

**OPEN ACCESS TRANSMISSION AND ENERGY MARKETS TARIFF**  
**FOR THE**  
**MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.**  
**(“TARIFF”)**

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## **MODULE A - COMMON TARIFF PROVISIONS**

### **I. INTRODUCTION**

The General Provisions below shall apply to this Tariff.

### **II. GENERAL PROVISIONS**

#### **1 Definitions**

**1.1 Actual Injections:** The net electrical output measured in MWh or MW that flows into the Transmission System during the Operating Day at a specified location.

**1.2 Actual Interchange:** The Interchange value, in MW, received by a Balancing Authority during an Hour.

**1.3 Actual Withdrawals:** Real Energy withdrawals that occur in the Operating Day at a specified location.

**1.4 Adjusted Monthly Financial Transmission Rights (FTR) Capability:** The expected FTR availability respecting the Simultaneous Feasibility Test over the Transmission Provider Region during a given Month less FTRs held by existing FTR Holders.

- 1.5 Affiliate:** With respect to a person or entity, any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust or unincorporated organization, directly or indirectly controlling, controlled by, or under common control with, such person or entity.
- 1.6 Agency Agreement:** The Agreement that is Appendix G of the ISO Agreement.
- 1.7 Aggregated Price Node (APNode):** An aggregation of Price Nodes whose LMP is calculated as a specific weighted average of the LMPs of the constituent Price Nodes.
- 1.8 Allowance Level:** A description of the mitigation measure described in Module D which allows a Market Participant, that is an LSE or represents an LSE, to purchase or schedule a specified portion of its Energy requirements in the Real-Time Energy Market.



- 1.9 Alternative Capacity Resource:** Behind-the-meter generation or interruptible load that satisfy the criteria to be counted toward state or RRO resource adequacy standards.
- 1.10 Ancillary Services:** Those services that are necessary to support Capacity and the transmission of Energy from Resources to Loads while maintaining reliable operation of the Transmission System in accordance with Good Utility Practice.
- 1.11 Applicable Laws and Regulations:** All duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the Parties, their respective facilities and/or the respective services they provide.

- 1.12 Applicable Reliability Standard:** The requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area Operator of the portion of the Transmission System to which the Generating Facility is directly connected.
- 1.13 Applicant:** An entity desiring to hold FTRs, take Transmission Service, engage in Market Activities or take any other service under this Tariff, or become a Market Participant or Transmission Customer under this Tariff.
- 1.14 Application:** A request by an Eligible Customer for Transmission Service pursuant to the provisions of this Tariff.
- 1.15 Authorized Requestor:** A duly authorized party representing state regulatory commissions, or organizations formed by such state regulatory commissions (*e.g.* OMS), entitled to receive certain information provided by the Transmission Provider that is otherwise considered confidential.
- 1.16 Available Transfer Capability:** The maximum amount of additional Energy that may be carried by the Transmission System under current operating conditions.

- 1.17 Balancing Authority:** Maintains Load Generation interchange balance within a Balancing Authority Area and supports interconnection and frequency in real-time.
- 1.18 Balancing Authority Area:** The collection of Resources, transmission systems, and Loads within the metered boundaries of Balancing Authority.
- 1.19 Bid:** A request to purchase Energy in the Day-Ahead Energy Market, including Demand Bids, Price Sensitive Demand Bids, and Virtual Bids at a specified location, quantity, and time period that is duly submitted to the Transmission Provider pursuant to this Tariff and the Business Practices Manuals.
- 1.20 Bilateral Transaction:** Purchases and/or sales of Energy between two Market Participants.

- 1.21 Bilateral Transaction Schedule:** A set of Mhz values representing equal withdrawals and injections at specified locations either in or electrically connected to the Transmission Provider Region, or resulting from a Pseudo Tie, at specified times of the Operating Day, submitted by a Market Participant, either involving two separate entities or a single entity serving its own Load through injections from its own Resource(s).
- 1.22 Billing Agent:** An entity designated by a Market Participant as the entity to receive from, or forward payment to, the Transmission Provider on the Market Participant's Settlement Statements. The Market Participant shall remain liable for all obligations issued to it in the Settlement Statements.
- 1.23 Binding Transmission Constraints:** A transmission constraint that causes a change in the dispatch or commitment of one or more Electric Facilities to relieve the constraint limit from being exceeded.

- 1.24 Broad Constrained Area:** An electrical area in which sufficient competition usually exists even when one or more transmission constraints are binding, or into which the transmission constraints bind infrequently, but within which a transmission constraint can result in substantial locational market power under certain market or operations conditions.
- 1.25 Bundled Load:** The aggregate usage by customers who purchase electric services as a single service or customers who purchase electric services under a retail tariff rate schedule that includes Energy and delivery components, as distinguished from customers who purchase Transmission Service as a separate service.
- 1.26 Bus:** An electrical location in the Transmission Provider Region modeled in the Network Model and used by the State Estimator (*e.g* a sub-station electrical bus).
- 1.27 Business Day:** A day in which the Federal Reserve System is open for business.

- 1.28 Business Practices Manuals:** The instructions, rules, policies, procedures and guidelines established by the Transmission Provider for the operation, planning, accounting and settlement requirements for Market Activities as well as the coordination between the Transmission Provider and the Control Areas that are operated within the Transmission Provider Region.
- 1.29 Candidate FTR (CFTR):** FTR nominations by Market Participants to be considered throughout the FTR allocation process.
- 1.30 Capacity:** The instantaneous rate at which Energy can be delivered, received or transferred, measured in MW.
- 1.31 Cash Deposit:** Cash collateral provided to Transmission Provider to secure Applicant's and/or Tariff Customer's performance under the terms and conditions of Transmission Provider's Tariff, and/or other Agreements.

- 1.32 Commercial Model:** The Commercial Model represents the Commercial Nodes and the Market Participants at which and between which the Energy Markets function. The Commercial Model is a representation of relationships between Market Participants and their Resources, Commercial Nodes, and transactions in the Energy Markets.
- 1.33 Commercial Node:** A Node in the Commercial Model used to schedule and settle Market Activities.
- 1.34 Commission:** The Federal Energy Regulatory Commission, also known as FERC, or its successor.
- 1.35 Comparable FTRs:** FTRs that are identical in all material respects except for the quantity of MWs specified.
- 1.36 Completed Application:** An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.

**1.37 Confidential Information:** Any confidential, proprietary, or commercially sensitive information, or information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Transmission Customer, Market Participant, or other user, which is designated as confidential by the entity supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise, that is received by the Transmission Provider and is not disclosed except under the terms of a Confidential Informational policy.

**1.38 Constraint Generation Shift Factor Cutoff:** A Generation Shift Factor level defined for each transmission constraint that determines the generating units to be included in a Broad Constrained Area associated with the constraint. Generation Resources with a Generation Shift Factor whose absolute value is greater than the Constraint Generation Shift Factor Cutoff are included in the Broad Constrained Area.



**1.39 Contingency Reserve:** Operating Reserve available to the Control Area to utilize in the event of a system contingency as specified in Schedule 5-Operating Reserves – Spinning Reserve Service and Schedule 6-Operating Reserve – Supplemental Reserve Service of this Tariff.

**1.40 Control:** The possession, directly or indirectly, or the power to direct the management or policies of a person or an entity. A voting interest of ten percent (10%) or more shall create a rebuttable presumption of Control.

- 1.41 Control Area:** An electric power system or combination of electric power systems bounded by interconnection metering and telemetering to which a common generation control scheme is applied in order to:
- (i) match the power output of the Generation Resources within the electric power system(s) and Energy delivered from or to entities outside the electric power system(s), with the Load within the electric power system(s); (ii) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of the applicable Regional Reliability Council of NERC.
- 1.42 Control Area Operator:** A company's division, personnel or affiliate that is designated as the entity with the responsibility for operating a Control Area consistent with NERC policies and procedures, and the Transmission Provider's policies and procedures.

- 1.43 Coordinating Owner:** Any entity that is not subject to the jurisdiction of the Commission but participating in the ISO through the execution of a coordination agreement which includes reciprocity provisions with regard to the transmission pricing consistent with Appendix C of the ISO Agreement and as such shall be considered to be within the Transmission Provider Region for the purposes of determining applicable system-average rates. The terms and provision of a Coordinating Owner's coordination agreement shall supersede the similar terms and provisions of this Tariff where applicable.
- 1.44 Corporate Guaranty:** A legal document used by an Affiliate of an Applicant and/or Tariff Customer that guarantees the obligations of such Applicant or Tariff Customer.
- 1.45 Cost of Congestion:** The Marginal Congestion Component of LMP at the sink minus the Marginal Congestion Component of LMP at the source.
- 1.46 Cost of Losses:** Marginal Losses Component of LMP at the sink minus the Marginal Losses Component of LMP at the source.

- 1.47 Counter Flow Candidate FTR:** A candidate FTR that (i) meets the definition of an Eligible Base CFTR; (ii) was not nominated in Tiers I or II by the Market Participant Owner; and (iii) would provide counter flow in the FTR allocation Simultaneous Feasibility Test that would make a nominated Eligible Base CFTR feasible.
- 1.48 Credit and Security Agreement:** A legal document outlining certain terms pursuant to which credit may be extended by the Transmission Provider included in the credit section of the registration packet and the execution of which is required by an Applicant.
- 1.49 Credit Policy:** The Transmission Provider's creditworthiness requirements and credit evaluation procedures as contained in Attachment L of this Tariff.
- 1.50 Credit Score:** A composite numerical score scaled from one (1) to six (6), as calculated by Transmission Provider, incorporating various predictors of creditworthiness.

- 1.51 Credit Support Documents:** Any agreement or instrument in any way guaranteeing or securing any or all of a Tariff Customer's obligations under this Tariff (including, without limitation, the Credit Policy), any agreement entered into under, pursuant to, or in connection with this Tariff or any agreement entered into under, pursuant to, or in connection with this Tariff or the Credit Policy, and/or any other agreement to which the Transmission Provider and the Tariff Customer are parties, including, without limitation, any Corporate Guaranty, Cash Collateral Agreement, Letter of Credit, Credit and Security Agreement or agreement granting a security interest.
- 1.52 Curtailment:** A reduction in firm or non-firm Transmission Service in response to a transmission Capacity shortage as a result of system reliability conditions pursuant to Section 14.7 of this Tariff.
- 1.53 Customer Load Aggregation:** A grouping of Commercial Nodes approved by the Transmission Provider for the purposes of submitting Bids to or scheduling into the Energy Markets and for settlement of Market Activities.

- 1.54 Day:** A twenty-four (24) hour period beginning at 0000 hours EST.
- 1.55 Day 1 Inadvertent Credit Schedules:** Internal Bilateral Transaction Schedules used to capture a Market Participant's reimbursement/receipt of Day 1 inadvertent MW amounts with others in the Eastern Interconnection. These financial schedules (finSched) are not subject to Transmission Usage Charges.
- 1.56 Day-Ahead Bilateral Transaction Schedules Marginal Losses Surplus:** The sum of Transmission Usage Charge minus the Cost of Congestion for all Bilateral Transaction Schedules cleared in the Day-Ahead Energy Market.
- 1.57 Day-Ahead Energy Market:** The forward market for efficiently allocating transmission capacity, facilitating purchases and sales of Energy and scheduled Bilateral Transactions, conducted by the Transmission Provider the Day prior to the Operating Day.

- 1.58 Day-Ahead Energy Market Marginal Losses Surplus:** The total Day-Ahead Energy Market charges for Energy Market purchases, minus total Day-Ahead Energy Market payments for Energy Market sales, minus total Day-Ahead Energy Market congestion payments.
- 1.59 Day-Ahead Hourly Marginal Losses Surplus:** The total of the Day-Ahead Energy Market Marginal Losses Surplus plus the Day-Ahead Bilateral Transaction Schedule surplus.
- 1.60 Day-Ahead LMP:** The LMP calculated through the clearing of the Day-Ahead Energy Market.

- 1.61 Day-Ahead Schedule:** A set of MWh values consisting of one (1) value for each Hour of a single Operating Day for each Commercial Node as determined in the Day-Ahead Energy Market by the Transmission Provider indicating the MWh supply or demand financial obligation of a Market Participant.
- 1.62 Default:** Failure to include payment as described in Sections 7.4 and 7.8 of this Tariff.
- 1.63 Default Offer:** A mitigation measure imposed by the Market Monitor pursuant to Section 65.2 of this Tariff.
- 1.64 Delivering Party:** The entity supplying Energy to be transmitted at Point(s) of Receipt.



- 1.65 Demand Bid:** A request to purchase a specified MWh quantity of Energy, at specified locations in the Transmission Provider Region, during specific Hours of the next Operating Day submitted to the Day-Ahead Energy Market. Demand Bids may only be submitted by a Market Participant that is itself a Load Serving Entity (LSE) or is purchasing Energy to serve an LSE.
- 1.66 Demand Response Resource (DRR):** Load located within the Transmission Provider Region whose withdrawals are monitored by the Transmission Provider.
- 1.67 Demand Response Resource Offer (DRR Offer):** An Offer submitted by a Market Participant to supply Energy to the Energy Markets based on the reductions of withdrawals of a specified Demand Response Resource.
- 1.68 Designated Agent:** Any entity that performs actions or functions required under this Tariff on behalf of the Transmission Provider, an Eligible Customer, the Transmission Customer, an ITC, the Market Participant or a Control Area Operator.

- 1.69 Direct Assignment Facilities:** Facilities or portions of facilities that are constructed by any Transmission Owner(s), ITC, or ITC Participant(s) for the sole use/benefit of a particular Transmission Customer requesting service under this Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.
- 1.70 Dispatch Instructions:** Directives issued by the Transmission Provider to Resources and Control Areas indicating MW quantities to be injected (or reductions in withdrawals in the case of DRR) and other operating requirements for Resources over a specific Dispatch Interval.
- 1.71 Dispatch Interval:** The Dispatch Interval is a five (5) minute length of time for which the Transmission Provider gives Dispatch Instructions for the Real-Time Energy Market.
- 1.72 Dispatch Model:** A model of the Transmission System, Resources, and Load in the Transmission Provider Region used by the Transmission Provider to dispatch Resources through the Real-Time Energy Market.

- 1.73 Dispatchable:** Ability to respond by increasing or decreasing Resource output pursuant to the Dispatch Instructions.
- 1.74 Dispatchable External Bilateral Transaction Schedules:** External Bilateral Transaction Schedules that specify a Bid or Offer.
- 1.75 Distribution Facilities:** The facilities owned or controlled by a Transmission Owner, ITC, Market Participant or ITC Participant and used to provide Wholesale Distribution Service.
- 1.76 Electric Facility:** Equipment used for the generation, transmission, or control of the transmission of electricity and that is connected to or part of the Transmission System operated by the Transmission Provider.

- 1.77 Eligible Base CFTR:** A CFTR from Network Resources with average historical capacity factors equal to or greater than seventy percent (70%) and Point-To-Point Transmission Service CFTRs with historic scheduling factors equal to or greater than seventy percent (70%).
- 1.78 Eligible Confirmed Transmission Service Reservation:** Any reservation for Transmission Service that has been confirmed and has a start date later than the date a Default first occurs. Any reservation for Transmission Service that has been confirmed remains a conditionally approved request at all times prior to such reservation's start date and may be cancelled if a Default occurs prior to such start date.

**1.79 Eligible Customer:** (i) Any electric utility (including the Transmission Owner(s), ITC Participants(s), and any power marketer), Market Participant, Federal Power Marketing Agency, or any person generating electric Energy for sale or for resale is an Eligible Customer under this Tariff. Electric Energy sold or produced by such entity may be electric Energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by § 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that a Transmission Owner or ITC Participant offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner or ITC Participant; or (ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that a Transmission Owner or ITC Participant offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner or ITC Participant, that is an Eligible Customer under this Tariff.

- 1.80 Emergency:** (i) An abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm Load, equipment damage, or tripping of system elements that could adversely affect the reliability of any electric system or the safety of persons or property; (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of Emergency procedures as defined in this Tariff and the Business Practices Manuals.
- 1.81 Energy:** An amount of electricity that is Bid or Offered, produced, purchased, consumed, sold or transmitted over a period of time and measured or calculated in megawatt hours (MHz).

- 1.82 Energy Deficient Region:** An LSE who foresees or is experiencing an Emergency.
- 1.83 Energy Emergency Alert:** An alert declared in accordance with Appendix 9B of the NERC Operating Manual associated with a Load Serving Entity's inability to provide for the energy requirements of its customers.
- 1.84 Energy Management Systems (EMS):** The software system used by the Transmission Provider for acquisition and processing of operational data.
- 1.85 Energy Market(s):** The Day-Ahead and/or Real-Time Energy Markets operated by the Transmission Provider.
- 1.86 Energy Offer:** The price at or which a Resource has agreed to sell the next increment of Energy.
- 1.87 EDT:** Eastern Daylight Time.
- 1.88 EST:** Eastern Standard Time.
- 1.89 Ex Post LMP:** The LMP calculated at the end of the Dispatch Interval, used for Settlement of transactions in the Real-Time Energy Market.

- 1.90 Excess Congestion Charge Fund:** A fund established by the Transmission Provider representing, in aggregate, the difference between the total of all Transmission Congestion Payments for a given Hour and the hourly Transmission Congestion Charges.
- 1.91 Expedited Dispute Resolution Procedures (EDRP):** Alternative dispute resolution process for determination of certain responsibilities of parties to Grandfathered Agreements under this Tariff as set forth in Section 12A of this Tariff.
- 1.92 Export:** An External Bilateral Transaction Schedule in which the External Transaction Receipt Point lies within the Transmission Provider Region and the External Transaction Delivery Point lies outside the Transmission Provider Region.



- 1.93 External Bilateral Transaction Schedule:** A Bilateral Transaction Schedule in which the External Transaction Receipt Point or the External Transaction Delivery Point, lie outside of the Transmission Provider Region. When the External Transaction Receipt Points and the External Bilateral Transaction Delivery Points are on opposite sides of the U.S./Canada boundary, the transaction shall be deemed to take place at the U.S./Canada boundary.
- 1.94 External Control Area:** A Control Area operated outside of the Transmission Provider Region.
- 1.95 External Resource:** A Generation Resource located outside the Metered boundaries of the Transmission Provider Region.

**1.96 External Transaction Delivery Point:** The Commercial Node where an External Bilateral Transaction Schedules terminates. An External Transaction Delivery Point can be a Point of Delivery, an aggregation of Nodes/Buses, an FTR Delivery Point, an Interface, or a Hub. An External Transaction Delivery Point does not have to be a location where power is actually consumed.

**1.97 External Transaction Receipt Point:** The location where an External Bilateral Transaction Schedules originates. An External Transaction Receipt Point can be a Generation Resource Node, an aggregation of Generation Resource Nodes, a Point of Receipt, an FTR Receipt Point, an Interface, or a trading Hub. An External Transaction Receipt Point does not have to be a location where power is actually produced.

**1.98 Facilities Study:** An engineering study conducted by the Transmission Provider or ITC in collaboration with the affected Transmission Owner(s) and ITC Participant(s) to determine the required modifications to the Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested Transmission Service. The Transmission Provider shall have the final determination and ultimate responsibility for any such studies. Facilities Studies for any transmission facilities not under the operational control of the Transmission Provider shall be performed by the Transmission Owner, or ITC, or any entity it designates to perform the studies.

**1.99 Financial Scheduling Software:** The Transmission Provider software used to facilitate the scheduling and settlement of Internal Bilateral Transaction Schedules.

- 1.100 Financial Security:** A Cash Deposit or Irrevocable Letter of Credit in an amount and form determined by and acceptable to Transmission Provider, provided by an Applicant and/or Tariff Customer to Transmission Provider as security.
- 1.101 Financial Transmission Right (FTR):** A financial instrument that entitles the holder to receive compensation for or requires the holder to pay certain congestion related transmission charges that arise when the Transmission System is congested and differences in LMPs result from the redispatch of Resources out of economic merit order to relieve that congestion.
- 1.102 Firm Point-To-Point Transmission Service:** Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Points of Delivery pursuant to Module B of this Tariff.
- 1.103 Fixed External Bilateral Transaction Schedules:** External Bilateral Transaction Schedules used to Offer into or sell out of the Energy Markets. Market Participants that submit these schedules are price takers for the amount of Energy scheduled.

- 1.104 FTR Auction:** An auction conducted each Month through which the Transmission Provider: (i) sells FTRs one (1) month in duration for the Adjusted Monthly FTR Capability of the Transmission Provider Region; and (ii) facilitates the buying and selling of existing FTRs between Market Participants.
- 1.105 FTR Auction Credit Allocation:** The amount of the Applicant's and/or Tariff Customer's Total Credit Limit allocated to FTR Auctions.
- 1.106 FTR Auction Participant:** A Market Participant that participates in an FTR Auction administered by the Transmission Provider.
- 1.107 FTR Bid:** A bid to purchase an FTR through an FTR Auction.

- 1.108 FTR Bidder:** A Market Participant submitting an FTR Bid.
- 1.109 FTR Delivery Point:** The transaction delivery point specified in a Receipt Point-to-Delivery Point FTR.
- 1.110 FTR Holder:** A Market Participant that owns one (1) or more FTRs.
- 1.111 FTR Market Clearing Price:** The price at which a set of Comparable FTRs are sold through an FTR Auction.
- 1.112 FTR Obligation:** A Receipt Point-to-Delivery Point FTR that imposes a financial obligation on the FTR Holder if congestion exists in the direction from the FTR Delivery Point to the FTR Receipt Point.
- 1.113 FTR Offer:** An offer to sell an FTR through an FTR Auction.
- 1.114 FTR Offeror:** A Market Participant submitting an FTR Offer.
- 1.115 FTR Option:** A Receipt Point-to-Delivery Point FTR that imposes no financial obligations on the FTR Holder under any conditions.
- 1.116 FTR Period:** The period(s) of time on a given Day during which an FTR is in effect (On-Peak, Off-Peak, or full Day time period(s)).
- 1.117 FTR Quantity:** The quantity in MW specified in an FTR.
- 1.118 FTR Receipt Point:** The transaction receipt point specified in an FTR.

**1.119 Generation Offer:** A Self Schedule, an Offer, or a combination of a Self Schedule and an Offer submitted by a Market Participant within the Transmission Provider Region for the output of a specified Generation Resource to supply Energy to the Energy Market.

**1.120 Generation Owner:** An entity that owns, leases with rights equivalent to ownership in, and controls the output or operates Generation Resources whose Energy output is monitored by the Transmission Provider and is subject to Dispatch Instructions.

**1.121 Generation Resource:** An electricity facility, with the appropriate metering facilities and ability to comply with the Transmission Provider's Dispatch Instructions, capable of supplying Energy, Capacity and/or Ancillary Services either (i) located in the Transmission Provider Region; (ii) accessible to the Transmission Provider Region through transmission service contracted by the Market Participant from another transmission provider for delivery to the border of the Transmission Provider Region, to provide Energy, Capacity and/or Ancillary Services to the Transmission Provider Region; or (iii) modeled into the Transmission Provider Region as a Pseudo Tie.

**1.122 Generation Shift Factors:** Ratios equal to the incremental increase or decrease in flow on a flowgate divided by an incremental increase or decrease in a Generation Resource's output.



**1.123 Generator Forced Outage:** An immediate reduction in output, Capacity or removal from service, in whole or in part, of a Generation Resource by reason of an Emergency or threatened Emergency, unanticipated failure, inability to return on schedule from a Planned Transmission Outage, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the Business Practices Manuals. A reduction in output or removal from service of a Generation Resource in response to changes in market conditions shall not constitute a Generator Forced Outage.

**1.124 Generator Planned Outage:** The scheduled removal from service, in whole or in part, of a Generation Resource for inspection, maintenance or repair with the approval of the Transmission Provider in accordance with the Business Practices Manuals.

**1.125 Good Utility Practice:** Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision is made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather, intended to include acceptable practices, methods, or acts generally accepted in the region, but are not necessarily codified.

**1.126 Grandfathered Agreement(s) (GFA):** An agreement or agreements executed or committed to prior to September 16, 1998 or ITC Grandfathered Agreements that are not subject to the specific terms and conditions of this Tariff consistent with the Commission's policies. These agreements are set forth in Attachment P to this Tariff.

- 1.127 Grandfathered Agreement (GFA) Responsible Entity:** An entity financially responsible for all costs incurred by transactions pursuant to Grandfathered Agreement(s) under this Tariff.
- 1.128 Grandfathered Agreement (GFA) Scheduling Entity:** An entity responsible for scheduling transmission service or energy transactions related to Grandfathered Agreements under this Tariff
- 1.129 Guarantor:** A guarantor under a Corporate Guaranty.
- 1.130 Hour:** A sixty (60) minute clock hour interval commencing the first second of each clock hour.
- 1.131 Hourly Economic Maximum Level:** The maximum MW level at which a Generation Resource may operate under normal system conditions.
- 1.132 Hourly Economic Minimum Level:** The minimum MW level at which a Resource may operate under normal system conditions.
- 1.133 Hourly Emergency Maximum Level (MW):** The maximum MW level at which a Resource may operate under Emergency conditions.

- 1.134 Hourly Emergency Minimum Level (MW):** The minimum MW level at which a Resource may operate under Emergency conditions.
- 1.135 Hourly Ex Post LMP:** The LMP derived through mathematical integration of the Dispatch Interval LMPs over the Hour.
- 1.136 Hourly Transmission Congestion Charges Collection:** The aggregate amount of Transmission Usage Charge collected in a given Hour.
- 1.137 Hub:** An aggregation of Price Nodes developed for financial and trading purposes.
- 1.138 Hub LMP:** The pre-determined, invariant over time weighted average of LMPs for a particular hour for those Price Nodes that comprise the Hub.
- 1.139 Import:** An External Bilateral Transaction Schedule in which the External Transaction Delivery Point lies within the Transmission Provider Region and the External Transaction Receipt Point lies outside of the Transmission Provider Region.
- 1.140 Inadvertent Energy:** The difference between a Control Area's Net Actual Interchange and Net Scheduled Interchange.

- 1.141 Inadvertent Energy Value:** The calculated monetary value of Inadvertent Energy.
- 1.142 Independent Market Monitor (IMM):** The person or person(s), or consulting firm or other entity, retained by the Transmission Provider to carry out the Plan described in Module D.
- 1.143 Integrated Transmission Agreement (ITAs):** Agreements regarding cost sharing and operational responsibilities between two or more parties involving joint construction and integrated ownership and operation of transmission facilities in a Control Area, where there are several entities owning transmission facilities and only one entity has executed the ISO Agreement and transferred operational control of their facilities to the Transmission Provider. All ITAs shall be treated as GFAs under this Tariff.
- 1.144 Interchange:** Energy transfers that cross Control Area boundaries.

- 1.145 Interchange Schedules:** The planned Interchange between two adjacent Control Areas or their Scheduling Agents that result from the implementation of one or more Interchange Transactions.
- 1.146 Interchange Transactions:** Market Activities that cross one or more Control Area boundaries.
- 1.147 Interested Government Agencies:** The Commission and the State Regulatory Commissions.
- 1.148 Interface:** A Bus or set of Buses where an LMP will be calculated to settle Market Activities that are an Import, Export, or a Through Transaction. Interfaces are specified in the Business Practices Manuals.
- 1.149 Intermittent Resource:** A Generation Resource that is powered solely by wind, solar energy, run-of-river hydro or other Resources to be so designated by the Transmission Provider in agreement with the Market Participant.

**1.150 Internal Bilateral Transaction Schedule:** A Bilateral Transaction

Schedule in which the Internal Source Point and the Internal Sink Point are inside the Transmission Provider Region.

**1.151 Internal Delivery Point:** The Commercial Node used to determine the

Transmission Usage Charge obligation of both the buyer and the seller under Internal Bilateral Transaction Schedules. An Internal Delivery Point can be at any Commercial Node within the Transmission Provider Region including Hubs and Interfaces and can be the same as the Internal Source Point or the Internal Sink Point specified on the Internal Bilateral Transaction Schedule.

**1.152 Internal Sink Point:** The Commercial Node at which an Internal

Bilateral Transaction Schedule terminates. An Internal Sink Point can be at any Commercial Node specified by the Transmission Provider including Hubs and Interfaces, and does not have to be a location where power is actually consumed.

- 1.153 Internal Source Point:** The Commercial Node at which an Internal Bilateral Transaction Schedule originates. An Internal Source Point can be at any Commercial Node specified by the Transmission Provider including Hubs and Interfaces, and does not have to be a location where power is actually produced.
- 1.154 Interruption:** A reduction in Non-Firm Point-To-Point Transmission Service due to economic reasons pursuant to Module B, Section 14.7 of this Tariff.
- 1.155 Irrevocable Letter of Credit:** A Letter of Credit naming Transmission Provider as beneficiary.
- 1.156 IRS:** The Internal Revenue Service.
- 1.157 ISO:** The Midwest Independent Transmission System Operator, Inc., also referred to herein as the “Midwest ISO” or the “Transmission Provider”.
- 1.158 ISO Agreement:** The Agreement of Transmission Facilities Owners To Organize the Midwest Independent Transmission System Operator, Inc. on file with the Commission detailing the rights and obligations of the Transmission Provider.



- 1.159 Issuer Rating:** Rating provided by a Rating Agency, representing the Rating Agency's opinion of an obligor's capacity to meet its financial obligations.
- 1.160 ITC:** An independent transmission company that has executed an Appendix I Agreement with the Transmission Provider and the Transmission Owners.
- 1.161 ITC Grandfathered Agreement(s):** An agreement(s) under which an ITC will perform pursuant to its terms and conditions, consistent with the Commission's policies, rather than under the terms of this Tariff or the ITC Rate Schedule. Such agreements are set forth in Attachment P. For an ITC Participant that is not a public utility under the Federal Power Act, the ITC Grandfathered Agreement(s) shall be as defined in an agreement with the ITC. ITC Grandfathered Agreement(s) shall include a service agreement under an ITC Participant's tariff that is superseded by this Tariff only if the service agreement was entered into as part of a Commission-approved settlement for a jurisdictional ITC Participant or in accordance with an agreement between an ITC and a non-jurisdictional ITC Participant.

