year project and the adjustment is made to reflect the impact of the Class Year project.

~~16~~I. Rate Base Facilities

Developers are not charged for their use of any rate base facilities, except to the degree applicable as customers taking service in accordance with the rates, if any, that apply to those facilities.

~~H~~IX. Going Forward.

A. No Developer Responsibility for Future Upgrades

Once a Developer has posted Security for its share of the System Upgrade Facilities required for its project, ~~then~~ and paid cash or posted Security for its share of the System Deliverability Upgrades required for its project, then, except as provided in Section VIII.F of these rules, that

Developer has no further responsibility for the cost of additional Attachment Facilities and System Upgrade Facilities and System Deliverability Upgrades that may be required in the future.

1. The ~~project interconnection~~ Large Generator Interconnection ~~a~~Agreement executed between a Developer and its Connecting Transmission Owner will reflect the Developer's responsibility for the cost of new Attachment Facilities and System Upgrade Facilities and System Deliverability Upgrades, as that responsibility has been determined in accordance with these rules.

2. The cost of those additional Attachment Facilities and System Upgrade Facilities and System Deliverability Upgrades needed for future interconnection projects will be shared between future Developers and Transmission Owners, and allocated among future Developers, in accordance with the rules.

B. Retaining CRIS Status

Large Facilities and Small Generating Facilities qualifying for CRIS will retain their CRIS Status at the capacity level found deliverable in the Class Year Deliverability Study regardless of subsequent changes to the transmission system or the transfer of facility ownership.

provided the facility remains capable of operating at the capacity level studied and is not deactivated. For the purpose of the rules in this Section IX.B, and in Sections IX.C and IX.D of Attachment S, a facility becomes deactivated on the last day of the month during which it ceases to offer capacity into NYISO capacity auctions or bilateral transactions. For Large Facilities and Small Generating Facilities pre-dating Class Year 2007, the facility shall qualify for CRIS service so long as (i) its interconnection agreement is not terminated, and (ii) the facility begins commercial operations within three years of the commercial operation date or comparable commencement date specified in its initial interconnection agreement filing. A pre-Class Year 2007 generator or merchant transmission facility without an interconnection agreement on the first effective date of the NYISO Deliverability Interconnection Standard, or one with an initial interconnection agreement filing that does not specify a commercial operation date or any comparable commencement date, shall quality for CRIS so long as it begins commercial operations within three years of its in-service date specified in the 2008 Gold Book. For generators pre-dating Class Year 2007, the CRIS capacity level will be set at the maximum DMNC level achieved during the five most recent summer capability periods prior to the first effective date of the NYISO Deliverability Interconnection Standard, even if that DMNC value exceeds nameplate MWs. For a generator pre-dating Class Year 2007 and not having DMNC levels recorded for five summer capability periods on the first effective

date of the NYISO Deliverability Interconnection Standard, its CRIS capacity level will be set, and reset if necessary, at the maximum DMNC level achieved during successive summer capability periods until it has DMNC levels recorded for five summer capability periods. Prior to the establishment of the generator's first DMNC value for a summer capability period, the generator's CRIS level will be set at nameplate MWs. The CRIS capacity level for intermittent resources pre-dating Class Year 2007 will be set at nameplate MWs, and the CRIS capacity level for controllable lines pre-dating Class Year 2007 will be set at the MWs of Unforced Deliverability Rights awarded to them. In the case of a deactivation, CRIS status at the capacity level eligible for CRIS found deliverable terminates three years after deactivation unless the deactivated Large Facility or Small Generating Facility takes one of the following actions before the end of the three-year period: (1) returns to service and participation in NYISO capacity auctions or bilateral transactions, or (2) transfers capacity deliverability rights to another Large Facility or Small Generating Facility at the same or a different electrical location that becomes operational within three years from the deactivation of the original facility.