- 1.162 ITC Participant:** An entity that is participating in an ITC.
- 1.163 ITC Participant Transfer Agreement:** The agreement between an ITC Participant and the ITC pursuant to which the ITC Participant has transferred ownership or functional responsibility of its transmission facilities to the ITC.
- 1.164 ITC Rate Schedule:** All schedules of rates, terms and conditions for ITC Service under this Tariff.
- 1.165 ITC Service:** Services provided by an ITC under this Tariff.
- 1.166 ITC System:** The portion of the Transmission System owned, controlled, or operated by an ITC and that is part of the Transmission Provider Transmission System as defined herein.
- 1.167 Jointly Owned Generation Resources:** A Generation Resource owned by more than one (1) entity.

- 1.168 Load:** A term that refers to either an end-user of Energy, net of system losses, or the amount of Energy (MWh) consumed by such end-user within the Transmission Provider Region.
- 1.169 Load Forecast:** An estimate of the amount of Energy (MWh) or Capacity (MW) to be consumed within the Transmission Provider's Region, prepared by the Transmission Provider based upon input from Control Area Operators and Load Serving Entities, and used in the Transmission Provider's scheduling and dispatch decisions to ensure reliable operation of the Transmission System.
- 1.170 Load Ratio Share:** Ratio of a Transmission Customer's Network Load in a Zone to the total Load in that pricing Zone computed in accordance with Module B, Sections 34.2 and 34.3 of this Tariff. For the purposes of Module C and the Markets Business Practices Manuals, this term refers to the factor calculated as the withdrawal reported at a given Commercial Node divided by the sum of all the withdrawals at all Commercial Nodes in the Transmission Provider Region.

**1.171 Load Serving Entity (LSE):** Any entity that has undertaken an obligation to provide electric energy for end-use customers by statute, franchise, regulatory requirement or contract for Load located within or attached to the Transmission System. Where a distribution cooperative or a municipal distribution system otherwise covered by the prior sentence is a wholesale customer of a generation and transmission cooperative or a municipal joint action agency, the generation and transmission cooperative, a state or federal agency or municipal joint action agency may act as the Load Serving Entity for such distribution cooperative or municipal distribution system.

**1.172 Load Shedding:** The systematic reduction of system demand by temporarily decreasing Load in response to Transmission System or area Capacity shortages, system instability, or voltage control considerations under Module B, of this Tariff.

- 1.173 Load Zone:** A Zone determined by Market Participants representing the aggregate area of consumption for a single Load Serving Entity within a single Control Area and used for the purposes of scheduling, reporting withdrawal volumes, and settling Energy transactions at aggregated Load levels, approved and maintained by the Transmission Provider to facilitate transactions.
- 1.174 Locational Marginal Price (LMP):** The market clearing price for Energy at a given Commercial Node in the Transmission Provider Region which shall be equivalent to the marginal cost of serving demand at the Commercial Node.
- 1.175 Long-Term Firm Point-To-Point Transmission Service:** Firm Point-To-Point Transmission Service under Module B of this Tariff with a term of one (1) year or more.
- 1.176 Loss Pools:** A single Control Area or an aggregation of Control Areas, including those Control Areas operated by Coordinating Owners consistent with the terms and provisions of the Coordinating Owners agreement, designated by the Transmission Provider for the purposes of calculating and distributing Day-Ahead and Real-Time Hourly Marginal Losses Revenue Surplus.

- 1.177 Marginal Congestion Component (MCC):** A component of LMP which is the Transmission Congestion Charge reflecting the cost of dispatching Resources available to the Transmission Provider such that transmission constraints are respected, as measured between the location and the Reference Bus.
- 1.178 Marginal Losses:** The Transmission System marginal system losses that arise from changes in demand at the Commercial Node, which are served by changes in generation at the Reference Bus.
- 1.179 Marginal Losses Component (MLC):** The component of the LMP at each Commercial Node accounting for the cost of Marginal Losses, as measured between the Commercial Node and the Reference Bus.
- 1.180 Marginal Losses Pool Share:** Pro rata allocation of the Marginal Losses Surplus to each Losses Pool per the System Losses incurred in the Losses Pool as determined by the State Estimator.

- 1.181 Marginal Losses Surplus:** The sum of the Day-Ahead Hourly Marginal Losses Surplus and the Real-Time Hourly Marginal Losses Surplus minus the Inadvertent Energy Revenue summed across all Control Areas.
- 1.182 Market Activities:** Transactions and actions taken by Market Participants through the Energy Markets such as purchases and/or sale of Energy. Market Activities include holding, selling and/or purchasing FTRs, as well as Internal and External Bilateral Transactions.
- 1.183 Market Monitoring Liaison Officer:** The Transmission Provider officer responsible for coordinating with the IMM in carrying out the market monitoring functions.
- 1.184 Market Participant:** An entity that (i) has successfully completed the registration process with the Transmission Provider and is qualified by the Transmission Provider as a Market Participant, (ii) is financially responsible to the Transmission Provider for all of its Market Activities and obligations, and (iii) has demonstrated the capability to participate in its relevant Market Activities.

- 1.185 Market Participant Agreement:** The agreement executed by Market Participants confirming compliance with the requirements of Module C, as provided in form per Attachment W of this Tariff.
- 1.186 Market Participant Applicant:** An entity that has submitted a Market Participant Application to the Transmission Provider.
- 1.187 Market Participant Application:** An application requesting qualification to engage in Market Activities as a Market Participant pursuant to the provisions of this Tariff.
- 1.188 Market Portal:** The Internet based computer application or website used by Market Participants, the Transmission Provider and other interested entities, to post information related to the operation of the Day-Ahead Energy Market, Real-Time Energy Market and FTRs.



**1.189 Markets and Services:** The markets that are operated by or OATT services provided by the Transmission Provider, including but not limited to, the Real-Time Energy Market, the Day-Ahead Energy Market, Market Activities, any Ancillary Services market, any market for the purchase or sale of transmission rights, and any other market administered, coordinated or facilitated by the Transmission Provider. This shall include any additional services that may be offered by the Transmission Provider that would have the effect of facilitating or improving competitive conditions in the region.

**1.190 Material:** An amount that is the lesser of: (i) the materiality standard established by the accounting firm performing the respective entity's annual audit; (ii) an amount that equals or exceeds five percent (5%) of the entity's tangible net worth for the preceding financial year, calculated in accordance with generally acceptable accounting principles; and (iii) a change, event, proceeding, occurrence that results (or if adversely determined could result) in a change of five percent (5%) or more in the entity's tangible net worth compared to the tangible net worth of the entity for the preceding fiscal year, calculated in accordance with generally acceptable accounting principles.

**1.191 Material Change:** Any Material Change in the financial condition of the respective entity or any change, event or occurrence which, individually or in the aggregate could have a Material adverse effect on any current or future financial result or financial condition of the entity and includes, without limitation, the items listed in Section I.B.3, Material Changes of Attachment L of this Tariff.

**1.192 Maximum Generation Emergency (MGE):** An Emergency declared by the Transmission Provider in which the Transmission Provider anticipates requesting one (1) or more Generation Resources to operate at its maximum net or gross electrical output, subject to the equipment stress limits for such Generation Resource and any environmental restrictions, in order to manage, alleviate or end the Emergency.

**1.193 Maximum Run Time:** Maximum length of time that a Resource can be expected to operate under normal operating conditions.

**1.194 Maximum Shut Down Limit:** Maximum number of times a Resource is able to shut down within a twenty-four (24) hour period.

- 1.195 Maximum Start-Up Limit:** The maximum number of times a Resource can engage in a start-up within a twenty-four (24) hour period.
- 1.196 Member:** A signatory member of the ISO Agreement, including an ITC consistent with the terms of the Appendix I Agreement entered into between the Transmission Provider and the ITC.
- 1.197 Meter Data and Management Agent (MDMA):** An entity designated by the Market Participant that provides meter data, representing the injections or withdrawals at each Commercial Node for which it is designated, to the Transmission Provider on a Market Participant's behalf.
- 1.198 Metered:** Refers to electrical quantities (MW or MWh) that represent the usage or production of Energy by Loads or Resources determined with facilities compliant with Transmission Provider Policy.
- 1.199 Minimum Down Time:** The minimum length of time required for a Generation Resource to begin operations following shut down.

- 1.200 Minimum Run Time:** The minimum length of time a Generation Resource must run, from the time the unit is put online to the time the unit is shut down. This value must be less than or equal to twenty-four (24) hours.
- 1.201 Mitigation Measures:** Procedures designed to mitigate abuses of market power or manipulation as defined in Module D of this Tariff.

**1.202 Month:** One (1) calendar month, except in the case of the calendar month containing the Operating Day on which the Transmission Provider begins to operate Energy Markets, in which case a Month shall be the period of time from the first Day that the Transmission Provider operates Energy Markets through the last Day of that following calendar month. If the Transmission Provider starts operation of the Energy Markets on the first day of a calendar month, Month is defined as one (1) calendar month.

**1.203 Monthly Bidding Period:** A period of time during a calendar month when the Transmission Provider will accept Bids/Offeres to buy/sell FTRs in the Transmission Provider's next monthly auction.

- 1.204 Monthly Zonal Transmission Load:** The monthly zonal Transmission System Peak in the pricing zone minus the coincident peak usage of all Firm Point-To-Point Transmission Service customers pursuant to Module B of this Tariff plus the Reserved Capacity of all Firm Point-To-Point Transmission Service customers in the pricing zone.
- 1.205 MW:** Megawatt or megawatts.
- 1.206 MWh:** Megawatt hour or megawatt hours.
- 1.207 Narrow Constrained Area:** An electrical area that has been identified by the IMM that is defined by one or more Binding Transmission Constraints that are expected to be binding for at least five hundred (500) hours during a given year and within which one or more suppliers are pivotal.
- 1.208 Native Load Customers:** The wholesale and retail power customers of Load Serving Entities on whose behalf the Transmission Owner(s) and ITC participant(s), by statute, franchise, regulatory requirement, or contract, has (have) undertaken an obligation to construct and operate the Transmission Owner(s') and ITC Participant(s') system(s) to meet the reliable electric needs of such customers.

**1.209 Net Actual Interchange:** The algebraic sum of all metered interchanges over all interconnections between two physically adjacent Control Areas.

**1.210 Net Scheduled Interchange (NSI):** The value that represents the Control Area's scheduled interchange with the interconnection.

**1.211 Network Customer:** An entity receiving Transmission Service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Module B of this Tariff.

**1.212 Network Integration Transmission Service:** The Transmission Service provided under Module B of this Tariff.

**1.213 Network Load:** The Load that a Network Customer designates for Network Integration Transmission Service under Module B of this Tariff. The Network Customer's Network Load includes all Load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total Load as Network Load but may not designate only part of the Load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular Load at discrete Points of Delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Module B of this Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated Load. Network Loads under Schedule 9 – Michigan of this Tariff for the Transmission System (Michigan) must be directly interconnected with the Transmission System (Michigan) or through the Distribution Facilities in the Transmission System (Michigan).



- 1.214 Network Model:** A computer based model that simulates the electric topology within the Transmission Provider's Region and is used by the Transmission Provider to create an instantaneous view of the state of the Transmission Provider's Region.
- 1.215 Network Operating Agreement:** An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Module B of this Tariff.
- 1.216 Network Operating Committee:** A group made up of representatives from the Network Customer(s), the Transmission Provider, and the affected Transmission Owner(s) established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Module B of this Tariff.

**1.217 Network Resource:** Any designated Generation Resource or portion thereof, that is owned or leased by a Network Customer, or whose output is under contract to a Network Customer, and that is designated under the Network Integration Transmission Service provisions of Module B in this Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.

**1.218 Network Upgrades:** All or a portion of the modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all Users of such Transmission System.

**1.219 Next-Hour Transmission Service:** Point-To-Point Transmission Service that (i) is reserved for one (1) Hour and (ii) is requested within sixty (60) minutes before the start of the schedule.

**1.220 Node:** A point in the Network Model representing a physical location within the Transmission Provider Region.

**1.221 No-Load Offer:** The compensation request in an Offer by a Market Participant which consists of the requested dollar amount representing the fees requested by the Market Participant for operating a Generation Resource at zero (0) MW.

**1.222 Non-Disclosure Agreement:** An agreement established between the Transmission Provider and affected parties governing the disclosure of information designated as confidential by the agreement.

**1.223 Non-Firm Point-To-Point Transmission Service:** Point-To-Point

Transmission Service under this Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one (1) hour to one (1) month.

**1.224 North American Electric Reliability Council (NERC):** A reliability council, or its successor organization, responsible for the oversight of Regional Reliability Councils established to ensure the reliability and stability of the regions.

**1.225 Offer:** An offer to sell Energy in the Energy Markets or used as part of the RAC process, including Generation Offers, Demand Response Resource Offers, Virtual Supply Offers, No-Load Offers, and Start-Up Offers at a specified price, location, quantity, and time period that is duly submitted to the Transmission Provider consistent with this Tariff and the Business Practices Manuals.

- 1.226 Offer Cap:** The maximum price permitted for an Offer in the Energy Markets.
- 1.227 Offer Revenue Sufficiency Guarantee:** A guarantee by the Transmission Provider ensuring the minimum recovery of a Resource's Start-Up, No-Load and Energy Offers for a Resource committed and scheduled by the Transmission Provider.
- 1.228 Offer Revenue Sufficiency Guarantee Charge:** A charge made to Market Participants to offset the Transmission Provider's Offer Revenue Sufficiency Guarantee Payments.
- 1.229 Offer Revenue Sufficiency Guarantee Payment:** A payment made to Market Participants whose Resources are committed by the Transmission Provider as part of the Day-Ahead Energy Market or RAC process to meet the Transmission Provider's Offer Revenue Sufficiency Guarantee.

**1.230 Off-Peak:** All periods of time not classified as On-Peak.

**1.231 OMS:** The Organization of MISO States, Inc. or any successor organization.

**1.232 On-Peak:** Period of time between 0600 hours EST through 2200 hours EST on Business Days.

**1.233 Open Access Same Time Information System (OASIS):** A computerized information system, developed as an Internet application that allows the Transmission Provider to exchange: (i) Transmission Service and Ancillary Service information with Transmission Customers, and (ii) Energy Market clearing information with Market Participants and Control Area Operators. The OASIS requirements and standards of conduct contained were initially defined in the Commission's Order No. 889, as superseded by Order No. 2004.

- 1.234 Operable Capacity:** Generation Capacity that is readily converted to Energy and is measured in MW.
- 1.235 Operating Cash Flow:** Earnings before depreciation minus taxes (calculated in accordance with GAAP). Measures the cash generated from operations, not counting capital spending or working capital requirements.
- 1.236 Operating Day:** The daily twenty-four (24) hour period beginning at midnight EST for which transactions in the Energy Market are scheduled.
- 1.237 Operating Reserve:** That capability above firm system demand required to provide for Regulation, Load forecasting error, equipment forced and scheduled outages, and local area protection. It consists of Spinning and Non-Spinning Operating Reserve.
- 1.238 Parties:** The Transmission Provider, the ITC where appropriate, Market Participants, Transmission Customers and Transmission Customers, or any combination of the above.

- 1.239 Penalty Level:** A component of a mitigation measure described in Module D that represents the amount of Energy purchased by a Market Participant that is an LSE or represents an LSE in the Real-Time Energy Market in excess of the Allowance Level the entity is subject to.
- 1.240 Physical Scheduling Software (PSS):** A software program that records the interchange of bulk power between the Transmission Provider Region and the Control Area not in the Transmission Provider Region.
- 1.241 Plan:** The Transmission Provider's Market Monitoring Plan set forth in Module D of this Tariff.
- 1.242 Planned Transmission Outage:** Any transmission outage scheduled for the performance of maintenance or repairs or the implementation of a system enhancement which is planned in advance for pre-determined duration and which meets the notification requirements for such outages as specified by the Transmission Provider.



**1.243 Point(s) of Delivery:** Point(s) on the Transmission System where Capacity and Energy transmitted by the Transmission Provider will be made available to the Receiving Party under Module B of this Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

- 1.244 Point(s) of Receipt:** Point(s) of interconnection on the Transmission System where Capacity and Energy will be made available to the Transmission Provider by the Delivering Party under Module B of this Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.
- 1.245 Point-To-Point Transmission Service:** The reservation of Capacity and of Energy on either a Firm or Non-Firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Module B of this Tariff.
- 1.246 Power Purchaser:** The entity that is purchasing the Capacity and reserved Energy to be transmitted under this Tariff.
- 1.247 Price Node (PNode):** A Node where a physical injection or withdrawal is modeled and for which an LMP is calculated.

- 1.248 Price Sensitive Demand Bids:** Demand Bids in which the Market Participant specifies a maximum price (\$/MWh) at which the Market Participant desires to purchase the designated MW of Energy.
- 1.249 Protected Information:** Privileged and non-public information to be maintained by the Transmission Provider.
- 1.250 Pseudo Tie:** A telemetered reading or value that is updated in real-time and used as a tie line flow in the AGC/ACE equation but for which no physical tie or energy metering actually exists. The integrated value is used as a metered MWh value for interchange accounting purposes.
- 1.251 Ramp Rate Up/Ramp Rate Down:** The expected response rate of an Energy supplying Resource measured in MW/minute.
- 1.252 Rating Agency:** A nationally recognized statistical rating organization, as such term is defined in the regulations promulgated by the SEC. These may include, but are not limited to, Standard and Poor's, Moody's and Fitch.

- 1.253 Reactive Supply and Voltage Control:** Reactive power support necessary to maintain transmission voltages within limits that are established by the Transmission Provider, which is measured in MVARs.
- 1.254 Real-Time Energy Market:** The market for Energy administered by the Transmission Provider in which Energy is scheduled and sold consistent with the Dispatch Instructions, LMP calculations and Settlements in Module C of this Tariff.
- 1.255 Real-Time External Bilateral Transaction Charges:** The Cost of Congestion plus the Cost of Marginal Losses determined and assessed for External Bilateral Transaction Schedules in the Real-Time Energy Market.
- 1.256 Real-Time Offers:** Offers submitted in the Real-Time Energy Market or for the Reliability Assessment Commitment.
- 1.257 Receiving Party:** The entity receiving the Capacity and Energy transmitted by the Transmission Provider to Point(s) of Delivery.
- 1.258 Reference Bus:** The location(s), on the Transmission Provider Region, relative to which mathematical quantities relating to physical operation will be calculated.

- 1.259 Reference Levels:** In the context of Module D, calculations intended to reflect a Resource's marginal costs, including legitimate risk and opportunity costs.
- 1.260 Regional Reliability Council (RRC):** Any one of the electric reliability councils that form NERC or any successor entity.
- 1.261 Regional Reliability Organization (RRO):** Mid-Continent Area Power Pool (MAPP), Mid-America Interconnected Network, Inc. (MAIN), East Central Area Reliability Counsel (ECAR), Southwest Power Pool (SPP), or any successor organizations to these entities or any other entity designated by Transmission Provider as an RRO.
- 1.262 Regional Transmission Group (RTG):** A voluntary organization of Transmission Owners, Users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.
- 1.263 Regulation:** The capability of a specific Generation Resource with appropriate telecommunications and control to increase or decrease its output in response to a regulating control signal.

- 1.264 Regulation Down:** Regulation reserves that have the capability to decrease output in response to a regulating control signal.
- 1.265 Regulation Up:** Regulation reserves that have the capability to increase output in response to a regulating control signal.
- 1.266 Reliability Assessment Commitment (RAC):** A process conducted by which the Transmission Provider ensures that sufficient Resources will be available and on-line to meet Load and other demand requirements in the Operating Day.
- 1.267 Reliability Authority:** Responsible for ensuring the real-time operating reliability of the interconnection bulk electric transmission system within the Reliability Authority Area.

**1.268 Reliability Authority Area:** The Transmission Provider Region, which is also the portion of the interconnected bulk electric transmission system subject to reliability oversight by the Transmission Provider.

**1.269 Reserve Sharing Group:** An arrangement between two or more Control Areas to share the provision of Operating Reserve in response to a loss of a Generation Resource.

**1.270 Reserved Capacity:** The maximum amount of Capacity and Energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Module B of this Tariff. Reserved Capacity shall be expressed in terms of whole MWs on a sixty (60) minute interval (commencing on the clock hour) basis.

**1.271 Residual Load:** The result of a calculation used to determine the amount of over or under claimed Load in a Control Area. The calculation determines the difference between: (i) the reported amount of injections and net imports into the control area: and (ii) the amount of State Estimator determined Losses and the reported amount of withdrawals from the control area. Residual Load amount is then used to reduce or increase the reports volume of the Residual Load Zone for that Control Area.

**1.272 Residual Load Zone:** The single Commercial Node identified by the Transmission Provider in a Control Area where any calculated Residual Load is allocated for the purpose of Settlements.

**1.273 Resource:** Either a Generation Resource or a Demand Response Resource that can reliably adjust its electricity output and/or usage by some specified range and rate at a specific Commercial Node in response to Dispatch Instructions.



- 1.274 Resource Offers:** An Offer to sell Energy in the Energy Markets as submitted by either a Generation Resource or Demand Response Resource.
- 1.275 Scheduled Injections:** Energy scheduled in the Day-Ahead Energy Market to be injected over an Hour of the Operating Day.
- 1.276 Scheduled Withdrawals:** Energy withdrawals scheduled in the Day-Ahead Energy Market over a given Hour of the Operating Day.
- 1.277 Scheduling Agent:** An entity designated by a Market Participant to submit schedules for Self-Scheduled Resources, Bilateral Transaction Schedules, Bids, and Offers to the Transmission Provider on behalf of the Market Participant.

- 1.278 Season:** A multi-Month period specified in the Business Practices Manuals.
- 1.279 SEC:** Securities and Exchange Commission.
- 1.280 Security Constrained Economic Dispatch (SCED):** An algorithm performed by a computer program that simultaneously clears Bids and Offers, including Self-Schedules and Bilateral Transaction Schedules, submitted to: (i) supply to, and purchase Energy from, the Day-Ahead Energy Market; and (ii) determine Dispatch Instructions for the Real-Time Energy Market.
- 1.281 Security Constrained Unit Commitment (SCUC):** A computer program that uses an algorithm over a multi-hour time horizon that minimizes as offered production costs, while respecting the physical operating characteristics of each selected Resource and Transmission System constraints.
- 1.282 Self-Scheduled Resource:** A Generation Resource that is scheduled by a Market Participant and controlled by the same Market Participant under the overall coordination of the Transmission Provider. A Self-Scheduled Resource is a price-taker.

- 1.283 Self-Schedules:** Energy schedules for Self-Scheduled Resources.
- 1.284 Self-Supply:** The provision of certain Ancillary Services by a Market Participant or a Transmission Customer using either its own Resources or Resources obtained from an entity other than the Transmission Provider.
- 1.285 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under this Tariff.
- 1.286 Service Commencement Date:** The date the Transmission Provider or ITC begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider or ITC begins to provide service in accordance with Section 15.3 or Section 29.1 under this Tariff.

- 1.287 Settlement:** The process of determining charges to be paid to or by a Market Participant in the Energy Markets operated by the Transmission Provider under this Tariff.
- 1.288 Settlement Statements:** Reports provided by the Transmission Provider to Market Participants containing some aggregate and some detailed charge type information and determinate data regarding financial obligations for Energy Market activities and services, allowing for the verification by the Market Participant of Settlements invoiced amounts..
- 1.289 Short-Term Firm Point-To-Point Transmission Service:** Firm Point-To-Point Transmission Service under Module B of this Tariff with a term of less than one (1) Year.
- 1.290 Significant Trade Reference:** Trade reference provided to Transmission Provider in the registration process which are of a significant nature, as determined by Transmission Provider in its sole discretion.

- 1.291 Simultaneous Feasibility Test:** A test for a state in which each set of injections and withdrawals associated with Receipt Point-to-Delivery Point FTRs and power transfers associated with FTRs would not exceed any thermal, voltage, or stability limits within the Transmission Provider Region under normal operating conditions or for monitored contingencies.
- 1.292 Start Time:** The number of hours required to start a Generation Resource or Demand Response Resource and synchronize with the Transmission Provider Region consistent with NERC standards.
- 1.293 Start-Up Offer:** The compensation required by a Market Participant for bringing an off-line Generation Resource on-line.
- 1.294 State Estimator:** A software program used by the Transmission Provider to create a real-time assessment of the condition of the Transmission Provider Region.

**1.295 Station Power:** “Station Power” shall mean the energy used for operating the electrical equipment on the site of a Generation Resource and/or for the lighting, heating, air-conditioning and office equipment needs of buildings located on the site of such a Generation Resource that are used in the operation, maintenance, or repair of the facility. Station Power does not include energy (i) used for pumping at a pumped storage facility; (ii) to power synchronous condensers or (iii) in association with power system restoration or blackstart service. Station Power may only be provided pursuant to Schedule 20 of this Tariff.

**1.296 Synchronous Condenser Unit (“SCU”):** A facility that can be synchronized to the Transmission Provider’s Transmission System without producing Energy.

- 1.297 System Impact Study:** An assessment by the Transmission Provider and ITC, as applicable, of (i) the adequacy of the Transmission System to accommodate a request for either Firm Point-To-Point Transmission Service or Network Integration Transmission Service and (ii) whether any additional costs may be incurred in order to provide Transmission Service. System Impact Studies for any facilities not under the operational control of the Transmission Provider or ITC shall be performed by the Transmission Owner or applicable ITC Participant or any entity the Transmission Provider designates to perform the studies.
- 1.298 System Losses:** The transmission losses experienced on the Transmission System as determined by the Network Model.
- 1.299 System Support Resource (SSR):** Generation Resources or Synchronous Condensor Units that have been identified in Attachment Y – Notification to this Tariff and are required by the Transmission Provider for reliability purposes, to be operated in accordance with the procedures described in Section 38.2.6 of this Tariff.

**1.300 SSR Agreement:** An agreement identified as Attachment Y-1 to this Tariff that the Transmission Provider, the Owner or Operator of an SSR Unit executes to provide the terms and conditions under which the SSR Unit will be operated and compensated.

**1.301 SSR Notification:** The form in Attachment Y of this Tariff that the Owner or Operator of a Generation Resource or a Synchronous Condenser Unit must complete and send to the Transmission Provider at least 365 days prior to planning to decommission, mothball or disconnect any Generation Resource or Synchronous Condenser Unit located within the Transmission Provider Region.

**1.302 SSR Unit:** A Generation Resource or a Synchronous Condenser Unit that is operated and compensated in accordance with an SSR Agreement.



- 1.303 Tangible Net Worth:** All assets (excluding any intangible assets such as goodwill) less all liabilities (calculated in accordance with GAAP). Any such calculation may be revised by Transmission Provider upon review of the available financial information.
- 1.304 Target Allocation:** A payment or charge to FTR Holders consistent with the Cost of Congestion in the Day-Ahead.
- 1.305 Target Resource Dispatch:** Resource base points in the Real-Time Energy Market at the end of each five (5) minute period.
- 1.306 Tariff Customer:** A Market Participant or Transmission Customer.
- 1.307 Third-Party Sale:** Any sale for resale, in interstate commerce, to a Power Purchaser that is not designated as part of Network Load under Network Integration Transmission Service.
- 1.308 Through Transaction:** An External Bilateral Transaction Schedule in which both the External Transaction Receipt Point and External Transaction Delivery Point are external to the Transmission Provider Region.

- 1.309 Tolerance Band:** A calculated number of MWhs for which there is no Uninstructed Deviation Penalty assessed. Tolerance Band amounts are calculated as ten percent (10%) or minus ten percent (10%) of the hourly average Dispatch Instructions.
- 1.310 Total Credit Limit:** The amount of any Unsecured Credit approved by Transmission Provider for Applicant and/or Tariff Customer, plus the amount of any Financial Security approved by Transmission Provider and provided by the Applicant and/or Tariff Customer to Transmission Provider.
- 1.311 Total Forecast Peak Load:** The sum of the forecast Network Integration Transmission Service peak load for the upcoming allocation period plus peak load served by Option A – Grandfathered Agreements plus peak load served by Option B – Grandfathered Agreements.
- 1.312 Total Potential Exposure:** The sum total of exposure values as defined in Section III.A of Attachment L to this Tariff.

**1.313 Total Potential Exposure Violation:** A condition that exists whenever a Tariff Customer's: (i) Total Potential Exposure equals or exceeds its Total Credit Limit; (ii) Total Potential Exposure (less its FTR Auction Credit Requirement); or (iii) FTR Auction Total Credit Requirement equals or exceeds its FTR Auction Credit Allocation Total Potential Exposure exceeds its Total Credit Limit.

**1.314 Transition Period:** The six (6) year period beginning February 1, 2002, the first day the Transmission Provider began providing Transmission Service and ending January 31, 2008, the last day of the sixth year after the Transmission Provider began providing Transmission Service.

**1.315 Transmission Congestion Credit:** The allocated share of total Transmission Congestion Charges credited to each FTR Holder.

**1.316 Transmission Congestion Payment:** A payment to FTR Holders equal to the Transmission Congestion Credit Target Allocation for that Hour.

**1.317 Transmission Customer:** Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive Transmission Service under Module B of this Tariff. This term is used in the Module A, Common Tariff Provisions to include customers receiving Transmission Service under Module B of this Tariff.

**1.318 Transmission Operator:** Ensures reliability within the Transmission Provider Region by operating or directing the operation of transmission facilities.

**1.319 Transmission Owner(s):** Each member of the ISO whose transmission facilities (in whole or in part) make up the Transmission Provider Transmission System. An ITC is not a Transmission Owner as defined herein. Those Transmission Owners or ITC Participants that are not public utilities under the Federal Power Act shall not become subject to Commission regulation by virtue of their status as Transmission Owners or ITC Participants under this Tariff; provided, however, that by transferring functional responsibility of their facilities classified as transmission and covered by this Tariff those Transmission Owners or ITC Participants that are not public utilities under the Federal Power Act have agreed to participate in an ITC and/or the ISO in accordance with the terms of the ITC Transfer Agreement. An ITC Participant is not, by virtue of participation in an ITC, a Transmission Owner as defined herein.

**1.320 Transmission Provider:** The Midwest ISO or any successor organization.

**1.321 Transmission Provider Board:** The Board of Directors of the Midwest ISO.

**1.322 Transmission Provider Commitment Period:** The period beginning when a Resource is synchronized to the facilities within the Transmission Provider Region in response to the Transmission Provider selecting the Resource in the unit commitment portion of the SCUC process and ends at the later of (i) the time incorporating the sum of the time when the Resource is synchronized and the Resource's Minimum Run Time and (ii) the earlier of the time the Resource is forced out of service or the time when the Transmission Provider notifies the Market Participant that the Resource is no longer needed. The Transmission Provider Commitment Period cannot extend beyond the Operating Day.

**1.323 Transmission Provider Committed Resources:** A Resource that has been committed by the Transmission Provider in the Day-Ahead Energy Market or RAC process.

**1.324 Transmission Provider Customer Registration:** The process by which Applicant registers to hold FTRs or take any other services under this Tariff, or to become a Market Participant and/or Transmission Customer.

**1.325 Transmission Provider Region:** The transmission system, Load and Generation Resources interconnected to the Transmission System that: (i) function as a centrally coordinated system and (ii) operate, subject to the single set of Dispatch Instructions determined and issued by the Transmission Provider.

**1.326 Transmission Provider's Monthly Transmission System Peak:** The maximum firm usage of the Transmission Provider's Transmission System in a Month.

**1.327 Transmission Service:** Point-To-Point Transmission Service provided under Module B of this Tariff on a Firm and Non-Firm basis and the Network Integration Transmission Service under Module B of this Tariff.

**1.328 Transmission System:** The transmission facilities owned or controlled by entities that have conveyed operational control to the Transmission Provider that are used to provide Transmission Service under Module B of this Tariff. The Transmission System includes facilities, the operational control of which has been transferred to the Transmission Provider subject to Commission approval under Section 203 of the Federal Power Act. In addition, the Transmission System includes other facilities booked to transmission accounts that are not controlled or operated by the Transmission Provider but are facilities that the Transmission Owners, by way of the Agency Agreement, have allowed the Transmission Provider to use in providing service under this Tariff. While not part of the Transmission System,



service over Distribution Facilities is available through the execution of a Service Agreement pursuant to Schedule 11 of this Tariff. The term Transmission System shall include the Transmission System (Michigan).

**1.329 Transmission System (Michigan):** The area directly served by those transmission facilities located within the Lower Peninsula of Michigan, which are owned or controlled by entities that have conveyed operational control of these facilities to the Transmission Provider. Transmission System (Michigan) shall not include facilities located in the Upper Peninsula of Michigan or the facilities of any investor-owned utility which are located within the Lower Peninsula of Michigan if such investor-owned utility was not a party to the Joint Open Access Transmission Tariff, Michigan Electric Transmission Company and International Transmission Company, FERC Electric Tariff, Original Volume No. 1, between January 1, 1997 and May 1, 2002.

**1.330 Transmission Usage Charge (TUC):** A charge attributable to the increased cost of Energy delivered at a given Pnode when the Transmission System is operating under constrained conditions or due to losses on the system. The TUC is the per unit charge to support a Bilateral Transaction Schedule and is equal to the difference in the LMP at the sink and the LMP at source (in \$/MWh), which includes the Cost of Congestion and the Cost of Losses.

**1.331 Uninstructed Deviation:** A Resource that exhibits a deviation in its Energy output based on the Metered quantity of Energy (MWh) versus the Dispatch Instruction in the Real-Time Energy Market.

**1.332 Uninstructed Deviation Penalties:** A reduction in credits or increase in debits imposed by the Transmission Provider due to an Uninstructed Deviation.

**1.333 Unsecured Credit:** Any credit granted by Transmission Provider to an Applicant and/or Tariff Customer that is not secured by a form of Financial Security.

- 1.334 Unsecured Credit Allowance:** Unsecured Credit extended by Transmission Provider in an amount determined by Transmission Provider's evaluation of the creditworthiness of the Applicant and/or Tariff Customer.
- 1.335 Up-to-TUC External Bilateral Transaction Schedules:** External Bilateral Transaction Schedules that specify a willingness to pay the Transmission Usage Charge (\$/MWh) represented by a maximum amount beyond which the Market Participant agrees to be curtailed.
- 1.336 Users:** Transmission Customers or other entities that are parties to transactions under this Tariff.

- 1.337 Virtual Bid:** A bid to purchase Energy that is not backed by physical Load that is submitted in the Transmission Provider's Day-Ahead Energy Market in accordance with the procedures and requirements of this Tariff.
- 1.338 Virtual Energy:** Energy purchased and/or sold in the Day-Ahead Energy Markets that is not backed by real assets such as Load or Generation Resources.
- 1.339 Virtual Megawatt Hour Limit (Virtual MWh Limit):** The limit on MWh of Virtual Bids and Virtual Supply Offers that may be submitted by a Tariff Customer on a given Operating Day, as established and modified pursuant to Section III.A of Attachment L of this Tariff.
- 1.340 Virtual Supply Offer:** An Offer to sell Energy in the Day-Ahead Energy Market submitted by a Market Participant not supported by a physical injection or reduction in withdrawals in commitment by a Resource.
- 1.341 Virtual Transactions:** Transactions related to Virtual Demand Bids and/or Virtual Supply Offers.

- 1.342 Weather Point:** A component of Offers that specify MW limits for CTs and CCCTs as a function of temperature.
- 1.343 Wholesale Distribution Service:** The provision of wholesale distribution service over a Transmission Owner's, ITC's, or ITC Participant's Distribution Facilities necessary to effectuate a transaction under this Tariff. To the extent such service is required, it shall be specified in the Service Agreement for the associated service being provided under the Tariff.
- 1.344 Winning FTR Bid:** An FTR Bid resulting in the purchase of an FTR in an FTR Auction.
- 1.345 Winning FTR Offer:** An FTR Offer resulting in the sale of an FTR in an FTR Auction.
- 1.346 Working Capital:** Current assets minus current liabilities (calculated in accordance with generally accepted accounting principles). Any such calculation may be revised by Transmission Provider upon review of the available financial information.

**1.347 Year:** A sequential twelve (12) Month period ending on December 31, except in the case of the calendar year containing the Day on which the Transmission Provider begins to operate Energy Markets, in which case a Year shall begin on the first Day of the calendar month following the Day that the Transmission Provider operates Energy Markets and ending on the December 31 at least (12) months but no more than twenty-four (24) months thereafter. If the Transmission Provider starts operation of the Energy Markets on the first day of a calendar month, a Year shall begin on the first Day of that calendar month that the Transmission Provider operates Energy Markets and ending on the December 31 at least twelve (12) months but no more than twenty-four (24) months thereafter.

**1.348 Zonal LMP:** An aggregate price for a Zone, defined as an aggregation of Buses, calculated from the load weighted averages from each of the nodal LMPs defined in that aggregation of Buses.

**1.349 Zone:** A set of Buses in a geographic area as determined by the Transmission Provider.

## **2 Initial Allocation and Renewal Procedures**

### **2.1 Initial Allocation of Available Transmission Capability**

For purposes of determining whether existing capability on the Transmission System is adequate to accommodate a request for firm service under this Tariff, the existing transmission reservation queues of the Transmission Owners and ITC Participants will be consolidated into a single Transmission Provider transmission reservation queue, commencing thirty (30) days before the ITC becomes operational, recognizing the priorities existing with respect to the Transmission Owner's or ITC Participants' system.

### **2.2 Reservation Priority For Existing Firm Service Customers**

Existing firm service customers (wholesale requirements and transmission-only with a contract term of one (1) year or more, and retail customers, irrespective of term) of the Transmission Owner(s), ITC Participant(s), or Transmission Provider have the right to continue to take Transmission Service from the Transmission Provider when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase Capacity and Energy from the

Transmission Owner(s) or ITC Participant(s) or elects to purchase Capacity and Energy from another supplier. If at the end of the contract term, the Transmission System cannot accommodate all of the requests for Transmission Service, the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by the Commission, for such service. This transmission reservation priority for existing firm service customers is an ongoing right that may be exercised no later than sixty (60) days prior to the end of all firm contract terms of one (1) year or longer. This reservation priority only applies to the facilities of the Transmission Owner(s) or ITC Participant(s) where such facility costs have been included as part of the firm service rates that the firm service customer has been paying. If competing existing firm service requirements customers apply for service that cannot be fully provided, the priority rights will be ranked in accordance with first-come, first-served principles. If firm service customers tie, then the capacity for which they receive priority rights under this Tariff shall be apportioned on a pro-rata basis.



### **3 Ancillary Services**

Ancillary Services are needed with Transmission Service to maintain reliability within and among the Control Areas affected by the Transmission Service. The Transmission Provider is required to provide (or offer to arrange with the local Control Area Operator or ITC as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services: (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation Resources.

The Transmission Provider is required to offer to provide (or offer to arrange with the local Control Area Operator or ITC as discussed below) the following Ancillary Services only to the Transmission Customer serving Load within the Transmission Owner(s'), ITC, or ITC Participant(s') Control Area(s): (i) Regulation and Frequency Response, (ii) Operating Reserve - Spinning, and (iii) Operating Reserve - Supplemental. For transmission service within an ITC System, the ITC may provide Ancillary Service as set forth in the ITC Control Area Services and Operations Tariff. However, the Transmission Provider shall be the provider of last resort of

Ancillary Services to any Transmission Customer taking service under an ITC Rate Schedule. The Transmission Provider shall provide or procure Ancillary Services at least cost. The Transmission Customer serving Load within the Transmission Owner(s'), ITC(s'), or ITC Participant(s') Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from the Control Area, from the ITC, from a third party, or by self-supply. The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates to the Transmission Provider that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider.

Because the Transmission Provider is a public utility providing Transmission Service, but is not a Control Area Operator, it will be unable to provide directly some or all of the Ancillary Services. In this case, the Transmission Provider can fulfill its obligation to provide Ancillary Services by acting as the Transmission Customer's agent to secure these Ancillary Services from the Control Area Operator. The Transmission Customer may elect to: (i) have the Transmission Provider act as its agent, (ii) secure the Ancillary Services directly from the appropriate Control Area Operator, or (iii) secure the Ancillary Services (discussed in Schedules 3, 5 and 6) from a third party or by self-supply when technically feasible. Each Transmission Owner, ITC, and ITC Participant (and User, where applicable), with the ability to provide any or all of these Ancillary Services shall offer to provide such services (with respect to loads within its Control Area) under cost-based schedules unless market-based rates have been accepted for filing at the Commission. These schedules including all related terms and conditions shall be posted on the Transmission Provider's OASIS. If the party providing such service(s) is a public utility, all applicable rates and charges shall be on file with the Commission.

In the event of an unauthorized use of Ancillary Services by the Transmission Customer, the Transmission Customer shall pay the following penalty: two hundred percent (200%) of the relevant Control Area's applicable Ancillary Service charge for the entire length of the reserved period but not exceeding one (1) month. The Transmission Provider shall compensate any affected Control Areas or generators for their actual costs. Any revenues in excess of actual costs shall be used to reduce the Transmission Provider costs in Schedule 10, except in the case of Ancillary Services provided by an ITC, use of such revenues will be governed by the terms of the ITC's Control Area Services and Operations Tariff.

The specific Transmission Provider Ancillary Services, prices and/or compensation methods are described on the schedules that are attached to and made a part of this Tariff. Three principal requirements apply to discounts for Ancillary Services provided by the Transmission Provider in conjunction with its provision of Transmission Service as follows: (i) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (ii) any customer-initiated requests for discounts (including requests by any Transmission Owner, ITC Participant, or ISO Member) must occur solely by posting on the OASIS, and (iii) once a discount is negotiated, details must be immediately posted on the OASIS. A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on the Transmission Provider's system. Sections 3.1 through 3.6 below list the six Ancillary Services.

- 3.1 Scheduling, System Control and Dispatch Service:** The rates and/or methodology are described in Schedule 1.
- 3.2 Reactive Supply and Voltage Control from Generation Sources Service:** The rates and/or methodology are described in Schedule 2.
- 3.3 Regulation and Frequency Response Service:** Where applicable, the rates and/or methodology are described in Schedule 3.
- 3.4 Delivery Scheduling and Balancing Service:** Where applicable, to Transmission Customers of generators located within the Michigan Electric Transmission Company, the rates and/or methodology are described in Schedule 4C - METC.<sup>1</sup>
- 3.5 Operating Reserve - Spinning Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 5.
- 3.6 Operating Reserve - Supplemental Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 6.

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<sup>1</sup> The Transmission Provider is required to offer to provide Delivery Scheduling and Balancing Service as an additional Ancillary Service available only to a customer receiving energy from generators located within the Michigan Electric Transmission Company's Service Area. The Transmission Customer receiving energy from generators located within the Michigan Electric Transmission Company's Service Area is required to acquire this Ancillary Service, whether from the Transmission Provider, from a third party or by self-supply. The Transmission Customer may not decline the Transmission Provider's offer of Delivery Scheduling and Balancing Service unless it is demonstrated that it has been acquired from another source. The Transmission Customer must list in its Application whether it will acquire Delivery Scheduling and Balancing Service from the Transmission Provider.

#### **4 Open Access Same-Time Information System (OASIS)**

Terms and conditions regarding Open Access Same-Time Information System and standards of conduct are set forth in 18 C.F.R. § 37 of the Commission's regulations (Open Access Same-Time Information System and Standards of Conduct for Public Utilities). In the event available transmission capability, as posted on the OASIS, is insufficient to accommodate a request for firm transmission service, additional studies may be required as provided by this Tariff pursuant to Sections 19 and 32.

## **5 Local Furnishing Bonds**

### **5.1 Transmission Owners and ITC Participants that Own Facilities**

#### **Financed by Local Furnishing Bonds or that are Tax Exempt Entities:**

This provision is applicable only to Transmission Owners and ITC Participants that have financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in § 142(f) of the Internal Revenue Code (“local furnishing bonds”) or that are tax-exempt entities, as described in § 501(c)(12) of the Internal Revenue Code.

Notwithstanding any other provision of this Tariff, the Transmission Owner or ITC Participant shall not be required to provide transmission service to any Eligible Customer pursuant to this Tariff if the provision of such transmission service would jeopardize the tax-exempt status of any entity or of the local furnishing bond(s) used to finance the Transmission Owner’s or ITC Participant’s facilities that would be used in providing such transmission service.



**5.2 Alternative Procedures for Requesting Transmission Service:**

- (i) If the Transmission Provider determines that the provision of transmission service requested by an Eligible Customer would jeopardize the tax-exempt status of any entity or of any local furnishing bond(s) used to finance any Transmission Owner's or ITC Participant's facilities that would be used in providing such transmission service, it shall advise the Eligible Customer within thirty (30) days of receipt of the Completed Application.

- (ii) If the Eligible Customer thereafter renews its request for the same transmission service referred to in (i) by tendering an application under § 211 of the Federal Power Act, the Transmission Provider and the relevant Transmission Owner or ITC Participant, within ten (10) days of receiving a copy of the § 211 application, will waive any rights to a request for service under § 213(a) of the Federal Power Act and to the issuance of a proposed order under § 212(c) of the Federal Power Act. The Commission, upon receipt of the Transmission Provider's and/or Transmission Owner's or ITC Participant's waiver of rights to a request for service under § 213(a) of the Federal Power Act and to the issuance of a proposed order under § 212(c) of the Federal Power Act, shall issue an order under § 211 of the Federal Power Act. Upon issuance of the order under § 211 of the Federal Power Act, the Transmission Provider shall be required to provide the requested transmission service over the affected Transmission Owner's or ITC Participant's facilities in accordance with the terms and conditions of this Tariff.

## **6 Reciprocity**

A Transmission Customer receiving Transmission Service under this Tariff agrees to provide comparable transmission service that it is capable of providing to the Transmission Owners, ITC, and ITC Participants on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer's corporate affiliates.

This reciprocity requirement applies not only to the Transmission Customer that obtains Transmission Service under this Tariff, but also to all parties to a transaction that involves the use of Transmission Service under this Tariff, including the power seller, buyer and any intermediary, such as a power marketer. This reciprocity requirement also applies to any Eligible Customer that owns, controls or operates transmission facilities that uses an intermediary, such as a power marketer, to request Transmission Service under the Tariff. If the Transmission Customer does not own, control or operate transmission facilities, it must include in its Application a sworn statement of one of its duly authorized officers or other representatives that the purpose of its Application is not to assist an Eligible Customer avoid the requirements of this provision.

## **7 Billing and Payment; Defaults and Remedies**

Sections 7.1, 7.2, 7.4 and 7.5 below shall apply to all Transmission Customers, Sections 7.6 through 7.10 below shall apply to all Market Participants and Section 7.3 and Section 7.11 through Section 7.17 apply to all Tariff Customers.

**7.1 Billing Procedure for Transmission Customers:** Within a reasonable time after the first day of each month, the Transmission Provider shall submit two (2) invoices to the Transmission Customer for the charges for all services furnished under Module B of this Tariff during the preceding month and prior period adjustments, except for ITC Service provided under ITC Rate Schedules as set forth below. One invoice relates to all services for which the Transmission Provider will settle, bill, collect and distribute revenues to the Transmission Owners for services furnished under Module B of this Tariff.

For services under an ITC Rate Schedule, an ITC may, at its election, perform billing, credit and accounting responsibilities under this Tariff. When agreed to by the Transmission Provider, an ITC will bill the Transmission Customers for both Transmission Service and ITC Service to avoid multiple bills being sent to the Transmission Customers.

The second invoice relates to the Transmission Provider Cost Adder or the service charge for recovering costs associated with operating the ISO that are not covered under Schedule 1, Schedule 16 or Schedule 17. These costs are captured within a separate invoice line item, Schedule 10 and include: 1) costs associated with the Transmission Provider control center, including capital costs and operating expenses and 2) costs for administering this Tariff. Transmission Customers listed in Attachment I will pay costs associated with the Transmission Provider's operating expenses as specified under Schedule 10-A.

The invoices shall be paid by the Transmission Customer within fifteen (15) days of receipt. All payments shall be made in immediately available funds payable to the Transmission Provider or ITC, as applicable.

All billing procedures involving invoices under this Section 7.1 or with respect to Module B of this Tariff, including any ITC Rate Schedules, shall be governed by the Accounting and Billing Manual or, if applicable, an ITC's Accounting and Billing Manual. Those manuals are available for inspection by the Transmission Customers and Transmission Owners, ITCs, ITC Participants, and regulatory authorities with jurisdiction over the Transmission Customers, Transmission Owners, ITCs, ITC Participants, and the public, and are posted on the Transmission Provider website.

**7.2 Billing Procedure for Schedule 10-B:** Within a reasonable time after the first day of each month, the Transmission Provider shall submit an invoice to the Transmission Owners listed in Attachment I for their respective share of Transmission Provider's monthly capital costs and the portion of its operating costs described under Schedule 10-B. The invoices shall be paid by the Transmission Owners within ten (10) days of receipt. All payments shall be made in immediately available funds payable to the Transmission Provider.

**7.3 Interest on Unpaid Balances:** Interest on any unpaid amounts (not including amounts placed a cash collateral account as Financial Security) shall be calculated in accordance with the methodology set aside for interest on refunds in the Commission's Regulations at 18 C.F.R. § 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are mailed, the bill shall be considered having been paid on the date of receipt by the Transmission Provider.

**7.4 Transmission Customer Default and Past Due Amounts:** The rights and remedies set forth in this Section 7.4 are in addition to, and not in limitation of, any and all other remedies available under this Tariff, any other agreement or under applicable law. Upon the occurrence of a Default, the Transmission Provider shall initiate a filing with the Commission to terminate the Transmission Customer's Service Agreement but shall not terminate the Service Agreement until the Commission so approves any such request. Upon the occurrence of a Default, the Transmission Provider, or ITC where applicable, shall annul Eligible Confirmed Reservations of the Transmission Customer that create a financial obligation in excess of the available financial assurance after the settlement of all outstanding obligations for services to be provided subsequent to the date of Default. In addition, the Transmission Provider,



or ITC where applicable, shall provide notice to the Transmission Customer of its intention to initiate a filing with the Commission to terminate the Transmission Customer's Service Agreement, in accordance with Commission policy. If the billing services are provided by an ITC, and the ITC notifies the Transmission Provider of a Transmission Customer Default, then, upon the request of the ITC, the Transmission Provider shall provide notice to the Transmission Customer of its intention to initiate a filing with the Commission to terminate the Transmission Customer's Service Agreement, in accordance with Commission policy.

If any amounts invoiced by the Transmission Provider pursuant to Section 7.1 or Section 7.2 are not paid when due (the "Past Due Amount"), then the following procedures apply:

- (a) **ISO Charges Paid First.** The Transmission Provider shall use monies received by it from Transmission Customers to pay all amounts due to the Transmission Provider under this Tariff and the ISO Agreement before making any payments to any Transmission Customers, Transmission Owners or ITC. If the ITC bills both Transmission Provider service and ITC Service pursuant to Section 7.1 of this Tariff, the ITC shall use monies received by it from Transmission Customers to pay all amounts due to the Transmission Provider under this Tariff and the ISO Agreement before making any payments to any Transmission Customers, Transmission Owners, ITC Participants or the ITC.

- (b) **Reduction of Payments and Increases in Charges:** If the procedures described in subsection (d) below do not yield sufficient funds to pay all invoiced amounts in full (after payment of amounts due to the Transmission Provider in accordance with subsection (a) above) on the date such payments are due, the Transmission Provider shall reduce payments to those Transmission Owners and/or ITC owed monies that billing period (the "Past Due Period"), *pro rata* based on amounts owed to such Transmission Owners and/or ITCs, to the extent necessary to clear its accounts by the close of banking business on the date such payments are due. As funds attributable to a Past Due Amount are received by the Transmission Provider (including amounts received through actions or proceedings commenced against the defaulting Transmission Customer) prior to the next billing period's statements being distributed, such funds, together with any interest and late charges collected on the applicable Past Due Amount, shall be distributed *pro rata* to the Transmission Owners and/or ITC that did not receive the full amount of their payments as a result of such Past Due Amount not being paid.

- (c) **Order of Settlement.** As payments are received by the Transmission Provider to satisfy outstanding Past Due Amounts, the oldest outstanding Past Due Amount will be settled first in the order of the creation of such debts.
- (d) **Enforcing Security.** The Transmission Provider shall use funds attained under the Credit Support Documents provided by the Transmission Customer to the extent necessary to pay the Past Due Amount and any applicable interest and late charges. Any use of Credit Support Documents shall be undertaken in compliance with Module A of this Tariff, the Credit Policy and/or the Credit Support Documents.

**7.5 Disputed Amounts:** If a Transmission Customer disputes the amount invoiced by the Transmission Provider or the ITC pursuant to Section 7.1 or Section 7.2, the Transmission Customer must pay all invoiced amounts regardless of any dispute, but such payment shall not be deemed a waiver with respect to any disputed amount. If the Transmission Customer notifies the Transmission Provider or the ITC as applicable, of the portion of the invoice in dispute at or prior to the time of payment, the Transmission Provider or ITC as applicable, will cause the disputed amount to be deposited in an account separate from its general operating account, pending resolution of the dispute.

**7.6 Billing Procedure for Market Participants:** The Transmission Provider shall submit two (2) invoices to the Market Participant for the charges for all services and goods furnished under Module C of this Tariff based on the schedule posted in the market settlements timeline as posted on the Transmission Provider website. One invoice relates to all services and goods for which the Transmission Provider will settle, bill, collect and distribute revenues to the Market Participants for Market Activities. The Market Participant shall have no right to any amount of payment with respect to the services and goods furnished under Module C of this Tariff until all of the credit and debit amounts with respect to the Market Participant for the respective billing cycle for all services and goods furnished under Module C of this Tariff (including prior period adjustments) have been added together, netted against one another and invoiced. The Market Participant shall only be entitled to the net credit

amount, if any, invoiced to the Market Participant for the respective billing period (together with prior period adjustments), subject to the Transmission Provider's right to be paid first pursuant to Section 7.8(a), the setoff and recoupment rights of Transmission Provider set forth in Section 7.17 and any security interests that the Market Participant grants to the Transmission Provider. The Market Participant shall have no right to any gross charges and/or credits listed on such invoice. The Market Participant shall have no right to any amount prior to invoicing.

The second invoice relates to the service charge for recovering costs associated with operating the Energy Markets. These costs are captured within a separate invoice line item, Schedules 16 and 17, including the costs associated with the Transmission Provider administration of Financial Transmission Rights and Energy Market Support Administration.

All invoices with net charges to be paid by a Market Participant shall be paid by the Market Participant within seven (7) days of receipt. All invoices with net credit amounts to be paid to a Market Participant shall be due and payable by the Transmission Provider to the Market Participant twenty-four (24) to forty-eight (48) hours following invoice due dates in accordance with Settlements Business Practices Manual, as amended from time to time, subject to the Transmission Provider's right to be paid first pursuant to Section 7.8(a), the setoff and recoupment rights of the Transmission Provider set forth in Section 7.17 and any security interests that the Market Participant grants to the Transmission Provider. All payments by Market Participants shall be made in immediately available funds payable to the Transmission Provider. All billing procedures involving invoices under this Section 7.6 or with respect to Module C of this Tariff shall be governed by Section 41 of this Tariff and the Settlements Business Practices Manual, as amended from time to time. The Settlements Business Practices Manual and the market settlements timeline are available for inspection by the Market Participant(s), regulatory authorities with jurisdiction over the Market Participants, and the public, and are posted on the Transmission Provider website.



- 7.7 Interest on Unpaid Balances:** Interest on any unpaid amounts (not including amounts placed in a cash collateral account as Financial Security) shall be calculated in accordance with Section 7.3.
- 7.8 Market Participant Default and Past Due Amounts:** The rights and remedies set forth in this Section 7.8 are in addition to, and not in limitation of, any and all other remedies available under this Tariff, any other agreement or under applicable law. Upon the occurrence of a Default, the Transmission Provider shall (i) suspend any pending Market Activities of the Market Participant and (ii) annul any Eligible Confirmed Transmission Reservations of the Market Participant. The suspension and annulment process shall conform to the published Business Practices of the Transmission Provider, as amended from time to time. In addition, the Transmission Provider shall initiate a filing with the Commission to terminate the Market Participant Agreement but shall not terminate the Market Participant Agreement until the Commission so approves any such request. In addition, the Transmission Provider shall provide notice to the Market Participant of its intention to initiate a filing with the Commission to terminate the Market Participant Agreement, in accordance with Commission policy.

If any amounts invoiced by the Transmission Provider, pursuant to Section 7.6 are not paid when due (the “Past Due Amount”) then the following procedures apply:

- (a) **Transmission Provider Charges Paid First.** The Transmission Provider shall use monies received by it from Market Participants to pay all amounts due to the Transmission Provider under this Tariff and the ISO Agreement before making any payments to any other Market Participants.
- (b) **Reduction of Payments and Increases in Charges.** If the procedures described in subsection (d) below do not yield sufficient funds to pay all invoiced amounts in full (after payment of amounts due to the Transmission Provider in accordance with subsection (a) above) on the date such payments are due, the Transmission Provider shall reduce payments to Market Participants owed monies for that billing period (the “Past Due Period”), *pro rata* based on the net credit invoiced amounts owed

to such Market Participants, to the extent necessary to clear its accounts by the close of banking business on the date such payments are due. As funds attributable to a Past Due Amount are received by the Transmission Provider (including amounts received through actions or proceedings commenced against the defaulting Market Participant) prior to the next billing period's statements being distributed, and prior to such Past Due Amount being declared an Uncollectible Obligation pursuant to, Section 7.10, such funds, together with any interest and late charges collected on the applicable Past Due Amount, shall be distributed pro rata to the Market Participants that did not receive the full amount of their net credit invoiced amount as a result of such Past Due Amount not being paid, subject to the Transmission Provider's right to be first pursuant to (a) above, the set off and recoupment rights of the Transmission Provider set forth in Section 7.17 and any security interests that the Market Participant grants to the Transmission Provider.

- (c) **Order of Settlement.** As payments are received by the Transmission Provider to satisfy outstanding Past Due Amounts the oldest outstanding Past Due Amount will be settled first in the order of the creation of such obligations.
- (d) **Enforcing Setoff and Security.** The Transmission Provider may exercise its rights of recoupment and setoff pursuant to Section 7.12 and Section 7.15, to offset the Past Due Amount against any amounts owed to the Market Participant. The Transmission Provider shall use funds attained under the Credit Support Documents provided by the Market Participant to the extent necessary to pay the Past Due Amount and any applicable interest and late charges. Any use of Credit Support Documents shall be undertaken in compliance with Section 7.14 of this Tariff, the Credit Policy and the Credit Support Documents.

- 7.9 Disputed Amounts:** A Market Participant shall make full and timely payment of all bills rendered pursuant to Section 7.16 or otherwise rendered for Market Activities regardless of any dispute, but such payment shall not be deemed a waiver with respect to any disputed amount.
- 7.10 Uplift of Uncollectible Past Due Amounts to Market Participants:** After pursuing all commercially reasonable efforts to collect unpaid Past Due Amounts outstanding, the Transmission Provider shall declare the remaining unpaid Past Due Amount to be an Uncollectible Obligation. Upon declaration of the existence of an Uncollectible Obligation, the Transmission Provider shall proceed to recover the Uncollectible Obligation from other Market Participants in accordance with the provisions of this Section 7.10. This Section 7.10 applies to amounts invoiced to Market Participants pursuant to Section 7.6 and any other amounts invoiced for Market Activities.