C. Transfer of Deliverability Rights - Same Location

If a facility deactivates an existing unit and commissions a new one at the same electrical location, CRIS status of the deactivated facility and its deliverable capacity level may be transferred to that same electrical location, provided that the new facility becomes operational within three years from the deactivation of the original facility. The

new facility will only acquire the assigned capacity deliverability rights once the new facility becomes operational. Capacity rights will be stated in MWs of Installed Capacity. In the case of transfers between the same or different resource types, those MWs of Installed Capacity will be adjusted by the derate factor applicable to the existing facility (based on the asset-class derate factors used in the most recent Class Year Deliverability Study) before the transfer and, following the transfer, will be readjusted to MWs of Installed Capacity in accordance with the derate factor applicable to the new facility (based on the asset-class derate factors used in the most recent Class Year Deliverability Study).

D. Transfer of Deliverability Rights - Different Locations

Rights may also be transferred on a bilateral basis between an existing facility and a new facility at a different location to the extent that the new facility is found to be deliverable after the existing facility assumes ERIS status or deactivates. The new facility may contract with an existing facility (with assigned capacity rights) to transfer some or all of the existing facility's assigned capacity rights. The new facility will be allowed to acquire these rights if it meets the deliverability test executed in the following manner:

1. Prior to the Class Year Deliverability Study, the new and existing facilities involved in the transfer transaction must tell the NYISO the MW level of capacity rights proposed to be transferred. Capacity rights will be stated in MWs of Installed Capacity. In the case of transfers between different

resource types, those MWs of Installed Capacity will be adjusted by the derate factor applicable to the existing facility before the transfer and, following the transfer, will be readjusted to MWs of Installed Capacity in accordance with the derate factor applicable to the new project. All derate factors will be based on the asset-class derate factors in the current Class Year Deliverability Study.

a. The NYISO will evaluate the deliverability of the Class Year projects together, with no transfers, to determine the extent to which new facilities in the Class Year that are parties to proposed transactions are deliverable without the proposed transfers.

b. The NYISO will then reduce the output of all established facilities that are parties to proposed transactions to see if the new facility counterparties benefit, i.e., their undeliverable capacity is made deliverable, from the proposed transfers; provided, however, the established facilities will be reduced only to the extent that their reduction does not adversely impact the deliverability of Class Year projects that are not parties to the proposed transactions.

c. If the deliverability test conducted by the NYISO shows that the new Class Year projects that are parties to the proposed transactions are fully or partially deliverable with these reductions of the established facility counterparties, then the new projects will be given five business days to notify the NYISO as to whether their particular transaction is final or not. If any proposed transactions are not finalized, then steps 1.a and 1.b will be repeated until all proposed transactions have been terminated or finalized.

2. For each finalized transaction, the existing facility that is a party to the transaction will be modeled in Class Year Facilities Study at its reduced output level (current level less CRIS finally transferred adjusted by the applicable derate factors). The Deliverability of Class Year projects not parties to finalized transactions may benefit, but will not be adversely affected, by those transactions.

3. The existing facility will be restricted in future capacity sales up to levels consistent with the CRIS rights that were transferred to the new project counterparty.

4. The new project will only acquire the assigned capacity rights once the new project becomes operational at the levels necessary to utilize those rights.

X. Miscellaneous Provisions

A. Non-financial Settlement of 2004

~~H.~~ Notwithstanding any foregoing provisions to the contrary, the following provisions apply to the resumption of the cost allocation process after the approval by FERC of the Non-Financial Settlement.

1. Upon the study start date specified in the Non-Financial Settlement ("Study Start Date"), the NYISO shall resume the cost allocation process set forth herein.

2. Except as provided below, the initial cost allocation shall determine the System Upgrade Facilities required for the reliable interconnection of all Developer projects that have met the milestones identified in Section IV.G.6.c.1, above, on or before the Study Start Date. The NYISO shall prepare an ATRA with respect to these Developer projects as a single class (the "Catch Up Class Year"). The Catch Up Class Year shall not include (1) Class Year 2001 Developer projects that have accepted their Project Cost Allocation prior to the Study Start Date, or (2) Class Year 2002 Developer Projects that have accepted their Project Cost Allocation pursuant to the terms of the Non-Financial Settlement.