(a) Eligibility for Share of Uncollectible Obligation

The Uncollectible Obligation shall be allocated by the Transmission Provider to each Market Participant that had been invoiced by the Transmission Provider during the same period of time as the unpaid invoice(s) of the Market Participant whose unpaid Past Due Amount has been declared an Uncollectible Obligation.

(b) Uncollectible Obligation Allocation Methodology

The formula below will be the basis for allocating the Uncollectible Obligation to other Market Participants.

$\% \text{ Loss for MP}_A = \text{MP}_A(\text{Charges} + \text{Market Credits})$  in  
weekly invoicing cycle

Loss Obligation of  $\text{MP}_A = (\% \text{ Loss for MP}_A) \times \$ \text{ Amt of}$   
Total Loss,

where: MP = Market Participant

Market Charges = The absolute value of all  
charge amounts associated with invoices for  
Market Activities.

Market Credits = The absolute value of all  
credit amounts associated with invoices for  
Market Activities.

$\text{MP}_{ALL}$  = All Market Participants other than  
Market Participants with Uncollectible  
Obligations.

All individual charge amounts and all individual credit amounts  
invoiced for Market Activities shall be included in the calculation of  
Market Charges and Market Credits. The Market Charges and  
Market Credits of Market Participants with Uncollectible Obligations  
will not be included in the calculation of the percentage of the loss to  
be allocated to other Market Participants.

**7.11 Financial Security Required Due to History of Late Payment:** In the event that a Tariff Customer has a history of paying its invoice late, defined as two invoice payments made past the invoice due date within the most recent twelve month period, the Transmission Provider, or ITC where applicable, will require Financial Security from the Tariff Customer in a form acceptable to the Transmission Provider and in an amount equal to the total invoiced charges for the month with the highest total invoiced charges over the most recent twelve months, not including Past Due Amounts carried forward from a prior invoice. This requirement to provide Financial Security due to a history of late payment is applicable to a Tariff Customer regardless of whether the Tariff Customer was previously extended unsecured credit by the Transmission Provider, or ITC where applicable and/or previously provided any Financial Security as part of its Total Credit Limit. The Financial Security so provided shall be used to satisfy obligations for payments that are past due. If, subsequent to the date of the requirement to provide Financial Security due to a history of late payments, all Tariff Customer payments during the following six months are paid on time, the Financial Security provided due to a history of late payment will be returned to the Tariff Customer.



Should the Tariff Customer again fail to pay on time subsequent to the return of the initial Financial Security requirement due to a history of late payments, the Tariff Customer will be required to immediately provide Financial Security in a form acceptable to the Transmission Provider and in an amount equal to the total invoiced charges for the month with the highest total invoiced charges over the most recent twelve months, not including Past Due Amounts carried over from prior invoices. Such Financial Security provided due to a history of late payment will be returned to the Tariff Customer if all subsequent Tariff Customer payments over the next twelve months are made on time. This process will be repeated for each subsequent event of failure to pay on time.

During any period of time the Transmission Provider, or ITC if applicable, holds a Financial Security due to a history of late payment and the Tariff Customer or Market Participant does not pay on time, the Transmission Provider, or ITC if applicable, will draw upon that Financial Security to cover any invoice not paid by the payment due date. Such draw shall occur on the first Business Day after the payment due date. Interest and late fees will be assessed until the Tariff Customer: (1) pays all outstanding amounts owed, and (2) replenishes the Financial Security to the original amount. The interest rate shall be calculated in accordance with Section 7.3.

**7.12 Financial Assurance Cash Collateral Accounts:** All monies deposited by a Tariff Customer as financial assurance will be held by the Transmission Provider in a separate, interest-bearing money market account and 100% of the interest earned will accrue to the benefit of that Tariff Customer. Interest shall be calculated from the date of the receipt of the deposit until the date that the deposit is returned, converted into another form of financial assurance or applied to satisfy past due amounts owed by the Tariff Customer. When deposits are made by mail, they shall be considered as having been paid on the date of receipt by the Transmission Provider. Interest accrued shall be held in the account as financial assurance until released from the account to the Tariff Customer in accordance with this Section 7.12 or applied to satisfy Past Due Amounts owed by the Tariff Customer. Unless a Default exists and is continuing, interest accrued and not applied to satisfy Past Due Amounts owed by the Tariff Customer shall be released from the account and paid to the Tariff Customer on a semi-annual basis or on such other basis as determined by the Transmission Provider in its discretion; provided that interest shall be released from the account at least annually (unless a Default exists and is continuing). The Transmission Provider shall have no obligation to release any interest held by the Transmission Provider if a Default exists and is continuing.

**7.13 Default:** The occurrence at any time with respect to a Tariff Customer of any of the following events constitutes a default (“Default”) with respect to such Tariff Customer:

- (a) **Failure to Pay Section 7.1 and Section 7.2 Amounts.** Failure by the Tariff Customer to make, when due, any payment under Section 7.1 or Section 7.2 if such failure is not remedied on or before the tenth (10th) Business Day after receipt by the Tariff Customer of a written notice to cure such failure sent by the Transmission Provider, or an ITC where applicable;
- (b) **Failure to Pay Section 7.6 Amounts.** Failure by the Tariff Customer to make, when due, any payment under Section 7.6 of this Tariff for any reason if such failure if not remedied on or before the second (2nd) Business Day after the Tariff Customer’s receipt of notification to cure such failure sent by the Transmission Provider;

- (c) **Failure to Perform Other Obligations.** Failure by the Tariff Customer to make, when due, any payment or comply with or perform any agreement, obligation or requirement under this Tariff (including, without limitation, the Transmission Provider's Credit Policy), any of the agreements entered into by such Tariff Customer under, pursuant to, or in connection with this Tariff or any other agreement to which the Tariff Customer and the Transmission Provider are parties (other than any payment under Section 7.1, Section 7.2 or Section 7.6 of this Tariff) if such failure is not remedied on or before the later of (i) the expiration of the applicable cure period set forth in this Tariff or the applicable agreement, or (ii) the second (2nd) Business Day after the Tariff Customer receives written notice to cure such failure sent by the Transmission Provider;

- (d) **Bankruptcy.** The Tariff Customer (A) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (B) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (C) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (D) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (1) results in the judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed,

discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof; (E) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (F) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a significant portion of its assets; (G) has a secured party take possession of all or a significant portion of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or a significant portion of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (H) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (A) to (G) (inclusive); or (I) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

Any Default with respect to a Tariff Customer shall constitute a Default under this Tariff (including, without limitation, the Transmission Provider's Credit Policy), any and all agreements entered into by such Tariff Customer under, pursuant to, or in connection with, this Tariff and any and all other agreements to which such Tariff Customer and the Transmission Provider are parties.

**7.14 Remedies:**

- (a) **Available Remedies.** If at any time a Default occurs and is continuing, the Transmission Provider may (i) exercise the remedies set forth in Section 7.4 and Section 7.8; (ii) suspend a Market Participant's access to submit FTR auction bids and/or offers; (iii) suspend Tariff Customer's participation in any other services under this Tariff, subject to the receipt of any approval



from the Commission that may be necessary; (iv) terminate any and all other services and/or agreements, subject to the receipt of any approval from the Commission that may be necessary; (v) initiate requests for any necessary Commission approvals or consents to terminate any and all services to and agreements with the Tariff Customer; (vi) terminate and settle any and all FTRs held by such Tariff Customer in accordance with Section 7.16 below; (vii) liquidate all or a portion of the Tariff Customer's Financial Security and otherwise exercise the Transmission Provider's rights under any or all of the Credit Support Documents, at the Transmission Provider's discretion to satisfy total amounts due and payable by the Tariff Customer; and (viii) proceed to exercise any and all remedies available to the Transmission Provider under this Tariff and/or any applicable agreements or otherwise under applicable law.

- (b) **Non-Exclusive Remedies.** No right or remedy conferred upon or reserved to the Transmission Provider under this Tariff (including, without limitation, the Transmission Provider's Credit Policy), any agreement executed under, pursuant to or in connection with this Tariff and/or any other agreements between the Transmission Provider and the Tariff Customer is intended to be or is exclusive of any other available remedy or right, but each and every remedy shall be cumulative and concurrent and shall be in addition to every other remedy now or hereafter existing at law or in equity. No single or partial exercise of any power or right shall preclude any further or other exercise of any power or right.

- (c) **No Waiver.** No delay or omission of the Transmission Provider to exercise any power or right under this Tariff (including, without limitation, the Transmission Provider's Credit Policy), any agreement executed under, pursuant to, or in connection with this Tariff and/or any other agreements between the Transmission Provider and the Tariff Customer shall impair such power or right or be construed as a waiver of any Default or an acquiescence therein and any single or partial exercise of any power or right shall not preclude other or further exercise thereof or the exercise of any other power or right. Course of dealing shall not be binding upon the Transmission Provider.

- (d) **Cost of Collection and Attorneys' Fees.** The Tariff Customer shall reimburse the Transmission Provider for any and all costs incurred by the Transmission Provider, including, without limitation attorneys' fees, in connection with enforcing any obligations of, or collecting any amounts owed from, the Tariff Customer under this Tariff, any agreement entered into under, pursuant to, or in connection with this Tariff and/or any other agreement to which the Transmission Provider and the Tariff Customer are parties.
- (e) **Amounts Payable in the Event of Default.** Any amount payable to a Tariff Customer in the event of Default will, at the option of the Transmission Provider, be reduced by its set-off against any amount(s) payable (whether at such time or in the future or upon the occurrence of a contingency) by the Tariff Customer to the Transmission Provider under this Tariff, any agreement entered into under, pursuant to, or in connection with this Tariff and/or any

other agreement between the Transmission Provider and the Tariff Customer. If an obligation is not then ascertainable, the Transmission Provider may in good faith estimate that obligation and set-off in respect of an estimate, subject to the Transmission Provider accounting to the Tariff Customer when the obligation is ascertained.

**7.15 Notices:** All notices to be delivered under or in connection with Section 7 (other than invoices) shall be in writing and shall be deemed to have been given and received (A) on the date of service if personally served on the Tariff Customer, (B) on the date transmission is sent via facsimile transmission or electronic mail, provided that telephonic, facsimile or electronic mail confirmation of receipt is obtained promptly after completion of transmission, (C) on the date after delivery to a nationally recognized overnight courier service or the Express Mail service maintained by the United States Postal Service, or (D) on the fifth (5th) day after mailing, if mailed to the Tariff Customer by first class mail, registered or certified, postage prepaid.

**7.16 Closeout of FTRs:** In the event of a Default as described in Section 7.13(d)(A),(C),(D),(E),(F) or, to the extent analogous thereto, (H), the termination of all FTRs held by the defaulting Tariff Customer shall occur immediately upon the occurrence of such a Default, and, with respect to a Default under Section 7.13(d) (D), as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition. In all cases of Default other than those enumerated in the preceding sentence, the Transmission Provider may terminate all FTRs held by the defaulting Tariff Customer by providing not less than ten (10) days written notice designating a day not earlier than the 10<sup>th</sup> day after the date of such notice as the termination date for such FTRs.

On or as reasonably practicable following the last date that an FTR held by the Tariff Customer would have lapsed had the FTR not been terminated due to a Default, the Transmission Provider will make the calculations necessary to determine the Settlement Amount, as defined below, and will provide the Tariff Customer with a statement (i) showing, in reasonable detail, such calculations and (ii) giving details of the relevant FTR to which any amount payable is to be paid. The Settlement Amount will be payable on the second Business Day after the notice of the amount payable.

The "Settlement Amount" will be equal to the total of (i) the amount that the Transmission Provider reasonably determines in good faith to be its total losses and costs (or gain, in which case it shall be expressed as a negative number) in connection with termination of the FTRs held by the Market Participant upon a Default plus (ii) all unpaid amounts that the Tariff Customer owes (or is obligated to pay to) the Transmission Provider, minus (iii) all unpaid amounts that the

Transmission Provider owes (or is obligated to pay) to the Tariff Customer. The total losses and costs in (i) above will be calculated for each FTR on the basis of, at the discretion of the Transmission Provider, either or a combination of (A) the amounts that would have been owed to and by the Tariff Customer with respect to the FTRs had such FTRs not terminated or (B) the amounts paid by or to purchasers of substantially similar FTRs at auctions administered by the Transmission Provider or in arms length transactions. If the Settlement Amount is a positive number, the Tariff Customer will pay it to the Transmission Provider; if it is a negative number, the Transmission Provider will pay the absolute value of that amount to the Tariff Customer. In circumstances where a Default occurs in connection with a bankruptcy, the amount determined under this Section will be subject to such adjustments as are appropriate and permitted by law. As losses and costs become determinable, the Transmission Provider will calculate the net amount of the determinable losses and costs on a weekly basis. If the net amount is a gain, the amount



of the gain will be placed in an interest bearing account (the “Settlement Account”). The Settlement Account will be adjusted weekly as additional losses and costs become determinable. Any interest that accumulates with respect to the Settlement Account will be included in the calculation of total net losses and costs as a negative cost or gain amount.

**7.17 Recoupment, Setoff and Netting:** This Tariff (including, without limitation, the Transmission Provider’s Credit Policy) and all agreements entered into under, pursuant to, or in connection with this Tariff and any other agreements to which the Transmission Provider and the Tariff Customer are parties shall be viewed as a single agreement and the Transmission Provider shall have the right of setoff and recoupment with respect to all amounts that arise under this Tariff and/or any such agreements.

The Transmission Provider shall have the right to recoup and/or setoff any amounts to be paid to the Transmission Provider by a Tariff Customer (including, without limitation, amounts to be settled, billed, collected and distributed by the Transmission Provider) against any amounts to be paid to the Tariff Customer by the Transmission Provider (including, without limitation, amounts to be settled, billed, collected and distributed by the Transmission Provider), whether such amounts arise under this Tariff, any agreement entered into under, pursuant to, or in connection with this Tariff and/or any other agreement to which the Transmission Provider and the Tariff Customer are parties.

If on any date amounts, including, without limitation, payment allocations, debts, or other damages, prior period adjustments, interest or credits, are due and payable by the Tariff Customer, on the one hand, and the Transmission Provider, on the other, the Transmission Provider may automatically satisfy and discharge the obligation of the Transmission Provider to make payment of any such amount to Tariff Customer to the extent of the amount of the obligation of the Tariff Customer to make payment to the Transmission Provider by netting the aggregate amount payable by the Tariff Customer against the aggregate amount payable by the Transmission Provider to the Tariff Customer and replacing those payment obligations with a single payment obligation by the Transmission Provider or the Tariff Customer (whichever owes the larger such aggregate amount) to pay the net difference between such aggregate amounts on the applicable payment date. The rights of the Transmission Provider under this Section shall be in addition to its rights of setoff and other rights and remedies under this Tariff, any other agreement or applicable law.

## **8 Accounting for Use of the Tariff**

The Transmission Provider, ITC, ITC Participants, and Transmission Owner(s) shall record the following amounts, as outlined below, where applicable.

### **8.1 [RESERVED]**

**8.2 Study Costs and Revenues:** Include in a separate transmission operating expense account or subaccount, costs properly chargeable to expense that are incurred relating to any System Impact Studies or Facilities Studies which the Transmission Owner, ITC, or ITC Participant conducts or is involved in to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including making Third-Party Sales under this Tariff; and include in a separate operating revenue account or subaccount the revenues received for System Impact Studies or Facilities Studies performed or that the Transmission Owner, ITC, or ITC Participant was involved in when such amounts are separately stated and identified in the Transmission Customer's billing under this Tariff.

## **9 Regulatory Filings**

Nothing contained in this Tariff, any Service Agreement or any Market Participant Agreement shall be construed as affecting in any way the right of the Transmission Provider, ITC, ITC Participant(s) or Transmission Owner(s) to unilaterally make application to the Commission for a change in rates, terms and conditions, charges, classification of service, Service Agreement, Market Participant Agreement, rule or regulation under § 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder; provided, however, the Transmission Provider and the Transmission Owners are restricted in their ability to make certain changes as detailed in the ISO Agreement. The ITC, and not the Transmission Provider, shall be authorized to make unilateral applications for changes in ITC Rate Schedules, and any rate, term, condition, charge, classification of service, rule or regulation of such ITC Rate Schedules.

Nothing contained in the Tariff, any Service Agreement, or any Market Participant Agreement shall be construed as affecting in any way the ability of any Party receiving service under the Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

## **10 Force Majeure, Indemnification, and Limitations of Liability and Damages**

**10.1 Force Majeure:** An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing. Neither the Transmission Provider, ITC, ITC Participant(s), the Transmission Owner(s), the Transmission Customer, Interconnection Customer, Interconnecting Transmission Owner nor the Market Participant will be considered in default as to any obligation under this Tariff if prevented from fulfilling the obligation due to an event of Force Majeure. However, a Party whose performance under this Tariff is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Tariff.

**10.2 Indemnification:** The Transmission Customer and the Market Participant shall at all times indemnify, defend and save the Transmission Provider, ITC, ITC Participant(s), Interconnection Customer, Interconnecting Transmission Owner and Transmission Owner(s) harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the Transmission Provider's, ITC's, ITC Participant's, Interconnection Customer, Interconnecting Transmission Owner or Transmission Owner's performance of its obligations under this Tariff on behalf of the

Transmission Customer and the Market Participant, except in cases of negligence or intentional wrongdoing by the Transmission Provider, ITC, ITC Participant, Interconnection Customer, Interconnecting Transmission Owner or a Transmission Owner. If the Transmission Provider or ITC engages in negligence or intentional wrongdoing, but the Transmission Owner(s) or ITC Participant(s) does (do) not, that will not affect the indemnification of the Transmission Owner(s) under this Module A, Section 10.2 and vice-versa.



### **10.3 Limitation of Liability:**

- (a) Except as provided in Module A, Section 10.4, the Transmission Owner shall not be liable, whether based on contract, indemnification, warranty, tort, strict liability or otherwise, to any Transmission Customer, Market Participant, User, Interconnection Customer, Interconnecting Transmission Owner or any third party or other person for any damages whatsoever, including, without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages arising or resulting from any act or omission in any way associated with service provided under this Tariff, including, but not limited to, any act or omission that results in an interruption, deficiency or imperfection of service, except to the extent that the Transmission Owner is found liable for gross negligence or intentional misconduct, in which case the Transmission Owner will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages. Nothing in this section, however, is intended to affect obligations otherwise provided in agreements between the Transmission Provider and Transmission Owner.

- (b) Except as provided in Module A, Section 10.4, the Transmission Provider shall not be liable, whether based on contract, indemnification, warranty, tort, strict liability or otherwise, to any Transmission Customer, Market Participant, User, Interconnection Customer, Interconnecting Transmission Owner or any third party or other person for any damages whatsoever, including, without limitation, direct, incidental, consequential, punitive, special, exemplary or indirect damages arising or resulting from any act or omission in any way associated with service provided under this Tariff, including, but not limited to, any act or omission that results in an interruption, deficiency or imperfection of service, except to the extent that the Transmission Provider is found liable for gross negligence or intentional misconduct, in which case the Transmission Provider will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages. Nothing in this section, however, is intended to affect obligations otherwise provided in agreements between the Transmission Provider and Transmission Owner.

- (c) Neither the Transmission Owner nor the Transmission Provider shall be liable for damages arising out of services provided under this Tariff, including, but not limited to, any act or omission that results in an interruption, deficiency or imperfection of service, occurring as a result of conditions or circumstances beyond the control of the Transmission Owner or Transmission Provider, as applicable, or resulting from electric system design common to the domestic electric utility industry or electric system operation practices or conditions common to the domestic electric utility industry. Transmission Owner shall not be liable for acts or omissions done in compliance or good faith attempts to comply with directives of Transmission Provider.

**10.4 Limitation on Damages:**

- (a) Notwithstanding the limitations on liability in Section 10.3(a), for each incident in which Transmission Owner is found liable for damages resulting from any act or omission associated with service provided under this Tariff, including, but not limited to, any act or omission that results in an interruption, deficiency or imperfection of service, Transmission Owner's liability in total to all persons so affected shall be limited to direct damages, except to the extent that the Transmission Owner is found liable for gross negligence or intentional misconduct, in which case the Transmission Owner will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages.

(b) Notwithstanding the limitations on liability in Section 10.3(b), for each incident in which Transmission Provider is found liable for damages resulting from any act or omission associated with service provided under this Tariff, including, but not limited to, any act or omission that results in an interruption, deficiency or imperfection of service, the Transmission Provider's liability in total to all persons so affected shall be limited to direct damages, except to the extent that the Transmission Provider is found liable for gross negligence or intentional misconduct, in which case the Transmission Provider will not be liable for any incidental, consequential, punitive, special, exemplary or indirect damages.

**10.5 Inclusion of Independent Transmission Companies:** For purposes of, Module A Sections 10.3 and 10.4 above, independent transmission companies under Appendix I of the ISO Agreement shall be included in the definition of "Transmission Owner" as used therein and such limitations of liability and damages shall be applicable to those entities.

## **11 Creditworthiness**

**11.1 Credit Review Procedures:** For the purpose of determining the ability of the Transmission Customer and the Market Participant to meet their obligations related to service hereunder, the Transmission Provider may require reasonable credit review procedures. This review shall be made in accordance with standard commercial practices. In addition, the Transmission Provider may require the Transmission Customer and the Market Participant to provide and maintain in effect during the term of the Service Agreement or Market Participant Agreement, credit support, including but not limited to the Transmission Provider credit agreement, unconditional corporate guaranty (if applicable), letter of credit, or cash deposit as security to meet its responsibilities and obligations under the Tariff, or an alternative form of security agreeable to the Transmission Customer or Market Participant and the Transmission Provider and consistent with commercial practices established by the Uniform Commercial Code that protects the Transmission Provider and ITC(s) against the risk of non-payment. The Transmission Provider shall develop creditworthiness standards and publish them on the OASIS and on the Transmission Provider's Internet webpage.

## **12 Dispute Resolution Procedures**

**12.1 Internal Dispute Resolution Procedures:** Any dispute between a Transmission Customer or a Market Participant and the Transmission Provider and an ITC involving transmission service under the Tariff (excluding applications for rate changes or other changes to the Tariff, any Service Agreement or to any Market Participant Agreement entered into under the Tariff, which shall be presented directly to the Commission for resolution) shall be referred to a designated senior representative of the Transmission Provider or, in the case of a dispute involving an ITC, a senior representative of the ITC, and a senior representative of the Transmission Customer or Market Participant for resolution on an informal basis as promptly as practicable. All billing disputes involving Transmission Service under this Tariff must be initiated with the

Transmission Provider or, in the case of an invoice issued by an ITC, with the ITC, within ninety (90) days from the date of invoice. In the event the designated representatives are unable to resolve the dispute within thirty (30) days (or such other period as the Parties may agree upon) by mutual agreement, such dispute may be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. All disputes involving invoices for Transmission Service shall be further governed by either the Transmission Service Billing Dispute Resolution Manual for disputes pursuant to service under Module B of this Tariff. All disputes involving services under Module C of this Tariff must be initiated with the Transmission Provider within ten (10) days from the date of the settlement statement(s) or invoice and shall be governed by the Energy Markets Billing Dispute Resolution Manual for disputes related to Module C of this Tariff. These manuals are available for inspection by the Transmission Customers, regulatory authorities with jurisdiction over the Transmission Provider, ITC, Transmission Customer, and the public and is posted on the Transmission Provider website.



**12.2 External Arbitration Procedures:** Any arbitration initiated under the Tariff shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and any applicable Commission regulations or Regional Transmission Group rules.

**12.3 Arbitration Decisions:** Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the Parties in writing of such decision and the reasons therefore. The arbitrator(s) shall be authorized only to interpret and apply the provisions of the Tariff and any Service Agreement or Market Participant Agreement entered into under the Tariff and shall have no power to modify or change any of the above in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with the Commission if it affects jurisdictional rates, terms and conditions of service or facilities.

**12.4 Costs:** Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable:

- (a) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or
- (b) one half the cost of the single arbitrator jointly chosen by the Parties.

**12.5 Rights Under The Federal Power Act:** Nothing in this section shall restrict the rights of any party to file a Complaint with the Commission under relevant provisions of the Federal Power Act.

**12.6 ITC, ITC Participant, and Transmission Owner Disputes:** Disputes involving an ITC, ITC Participant(s), or Transmission Owner(s) under this Tariff also shall be subject to the Internal Dispute Resolution Procedures of Module A, Section 12.1 and may be subject to the External Arbitration Procedures of Module A, Section 12.2 if the Transmission Owner(s), ITC, ITC Participant(s) and the other affected entities agree.

## **12A Expedited Dispute Resolution Procedures**

**12A.1 Expedited Dispute Resolution Procedures:** These Expedited Dispute Resolution Procedures are designed to address any dispute between parties to Grandfathered Agreements involving the designation of: (i) a GFA Responsible Entity; (ii) a GFA Scheduling Entity; (iii) the transaction receipt point and the transaction delivery point under the Grandfathered Agreement; or (iv) the maximum available MW capacity under the Grandfathered Agreement. This process is not intended to replace good faith negotiations between parties to Grandfathered Agreements, and is to be employed as a last resort if negotiations are not successful. This process is also not intended to supersede any alternative dispute resolution procedures available under the Grandfathered Agreement, so long as the parties resolve all issues in time to comply with the temporal requirements specified in Module C of this Tariff.

**12A.2 Neutral Arbitration Procedures:** Any arbitration initiated under this Section 12A shall be conducted before a three-person panel appointed by the parties to the agreement listed in Attachment P of this Tariff. If there are only two parties to the agreement, each party shall select one arbitrator within five (5) days of having referred the matter to Expedited Dispute Resolution Procedures. If there are more than two parties to the agreement, the parties shall be divided as GFA service providers and GFA customers under the agreement. The GFA service providers and the GFA customers under the agreement shall each select an arbitrator within five (5) days of having referred the matter to Expedited Dispute Resolution Procedures. The two arbitrators so chosen shall, within five (5) days, select a third arbitrator (the “Chairperson”) to chair the arbitration panel. All arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

**12A.3 Expedited Dispute Resolution Decisions:** The arbitrators shall render a decision within twenty-five (25) days of appointment and shall notify the parties in writing of such decisions and the reasons therefore. The parties shall notify the Transmission Provider of the arbitrators' decision in writing no later than August 1, 2004. The arbitrators shall be authorized only to interpret and apply the provisions of this Tariff and the subject Grandfathered Agreement(s). The decision of the arbitrators shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrators may be appealed solely on the grounds that the conduct of the arbitrators, or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.

**12A.4 Costs:** Each party shall be responsible for its own costs incurred during the arbitration process and for the cost of the arbitrator chosen by the party to sit on the three member panel. Each party shall also be responsible for one half of the cost of the Chairperson, including any travel costs, accommodations, their hourly rates and professional fees associated with the proceeding. If there are more than two parties to the agreement, the GFA service providers and the GFA customers groups shall each be responsible for half of the cost of the Chairperson.

## **12B Participation by the United States**

### **12B.1 Subject to Acts of Congress**

The participation by the United States through the Western Area Power Administration, or other Federal entity, in this Tariff is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder, and to rate schedules promulgated by the Secretary of Energy. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising under this Tariff to arbitration. In the event of a conflict between these Federal Participation provisions and any other provision of this Tariff, these Federal Participation provisions shall have precedence with respect to the application of this Tariff to the United States.



### **12B.2 Contingent Upon Appropriations**

Where activities provided for in this Tariff extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the United States under this Tariff. In case such appropriation is not made, the Parties/Customers hereby release the United States from its contractual obligations under this Tariff and from all liability due to the failure of Congress to make such appropriation.

### **12B.3 Covenant Against Contingent Fees**

The Parties/Customers warrant that no person or selling agency has been employed or retained to solicit or secure the contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the United States shall have the right to annul the contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fees.

#### **12B.4 Contractor Agreement**

For the purpose of this Federal Participation provision, the term “Contract” shall mean this Tariff and the term “Contractor” shall mean a Party/Customer having transactions with the Western Area Power Administration, or other Federal entity. During the performance of this Contract, the Contractor agrees to the following provisions. In addition, the Contractor will include the following provisions in every subcontract or purchase order involving the Western Area Power Administration or other Federal entity, unless exempted by rules, regulations or order of the Secretary of Labor.

## **12C Employment Practices**

### **12C.1 Equal Opportunity Employment Practices**

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Contract.

### **12C.2 Contract Work Hours and Safety Standards**

The Contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (“Act”), 40 U.S.C. § 329 (1986, Supp. 1999), is subject to the provisions of the Act, 40 U.S.C. § 327-333 (1986 Supp. 1999), and to regulations promulgated by the Secretary of Labor pursuant to the Act.

### **12C.3 Use of Convict Labor**

The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the Contract except as provided by 18 U.S.C. § 4082 (c) (2) (1986, Supp. 1999) and Executive Order 11755, 39 Fed. Reg. 779 (1973), as amended.

## **12D ITC Public Power Participation**

### **12D.1 Subject to State Laws and Regulations and Public Power Rate**

#### **Schedules**

The participation in this Tariff by an ITC Participant that is not a public utility under the Federal Power Act, but rather is a public-power entity, is subject in all respects to the laws and regulations of the state of its creation and to rate schedules adopted by its governing board under state law. The Commission has exclusive jurisdiction to interpret the provisions of this Tariff and how the provisions apply to such public-power entity(ies). In the event of a conflict between such state law, regulations or rate schedules with any provisions of this Tariff, such state law, regulations or rate schedules shall govern with respect to the application of this Tariff to said ITC Participant.