3. The NYISO shall use the 2004 Load and Capacity Data Report for the Catch Up Class Year cost allocation studies, unless the Study Start Date is later than January 1, 2005 in which event the NYISO shall use the 2005 Load and Capacity Data Report. The Catch Up Class Year cost allocation studies shall identify system needs for the five-year period beginning January 1, 2005. In the event the Study Start Date is later than January 1, 2005 the Catch Up Class Year cost allocation studies shall identify system needs for the five-year period beginning January 1, 2006. The NYISO shall present the results of the Catch Up Class Year cost allocation studies to the Operating Committee for approval as provided in Section IV.F.8 of these rules.

4. The NYISO shall represent the NYPA Poletti project in the ATBA and ATRA for the Catch Up Class Year as connected to the Astoria West Substation.

5. Once all Developers in the Catch Up Class Year have either (i) accepted their Project Cost Allocation, or (ii) dropped out of the class, the NYISO shall resume annual cost allocations with respect to individual Class Years in accordance with the time frames set out in these rules.

6. All Developer projects in the Catch Up Class Year who do not accept their Project Cost Allocation shall be included in the ATRA in the next Class Year cost allocation process.

7. The NYISO shall finalize the results of the Class Year 2002 cost allocation (including headroom issues) in accordance with the provisions of the Non-Financial Settlement.

~~I~~B. NYISO Data Requirements

Developers and Transmission Owners shall provide the NYISO with all data necessary to make the determinations contemplated by these rules.

~~J~~C. Rights Under the Federal Power Act

Nothing in these rules restricts the rights of any person under the OATT, or the right of any person to file a complaint with the Federal Energy Regulatory Commission under the relevant provisions of the Federal Power Act.

~~K~~D. **Transmission Service Customer Rights**

Nothing in these rules precludes any transmission service customer from receiving transmission service charge credits to the extent the customer is entitled to such credits under FERC policy and precedent.

ATTACHMENT S - APPENDIX ONE

An Example of the Allocation of Overage Cost Among Class Year Developers, in Accordance with Section IV.F.5.f. of Attachment S

- There are five Developer projects in Class Year 200X.
- The Annual Transmission Reliability Assessment ("ATRA") determines that 10 System Upgrade Facilities ("SUFs") are needed to reliably interconnect the Class Year 200X projects, at a total cost of $30 million.
- The Annual Transmission Baseline Assessment ("ATBA") determines that 7 SUFs would be needed to meet reliability standards without the Class Year 200X projects, at a total cost of $20 million. (Note: The ATBA may have included some generic "projects" identical to or similar to some of the Class Year 200X projects, but not necessarily. Also, some of the SUFs identified by the ATBA may be the same as those identified in the ATRA, but not necessarily.)

(1) The total cost of ATRA SUFs allocated to the Transmission Owners ("TOs") is equal to the total cost of the ATBA SUFs ($20 million).

(2) The total cost of ATRA SUFs allocated to the Developers, the Overage Cost, is the net of the total cost of the ATRA vs. ATBA SUFs ($30 million - $20 million = $10 million).

(3) The ratio of the Overage Cost to the total cost of ATRA SUFs, the Overage Cost Percentage, is used to compute the Developers' cost allocations for each ATRA SUF.

In this example, the Overage Cost Percentage, the ratio, = $10 million/$30 million = 1/3 (The Developers pay 1/3 the cost of each ATRA SUF).

Assume the cost of one of the ATRA SUFs (SUF#1) is $3 million. The Developers' share of the cost of that SUF = 1/3 x $3 million = $1 million.

(4) The Developers' share of the cost of each ATRA SUF is allocated among all the Developers that have at least a *de minimus* impact causing the need for that SUF.

In this example, the ATRA determines that 3 of the 5 Class Year 200X projects have at least a *de minimus* impact causing the need for SUF#1.

(5) The Developers' cost of an ATRA SUF is allocated to each Developer that has at least a *de minimus* impact in accordance with the Contribution Percentage, or ratio of that Developer's measured impact, its electrical contribution, to the sum of the measured impact of all the Developers that have at least a *de minimus* impact.

In this example, the measured impacts of the three projects are 200, 300, and 500 amps, respectively. Thus the pro rata shares of the projects' cost of SUF#1 are $200K, $300K, and $500K, respectively.

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