However, in the event that the governing board of such public-power entity(ies), subject to state court review, determines that a conflict exists between the applicable state law, regulations or rate schedules and provisions of this Tariff as interpreted by the Commission, such state law, regulations or rate schedules

shall govern with respect to the application of this Tariff to such public-power entity(ies). Should the governing board of such public-power entity(ies) determine that such a conflict exists, the public-power entity(ies) must file with the Commission, such necessary documents notifying the Commission of the governing board determination of such a conflict and explaining both the conflict (including what state law, regulations or rate schedules and what Tariff provisions are at issue) and what actions the governing board is taking in response to that determination.

## **MODULE B. - TRANSMISSION SERVICE**

### **I. INTRODUCTION**

The Transmission Provider shall provide Point-To-Point and Network Integration Transmission Service pursuant to the applicable terms and conditions of this Tariff.

Point-To-Point Transmission Service is for the receipt of capacity and Energy at designated Point(s) of Receipt and the transmission of such capacity and energy to designated Point(s) of Delivery. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which Transmission Owners utilize the Transmission System to serve their Native Load or other Network Customers.

### **II. POINT-TO-POINT TRANSMISSION SERVICE**

#### **Preamble**

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the applicable terms and conditions of this Tariff. An ITC may provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the ITC Rate Schedule under this Tariff where both the Point of Receipt and the Point of Delivery are on the ITC System, provided that the Transmission Customer has executed an appropriate Service

Agreement with the Transmission Provider. Point-To-Point Transmission Service is for the receipt of Energy at designated Point(s) of Receipt and the transmission of such Energy to designated Point(s) of Delivery. Point-To-Point Customers with Point(s) of Receipt and Point(s) of Delivery located within the Transmission System (Michigan) may obtain Point-To-Point Transmission Service under Schedule 7 – Michigan and Schedule 8 - Michigan of this Tariff

### **13 Nature of Firm Point-To-Point Transmission Service**

#### **13.1 Term**

The minimum term of Firm Point-To-Point Transmission Service shall be one (1) day and the maximum term shall be specified in the Service Agreement.

### **13.2 Reservation Priority**

Long-Term Firm Point-To-Point Transmission Service shall be available on a first-come, first-served basis *i.e.*, in the chronological sequence in which each Transmission Customer has reserved service. Reservations for Short-Term Firm Point-To-Point Transmission Service will be conditional based upon the length of the requested transaction. If the Transmission System becomes oversubscribed, requests for longer-term service may preempt requests for shorter-term service that involve the same source or sink Control Area or controllable device/contract path interface up to the following deadlines: one day before the commencement of daily service; one week before the commencement of weekly service; and one month before the commencement of monthly service. Before the conditional reservation deadline, if Available Transfer Capability is insufficient to satisfy all Applications, an Eligible Customer with a reservation for shorter-term service has the right of first refusal to match any



longer-term reservation before losing its reservation priority. A longer-term competing request for Short-Term Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request within twenty-four (24) hours (or earlier if necessary to comply with the scheduling deadlines provided in Section 13.8) from being notified by the Transmission Provider of a longer-term competing request for Short-Term Firm Point-To-Point Transmission Service. After the conditional reservation deadline, service will commence pursuant to the terms of this Tariff. Firm Point-To-Point Transmission Service will always have a reservation priority over Non-Firm Point-To-Point Transmission Service under the Tariff. All Long-Term Firm Point-To-Point Transmission Service will have equal reservation priority with Native Load Customers and Network Customers. Reservation priorities for existing firm service customers are provided in Section 2.2.

**13.3 [RESERVED]**

**13.4 Service Agreements**

The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement to an Eligible Customer when it submits a Completed Application for Long-Term Firm Point-To-Point Transmission Service. The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement to an Eligible Customer when it first submits a Completed Application for Short-Term Firm Point-To-Point Transmission Service pursuant to this Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations. The standard form of Service Agreement for Firm Point-To-Point Transmission Service is provided in Attachment A of this Tariff.

### **13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs**

In cases where the Transmission Provider or ITC determines that the Transmission System is not capable of providing Firm Point-To-Point Transmission Service without: (1) degrading or impairing the reliability of service to Native Load Customers, Network Customers and other Transmission Customers taking Firm Point-To-Point Transmission Service; or (2) interfering with the Transmission Provider's or ITC's ability to meet prior firm contractual commitments to others, the relevant Transmission Owner(s) or ITC will be obligated to expand or upgrade its (their) Transmission System(s) pursuant to the terms of Section 15.4. The Transmission Customer must agree to pay the Transmission Provider or ITC for any necessary transmission facility additions pursuant to the terms of Section 27. To the extent a system constraint can be relieved more economically by redispatching Generation Resources rather than through constructing Network Upgrades, the procedures in Module C, or the ITC Rate Schedule, if applicable, shall apply. Any Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis under this Tariff will be specified in the Service Agreement prior to initiating service.

### **13.6 Curtailment of Firm Transmission Service**

In the event that a Curtailment on the Transmission System, or a portion thereof, is required to maintain reliable operation of such system, and the systems directly and indirectly interconnected with the Transmission System, Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief Procedures specified in Attachment Q. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider will curtail service to Network Customers and Transmission Customers taking Firm Point-To-Point Transmission Service on a non-discriminatory basis. If any Transmission Owners have Native Load Customers, then the Transmission Provider will curtail service on a comparable basis to Native Load Customers.

All Curtailments will be made on a non-discriminatory basis; however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. When the Transmission Provider determines that an electrical Emergency exists on its Transmission System and implements Emergency procedures to curtail Firm Transmission Service, the Transmission Customer shall make the required reductions upon request of the Transmission Provider. However, the Transmission Provider reserves the right to curtail, in whole or in part, any Firm Transmission Service provided under the Tariff when, in the Transmission Provider's sole discretion, an Emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. The Transmission Provider will notify all affected Transmission Customers in a timely manner of any scheduled Curtailments. In the event that the Transmission Customer fails to cease or reduce service in response to a directive by the Transmission Provider, the Transmission Customer shall pay the following penalties in addition to any other applicable charges: \$10 per kW if the customer fails to curtail service within ten (10) minutes of a directive by the Transmission Provider; or \$20 per kW if the customer fails to curtail service within twenty (20) minutes of a directive by the Transmission Provider.

These charges shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a Transmission Provider or ITC directive. The Transmission Provider or ITC, where applicable, shall compensate any affected Control Areas or Generation Resources for their actual costs up to the amount recovered by the Transmission Provider or ITC, as applicable. Any revenues in excess of actual costs shall be used to reduce the Transmission Provider's costs in Schedule 10 or, in the case of ITC Service, any revenues in excess of actual costs shall be applied as specified in the ITC Rate Schedule.

### **13.7 Classification of Firm Transmission Service**

- a.** The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of Section 22.1 or (2) request a modification of the Points of Receipt or Delivery on a firm basis pursuant to the terms of Section 22.3.

- b.** The Transmission Customer may purchase Transmission Service to make sales of Capacity and Energy from multiple Generation Resources that are interconnected to the Transmission System. For such a purchase of Transmission Service, the Generation Resource will be designated as multiple Points of Receipt, except that multiple Generation Resources interconnected to the Transmission System and Interface points designated as Points of Receipt shall be treated as a single Point of Receipt.

- c. The Transmission Provider or ITC, as applicable, shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery.



Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of the applicable Schedule 7. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. In the event that a Transmission Customer's schedules (including Third-Party Sales by a Transmission Owner) exceed its firm reserved capacity at any Point of Receipt or Point of Delivery, the Transmission Customer shall pay the following penalty: two hundred percent (200%) of the Firm Point-To-Point Transmission Service charge for the entire length of the reserved period but not exceeding one month for the amount in excess of such reserved capacity at the specific Point of Receipt or Point of Delivery where the reserved capacity was exceeded. These penalty revenues shall reduce the Transmission Provider's costs to be recovered under Schedule 10.

### **13.8 Scheduling of Firm Point-To-Point Transmission Service**

Schedules for the Transmission Customer's Firm Point-To-Point Transmission Service must be submitted in accordance with the application time period set forth in Attachment J. Schedules submitted after the applicable time will be accommodated, if practicable. Transmission Customers shall submit all schedules electronically in a form specified by the Transmission Provider. Hour-to-hour schedules of any capacity and energy that is to be delivered must be stated in increments of 1,000 kW per hour. Transmission Customers within a Transmission Owner's service (or control) area with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kW per hour, may consolidate their service requests at a common Point of Receipt into units of 1,000 kW per hour for scheduling and billing purposes. Scheduling changes will be permitted in accordance with Attachment J. However, in the event of a system contingency such as a generation or transmission outage, or Curtailment or Interruption of Transmission Service, scheduling changes will be implemented as soon as practicable.

The Transmission Provider, or if ITC Service is taken, the ITC, will furnish to the Delivering Party's system operator, hour-to-hour schedules equal to those furnished by the Receiving Party and shall deliver the capacity and energy provided by the Delivering Party. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify the Transmission Provider or, if appropriate, the ITC, and the Transmission Provider shall have the right to adjust accordingly the schedule for capacity and Energy to be received and to be delivered.

#### **14 Nature of Non-Firm Point-To-Point Transmission Service**

##### **14.1 Term**

Non-Firm Point-To-Point Transmission Service will be available for periods ranging from one (1) hour to one (1) month. However, a Purchaser of Non-Firm Point-To-Point Transmission Service will be entitled to reserve a sequential term of service (such as a sequential monthly term without having to wait for the initial term to expire before requesting another monthly term) so that the total time period for which the reservation applies is greater than one month, subject to the requirements of Attachment J.

## **14.2 Reservation Priority**

Non-Firm Point-To-Point Transmission Service shall be available from transmission capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned to reservations with a longer duration of service. In the event the Transmission System is constrained, competing requests of equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. Eligible Customers that have already reserved shorter-term service have the right of first refusal to match any longer-term reservation before being preempted. A longer-term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (i) immediately for hourly Non-Firm Point-To-Point Transmission

Service after notification by the Transmission Provider; and, (ii) within twenty-four (24) hours (or earlier if necessary to comply with the scheduling deadlines provided in Attachment J) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider.

Transmission Service for Network Customers from Generation Resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the second lowest reservation priority under this Tariff, and Non-Firm Point-To-Point Transmission Service used for Next-Hour-Transmission Service will have the lowest reservation priority under this Tariff.

**14.3 [RESERVED]**

**14.4 Service Agreements**

The Transmission Provider shall offer a standard form Non-Firm Point-To-Point Transmission Service Agreement (Attachment B to this Tariff) to an Eligible Customer when it first submits a Completed Application for Non-Firm Point-To-Point Transmission Service pursuant to this Tariff. Executed Service Agreements that contain the information required under this Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

#### **14.5 Classification of Non-Firm Point-To-Point Transmission Service**

Non-Firm Point-To-Point Transmission Service shall be offered under terms and conditions contained in Module B of this Tariff and any applicable ITC Rate Schedule for ITC Service offered within an ITC System. The Transmission Provider, Transmission Owners, ITC, and ITC Participants undertake no obligation under this Tariff to plan the Transmission System in order to have sufficient capacity for Non-Firm Point-To-Point Transmission Service. Parties requesting Non-Firm Point-To-Point Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of this Tariff. In the event that a Transmission Customer's schedules (including Third-Party Sales by a Transmission Owner) exceeds its non-firm capacity reservation, the Transmission Customer shall pay the following penalty: two hundred percent (200%) of the Non-Firm Point-To-Point Transmission Service Charge for the entire length of the reserved period not to exceed one month for the amount in excess of such capacity reservation.

These penalty revenues shall reduce the Transmission Provider's costs to be recovered under Schedule 10 except, when ITC Service is taken, the penalty revenues shall be used as set forth in the applicable ITC Rate Schedule.

Non-Firm Point-To-Point Transmission Service shall include transmission of Energy on an hourly basis and transmission of scheduled short-term capacity and Energy on a daily, weekly or monthly basis, but not to exceed one month's reservation for any one Application, under the applicable Schedule 8 or the applicable ITC Rate Schedule.



#### **14.6 Scheduling of Non-Firm Point-To-Point Transmission Service**

Schedules for Non-Firm Point-To-Point Transmission Service, other than for Next-Hour-Market Service, must be submitted to the Transmission Provider or, when appropriate, the ITC, in accordance with the terms in Attachment J.

Schedules submitted after the time specified in Attachment J will be accommodated, if practicable. Transmission Customers shall submit all schedules electronically in a form specified by the Transmission Provider or ITC, if applicable. Hour-to-hour schedules of Energy that is to be delivered must be stated in increments of 1,000 kW per hour. Transmission Customers within the Transmission Owner's service (or control) area with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kW per hour [MWh], may consolidate their schedules at a common Point of Receipt into units of 1,000 kW per hour [MWh]. Scheduling changes will be permitted in accordance with Attachment J. The Transmission Provider or, when appropriate the ITC, will furnish to the Delivering Party's system operator, hour-to-hour

schedules equal to those furnished by the Receiving Party (unless reduced for losses) and shall deliver the Energy provided by the Delivering Party. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify the Transmission Provider or, where appropriate the ITC, and the Transmission Provider or the ITC shall have the right to adjust accordingly the schedule for Energy to be received and to be delivered. All requests for Non-Firm Point-To-Point Service during the first 15 minutes after the time when Non-Firm Point-To-Point Service can first be requested on the OASIS in accordance with Attachment J (except for hourly service to which this sentence does not apply), will be considered as if they were submitted at the same time. Schedules for Non-Firm Point-To-Point Transmission Service for Next-Hour- Transmission Service must be submitted to the Transmission Provider, or when appropriate, ITC, no later than twenty (20) minutes and no earlier than sixty (60) minutes before the start of the schedule. Schedules submitted less than twenty (20) minutes prior to the start of the schedule will be accommodated, if practicable.

#### **14.7 Curtailment or Interruption of Service**

The Transmission Provider reserves the right to curtail, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under this Tariff for reliability reasons when, an Emergency or other unforeseen condition threatens to impair or degrade the reliability of the Transmission System or the systems directly and indirectly interconnected with the Transmission System. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief procedures specified in Attachment Q. The Transmission Provider reserves the right to interrupt, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under this Tariff for economic reasons in order to accommodate (i) a request for Firm Transmission Service; (ii) a request for Non-Firm Point-To-Point Transmission Service of greater duration; (iii) a request for Non-Firm Point-To-Point Transmission Service of equal duration with a higher price;

or (iv) Transmission Service for Network Customers from non-designated resources. Point-To-Point Transmission Service for Next-Hour-Transmission Service will always have the lowest priority. The Transmission Provider also will discontinue or reduce service to the Transmission Customer to the extent that deliveries for transmission are discontinued or reduced at the Point(s) of Receipt. Where required, Curtailments or Interruptions will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint; however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. If multiple transactions require Curtailment or Interruption, to the extent practicable and consistent with Good Utility Practice, Curtailments or Interruptions will be made first to Next-Hour-Transmission Service and then to remaining transactions beginning with those transactions of the shortest term (*e.g.*, hourly non-firm transactions will be curtailed or interrupted before daily non-firm transactions and daily non-firm transactions will be Curtailed or Interrupted before weekly non-firm transactions). Transmission Service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under this Tariff. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have a higher priority than

Next-Hour Transmission Service, but will have a lower priority than any other Non-Firm Point-To-Point Transmission Service under the Tariff. The Transmission Provider will provide advance notice of Curtailment or Interruption where such notice can be provided consistent with Good Utility Practice. In the event that the Transmission Customer fails to cease or reduce service in response to a directive by the Transmission Provider, the Transmission Customer shall pay the following penalties in addition to any other applicable charges:

- a) \$10 per kW if the Customer fails to curtail service within ten (10) minutes of a directive by the Transmission Provider;
- b) \$20 per kW if the Customer fails to curtail service within twenty (20) minutes of a directive by the Transmission Provider; or
- c) \$20 per kW if the customer fails to interrupt service at the beginning of the Hour for which the Interruption is requested; provided that the customer is given a minimum of forty (40) minutes notice before the beginning of such Hour; and provided further that the customer may retain its service and avoid the penalty by agreeing pursuant to Section 14.2 of this Tariff to match any longer-term reservation and/or higher price in a competing request before being Interrupted.

These charges shall apply only to the portion of the service that the Transmission Customer fails to curtail or interrupt in response to a Curtailment or Interruption directive. The Transmission Provider or ITC where applicable, shall compensate any affected Control Areas or generators for their actual costs up to the amount recovered by the Transmission Provider or ITC, as applicable. Any revenues in excess of actual costs shall be used to reduce the Transmission Provider costs in Schedule 10 or, in the case of ITC Service, any revenues in excess of actual costs shall be applied as specified in an ITC Rate Schedule.

## **15 Service Availability**

### **15.1 General Conditions**

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service over, on or across its Transmission System to any Transmission Customer that has met the requirements of Section 16.1.

## **15.2 Determination of Available Transmission Capability**

A description of the Transmission Provider's specific methodology for assessing available transmission capability posted on the Transmission Provider's OASIS (Section 4) is contained in Attachment C of the Tariff. In the event sufficient transmission capability may not exist to accommodate a service request, the Transmission Provider or as appropriate, the ITC, will respond by performing a System Impact Study.

## **15.3 Initiating Service in the Absence of an Executed Service Agreement**

If the Transmission Provider and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Point-To-Point Transmission Service Agreement, the Transmission Provider shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification directing the Transmission Provider to file, an unexecuted Point-To-Point Service Agreement containing terms and conditions deemed appropriate by the Transmission Provider for such requested Transmission Service.

The Transmission Provider shall commence providing Transmission Service subject to the Transmission Customer agreeing to: (i) compensate the Transmission Provider at whatever rate the Commission ultimately determines to be just and reasonable and (ii) comply with the terms and conditions of the Tariff including posting appropriate security deposits in accordance with the terms of Section 17.4.

**15.4 Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System**

If the Transmission Provider determines that it cannot accommodate a Completed Application for Firm Point-To-Point Transmission Service because of insufficient capability on the Transmission System, the Transmission Provider and the affected Transmission Owner(s) and ITC(s) will use due diligence to expand or modify the Transmission System to provide the requested Firm Transmission Service, provided the Transmission Customer agrees to compensate



the Transmission Provider and ITC for such costs pursuant to the terms of Section 27. The Transmission Provider and the affected Transmission Owner(s), ITC(s), and ITC Participant(s), if applicable, will conform to Good Utility Practice in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that the affected Transmission Owner(s), ITC(s), and ITC Participant(s) have the right to expand or modify.

### **15.5 Deferral of Service**

The Transmission Provider may defer providing service until construction is completed of new transmission facilities or upgrades needed to provide Firm Point-To-Point Transmission Service whenever the Transmission Provider determines that providing the requested service would, without such new facilities or upgrades, impair or degrade reliability to any existing firm services.

## **15.6 Other Transmission Service Schedules**

Eligible Customers receiving transmission service under Grandfathered Agreements and ITC Grandfathered Agreements may continue to receive transmission service under those agreements until such time as those agreements may be modified by the Commission.

## **15.7 Marginal Losses**

System Losses are associated with all Transmission Service including Transmission Service associated with Grandfathered Agreements. The Transmission Provider shall assess to Market Participants the Marginal Losses Component of LMP, as specified in Sections 39.2.9.c.ii, 39.3.3.c.ii, 40.2.11, and 40.4.1.

## **16 Transmission Customer Responsibilities**

### **16.1 Conditions Required of Transmission Customers**

Point-To-Point Transmission Service shall be provided by the Transmission Provider, or, as applicable, the ITC only if the following conditions are satisfied by the Transmission Customer:

- a.** The Transmission Customer has pending a Completed Application for service;
- b.** The Transmission Customer meets the creditworthiness criteria set forth in Attachment L;
- c.** The Transmission Customer will have arrangements in place for any other transmission service necessary to affect the delivery from the generating source to the Transmission Provider prior to the time service under Module B of this Tariff commences;
- d.** The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Module B of this Tariff, whether or not the Transmission Customer takes service for the full term of its reservation; and
- e.** The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Section 15.3.

## **16.2 Transmission Customer Responsibility for Third-Party Arrangements**

Any scheduling arrangements that may be required by other electric systems shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by the Transmission Provider, notification to the Transmission Provider identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by the Transmission Provider pursuant to Module B of this Tariff on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, the Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

## **17 Procedures for Arranging Firm Point-To-Point Transmission Service**

### **17.1 Application**

A request for Firm Point-To-Point Transmission Service for periods of one year or longer must contain a written Application to Transmission Provider Name and Address pursuant to the schedule contained in Attachment J. All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the Transmission Provider's OASIS.

### **17.2 Time Requirements**

Attachment J lists the time requirements applicable to when the requests must be made, the evaluation of the requests, and the Transmission Customer response.

### **17.3 Completed Application**

A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, email address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (iv) The location of the Generation Resource(s) supplying the capacity and Energy and the location of the Load ultimately served by the capacity and energy transmitted. The Transmission Provider will treat this information as confidential except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations;

- (v) A description of the supply characteristics of the capacity and Energy to be delivered;
- (vi) An estimate of the capacity and Energy expected to be delivered to the Receiving Party;
- (vii) The service commencement date and the term of the requested Transmission Service; and
- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission Provider's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement. The Transmission Provider and, when ITC Service is requested, ITC shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

#### **17.4 Deposit**

A Completed Application for Firm Point-To-Point Transmission Service also shall include, at the discretion of Transmission Provider, a deposit of either one month's charge for Reserved Capacity, the full charge for Reserved Capacity for service requests of less than one month, or a request for waiver of such deposit, which request shall be accepted if the Eligible Customer is found by the Transmission Provider to be creditworthy.

If the Application is rejected by the Transmission Provider because it does not meet the conditions for service as set forth herein, or in the case of requests for service arising in connection with losing bidders in a Request For Proposals ("RFP"), said deposit shall be returned with interest less any reasonable costs incurred by the Transmission Provider in connection with the review of the losing bidder's Application. The deposit also will be returned with interest less any reasonable costs incurred by the Transmission Provider if the Transmission Provider is unable to complete new facilities needed to provide the service.



If an Application is withdrawn or the Eligible Customer decides not to enter into a Service Agreement for Firm Point-To-Point Transmission Service, any deposit shall be refunded in full, with interest, less reasonable costs incurred by the Transmission Provider to the extent such costs have not already been recovered by the Transmission Provider from the Eligible Customer. The Transmission Provider will provide to the Eligible Customer a complete accounting of all costs deducted from any refunded deposit, which the Eligible Customer may contest if there is a dispute concerning the deducted costs. Deposits associated with construction of new facilities are subject to the provisions of Section 19. If a Service Agreement for Firm Point-To-Point Transmission Service is executed, any deposit, with interest, will be returned to the Transmission Customer upon expiration or termination of the Service Agreement for Firm Point-To-Point Transmission Service. Applicable interest shall be computed in accordance with the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii) and shall be calculated from the day the deposit check is credited to the Transmission Provider's account.

### **17.5 Notice of Deficient Application**

If an Application fails to meet the requirements of this Tariff, the Transmission Provider shall notify the entity requesting service within the applicable time period set forth in Attachment J for responding to Applications. The Transmission Provider will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application, along with any deposit, with interest. Upon receipt of a new or revised Application that fully complies with the requirements of Module B of this Tariff, the Eligible Customer shall be assigned a new priority consistent with the date of the new or revised Application.

## **17.6 Response to a Completed Application**

Following receipt of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider shall make a determination of available transmission capability as required in Section 15.2. The Transmission Provider shall notify the Eligible Customer in accordance with the times in Attachment J either (i) if it will be able to provide service without performing a System Impact Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to Section 19.1. Responses by the Transmission Provider must be made as soon as practicable to all completed applications on a non-discriminatory basis.

### **17.7 Execution of Service Agreement**

Whenever the Transmission Provider or, as applicable, ITC determines that a System Impact Study is not required and that the service can be provided, Transmission Provider shall notify the Eligible Customer consistent with the applicable time period set forth in Attachment J. Where a System Impact Study is required, the provisions of Section 19 will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Section 15.3, within the times in Attachment J will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

### **17.8 Extensions for Commencement of Service**

The Transmission Customer can obtain up to five (5) one-year extensions for the commencement of service. The Transmission Customer may postpone service by paying a non-refundable annual reservation fee equal to one (1) month's charge for Firm Transmission Service for each year or fraction thereof. If during any extension for the commencement of service an Eligible Customer submits a Completed Application for Firm Transmission Service, and such request can be satisfied only by releasing all or part of the Transmission Customer's Reserved Capacity, the original Reserved Capacity will be released unless the following condition is satisfied. Within thirty (30) days, the original Transmission Customer agrees to pay the Firm Point-To-Point transmission rate for its Reserved Capacity concurrent with the new Service Commencement Date. In the event the Transmission Customer elects to release the Reserved Capacity, the reservation fees or portions thereof previously paid will be forfeited.

## **18 Procedures for Arranging Non-Firm Point-To-Point Transmission Service**

### **18.1 Application**

Eligible Customers seeking Non-Firm Point-To-Point Transmission Service must submit a Completed Application to the Transmission Provider. Applications should be submitted by entering the information listed below on the Transmission Provider's OASIS.

### **18.2 Completed Application**

A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, email address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Tariff;
- (iii) The Point(s) of Receipt and the Point(s) of Delivery;
- (iv) The maximum amount of capacity requested at each Point of Receipt and Point of Delivery; and

- (v) The proposed dates and hours for initiating and terminating Transmission Service hereunder. In addition to the information specified above, when required to properly evaluate system conditions, the Transmission Provider also may ask the Transmission Customer to provide the information indicated in (vi) and (vii) below.
- (vi) The electrical location of the initial source of the power to be transmitted pursuant to the Transmission Customer's request for service; and
- (vii) The electrical location of the ultimate Load. The Transmission Provider and, when ITC Service is requested, the ITC will treat this information in (vi) and (vii) as confidential at the request of the Transmission Customer except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to RTG transmission information sharing agreements. The Transmission Provider and, as applicable, the ITC shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

**18.3 Timing of Requests and Responses Regarding Reservation of Non-Firm Point-To-Point Transmission Service**

See Attachment J. Requests for service received later than the applicable time prior to the day service is scheduled to commence will be accommodated if practicable.

**18.4 Determination of Available Transmission Capability**

Following receipt of a tendered schedule the Transmission Provider will make a determination on a non-discriminatory basis of available transmission capability pursuant to Section 15.2. Such determination shall be made as soon as reasonably practicable after receipt, but not later than the time periods specified in Attachment J.



**19 Additional Study Procedures For Firm Point-To-Point Transmission Service Requests**

**19.1 Notice of Need for System Impact Study**

After receiving a request for service, the Transmission Provider or ITC, as applicable, shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of the Transmission Provider's and, as applicable, ITC's methodology for completing a System Impact Study is provided in Attachment D.

If the Transmission Provider or ITC, as applicable, determines that a System Impact Study is necessary to accommodate the requested service, the Transmission Provider shall so inform the Eligible Customer within the times specified in Attachment J. In such cases, the Transmission Provider shall within thirty (30) days of receipt of a Completed Application tender a System Impact Study Agreement in the form of Attachment D-1 of this Tariff, pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider or ITC, as applicable, for performing the required System Impact Study including any costs of the Transmission Owner(s) and ITC Participant(s) where applicable. For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study agreement and return it to the Transmission Provider within the time provided for in Attachment J. If the Eligible Customer elects not to execute the System Impact Study agreement, its application shall be deemed withdrawn and any deposit, pursuant to Section 17.4, shall be returned with interest.

## **19.2 System Impact Study Agreement and Cost Reimbursement**

- (i) The System Impact Study agreement will clearly specify the Transmission Provider's or, as applicable, ITC's estimate of the actual cost, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the Transmission Provider or, as applicable, ITC shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.

- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for the Transmission Provider or ITC, as applicable, to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) Each Transmission Owner shall pay the Transmission Provider for System Impact Studies that the Transmission Provider conducts on the Owner's behalf in instances where merchant employees of the Transmission Owner, or as applicable the ITC, have requested transmission service, the same as any non-transmission owning customer.

### **19.3 System Impact Study Procedures**

Upon receipt of an executed System Impact Study Agreement in the form of Attachment D-1 of this Tariff, the Transmission Provider or ITC, as applicable, will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within sixty (60) days or as soon as practicable. The System Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. In the event that the Transmission Provider or ITC is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. The Transmission Provider or ITC will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for Transmission Owners or ITC Participants.

The Transmission Provider or ITC, as applicable, shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In order for a request to remain a Completed Application, within the time period set forth in Attachment J for a customer response from the date of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Section 15.3 or the Application shall be deemed terminated and withdrawn.

#### **19.4 Facilities Study Procedures**

If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, the Transmission Provider, within thirty (30) days of the completion of the System Impact Study, shall tender to the Eligible Customer a Facilities Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider or, as applicable, ITC and any affected Transmission Owner(s) for performing the required Facilities Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement in the form of Attachment D-2 of this Tariff and return it to the Transmission Provider within fifteen (15) days. If the Eligible Customer elects not to execute the Facilities Study Agreement, its application shall be deemed withdrawn and any deposit, pursuant to Section 17.4, shall be returned with interest. Upon receipt of an executed Facilities Study Agreement, the Transmission Provider or ITC, as applicable, in coordination with the appropriate Transmission Owner(s) and ITC Participant(s) will use due diligence to complete the required Facilities Study within a sixty (60) day period.

If the Transmission Provider or ITC, as applicable, together with the affected Transmission Owner(s) and ITC Participant(s) are unable to complete the Facilities Study in the allotted time period, the Transmission Provider or ITC, as applicable, shall notify the Transmission Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. When completed, the Facilities Study will include a good faith estimate of: (i) the cost of Direct Assignment Facilities to be charged to the Transmission Customer; (ii) the Transmission Customer's appropriate share of the cost of any required Network Upgrades as determined pursuant to the provisions of Module B of this Tariff; and (iii) the time required to complete such construction and initiate the requested service. The Transmission Customer shall provide the Transmission Provider with a letter of credit or other reasonable form of security acceptable to the Transmission Provider or ITC, as applicable, equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. Within the time set out on Attachment J, the Transmission Customer shall execute a Service Agreement or request the filing of an unexecuted Service Agreement and provide the required letter of credit or other form of security or the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.



### **19.5 Facilities Study Modifications**

Any change in design arising from inability to site or construct facilities as proposed will require development of a revised good faith estimate. New good faith estimates also will be required in the event of new statutory or regulatory requirements that are effective before the completion of construction or other circumstances beyond the control of the Transmission Provider, ITC, ITC Participant(s), or the affected Transmission Owner(s) that significantly affect the final cost of new facilities or upgrades to be charged to the Transmission Customer pursuant to the provisions of Module B of this Tariff.

### **19.6 Due Diligence in Completing New Facilities**

The Transmission Provider or the ITC, as applicable, and the affected Transmission Owner(s) shall use due diligence to add necessary facilities or upgrade the Transmission System within a reasonable time. The Transmission Provider will not allow the upgrade to the existing or planned Transmission System in order to provide the requested Firm Point-To-Point Transmission Service if doing so would impair system reliability or otherwise impair or degrade existing firm service.

### **19.7 Partial Interim Service**

If the Transmission Provider or ITC determines that it will not have adequate transmission capability to satisfy the full amount of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider nonetheless shall be obligated to offer and provide the portion of the requested Firm Point-To-Point Transmission Service that can be accommodated without addition of any facilities and through the redispatch of Generation Resources consistent with provisions in Module C. However, the Transmission Provider shall not be obligated to provide the incremental amount of requested Firm Point-To-Point Transmission Service that requires the addition of facilities or upgrades to the Transmission System until such facilities or upgrades have been placed in service.

### **19.8 Expedited Procedures for New Facilities**

In lieu of the procedures set forth above, the Eligible Customer shall have the option to expedite the process by requesting the Transmission Provider to tender at one time, together with the results of required studies, an expedited Service Agreement pursuant to which the Eligible Customer would agree to compensate the Transmission Provider or ITC and the affected Transmission Owner(s) for all costs incurred pursuant to the terms of this Tariff. In order to exercise this option, the Eligible Customer shall request in writing an expedited Service Agreement covering all of the above-specified items within the time limits set forth in Attachment J from the time it receives the results of the System Impact Study identifying needed facility additions or upgrades or costs incurred in providing the requested service.

While the Transmission Provider, ITC, as applicable, and the affected Transmission Owner(s) agree to provide the Eligible Customer with their best estimate of the new facility costs and other charges that may be incurred, such estimate shall not be binding and the Eligible Customer must agree in writing to compensate the Transmission Provider, ITC, and the affected Transmission Owner(s) for all costs incurred pursuant to the provisions of the Tariff. The Eligible Customer shall execute and return such an "Expedited Service Agreement" within fifteen (15) days of its receipt or the Eligible Customer's request for service will cease to be a Completed Application and will be deemed terminated and withdrawn.

**20 Procedures if the Transmission Provider or ITC is Unable to Complete New Transmission Facilities for Firm Point-To-Point Transmission Service**

**20.1 Delays in Construction of New Facilities**

If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, the Transmission Provider shall promptly notify the Transmission Customer. In such circumstances, the Transmission Provider shall within thirty (30) days of notifying the Transmission Customer of such delays, convene a technical meeting with the Transmission Customer and the affected Transmission Owner(s) and ITC to evaluate the alternatives available to the Transmission Customer. The Transmission Provider also shall make available to the Transmission Customer studies and work papers related to the delay, including all information that is in the possession of the Transmission Provider and affected Transmission Owner(s) and ITC that is reasonably needed by the Transmission Customer to evaluate any alternatives.

## **20.2 Alternatives to the Original Facility Additions**

When the review process of Section 20.1 determines that one or more alternatives exist to the originally planned construction project, the Transmission Provider together with the affected Transmission Owner(s) and ITC shall present such alternatives for consideration by the Transmission Customer. If, upon review of any alternatives, the Transmission Customer desires to maintain its Completed Application subject to construction of the alternative facilities, it may request the Transmission Provider to submit a revised Service Agreement for Firm Point-To-Point Transmission Service. If the alternative approach solely involves Non-Firm Point-To-Point Transmission Service, the Transmission Provider shall promptly tender a Service Agreement for Non-Firm Point-To-Point Transmission Service providing for the service. In the event the Transmission Provider concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the dispute resolution procedures pursuant to Section 12 or it may refer the dispute to the Commission for resolution.

### **20.3 Refund Obligation for Unfinished Facility Additions**

If the Transmission Provider and the Transmission Customer mutually agree that no other reasonable alternatives exist and the requested service cannot be provided out of existing capability under the conditions of Module B of this Tariff, the obligation to provide the requested Firm Point-To-Point Transmission Service shall terminate and any deposit made by the Transmission Customer shall be returned with interest pursuant to Commission regulations at 18 C.F.R. § 35.19a(a)(2)(iii). However, the Transmission Customer shall be responsible for all prudently incurred costs by the Transmission Provider and the affected ITC and Transmission Owner(s) through the time construction was suspended.

## **21 Provisions Relating to Transmission Construction and Services on the Systems of Other Utilities**

### **21.1 Responsibility for Third-Party System Additions**

The Transmission Provider, Transmission Owners, ITC, and ITC Participants shall not be responsible for making arrangements for any necessary engineering, permitting, and construction of transmission or Distribution Facilities on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. The Transmission Provider and the affected ITC and Transmission Owner(s) will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.



## **21.2 Coordination of Third-Party System Additions**

In circumstances where the need for transmission facilities or upgrades is identified pursuant to the provisions of Module B of this Tariff, and if such upgrades further require the addition of transmission facilities on other systems, the affected Transmission Owner(s) and ITC in coordination with the Transmission Provider shall have the right to coordinate construction on its (their) own system(s) with the construction required by others. The Transmission Provider together with the affected Transmission Owner(s), and ITC after consultation with the Transmission Customer and representatives of such other systems, may defer construction of new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner. The Transmission Provider shall notify the Transmission Customer in writing of the basis for any decision to defer construction and the specific problems which must be resolved before construction of new facilities will be initiated or resumed. Within sixty (60) days of receiving written notification by the Transmission Provider of the intent to defer construction pursuant to this section, the Transmission Customer may challenge the decision in accordance with the dispute resolution procedures pursuant to Section 12 or it may refer the dispute to the Commission for resolution.

## **22 Changes in Service Specifications**

### **22.1 Modifications on a Non-Firm Basis**

The Transmission Customer taking Firm Point-To-Point Transmission Service may request the Transmission Provider to provide Transmission Service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement (“Secondary Receipt and Delivery Points”), in amounts not to exceed its firm capacity reservation, without incurring an additional Non-Firm Point-To-Point Transmission Service charge (except as provided in Section 22.2) or executing a new Service Agreement, subject to the following conditions.

- a.** Service provided over Secondary Receipt and Delivery Points will be non-firm only, on an as-available basis and will not displace any firm or non-firm service reserved or scheduled by third-parties under this Tariff or by the Transmission Owner on behalf of its Native Load Customers.

- b.** The sum of all Firm and Non-Firm Point-To-Point Transmission Service provided to the Transmission Customer at any time pursuant to this section shall not exceed the Reserved Capacity in the relevant Service Agreement under which such services are provided.
- c.** The Transmission Customer shall retain its right to schedule Firm Point-To-Point Transmission Service at the Receipt and Delivery Points specified in the relevant Service Agreement in the amount of its original capacity reservation.
- d.** Service over secondary Receipt and Delivery Points on a non-firm basis shall not require the filing of an Application for Non-Firm Point-To-Point Transmission Service under this Tariff. However, all other requirements of Module B of this Tariff (except as to transmission rates) shall apply to Transmission Service on a non-firm basis over secondary Receipt and Delivery Points.

## **22.2 Additional Charge to Prevent Abuse**

If a Transmission Customer making the modifications in Section 22.1 takes service over a transmission path that costs more than the path the Transmission Customer initially reserved, then for the service the Transmission Customer schedules, the Transmission Customer shall pay in addition to the amounts based on its initial reservation the additional costs (*i.e.* the difference between the zonal rates) associated with the new path. Such additional charge shall be prorated to apply only for the period of time during which service is scheduled over the secondary path. In addition, the Market Participant shall pay for Marginal Losses and any congestion relief costs based on the actual transmission path for which service is scheduled according to the provisions in Module C.

### **22.3 Modification on a Firm Basis**

Any request by a Transmission Customer taking Firm Point-To-Point Transmission Service to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Section 17 hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement.

## **23 Sale or Assignment of Transmission Service**

### **23.1 Procedures for Assignment or Transfer of Service**

Subject to Commission approval of any necessary filings, a Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the "Assignee"). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the "Reseller." Compensation to the Reseller shall not exceed the higher of (i) the original rate paid by the Reseller, (ii) the Transmission Provider's or, as applicable, ITC's maximum rate on file at the time of the assignment, or (iii) the Reseller's opportunity cost capped at the Transmission Provider's or, as applicable, ITC's cost of expansion. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. A Reseller should notify the Transmission Provider as soon as possible after any assignment or transfer of service occurs but in any event, notification must be provided prior to any provision of service to the Assignee. The Assignee will be subject to all terms and conditions of this Tariff. If the Assignee requests a change in service, the reservation priority of service will be determined by the Transmission Provider pursuant to Section 13.2.

### **23.2 Limitations on Assignment or Transfer of Service**

If the Assignee requests a change in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other specifications set forth in the original Service Agreement, the Transmission Provider will consent to such change subject to the provisions of the Tariff, provided that the change will not impair the operation and reliability of the Transmission Owners', ITC's, or ITC Participant's generation, transmission, or distribution systems. The Assignee also will pay additional charges, if any, provided for by Section 22.2, and for any additional charges, including Ancillary Services, or other Transmission Provider charges. In addition, the Market Participant shall be financially responsible for any Energy, Marginal Congestion Charge, and Marginal Losses associated with related Market Participant's transactions as set forth in Sections 39.3.1, 39.3.3, 40.3 and 40.4.

The Assignee shall compensate the Transmission Provider or ITC, as applicable, for performing any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed change and any additional costs resulting from such change. The Reseller shall remain liable for the performance of all obligations under the Service Agreement, except as specifically agreed to by the Parties through an amendment to the Service Agreement.

### **23.3 Information on Assignment or Transfer of Service**

In accordance with Section 4, Resellers may use the Transmission Provider's OASIS to post transmission capacity available for resale.



## **24 Metering and Power Factor Correction at Receipt and Delivery Points(s)**

### **24.1 Transmission Customer Obligations**

Unless otherwise agreed, the Transmission Customer shall be responsible for the cost of installing and maintaining compatible metering and communications equipment to accurately account for the Energy being transmitted under this Tariff and to communicate the information to the Transmission Provider. Such equipment installed on the Transmission Customer's system shall remain the property of the Transmission Customer. Such equipment installed on the Transmission Owner's or ITC's system shall remain the property of the Transmission Owner or ITC.

### **24.2 Transmission Provider Access to Metering Data**

The Transmission Provider or its agent or, as applicable, ITC shall have access to metering data, which may reasonably be required to facilitate measurements and billing under the Service Agreement.

### **24.3 Power Factor**

Unless otherwise agreed, the Transmission Customer is required to maintain a power factor within the same range specified by the Transmission Provider, in consultation with the appropriate Transmission Owners and ITC, pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable.

## **25 Compensation for Transmission Service**

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to this Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). In addition to paying any applicable Ancillary Service costs, the Transmission Customer also shall pay: (i) the Transmission Provider's costs in accordance with Schedule 10 and/or, if applicable; (ii) the ITC administrative fee plus any other applicable charges in accordance with the applicable ITC Rate Schedule.

## **26 Stranded Cost Recovery**

This Tariff, including any ITC Rate Schedule, does not affect in any way the right of any Transmission Owner or ITC Participant to seek and receive stranded cost recovery or the right of anyone to oppose such stranded cost recovery. Thus, the Transmission Owner(s) or ITC Participant(s) may seek to recover stranded costs from the User(s) in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owner(s) or ITC Participant(s) must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act. If the Commission approves stranded cost charges to be recovered through schedules to be implemented by the Transmission Provider, the Transmission Provider as agent shall charge and collect the appropriate charge(s) from the relevant User(s) and distribute the appropriate amounts directly to the relevant Transmission Owner(s) or ITC Participant(s).

## **27 Compensation for New Facilities and Redispatch Costs**

Whenever a System Impact Study performed by the Transmission Provider in connection with the provision of Firm Point-To-Point Transmission Service identifies the need for new facilities, the recovery of such costs shall be governed by Attachment N.

Whenever a System Impact Study performed by the Transmission Provider identifies Capacity constraints that may be relieved more economically by redispatching Generation Resources than by building new facilities or upgrading existing facilities to eliminate such constraints, redispatch will be handled in accordance with Module C.

### **III. NETWORK INTEGRATION TRANSMISSION SERVICE**

#### **Preamble**

The Transmission Provider will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in the Tariff and Service Agreement. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which the Transmission Owners utilize the Transmission System to serve their Native Load or other Network Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy Energy purchases to its Network Load from non-designated resources on an as-available basis without additional charge. Transmission Service for sales to non-designated Loads will be provided pursuant to the applicable terms and conditions of Module B of this Tariff and/or any applicable ITC Rate Schedule.

An ITC may provide Network Integration Transmission Service pursuant to an ITC Rate Schedule to the extent both the Network Loads and the Network Resources are within the ITC System, provided that the Network Customer has an appropriate Service Agreement with the Transmission Provider. Network Resources located outside of the Transmission System (Michigan) will be required to obtain services under Schedule 9 of this Tariff in order to import such Network Resource(s) to the Transmission System (Michigan). Network Customers with Loads and Resources physically and directly interconnected with the Transmission System (Michigan) may also obtain Network Integration Transmission Service under Schedule 9 - Michigan of this Tariff. Network Customers with Loads and Resources located both inside and outside (and vice versa) of the Transmission System (Michigan) may also obtain Network Integration Transmission Service under Schedule 9 of this Tariff. In addition, Transmission Service for sales to non-designated Loads that are not on the Transmission System (Michigan) will be provided pursuant to the applicable terms and conditions of Module B of this Tariff.

## **28 Nature of Network Integration Transmission Service**

### **28.1 Scope of Service**

Network Integration Transmission Service is a Transmission Service that allows Network Customers to efficiently and economically utilize their Network Resources (as well as other non-designated generation resources) to serve their Network Load located in a Transmission Owner's, ITC, or ITC Participant(s) Control Area or pricing zone and any additional Load that may be designated pursuant to Section 31 of this Tariff. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Section 3 or any applicable ITC Rate Schedule.



## **28.2 Transmission Provider Responsibilities**

The Transmission Provider will plan, operate, and cause to be maintained the Transmission System in accordance with Good Utility Practice in order to provide the Network Customer with Network Integration Transmission Service over the Transmission System. The Transmission Owners and ITC Participants, on behalf of Native Load Customers, shall be required to designate resources and Loads in the same manner as any Network Customer under Module B of this Tariff. This information must be consistent with the information used by the Transmission Provider to calculate available transmission capability. The Transmission Provider and ITC shall include the Network Customer's Network Load in Transmission System planning and shall, consistent with Good Utility Practice, endeavor to cause to be constructed and placed into service sufficient transmission capacity to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the Transmission Owner(s') and ITC Participant(s') delivery of electric generating and purchased resources to Native Load Customers.

### **28.3 Network Integration Transmission Service**

The Transmission Provider and, as applicable, ITC will provide Firm Transmission Service over the Transmission System to the Network Customer for the delivery of capacity and energy from its designated Network Resources to service its Network Loads on a basis that is comparable to the Transmission Owner(s') and ITC Participant(s') use of the Transmission System to reliably serve Native Load Customers.

### **28.4 Secondary Service**

The Network Customer may use the Transmission System to deliver energy to its Network Loads from Generation Resources that have not been designated as Network Resources. Such Energy shall be transmitted, on an as-available basis, with no additional charges imposed under Schedules 7, 8, or 9, or the applicable ITC Rate Schedule. Deliveries from Generation Resources other than Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under Module B of this Tariff or under any applicable ITC Rate Schedule.

## **28.5 Marginal Losses**

System Losses are associated with all Transmission Service including Transmission Service associated with Grandfathered Agreements. The Transmission Provider shall assess to Market Participants the Marginal Losses Component of LMP in Sections 39.2.9.c.ii, 39.3.3.c.ii, 40.2.11, and 40.4.1. The Transmission Provider, ITC, Transmission Owners, and ITC Participant(s) are not obligated to provide Marginal Losses.

## **28.6 Restrictions on Use of Service**

The Network Customer shall not use Network Integration Transmission Service for (i) sales of capacity and energy to non-designated Loads, or (ii) direct or indirect provision of Transmission Service by the Network Customer to third parties. All Network Customers taking Network Integration Transmission Service shall use Point-To-Point Transmission Service under Module B of this Tariff for any Third-Party Sale which requires use of the Transmission Provider's Transmission System except for service where the purchaser is a Network Customer of the Transmission Provider.

## **29 Initiating Service**

### **29.1 Condition Precedent for Receiving Service**

Subject to the terms and conditions of Module B of this Tariff, the Transmission Provider or ITC will provide Network Integration Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under Module B of this Tariff, (ii) the Eligible Customer and the Transmission Provider in coordination with the affected Transmission Owner(s), and ITC complete(s) the technical arrangements set forth in Module B, Sections 29.3 and 29.4, (iii) the Eligible Customer executes a Service Agreement pursuant to Attachment F for service under Module B of this Tariff or requests in writing that the Transmission Provider file a proposed unexecuted Service Agreement with the Commission, and (iv) the Eligible Customer executes a Network Operating Agreement with the Transmission Provider pursuant to Attachment G, or requests in writing that the Transmission Provider file a proposed unexecuted Network Operating Agreement.

## **29.2 Application Procedures**

An Eligible Customer requesting service under Module B of this Tariff must submit an Application, and at the discretion of Transmission Provider, a deposit approximating the charge for one month of service or a request for waiver of such deposit, to the Transmission Provider as far as possible in advance of the month in which service is to commence. The Transmission Provider shall accept the request for waiver of the deposit if the Eligible Customer is creditworthy. Unless subject to the procedures in Section 2, Completed Applications for Network Integration Transmission Service will be assigned a priority according to the date and time the Application is received, with the earliest Application receiving the highest priority. Applications should be submitted by entering the information listed below on the Transmission Provider's OASIS. A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, email address, telephone number and facsimile number of the party requesting service;
- (ii) A statement that the party requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) A description of the Network Load at each delivery point. This description should separately identify and provide the Eligible Customer's best estimate of the total Loads to be served at each transmission voltage level, and the Loads to be served from each Transmission Provider substation at the same transmission voltage level. The description should include a ten (10) year forecast of summer and winter Load and Generation Resource requirements beginning with the first year after the service is scheduled to commence;
- (iv) The amount and location of any interruptible Loads included in the Network Load. This shall include the summer and winter capacity requirements for each interruptible Load (had such Load not been interruptible), that portion of the Load subject to Interruption, the conditions under which an Interruption can be implemented and any limitations on the amount and frequency of interruptions. An Eligible Customer should identify the amount of interruptible customer Load (if any) included in the ten (10)-year Load Forecast provided in response to (iii) above;

- (v) A description of Network Resources (current and 10-year projection), which shall include, for each Network Resource:
- Unit size and amount of Capacity from that unit to be designated as Network Resource
  - VAR capability (both leading and lagging) of all generators
  - Operating restrictions
    - Any periods of restricted operations throughout the year
    - Maintenance schedules
    - Minimum loading level of unit
    - Normal operating level of unit
    - Any must-run unit designations required for system reliability or contract reasons
  - Approximate variable generating cost (\$/MWH) for redispatch computations
  - Arrangements governing sale and delivery of power to third parties from generating facilities located in the Transmission Provider Control Area, where only a portion of unit output is designated as a Network Resource
  - Description of purchased power designated as a Network Resource including source of supply, Control Area location, transmission arrangements and delivery point(s) to the Transmission Provider's Transmission System;

- (vi) Description of Eligible Customer's transmission system:
  - Load flow and stability data, such as real and reactive parts of the load, lines, transformers, reactive devices and load type, including normal and emergency ratings of all transmission equipment in a load flow format compatible with that used by the Transmission Provider
  - Operating restrictions needed for reliability
  - Operating guides employed by system operators
  - Contractual restrictions or committed uses of the Eligible Customer's transmission system, other than the Eligible Customer's Network Loads and Resources
  - Location of Network Resources described in subsection (v) above
  - 10-year projection of system expansions or upgrades
  - Transmission System maps that include any proposed expansions or upgrades
  - Thermal ratings of Eligible Customer's Control Area ties with other Control Areas; and
  
- (vii) Service Commencement Date and the term of the requested Network Integration Transmission Service. The minimum term for Network Integration Transmission Service is one year.



Unless the Parties agree to a different time frame, the Transmission Provider must acknowledge the request within ten (10) days of receipt. The acknowledgement must include a date by which a response, including a Service Agreement, will be sent to the Eligible Customer. If an Application fails to meet the requirements of this section, the Transmission Provider shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, the Transmission Provider will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application without prejudice to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this section. The Eligible Customer will be assigned a new priority consistent with the date of the new or revised Application. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

### **29.3 Technical Arrangements to be Completed Prior to Commencement of Service**

Network Integration Transmission Service shall not commence until the Transmission Provider, the affected Transmission Owner, ITC, and the Network Customer, or a third party, have completed installation of all equipment specified under the Network Operating Agreement consistent with Good Utility Practice and any additional requirements reasonably and consistently imposed to ensure the reliable operation of the Transmission System. The Transmission Provider and the affected Transmission Owner(s) and ITC shall exercise reasonable efforts, in coordination with the Network Customer, to complete such arrangements as soon as practicable taking into consideration the Service Commencement Date.

### **29.4 Network Customer Facilities**

The provision of Network Integration Transmission Service shall be conditioned upon the Network Customer's constructing, maintaining and operating the facilities on its side of each Delivery Point or interconnection necessary to reliably deliver capacity and energy from the Transmission System to the Network Customer. The Network Customer shall be solely responsible for constructing or installing all facilities on the Network Customer's side of each such delivery point or interconnection.

### **29.5 Filing of Service Agreement**

The Transmission Provider will file Service Agreements with the Commission in compliance with applicable Commission regulations.

## **30 Network Resources**

### **30.1 Designation of Network Resources**

Network Resources shall include all generation owned, purchased or leased by the Network Customer designated to serve Network Load under the Tariff. Network Resources may not include Generation Resources, or any portion thereof, that are committed for sale to non-designated third party Load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis. Any owned or purchased Generation Resources that were serving the Network Customer's Loads under firm agreements entered into on or before the Service Commencement Date shall initially be designated as Network Resources until the Network Customer terminates the designation of such Generation Resources.

### **30.2 Designation of New Network Resources**

The Network Customer may designate a new Network Resource by providing the Transmission Provider with as much advance notice as practicable. A designation of a new Network Resource must be made by a request for modification of service pursuant to an Application under Section 29.

### **30.3 Termination of Network Resources**

The Network Customer may terminate the designation of all or part of a generating resource as a Network Resource at any time but should provide notification to the Transmission Provider and, as appropriate, the ITC as soon as reasonably practicable.

### **30.4 Operation of Network Resources**

The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Owner(s') or ITC Control Area(s) such that the output of those facilities exceeds its designated Network Load, plus non-firm sales delivered pursuant to Module B of this Tariff, plus Marginal Losses. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of the Transmission Provider to respond to an Emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System.

### **30.5 [RESERVED]**

### **30.6 Transmission Arrangements for Network Resources Not Physically Interconnected With The Transmission System**

The Network Customer shall be responsible for any arrangements necessary to deliver capacity and energy from a Network Resource not physically interconnected with the Transmission System. The Transmission Provider and ITC, if applicable, will undertake reasonable efforts to assist the Network Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other entity pursuant to Good Utility Practice.

### **30.7 Limitation on Designation of Network Resources**

The Network Customer must demonstrate that it owns or has committed to purchase generation pursuant to an executed contract in order to designate a Generation Resource as a Network Resource. Alternatively, the Network Customer may establish that execution of a contract is contingent upon the availability of Transmission Service under Module B of this Tariff.

### **30.8 Use of Interface Capacity by the Network Customer**

There is no specific limitation upon a Network Customer's use of the Transmission System at the Interface(s) to the Control Area (where the Network Customer's Load is located) to integrate the Network Customer's Network Resources (or substitute economy purchases) with its Network Loads. However, a Network Customer's use of the Transmission Provider's or ITC's total Interface capacity with other transmission systems may not exceed the Network Customer's Load. The Transmission Provider shall post on its OASIS or otherwise no later than sixty days before the date this Tariff becomes effective and thereafter (1) the process Network Customers will use to reach Generation Resources that are located in other local service areas beyond the boundaries of the Transmission System, and (2) how competing requests among Network Customers and between Network Customers and Transmission Customers taking Point-To-Point Transmission Service will be resolved. Before implementing or changing its procedures, the Transmission Provider shall submit a filing to the Commission.

### **30.9 Network Customer Owned Transmission Facilities**

The Network Customer that owns existing transmission facilities that are integrated with the Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. In order to receive such consideration the Network Customer must demonstrate that its transmission facilities are integrated into the plans or operations of the Transmission Provider or ITC to serve its power and transmission customers. For facilities constructed by the Network Customer subsequent to the Service Commencement Date under Module B of this Tariff, the Network Customer shall receive credit where such facilities are jointly planned and installed in coordination with the Transmission Provider or ITC. Calculation of the credit shall be addressed in either the Network Customer's Service Agreement or any other agreement between the Parties. This crediting provision does not apply to Network Customer transmission facilities that are reflected in the rates for service under this Tariff.



## **31 Designation of Network Load**

### **31.1 Network Load**

The Network Customer must designate the individual Network Loads on whose behalf the Transmission Provider or ITC will provide Network Integration Transmission Service. The Network Loads shall be specified in the Service Agreement. Network Loads taking service under Schedule 9 – Michigan must be directly interconnected with the Transmission System (Michigan) or through Distribution Facilities in the Transmission System (Michigan).

### **31.2 New Network Loads Connected with the Transmission Provider**

The Network Customer shall provide the Transmission Provider or ITC with as much advance notice as reasonably practicable of the designation of new Network Load that will be added to its Transmission System. A designation of new Network Load must be made through a modification of service pursuant to a new Application. The Transmission Provider together with affected Transmission Owner(s) or ITC will use due diligence to install any transmission facilities required to interconnect a new Network Load designated by the Network Customer. The costs of new facilities required to interconnect a new Network Load shall be determined in accordance with the procedures provided in Module B, Section 32.4 and shall be charged to the Network Customer in accordance with Commission policies.

### **31.3 Location of Network Loads**

All Network Load must be physically interconnected with a Transmission Owner or ITC within the geographic area in which facilities subject to this Tariff are located. All Network Load taking service pursuant to Schedule 9 – Michigan must be physically and directly interconnected with the Transmission System (Michigan) or through Distribution Facilities in the Transmission System (Michigan).

### **31.4 New Interconnection Points**

To the extent the Network Customer desires to add a new Delivery Point or interconnection point between the Transmission System and a Network Load, the Network Customer shall provide the Transmission Provider and ITC with as much advance notice as reasonably practicable.

### **31.5 Changes in Service Requests**

Under no circumstances shall the Network Customer's decision to cancel or delay a requested change in Network Integration Transmission Service (*e.g.* the addition of a new Network Resource or designation of a new Network Load) in any way relieve the Network Customer of its obligation to pay the costs of transmission facilities caused to be constructed by the Transmission Provider or ITC and charged to the Network Customer as reflected in the Service Agreement. However, the Transmission Provider must treat any requested change in Network Integration Transmission Service in a non-discriminatory manner.

### **31.6 Annual Load and Resource Information Updates**

The Network Customer shall provide the Transmission Provider and ITC with annual updates of Network Load and Network Resource forecasts consistent with those included in its Application for Network Integration Transmission Service under Module B of this Tariff. The Network Customer also shall provide the Transmission Provider and ITC with timely written notice of material changes in any other information provided in its Application relating to the Network Customer's Network Load, Network Resources, its transmission system or other aspects of its facilities or operations affecting the Transmission Provider's or ITC's ability to provide reliable service.

## **32 Additional Study Procedures For Network Integration Transmission Service**

### **Requests**

#### **32.1 Notice of Need for System Impact Study**

After receiving a request for service, the Transmission Provider or ITC, as applicable, shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of the Transmission Provider's methodology for completing a System Impact Study is provided in Attachment D. If the Transmission Provider or ITC determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer, as soon as practicable. In such cases, the Transmission Provider shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider or ITC, as applicable, for performing the required System Impact Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study agreement in the form of Attachment D-1 of this Tariff and return it to the Transmission Provider within fifteen (15) days. If the Eligible Customer elects not to execute the System Impact Study agreement, its Application shall be deemed withdrawn and any deposit shall be returned with interest.

### **32.2 System Impact Study Agreement and Cost Reimbursement**

- (i) The System Impact Study agreement will clearly specify the Transmission Provider's or, as applicable, ITC's estimate of the actual cost, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the Transmission Provider or, as applicable, ITC shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.

- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for the Transmission Provider or, as applicable, ITC to accommodate the service requests, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) Each Transmission Owner shall pay the Transmission Provider for System Impact Studies that the Transmission Provider conducts on the Transmission Owner's behalf, the same as any non-Transmission Owner.

### **32.3 System Impact Study Procedures**

Upon receipt of an executed System Impact Study agreement, the Transmission Provider or ITC, as applicable, will use due diligence to complete the required System Impact Study within a sixty (60)-day period. The System Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. In the event that the Transmission Provider or ITC is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. The Transmission Provider and ITC, as applicable, will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for Transmission Owners or ITC Participants.

The Transmission Provider, or ITC, as applicable, shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In order for a request to remain a Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement, or the Application shall be deemed terminated and withdrawn.



### **32.4 Facilities Study Procedures**

If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, the Transmission Provider, within thirty (30) days of the completion of the System Impact Study, shall tender to the Eligible Customer a Facilities Study agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider or ITC, as applicable, and any affected Transmission Owner(s) for performing the required Facilities Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study agreement in the form of Attachment D-2 of this Tariff and return it to the Transmission Provider within fifteen (15) days. If the Eligible Customer elects not to execute the Facilities Study agreement, its Application shall be deemed withdrawn and any deposit shall be returned with interest.

Upon receipt of an executed Facilities Study agreement, the Transmission Provider or ITC, as applicable, in coordination with the affected Transmission Owner(s) will use due diligence to complete the required Facilities Study within a sixty (60)-day period. If the Transmission Provider or, as applicable, ITC together with the affected Transmission Owner(s) are unable to complete the Facilities Study in the allotted time period, the Transmission Provider or ITC, as applicable, shall notify the Eligible Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Eligible Customer, (ii) the Eligible Customer's appropriate share of the cost of any required Network Upgrades, and (iii) the time required to complete such construction and initiate the requested service.

The Eligible Customer shall provide the Transmission Provider with a letter of credit or other reasonable form of security acceptable to the Transmission Provider, and ITC, as applicable, equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. The Eligible Customer shall have thirty (30) days to execute a Service Agreement or request the filing of an unexecuted Service Agreement and provide the required letter of credit or other form of security or the request no longer will be a Completed Application and shall be deemed terminated and withdrawn.

### **33 Load Shedding and Curtailments**

#### **33.1 Procedures**

Prior to the Service Commencement Date, the Transmission Provider, in coordination with the affected Transmission Owner(s) and ITC, and the Network Customer shall establish Load Shedding and Curtailment procedures pursuant to the Network Operating Agreement with the objective of responding to contingencies on the Transmission System and on systems directly and indirectly interconnected with the Transmission Provider's Transmission System. The Parties, including the affected Transmission Owner(s) and ITC, will implement such programs during any period when the Transmission Provider or the ITC determines that a system contingency exists and such procedures are necessary to alleviate such contingency. The Transmission Provider will notify all affected Network Customers, and affected Transmission Owners, and ITC in a timely manner of any scheduled Curtailment.

### **33.2 Transmission Constraints**

During any period when the Transmission Provider determines that a transmission constraint exists on the Transmission System, and such constraint may impair the reliability of the Transmission Provider's system, the Transmission Provider or ITC, as applicable, will take whatever actions, consistent with Good Utility Practice, that are reasonably necessary to maintain the reliability of the Transmission Provider's or the ITC system. To the extent the Transmission Provider or ITC determines that the reliability of the Transmission System can be maintained by redispatching Resources, the procedures in Module C shall apply.

### **33.3 Cost Responsibility for Relieving Transmission Constraints**

The cost of relieving transmission constraint is the cost of redispatch of Resources pursuant to the provisions of Module C. The cost of redispatch is the responsibility of Market Participants and is assessed to each Market Participant's transactions pursuant to Sections 39.3.1, 39.3.3, 40.3 and 40.4.

### **33.4 Curtailments of Scheduled Deliveries**

If the Transmission Provider or ITC, as applicable, determines that it is necessary to curtail scheduled deliveries, the Parties and the affected Transmission Owner(s) and ITC shall curtail such schedules in accordance with the Network Operating Agreement and any applicable ITC Rate Schedule or this Tariff, or pursuant to the transmission loading relief procedures specified in Attachment Q.

### **33.5 Allocation of Curtailments**

The Transmission Provider shall, on a non-discriminatory basis, identify and curtail transaction(s) in order to effectively relieve the constraint. However, to the extent practicable and consistent with Good Utility Practice, any Curtailment will be shared by the affected Transmission Owner(s), or ITC Participant(s), and Network Customer in proportion to their respective Load Ratio Shares. The Transmission Provider shall not direct the Network Customer to curtail schedules to an extent greater than the Transmission Provider would curtail the Transmission Owner's, or ITC Participant schedules under similar circumstances.

### **33.6 Load Shedding**

To the extent that a system contingency exists on the Transmission System and the Transmission Provider or ITC determines that it is necessary for the affected Transmission Owner(s), ITC Participant(s) and the Network Customer to shed Load, the Parties shall shed Load in accordance with previously established procedures under the Network Operating Agreement, and any applicable ITC Rate Schedule or tariff, or the ISO Agreement whichever is applicable.

### **33.7 System Reliability**

Notwithstanding any other provisions of this Tariff, the Transmission Provider reserves the right, consistent with Good Utility Practice and on a not unduly discriminatory basis, to curtail Network Integration Transmission Service without liability on the Transmission Provider's or Transmission Owner's, ITC's, or ITC Participant's part for the purpose of making necessary adjustments to, changes in, or repairs on the Transmission Owner's and ITC's lines, substations and facilities, and in cases where the continuance of Network Integration Transmission Service would endanger persons or property. In the event of any adverse condition(s) or disturbance(s) on the Transmission System or on any other system(s) directly or indirectly interconnected with the Transmission System, the Transmission Provider, consistent with Good Utility Practice, also may curtail Network Integration Transmission Service in order to (i) limit the extent or damage of the adverse condition(s) or disturbance(s), (ii) prevent damage to generating or transmission facilities, or (iii) expedite restoration of service. The Transmission Provider will give the Network Customer as much advance notice as is practicable in the event of such Curtailment.



Any Curtailment of Network Integration Transmission Service will be not unduly discriminatory relative to the Transmission Owner's or ITC Participant's use of the Transmission System on behalf of its (their) Native Load Customers. In the event that the Network Customer (or any Transmission Owner that is not a Network Customer with regard to its Bundled Load) fails to respond to established Load Shedding and Curtailment procedures, the following penalties shall apply in addition to any other applicable charges:

- a) \$10 per kW if the customer fails to respond within the required response period set forth in the Network Operating Agreement; or
- b) \$20 per KW if the customer fails to respond within a period of time equal to two times the response period set forth in the Network Operating Agreement. These charges shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a directive. The Transmission Provider shall compensate any affected Control Areas or generators for their actual costs up to the amount recovered by the Transmission Provider. Any revenues in excess of actual costs shall be used to reduce the Transmission Provider's costs in Schedule 10, or, in the case of ITC Service, any revenues in excess of actual costs shall be applied as specified in the ITC Rate Schedule.

### **34 Rates and Charges**

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, consistent with Commission policy, along with the following:

### **34.1 Monthly Demand Charge**

The Network Customer in GridAmerica Zones 6A, 6B, and 6C shall pay a monthly demand charge, which shall be determined by multiplying its Load Ratio Share, calculated on a rolling twelve month basis, times one twelfth (1/12) of the GridAmerica ITC Participant's annual transmission revenue requirement as specified in Schedule 9, Section 4. The annual transmission revenue requirement for Network Customers located in Zone 6B GridAmerica – American Transmission Systems, Incorporated is split between bulk and area transmission service as specified in Schedule 9. For Points of Delivery within Zone 6B, where service is taken utilizing transmission facilities at 69kV, a Network Customer will pay both the bulk transmission revenue requirement and the area transmission revenue requirement. The Network Customer, in any pricing zone other than GridAmerica Zones 6A, 6B, and 6C, shall pay a Monthly Demand Charge pursuant to the applicable Schedule 9 which reflects its Load Ratio Share calculated on a calendar year basis. The charge will be calculated by multiplying the Transmission Customer's monthly Network Load determined in accordance with Module B, Section 34.2 by the applicable firm monthly zonal rate except for Transmission Customer's taking service pursuant to the provisions specified under Schedule 9 – ATC.

### **34.2 Determination of Network Customer's Monthly Network Load**

Customer's monthly Network Load is its hourly Load (60 minute, Hour); provided, however, the Network Customer's monthly Network Load will be its hourly Load coincident with the monthly peak of the pricing zone where the Network Customer's Load is physically located.

For Zone 6B GridAmerica-American Transmission Systems, Incorporated, that hourly Load will be voltage differentiated as Load utilizing bulk transmission service and Load utilizing area transmission service. Load utilizing bulk transmission service will be equal to one hundred percent (100%) of the Network Customer's monthly Network Load. The monthly Network Load for purposes of assessing the area transmission service charge for a Network Customer in Zone 6B, other than retail choice providers and providers of last resort, shall be specifically metered ("specifically metered Load").

For retail choice providers and providers of last resort, the Network Customer's total monthly Network Load utilizing area transmission service shall be the sum of the monthly Network Load deemed to be utilizing area transmission service in each state approved service territory in Zone 6B as provided below. A Network Customer's monthly Network Load deemed to be utilizing area transmission service in each state approved service territory in Zone 6B shall be the Network Customer's ratio of the Network Load in such service territory multiplied by the total Monthly Zonal Transmission Load within Zone 6B deemed to be utilizing area transmission service in such service territory, adjusted for specifically metered Load.

The Monthly Zonal Transmission Load within Zone 6B deemed to be utilizing area transmission service shall be: for the Cleveland Electric Illuminating Company service territory, 0% of the Monthly Zonal Transmission Load within Zone 6B; for the Ohio Edison Company service territory, 23.1% of the Monthly Zonal Transmission Load within Zone 6B; for the Pennsylvania Power Company, 5.2% of the Monthly Zonal Transmission Load within Zone 6B; and for the Toledo Edison Company, 6.7% of the Monthly Zonal Transmission Load within Zone 6B.

### **34.3 Determination of Monthly Zonal Transmission Load**

For Zone 6A GridAmerica-Ameren Services Company and the Zone 6C GridAmerica-Northern Indiana Public Service Company the Monthly Zonal Transmission Load for Zones 6A and 6C in a given month shall be no less than it was for the corresponding month in 2002.

For the Zone 6B, GridAmerica - American Transmission Systems, Incorporated, the Monthly Zonal Transmission Load will be voltage differentiated as Load utilizing bulk transmission service and Load utilizing area transmission service. The Monthly Zonal Transmission Load deemed to be utilizing bulk transmission service shall be equal to the total Monthly Zonal Transmission Load. The Monthly Zonal Transmission Load deemed to be utilizing area transmission service shall be equal to thirty-five percent (35%) of the Monthly Zonal.

#### **34.4 Redispatch Charge**

The Market Participant shall pay redispatch costs for their transactions in accordance with Module C.

#### **34.5 Stranded Cost Recovery**

This Tariff, including any ITC Rate Schedule, does not affect in any way the right of any Transmission Owner or ITC Participant to seek and receive stranded cost recovery or the right of anyone to oppose such stranded cost recovery. Thus, the Transmission Owner(s) and ITC Participant(s) may seek to recover stranded costs from the User(s) in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owner(s) and ITC Participant(s) must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act. If the Commission approves stranded cost charges to be recovered through schedules to be implemented by the Transmission Provider and ITC, the Transmission Provider and ITC, as agreed, shall charge and collect the appropriate charge(s) from the relevant User(s) and distribute the appropriate amounts directly to the relevant Transmission Owner(s) and ITC Participant(s).

### **34.6 ISO Costs**

The Network Customer shall pay ISO costs in accordance with Schedule 10 or, where applicable, ITC costs pursuant to the ITC Rate Schedule.

## **35 Operating Arrangements**

### **35.1 Operation Under The Network Operating Agreement**

The Network Customer shall plan, construct, operate and maintain its facilities in accordance with Good Utility Practice and in conformance with the Network Operating Agreement, or, if applicable, the ITC transmission operating requirements specified in the ITC Rate Schedule.



### **35.2 Network Operating Agreement**

The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Module B of the Tariff shall be specified in the Network Operating Agreement. For ITC, the ITC transmission operating requirements as specified in the ITC Rate Schedule shall apply. The Network Operating Agreement shall provide for the Parties, including the affected Transmission Owner(s), to (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment),

(ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission System, interchange schedules, unit outputs for redispatch required under Section 33, voltage schedules, loss factors and other real time data), (iii) use software programs required for data links and constraint dispatching, (iv) exchange data on Load Forecasts and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Module B of this Tariff, including scheduling protocols.

The Network Operating Agreement will recognize that the Network Customer shall either (i) operate as a Control Area under applicable guidelines of the NERC and the applicable RRO, (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Transmission Provider, or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies NERC and the applicable RRO requirements. The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The Network Operating Agreement is included in Attachment G.

**35.3 Reserved.**

**36 Scheduling**

Each Network Customer and/or Market Participant shall submit an Energy schedule daily for flows consistent with the times for Energy scheduling for Firm Point-To-Point Transmission Service shown on Attachment J and the applicable scheduling provisions set forth in Module C.

#### **IV. APPLICABILITY TO ALL LOAD**

##### **37 Applicability**

##### **37.1 Applicability to Transmission Owner Load**

Each Transmission Owner and ITC Participant, to the extent it is a Load Serving Entity, shall take Network Integration Transmission Service or Point-To-Point Transmission Service from the Transmission Provider or ITC, as applicable, in accordance with this Tariff, subject to the limitations in Section 37.3, for (1) Bundled Load served by a Load Serving Entity; and (2) Load being served at wholesale under a Grandfathered Agreement. Each Transmission Owner and ITC Participant that is a Load Serving Entity shall enter into a service agreement(s) under this Tariff with the Transmission Provider for such Transmission Service. A Transmission Owner or ITC Participant, making contractual arrangements to act as agent on behalf of another Transmission Owner(s) or ITC Participant with Load located in the same pricing zone subject to Grandfathered Agreements, will be permitted to make arrangements for Network Integration Transmission Service or Point-To-Point Transmission Service with the Transmission Provider for Load served by the other Transmission Owner(s) or ITC Participant.

### **37.2 Applicability to Other Load Serving Entities**

All other Load Serving Entities not covered under Section 37.1 shall take Network Integration Transmission Service or Point-To-Point Transmission Service from the Transmission Provider in accordance with this Tariff and shall enter into a service agreement(s) under this Tariff with the Transmission Provider for such Transmission Service. Any Load Serving Entity serving Load in the Real-Time Energy Market not taking Transmission Service in accordance with this Tariff shall be charged for Network Integration Transmission Service for the month in which the Load actually withdrew Energy during the Operating Day served and will enter into a Service Agreement under this Tariff with the Transmission Provider for such Transmission Service. A Transmission Owner or ITC Participant that is not the Load Serving Entity may make contractual arrangements to act as agent on behalf of the Load Serving Entity for payment of the applicable Schedule 10 charges.

### **37.3 Limitations on Charges and Cost Responsibilities**

- a. Bundled Load:** Transmission Owners and ITC Participants taking Network Integration Transmission Service to serve their Bundled Load shall not pay charges pursuant to Schedules 1 through 6 and Schedule 9. The Market Participant shall be financially responsible for payment of the Marginal Congestion Component of LMP and Marginal Loss Component of LMP related to their transactions as specified in Sections 39.2.9.c, 39.3.3.c, 40.2.11, and 40.4.1 for those Transmission Owners and ITC Participants taking Network Integration Service to serve their Bundled Load.

Notwithstanding the foregoing in this Section 37.3.a, the following rules apply in instances in which there are multiple Transmission Owners within a pricing zone or Control Area. Specifically, a Transmission Owner located in a pricing zone or Control Area with one or more other Transmission Owners shall remain obligated to pay for Transmission and/or Ancillary Services it receives within that pricing zone or Control Area that it does not provide itself unless the transmission and/or ancillary services are provided pursuant to a Grandfathered Agreement. Any disputes as to the amount to be paid, or the services to be provided or received shall be resolved through the ADR process set forth in Section 12 of this Tariff.

- b. Grandfathered Agreements for Load Inside of the ISO:** For the Transmission Service provided as a result of or pursuant to Grandfathered Agreements for Load inside of the ISO, each Transmission Owner and ITC Participant which is a party to that Grandfathered Agreement shall not be obligated to pay charges under Schedules 1 through 9, but it shall be responsible for Transmission Usage Charges as specified in Sections 40.2.11 and 40.4.1. Each Transmission Owner and ITC Participant shall remain responsible for payment of the applicable Schedule 10 charges for the services taken pursuant to Section 37.1 for its Load, which may include wholesale Loads under Grandfathered Agreements.



- c. Grandfathered Agreements for Load Outside of the ISO:** For the Transmission Service provided as a result of or pursuant to Grandfathered Agreements for Load outside of the ISO, the Transmission Owner or ITC Participant shall be exempt from rates under this Tariff for services provided pursuant to the existing agreements, except for charges under Schedule 10, and the Transmission Usage Charge as specified in Sections 40.2.11 and 40.4.1 to the Interface at the boundary of the Transmission System.

- d. Exception to Section 37.3 (b) and (c):** Notwithstanding the provisions of Section 37.3(b) and (c), (i) if ancillary services are not taken or provided under the Grandfathered Agreement, in whole or in part, then such Ancillary Services which are not provided under such Grandfathered Agreement shall be provided and charged for under this Tariff; and (ii) if Marginal Losses are not provided or paid for under the Grandfathered Agreement, then the Market Participant will be financially responsible for the charges attributable to Marginal Losses as assessed for these related transactions in accordance with the provisions of Module C, Sections 39.3.1, 39.3.3, 40.3 and 40.5.

### **37.4 Grandfathered Agreements**

Transmission provided pursuant to Grandfathered Agreements shall continue according to their terms. The Grandfathered Agreements are listed in Attachment P.

**MODULE C - TRANSMISSION PROVIDER ENERGY MARKETS,  
SCHEDULING AND CONGESTION MANAGEMENT**

**I. INTRODUCTION**

The Transmission Provider shall operate Day-Ahead and Real-Time Energy Markets (Energy Markets) to develop for all Market Participants an Energy schedule of operation the day prior to the Operating Day (Day-Ahead Schedule) and a set of Dispatch Instructions for the Operating Day (Dispatch Instructions) for Resources. The Day-Ahead Schedules and Dispatch Instructions will be developed to maximize the combined economic value of Transmission Service and Energy, based on the Bids and Offers submitted. The Transmission Provider shall also make available Financial Transmission Rights (FTRs), which provide the FTR Holder with a hedge against Costs of Congestion.

**II. GENERAL PROVISIONS**

**38 General Responsibilities and Requirements**

**38.1 Role of the Transmission Provider**

The Transmission Provider shall provide all market services for the Energy Markets and Markets Activities in accordance with the terms of this Tariff, the Business Practices Manuals, and related agreements.

The Transmission Provider shall be the sole point of application for all Energy Markets, Markets Activities and all Transmission Services provided in the Transmission Provider Region. Notwithstanding the foregoing, nothing herein is intended to alter in any way the existing rights and obligations of the Transmission Provider or other parties, including Transmission Customers, Transmission Owners, and/or Market Participants, under the ISO Agreement, Appendix I Agreements and related protocols, other provisions of this Tariff or any other agreement.

#### **38.1.1 Scope of Services**

The Transmission Provider shall, on behalf of the Market Participants, perform the services pertaining to the Energy Markets specified in this Tariff, including but not limited to, the following.

- a.** Develop and maintain rules, practices and procedures for Energy Markets.
- b.** Operate a Day-Ahead and Real-Time Energy Market and manage Financial Transmission Rights.

- c.** Administer the Energy Markets, including: (i) scheduling and Dispatch Instructions; (ii) accounting for Market Activities; (iii) rendering bills to Market Participants; (iv) receiving from or disbursing to Market Participants credits or debits; (v) maintaining appropriate records; and (vi) assisting in the independent monitoring for compliance of Market Participants' actions in accordance with the provisions of Module D.
- d.** Review and evaluate the qualification of entities seeking status as Market Participants pursuant to Section 38.2.2.
- e.** Coordinate maintenance schedules for Generation Resources and approve, coordinate and reschedule as necessary transmission facilities outage schedules operated within the Transmission Provider Region.
- f.** Determine and declare that an Emergency is expected to exist, exists, or ceases to exist, in all or any part of the Transmission Provider Region, consistent with Good Utility Practice and serve as a primary point of contact for interested local, state, or federal agencies concerning such Emergencies.
- g.** Direct and coordinate arrangements for: (i) the transfer of Energy during conditions constituting an Emergency in the

Transmission Provider Region or in an interconnected control area, and the mutual provision of other support in such Emergency conditions with other interconnected control areas; and (ii) coordinate and direct purchases of Emergency Energy offered by Market Participants during conditions constituting an Emergency in the Transmission Provider Region.

- h.** Coordinate the Curtailment of Load, instruct Load Shedding, or other measures appropriate to alleviate an Emergency, to preserve reliability in the Transmission Provider Region in accordance with North American Electric Reliability Council (NERC), or applicable Regional Reliability Council principles, guidelines and standards, and to ensure the operation of the facilities within the Transmission Provider Region in accordance with Good Utility Practice, this Tariff and the Business Practice Manuals.

- i.** Protect Confidential Information as specified in Section 38.9.
- j.** Determine the Commercial Nodes for Load and Generation Resources that comprise Hubs, Zones and Interfaces, and modify each to meet the needs of Market Participants.
- k.** Receive and maintain data and information relating to the operations of generation and transmission facilities in the Transmission Provider Region as may be necessary or appropriate to conduct the Energy Markets.
- l.** Maintain records of all transmission facility ratings. The Transmission Provider may review any submitted change or any submitted procedure for pre-established transmission facility rating changes.
- m.** Develop and maintain the Network Model.
- n.** Develop and maintain the Commercial Model.
- o.** Coordinate with Control Area Operators to implement the dispatch of Resources reliably.



- p.** Manage physical schedules submitted through PSS and receive and account for financial schedules received through finSched.
- q.** Coordinate and interface with the Independent Market Monitor.
- r.** Develop and manage the Market Portal.
- s.** Respond to and resolve inquiries by Market Participants regarding Market Activities.
- t.** Conduct inter-regional coordination.
- u.** Develop, maintain and manage procedures for credit risk exposure.

### **38.1.2 Records and Reports**

The Transmission Provider shall prepare and maintain such records and prepare such reports, including, but not limited to, quarterly budget reports, as are required to document the performance of its obligations to Market Participants, Transmission Customers, and Control Area Operators hereunder in a form adopted by the Transmission Provider. The Transmission Provider shall also produce special reports reasonably requested by Market Participants and consistent with the Commission's standards of conduct; provided, however, an entity requesting any such special reports shall reimburse the Transmission Provider for the costs of producing such reports. Notwithstanding the foregoing, the Transmission Provider shall comply with the confidentiality provisions of Section 38.9 with respect to Confidential Information contained in any such report.

### **38.1.3 Informational and Reporting Requirements**

The Transmission Provider shall operate and maintain a Market Portal and an Internet webpage which will facilitate: (i) the submission of Offers and Bids by Market Participants; and (ii) the posting, by the Transmission Provider, of Locational Marginal Prices (LMPs) and market clearing results for accepted Bids and Offers. The Market Portal or Internet webpage shall provide historical data regarding market clearing activities, in accordance with Commission policies. The Market Portal or Internet webpage shall also provide a platform for Market Participants to purchase and sell FTRs, submit FTR Bids and FTR Offers, and shall report the results of FTR Auctions.

### **38.1.4 Recording**

Subject to the provisions of applicable local, state, or federal law, all voice communications with the Transmission Provider may be recorded by the Transmission Provider. By qualifying as a Market Participant, a Market Participant expressly consents to such recordings. Further, any entity acting on behalf of a Market Participant, by virtue of undertaking action on behalf of one (1) or more Market Participants, including but not limited to, a Scheduling Agent or Meter Data and Management Agent (MDMA), expressly consents to such recordings.

### **38.1.5 Business Practices Manuals**

The Transmission Provider shall prepare, maintain, promulgate, and update the Business Practices Manuals as they relate to the operation of the Energy Markets. The Business Practices Manuals shall conform and comply with this Tariff, and the NERC operating policies, guidelines, and standards. The Business Practices Manuals shall be designed to facilitate administration of efficient Energy Markets within industry reliability standards and the physical capabilities of the facilities located within the Transmission Provider Region. The Business Practices Manuals are available for reference, through the Transmission Provider's Internet website.

### **38.1.6 Operational Functions and Responsibilities of the Transmission Provider**

- a.** As the Reliability Authority, prior to the Operating Day, the Transmission Provider shall:
  - i. Receive facility and operational data from Market Participants, Transmission Customers, Transmission Owners, ITCs, and Control Area Operators.
  - ii. Calculate interconnection reliability operating limits based on Transmission Owners', ITCs', and Generation Owners' specified equipment ratings.
  - iii. Utilize generation dispatch information determined by its Security Constrained Economic Dispatch and the Security Constrained Unit Commitment processes to mitigate congestion within the Transmission Provider Region.

- iv. Receive Interchange Transactions from Interchange Authorities for reliability analysis.
- v. Utilize generation operation plans and commitments determined through its processes for reliability analysis of the Reliability Authority Area.
- vi. Receive Generator Planned Outage plans from Transmission Operators for reliability analysis of the Reliability Authority Area.
- vii. Receive generation maintenance plans from Market Participants that are Generation Owners, or are entitled to submit Generation Offers for Generation Owners, for reliability analysis of the Reliability Authority Area.
- viii. Direct Transmission Owners, ITCs, Transmission Operators, and Control Area Operators to revise transmission maintenance plans as required and as permitted by the ISO Agreements or ITC Participant Transfer Agreement.
- ix. Reschedule Generator Planned Outages as required in accordance with Section 38.2.5 h.

- b.** As the Reliability Authority, during the Operating Day the Transmission Provider shall:
- i. Receive real-time operational information from the Balancing Authority and Transmission Operator for monitoring.
  - ii. Issue reliability alerts to Generation Owners, LSEs, Transmission Operators, Transmission Providers, Balancing Authorities, Interchange Authorities, Planning Authorities, Regional Reliability Councils and NERC.
  - iii. Issue corrective actions (*e.g.*, Curtailment or Load Shedding) to Transmission Operators, Balancing Authorities, and Interchange Authorities.
  - iv. Coordinate reliability processes and actions with and among other Reliability Authorities.



- c.** The Transmission Provider shall perform the following Energy Market functions:

  - i. Perform a regional Security Constrained Economic Dispatch that provides a dispatch solution for Resources to simultaneously perform balancing and congestion management at a five (5) minute granularity.
  - ii. Issue Day-Ahead Schedules resulting from the Day-Ahead Energy Market clearing process, pursuant to Section 39.2.9, and Dispatch Instructions resulting from its Real-Time Energy Market clearing, pursuant to Section 40.2.7.

- iii. Conduct commitment of Resources.
  - iv. Develop and send economic base points for each Generation Resource to Market Participants and Control Area Operators based on Offers to the Energy Market.
  - v. Calculate a Net Scheduled Interchange (NSI) value for each Control Area.
- d.** Prior to and during the Operating Day, the Transmission Provider shall:
- i. Determine that schedules are in conformance with transmission arrangements.
  - ii. Ensure appropriate Ancillary Services are in place in accordance with its obligations as specified in Module B.

- e. As the Interchange Scheduling Agent, the Transmission Provider shall:
  - i. Confirm Interchange Schedules with External Control Areas.
  - ii. Confirm ramping information with External Control Areas.
  - iii. Provide other transmission providers with the requested Interchange Transactions received from Market Participants purchasing on behalf of LSEs using another transmission provider's transmission system.
  - iv. Implement Curtailment directives as received from Reliability Authorities.
  - v. Inform other transmission providers, Market Participants that are LSEs or purchase Energy on behalf of LSEs, Reliability Authorities and Balancing Authorities of Interchange Schedules and Curtailments.

- vi. Receive information on Interchange Schedule interruptions due to generation loss or Load interruption from the Balancing Authorities.
- f. In adherence to its Balancing Authority responsibilities, the Transmission Provider shall:
  - i. Receive operational plans and commitments from Generation Owners within the Balancing Authority Areas.
  - ii. Submit integrated operational plans to the Reliability Authority for reliability assessment.
  - iii. Provide balancing information to the Reliability Authority for monitoring purposes.
  - iv. Utilize approved, valid and balanced Interchange Schedules received in its role as Interchange Scheduling Agent.

- v. Confirm Interchange Schedules and ramping capabilities with External Control Areas.
- vi. Issue Dispatch Instructions for Resources to follow to ensure that Energy balance and congestion management are performed in real-time.
- g.** In adherence to its Balancing Authority responsibilities after the Operating Day, the Transmission Provider shall confirm Interchange Schedules with Internal and External Control Area Operators (including External Control Areas) after the Hour has ended.

### **38.2 Market Participants**

An entity may qualify as a Market Participant pursuant to the requirements specified herein.

### **38.2.1 Market Participant General Rights and Responsibilities**

A Market Participant may participate in all Market Activities. The Market Participant shall settle with the Transmission Provider for all credits and debits associated with these Market Activities. A Market Participant may designate a Scheduling Agent to conduct scheduling activities and/or a MDMA to conduct metering activities on its behalf. The Market Participant, however, ultimately remains financially liable for, and shall settle, all such Market Activities with the Transmission Provider.

### **38.2.2 Market Participant Application and Qualifications**

To qualify as a Market Participant, a Market Participant Applicant shall fulfill the following requirements.

- a.** Submit a duly executed Market Participant Application to the Transmission Provider, in such form as shall be established by the Transmission Provider.
- i. A Market Participant Applicant shall not qualify as a Market Participant until the Transmission Provider has duly executed a Market Participant Agreement which has previously been duly executed by the Market Participant Applicant.
- ii. Notwithstanding any information provided to the Transmission Provider prior to the submission of the Market Participant Application, the Market Participant Applicant must provide all information required in the Market Participant Application.

**b.** Demonstrate to the satisfaction of the Transmission Provider that it or its Designated Agent complies with all applicable metering, data storage and transmission, and other reliability, operation, planning and accounting standards and requirements for operating in the Transmission Provider Region as specified in the Business Practices Manuals and this Tariff.

i. A Market Participant Applicant that intends to assign to a Scheduling Agent, an MDMA, or other Market Participant certain Markets Activities shall demonstrate to the Transmission Provider's satisfaction that it has assigned these responsibilities to a qualified Designated Agent by forwarding to the Transmission Provider a certificate that represents the underlying relationship between the Market Participant and the Designated Agent. If a Market Participant designates another entity as a Scheduling Agent or MDMA, the Market Participant remains financially responsible for all Market Activities represented by the Scheduling Agent or MDMA.



- ii. A Market Participant Applicant that, as a Market Participant, intends to make purchases and sales of Energy, or Ancillary Services, or FTRs on behalf of other entities shall so inform the Transmission Provider. The Market Participant shall remain financially responsible and liable for all Market Activities in the Energy Markets in which it engages regardless of on whose behalf it has arranged to make purchases and sales. The Market Participant's purchases and sales for other entities may, however, impact its own creditworthiness assessment.

- c. Inform the Transmission Provider of its intent to submit Self-Schedules, Bilateral Transaction Schedules, Bids, Offers, including Virtual Bids and Offers, or hold FTRs.
  - i. Market Participant Applicants that are party to Grandfathered Agreement(s) and intend to terminate such agreements and provide or receive Transmission Service under this Tariff shall so inform the Transmission Provider pursuant to procedures established by the Transmission Provider. Such Market Participants that intend to maintain service under such agreements should inform the Transmission Provider in accordance with the process set forth by the Transmission Provider of its selection of the optional treatment of transactions pursuant to such agreements under the Energy Markets as described in Section 38.8.3.

In addition, the Market Participant Applicant shall provide the information listed in Section 38.2.3.a. To the extent the Market Participant Applicant is unable to fulfill such requirements at the time of application the Market Participant Applicant must do so no later than June 7, 2004. If on June 7, 2004, parties to Grandfathered Agreements have not fulfilled these requirements such parties shall be subject to the Expedited Dispute Resolution Procedures set forth in Section 12A to enable them to complete the Expedited Dispute Resolution Procedures and provide the requested information to the Transmission Provider no later than July 14, 2004. Parties to Grandfathered Agreements may voluntarily commence the Expedited Dispute Resolution Procedures prior to June 7, 2004, to resolve such issues.

- d.** A Market Participant Applicant seeking to submit Demand Bids into the Day-Ahead Energy Market shall demonstrate to the satisfaction of the Transmission Provider that the end-users to be served by Energy purchased in the Energy Market are located within the Transmission Provider Region or will be brought within the Transmission Provider Region prior to any purchases from the Energy Market.
- e.** A Market Participant Applicant seeking to submit Generation Offers, including Self-Schedules, to sell in the Energy Markets shall demonstrate to the satisfaction of the Transmission Provider that such Market Participant Applicant: (i) has exclusive rights through ownership, operational control or other contractual arrangements to the output of Resources capable of responding to the Dispatch Instructions; and (ii) meets any applicable requirements pursuant to Module E.

- f.** A Market Participant Applicant seeking to engage in Market Activities shall demonstrate to the satisfaction of the Transmission Provider that it meets all of the requirements established by the Transmission Provider for each activity as to which Market Participant seeks to participate, including, without limitation, executing a credit agreement in a form acceptable to the Transmission Provider, providing any Financial Security required by the Transmission Provider and otherwise complying with the Credit Policy.
- g.** A Market Participant Applicant seeking to submit Demand Response Resource Offers in the Energy Markets shall:

  - (i) demonstrate to the satisfaction of the Transmission Provider that it has exclusive rights through ownership, operational control or other contractual rights to the output of Demand Response Resources capable of responding to the Dispatch Instructions; (ii) designate those Resources as

Demand Response Resources with the Transmission Provider; and (iii) demonstrate to the satisfaction of the Transmission Provider that it complies with all metering, telemetry, data storage and communication protocols, and other reliability, operation, planning and accounting standards and requirements for operating in the Transmission Provider Region necessary to allow the Transmission Provider to validate the ability of the Demand Response Resource to respond to the Dispatch Instructions provided by the Transmission Provider.

**h. Transmission Provider Evaluation of Application.**

Upon submission of a complete Market Participation Application, and such other information as shall be requested by the Transmission Provider, the Transmission Provider shall investigate and evaluate whether the Market Participant Applicant meets the criteria specified in Section 38.2.2. As soon as practicable, but in any event not later than sixty (60) Days after submission of the requested information, the Transmission Provider shall notify the Market Participant Applicant of its determination, along with a written summary of the basis for the determination. The Transmission Provider shall grant the sought for status upon a reasonable showing by the Market Participant Applicant that it meets the criteria specified in Section 38.2.2 and upon the successful execution of the applicable Market Participant Agreement as provided in Attachment W of this Tariff.

### **38.2.3 Market Participant Applicant Continuing Obligations**

Subsequent to submission of a Market Participant Application, a Market Participant Applicant shall be subject to the obligations specified below.

- a. Submission of Information.** A Market Participant Applicant shall furnish all information reasonably requested by the Transmission Provider that the Transmission Provider believes is necessary to evaluate the Market Participant Application. Upon request, the Transmission Provider may waive the submission of particular provisions of the Market Participant Application to the extent the information in the Transmission Provider's possession is sufficient to evaluate the Market Participation Application.



- b. Duty to Notify Transmission Provider of Changed Circumstances.** Subsequent to the submission of the Market Participation Application, the Market Participant Applicant shall notify the Transmission Provider within twenty-four (24) Hours of learning of any material adverse change(s) in circumstances that would affect: (i) the information provided in the Market Participant Application; (ii) its status as a Market Participant; or (iii) the status of its Designated Agent(s). The Transmission Provider reserves the right to re-evaluate the Market Participant Application in light of any such new information. Failure to duly notify the Transmission Provider of such a change in information may result in the termination of the Market Participant Application.

The Market Participant Applicant shall notify the Transmission Provider of any non-material adverse change in circumstances within seventy-two (72) Hours of learning of such changed circumstance(s) that would affect: (i) the information provided in the Market Participant Application; (ii) its status as a Market Participant; or (iii) the status of its Designated Agent(s). These notification provisions shall continue to apply to Market Participants after qualification as Market Participants.

#### **38.2.4 Withdrawal and Reapplication**

A Market Participant may terminate its status as a Market Participant by providing the Transmission Provider at least five (5) Business Days written notice. Such termination shall not relieve the Market Participant of: (i) its obligation to follow the Dispatch Instructions; (ii) any obligation to deliver Energy or related services to the

Energy Markets pursuant to an Offer made prior to such termination; (iii) any obligations pursuant to a Bid made prior to such termination; (iv) any obligations incurred or assessed by the Transmission Provider prior to the date of such termination; (v) any credits or debits related to FTR Obligations held by the Market Participant, until the Market Participant has sold or otherwise divested itself of the FTR; or (vi) any obligation to provide indemnification for the consequences of acts, omissions, or events occurring prior to such termination. A Market Participant that has terminated its Market Participant status may reapply to become a Market Participant no earlier than one (1) Month after the effective date of termination, and only provided that the Market Participant is not in Default of any obligation incurred under this Tariff.

### **38.2.5 Market Participant Obligations**

- a. Standards.** In performing its obligations under this Tariff, a Market Participant shall, at all times, conduct its operations pursuant to the following standards.
  - i. Each Market Participant shall at all times: (i) follow Good Utility Practice; (ii) comply with all applicable laws and regulations; (iii) comply with the applicable principles, guidelines, standards and requirements of the Commission, NERC and the applicable Regional Reliability Councils; (iv) comply with the procedures established for operation by the Transmission Provider; and (v) cooperate with the Transmission Provider as necessary for the operation of the facilities in the Transmission Provider Region in a safe, reliable manner, consistent with Good Utility Practice.

- ii. Each Market Participant shall operate, or shall cause to be operated, any Resources owned or controlled by such entity within the Transmission Provider Region or otherwise supplying Energy to, through, or out of, the Transmission Provider Region in a manner consistent with the standards, requirements or directions of the Transmission Provider; provided, however, no Market Participant shall be required to take any action inconsistent with Good Utility Practice or applicable law.

A Jointly Owned Generation Resource located within the Transmission Provider Region may have multiple Market Participants that may submit Offers and schedule the output of the Resource. Such Market Participants, however, shall ensure that: any multiple Offers do not exceed the Capacity of the Jointly Owned Generation Resource; the combined Generation Offers for the Resource are monotonically increasing and satisfy all other Offer specifications regarding the physical operating characteristics of the Resource; and shall clarify which of the Market Participants is responsible for implementing the Dispatch Instructions.

- iii. Each Market Participant shall obtain and maintain all permits, licenses, or approvals required for it to participate in the Energy Markets in the manner contemplated by this Tariff.
- b. Scheduling.** Each Market Participant shall provide, or cause to be provided to the Transmission Provider, scheduling and other information specified in this Tariff, and such other information as the Transmission Provider reasonably requires. Such information shall be provided in accordance with the deadlines established by this Tariff or by the Transmission Provider.

The Transmission Provider shall abide by appropriate requirements for the non-disclosure and protection of any Confidential Information given to the Transmission Provider by a Market Participant as specified in Section 38.9. Each Market Participant shall maintain, or cause to be maintained, compatible information and communications systems, as specified by the Transmission Provider, required to transmit scheduling, dispatch, or other time-sensitive information to the Transmission Provider in a timely manner.

- c. Fees and Charges.** Each Market Participant shall be responsible for all fees and charges to the Transmission Provider for operation of the Energy Markets as determined by the Transmission Provider and allocated to the Market Participant in accordance with Schedule 17 of this Tariff.



In addition, each Market Participant shall be responsible for all fees and charges of the Transmission Provider for administration of Financial Transmission Rights as determined by the Transmission Provider and allocated to the Market Participant in accordance with Schedule 16 of this Tariff.

**d. Communications.**

- i. Each Market Participant shall have, or shall arrange to have: (i) its operations staffed and equipped with communications systems capable of real-time communication with the Transmission Provider during normal and Emergency conditions; and (ii) systems to permit the Market Participant to control its Load or facilities sufficient to meet the requirements of its Market Activities.

- ii. A Market Participant selling Energy from Generation Resources within the Transmission Provider Region shall: (a) report to the Transmission Provider sources of Energy available for operation; (b) supply to the Transmission Provider all applicable Offer data; (c) report to the Transmission Provider those Resources that are Self-Scheduled Resources; (d) report to the Transmission Provider all Imports and Exports; (e) confirm with the Transmission Provider any Bilateral Transactions within the Transmission Provider Region; (f) respond to the Transmission

Provider's directives to start, shutdown, or change output levels of Generation Resources, in accordance with the terms specified in the Generation Offer or change scheduled voltages or reactive output levels; (g) continuously maintain all Offers consistent with the Offer rules and obligations for Market Participants in the Day-Ahead Energy Market, as specified in Section 39.2.5, and/or Real-Time Energy Markets, as specified in Section 40.2.3 concurrently with on-line operating information; and (h) ensure that, where so equipped, Generation Resources and other generating equipment are operated with control equipment, functioning as specified in the Business Practices Manuals.

- iii. A Market Participant selling Energy from Generation Resources outside the Transmission Provider Region shall comply with the Transmission Provider's requirements for External Bilateral Transaction Schedules provided herein.
- iv. The Market Participant shall furnish the Transmission Provider with the information specified in the Offer for new Generation Resources including default unit ratings, default Start-Up Offers and time parameters, and default No-Load Offers. The information must be furnished no less than thirty (30) days before a Market Participant's initial Offer to sell Energy from a given Generation Resource in the Day-Ahead or Real-Time Energy Markets.

- v. A Market Participant that is a Load Serving Entity or is purchasing on behalf of a Load Serving Entity shall: (a) respond to Transmission Provider directives for Load management steps via Control Area Operator communication; and (b) respond to other Transmission Provider directives, such as those required during Emergency operations.
- vi. To make purchases in the Energy Market, a Market Participant that is not a Load Serving Entity or purchasing on behalf of a Load Serving Entity shall provide to the Transmission Provider requests to purchase specified amounts of Virtual Energy for each Hour of the Day-Ahead Energy Market.

**e. Metering.**

- i. The Transmission Provider shall establish metering specifications and standards that are used as a data source by the Transmission Provider, and shall make these specifications and standards available in the Business Practices Manuals.
- ii. A Market Participant shall either install and operate, or otherwise arrange for, appropriate metering and related equipment capable of recording and transmitting all data communications, as specified in the Business Practices Manuals, reasonably necessary for the Transmission Provider to perform the services specified in this Tariff.

- iii. Where available, a Market Participant shall provide the Transmission Provider with Metered data that meets the Transmission Provider's requirements by one of the following means: (a) direct transmission to the Transmission Provider; (b) direct transmission to the Transmission Provider through the Control Area Operator, Transmission Owner or ITC within whose area the Load is located; or (c) indirectly through metering provided by the Control Area Operator, Transmission Owner, or ITC within whose area the Load is located.

The Market Participant shall also provide its Metered data to the Transmission Owner, Control Area Operator, or ITC within whose area the Load is located to the extent such information is needed to implement the Transmission Provider's system operation and planning functions, to provide billing services to the Market Participant, to allow for data to be verified and agreed to by Transmission Owner, Control Area Operator, or ITC, or to permit the performance of calculations required by the Transmission Provider.

- iv. A Market Participant whose metering services are provided by an MDMA shall itself be responsible for ensuring that all data described in this Section 38.2.5 are provided accurately.



- v. All Market Participants must use their best efforts to provide the Transmission Provider with Metered values for purposes of settlement in the form requested by the Transmission Provider. Market Participants shall report injection and withdrawal of Energy at each Commercial Node where they have injections or withdrawals. If the Market Participant does not have available actual meter data at these locations, the Market Participant is required to estimate Hourly injections and withdrawals based on their possible information and make the data available to the Transmission Provider by submitting the meter data according to the timeline established in the Business Practices Manuals.

If no meter data is provided to the Transmission Provider by the Market Participant, or the submitted data is unreasonable or erroneous, the Transmission Provider shall estimate the Hourly injections and withdrawals based on the information it has available to be used in Settlements for the Market Participant.

- vi. Market Participants shall submit withdrawal data for each Commercial Node where they represent Load, including consumption information for Commercial Nodes defined as Aggregate Load Zones. The Transmission Provider will, for Settlement purposes apply any calculated Residual Load in each Control Area to the withdrawal data for the Zone applicable to the Residual Load in that Control Area.

**f. Delivery Outside of the Transmission Provider Region.**

A purchase of Energy for ultimate delivery outside of the Transmission Provider Region shall be delivered to an Interface at the electrical boundaries of the Transmission Provider Region. The Market Participant participating in such Market Activity shall represent to the Transmission Provider that the necessary Transmission Service has been reserved. Any transmission service required on transmission systems beyond the Interface, shall be the responsibility of the Parties to the transaction. Resources located outside of the Transmission Provider Region (External Resources) can participate in the Day-Ahead and Real-Time Energy Market through External Bilateral Transaction Schedules.

- g. Bilateral Transaction Schedules.** A Market Participant may enter into a transaction for the purchase or sale of Energy to or from another Market Participant or any other entity, outside of the Energy Market, subject to the obligations of the Market Participant pursuant to Module E. Market Participants shall report to and coordinate with the Transmission Provider in accordance with this Tariff all External Bilateral Transaction Schedules that are for Bilateral Transactions that include the financial and physical transfer of Energy to or from an entity in the Transmission Provider Region. Market Participants may also report to and coordinate with the Transmission Provider in accordance with this Tariff any Internal Bilateral Transactions.
- h. Generation Outage Schedule.** The Transmission Provider shall coordinate all Generator Planned Outages of a Market Participant's Generation Resource within the Transmission Provider Region, as appropriate, to the extent such Generator Planned Outage impacts the Transmission Provider Region, as follows:

- i. All Market Participants owning or controlling Generation Resource(s) within the Transmission Provider Region affecting transmission capability or reliability shall submit their Generator Planned Outage schedules to the Transmission Provider for a minimum of a rolling one (1) Year period. The Generator Planned Outage schedules shall be presumed to be current unless updated.
- ii. The Transmission Provider shall analyze a Generator Planned Outage schedule to determine its effect on Available Transfer Capability (ATC), the reliability of the facilities within the Transmission Provider Region, and any other relevant material effects. The Transmission Provider shall inform a Market Participant if its schedule is expected to have a material impact on the reliability of the facilities within the Transmission Provider Region.

- iii. As part of the review process, the Transmission Provider shall identify opportunities and associated costs for rescheduling the Generator Planned Outage to enhance the reliability of the facilities within the Transmission Provider Region and will re-schedule these outages consistent with Good Utility Practice when faced with a documented reasonable expectation of an Emergency as determined by the Transmission Provider. Market Participants whose Generation Resources have been rescheduled for Generator Planned Outage shall be compensated for reasonable and explicit additional costs associated with rescheduling such Generator Planned Outage pursuant to procedures adopted by the Transmission Provider, applied on a non-discriminatory basis to all Market Participants and filed with the Commission. The Market Participant shall not be compensated for any opportunity costs associated with such rescheduling.

- iv. The Transmission Provider shall be responsible for documenting all Generator Planned Outage schedules, all schedule changes, and all studies and services performed with respect to any Generator Planned Outage.
- v. For Market Participants who are operators of nuclear Generation Resources within the Transmission Provider Region, the Transmission Provider shall enter into written agreements that define scheduling criteria, limitations and restrictions necessary to ensure the safety and reliability of such facilities.

- i. Continuing Creditworthiness.** Market Participants shall continue to comply with the Credit Policy and creditworthiness criteria established by the Transmission Provider.
- j. Grandfathered Agreements.** A Market Participant that is party to a Grandfathered Agreement(s) may choose to terminate such contracts and receive or provide Transmission Service under this Tariff. Market Participants that intend to maintain service under Grandfathered Agreements shall inform the Transmission Provider of its selection of the treatment of transactions pursuant to such agreements under the Energy Markets as described in Section 38.8. Market Participants may request a change of treatment of such agreements annually as provided under those options available to parties under Grandfathered Agreements described in Section 38.8.3.



In addition, the Market Participants shall provide the information listed below. If on June 7, 2004, parties to Grandfathered Agreements have not fulfilled these requirements, such parties shall be subject to the Expedited Dispute Resolution Procedures set forth in Section 12A to enable them to complete the Expedited Dispute Resolution Procedures by July 7, 2004 and provide the requested information to the Transmission Provider no later than July 14, 2004. Parties to Grandfathered Agreements may voluntarily commence the Expedited Dispute Resolution Procedures prior to June 7, 2004 to resolve such issues. Information to be provided by to the Transmission Provider includes:

- i. The GFA Responsible Entity.
- ii. The GFA Scheduling Entity.
- iii. The source and sink points applicable under the Grandfathered Agreement(s).
- iv. The maximum MW Capacity permissible under the Grandfathered Agreement(s).

#### **38.2.6 Market Participant Operational Functions and Responsibilities**

- a. On the day prior to the Operating Day, Market Participants shall perform the following functions for all Generation Resources for which the Market Participant is qualified to submit Generation Offers.
  - i. Provide Balancing Authority and Control Area with requested amount of interconnected operations services;
  - ii. Provide operating and availability status of Generation Resources to the Transmission Provider (Reliability Authority) for reliability analysis;

- iii. Report status of automatic voltage regulators to  
Transmission Operators;
  - iv. Submit Interchange Transaction requests in  
accordance with process and procedures established  
by the Transmission Provider.
- b.** During the Operating Day, Market Participants shall  
perform the following functions for all Generation  
Resources for which the respective Market Participant is  
qualified to submit Generation Offers:
- i. Provide Reactive Supply and Voltage Control to  
Transmission Operators;
  - ii. Implement Dispatch Instructions;

- iii. Provide real-time operating information to the Transmission Operator and Balancing Authority for dynamic transfers (to both the “host” Balancing Authority in which the Generation Resource is physically located and the sink Balancing Authority in case the Generation Resource is dynamically transferred between Balancing Authority Areas).
- c. Market Participants that purchase Energy shall submit Interchange Transactions requests in accordance with processes and procedures established by the Transmission Provider in support of the Energy Market.

- d.** Market Participants that are LSEs or purchase on behalf of LSEs shall perform the following functions:
- i. Assist end-use customers (Load) to develop and submit Load profiles, plans, and forecasts as needed to the Balancing Authorities, Generation Owners, Market Participants, Planning Authority, Resource planners, transmission planners, and market operators;
  - ii. Assist other LSEs in arranging for the delivery of Energy to a specific metering point for Loads via Bilateral Transactions;
  - iii. Assist Market Participants and Generation Owners on behalf of end-use customers (Load) in securing Energy and interconnected operations services needed via Bilateral Transactions.

- e.** The day prior to the Operating Day, Market Participants that are LSEs or purchase on behalf of LSEs shall perform the following functions:

  - i. Provide generation commitment to the Transmission Provider;
  - ii. Work in conjunction with the Balancing Authorities and Transmission Operators to implement Load Shedding during Emergency conditions.
  
- f.** During the Operating Day, Market Participants that are LSEs or purchase on behalf of LSEs shall assist distribution providers in implementing Load Shedding during Emergency conditions and Balancing Authorities to provide Load Interruption capability as an interconnected operations service.

### **38.2.7 System Support Resources**

System Support Resource (SSR) procedures maintain system reliability by providing a mechanism for the Transmission Provider to enter into agreements with Market Participants that own or operate Generation Resources or Synchronous Condenser Units (SCUs) which are required by the Transmission Provider to maintain system reliability, if such Generation Resources or SCUs are uneconomic to remain in service and otherwise would be decommissioned, placed into extended reserve shutdown or disconnected from the Transmission Provider Region.

The SSR procedures include: (a) a requirement that any Market Participant planning to decommission, place into extended reserve shutdown or disconnect any Generation Resource or SCU located within the Transmission Provider Region must notify the Transmission Provider of such events by submitting a completed Attachment Y to the Transmission Provider documenting the proposed plans for such Generation Resource or SCU, at least twenty-six (26) weeks prior to taking such steps; (b) Market Participants must submit all necessary information to enable the Transmission Provider to evaluate whether SSR Unit status is appropriate for such Generation Resource or SCU; (c) if the Transmission Provider determines that SSR Unit status is justified for a Generation Resource or



SCU, the Transmission Provider and such Market Participant shall enter into an SSR Agreement, in accordance with the Attachment Y-1 form of agreement; (d) the SSR Unit will be operated in accordance with the terms of the SSR Agreement, which contains detailed terms and conditions regarding operation and compensation of such Generation Resource or SCU; (e) costs to compensate an SSR Unit will be allocated to the Market Participants serving Load that benefits from the operation of the SSR Unit; and (f) the Transmission Provider shall annually review the reliability requirements of the Transmission Provider Region and shall determine which, if any, SSR Agreements should be extended.

- a. SSR Unit Notification Procedures.** A Market Participant shall complete and deliver to the Transmission Provider Attachment Y, Notification of Potential Generation Resource or SCU Change of Status, if a Market Participant plans to either: (i) decommission and retire a Generation Resource or a SCU that it either owns or operates; (ii) suspend operation of and place into extended reserve shutdown such Generation Resource or SCU for a period of more than two (2) months; or (iii) disconnect such Generation Resource or SCU from the Transmission System for a period of more than two (2) months. Attachment Y must be submitted to the Transmission Provider at least twenty-six (26) weeks prior to the Market Participant engaging in any of the aforementioned activities.

The Transmission Provider shall treat Attachment Y as Confidential Information, but the Transmission Provider will disclose the existence of an Attachment Y-1 form of SSR Agreement upon execution of any such agreement. Attachment Y must (i) state that the Generation Resource or SCU owner's decision is definite; (ii) describe the type of shutdown which will affect the Generation Resource or SCU (*i.e.*, permanent retirement, placing into extended reserve shutdown, seasonal shutdown, etc.); (iii) identify the expected duration of the shutdown; and (iv) describe the time period that would be required to return the Generation Resource or SCU to service if the Market Participant proceeds with the shutdown of the Generation Resource or SCU.

A Market Participant that asserts that a Generation Resource or SCU will be decommissioned, placed into extended reserve shutdown, or disconnected from the Transmission Provider Region will have Attachment Y executed by an executive officer of the owner or operator of the Generation Resource or SCU attesting to the facts supporting that claim, who has the legal authority to bind such entity.

- b. Evaluation of SSR Unit Application.** Before entering into an SSR Agreement with any Generation Resource or SCU, the Transmission Provider shall assess feasible alternatives to the proposed SSR Agreement. The Transmission Provider will determine whether the Generation Resource or SCU is necessary for system reliability based on the criteria set forth in the Business Practices Manuals. The Transmission Provider shall post the criteria upon which it evaluates whether an SSR Unit meets the test of operational necessity to ensure that the Transmission System is operated reliably.

The list of alternatives that the Transmission Provider shall consider include (as reasonable for each type of reliability concern identified): (i) redispatch/reconfiguration through operator instruction; (ii) remedial action plans; (iii) special protection schemes initiated on Generation Resource trips or transmission outages; and (iv) Demand Response Resources alternatives. The Market Participant that owns or operates the Generation Resource or SCU subject to review under this section shall provide the Transmission Provider with all necessary data, including but not limited to, financial, engineering, economic and operating data, required to enable the Transmission Provider to evaluate whether such Generation Resource or SCU meets the aforementioned criteria. The Transmission Provider will provide to all Market Participants that are LSEs or purchase Energy to serve LSEs potentially impacted by the SSR Unit designation with the non-economic information relative to the use of an SSR Unit including Energy deployed if an SSR Agreement is executed.

- c. Execution of SSR Agreement.** The Transmission Provider shall enter into an SSR Agreement with the Market Participant owning or operating an SSR Unit in accordance with Attachment Y-1. During the period that a Generation Resource or SCU is subject to an executed Attachment Y-1 agreement, it shall qualify as an SSR Unit. SSR service is a contracted service between the Market Participant that owns or operates an SSR Unit and the Transmission Provider and shall be for an initial term of twelve (12) months, unless exigent circumstances require a longer term agreement. The Attachment Y-1 agreement will then be filed with the Commission. The Transmission Provider must have available the entire Capacity of each SSR Unit.

- d. Operation of SSR Unit.** Once the Transmission Provider has entered into an SSR Agreement with a Generation Resource or SCU, the Transmission Provider shall have the right to dispatch the SSR Unit at any time for reliability of the facilities within the Transmission Provider Region. The Transmission Provider shall make every attempt to minimize the use of an SSR Unit. The Transmission Provider will dispatch the SSR Unit as early as possible once conditions are identified that require the use of the SSR Unit and will make best efforts to minimize the uneconomic dispatch of the SSR Unit(s). The SSR Agreement found in Attachment Y to this Tariff shall provide for equitable compensation to an SSR Unit when it is dispatched for reliability purposes by the Transmission Provider.

- e. Scheduling Rules for SSR Units.** No later than 0800 hours EST the day prior to the Operating Day, the Transmission Provider shall notify Market Participants with SSR Units as to the quantity (in MW and/or MVAR) and time period of Energy and/or Reactive Supply and Voltage Control required from each SSR Unit.
- f. SSR Unit Participation in Markets.** A Market Participant may offer Capacity from SSR Units in the Day-Ahead Energy Market, RAC or Real-Time Energy Market during times when the Transmission Provider has requested the Market Participant to run the SSR Unit at less than full Capacity unless this would impair the ability of the SSR Unit to provide Reactive Supply and Voltage Control requested by the Transmission Provider.



Market Participants that own or operate an SSR Unit shall not use the SSR Unit to: (i) participate in Bilateral Transactions; (ii) except as otherwise provided in Section 38.2.6.d.i, and except for plant auxiliary Load obligations under the SSR Agreement, use the SSR Unit as a Self-Scheduled Resource to Self-Supply Energy; (iii) Self-Supply Ancillary Services to the extent that Ancillary Services are required as part of the Ancillary Services deployment provisions in Section 38.6.3; and (iv) participate in Ancillary Services markets, except for incremental offers of additional Capacity beyond the amount designated by the Transmission Provider as necessary for reliability purposes into the Energy Markets to the extent allowed in the SSR Agreement.

**g. SSR Unit Compensation.**

- i. The Transmission Provider will determine appropriate compensation for the Market Participant owning the Generation Resources or SCUs deemed to be SSR Units based on the determination made in accordance with Section 38.2.7.b above. Prior to the execution of the SSR Agreement the Transmission Provider will negotiate with the Market Participant to determine an appropriate level of compensation due the Market Participant for a period of one (1) year to defer the Market Participant's decision to decommission, place into extended reserve shutdown, or retire the Generation Resource or SCU. The Market Participant will receive appropriate compensation for the entire period of time the Generation Resource is required as an SSR Unit.

- ii. In assessing the compensation provisions to be included in the Attachment Y-1, the Transmission Provider will require the following data from the Market Participant regarding the SSR Unit: gross book cost, acquisition cost adjustments, intangible plant values, tax payments, administration and general expenses, salvage value, depreciation, amortization of interconnection rights, and lease costs.

- iii. The Transmission Provider will evaluate the following factors in negotiating the SSR Unit compensation: (i) fixed operating and maintenance costs; (ii) applicable state, federal or property taxes; and (iii) costs of repairs or upgrades needed to meet applicable environmental regulations or local operating permit requirements. Any compensation to the SSR Unit will be reduced by expected debits under Schedule 2 of this Tariff, expected payments under resource adequacy programs, and expected revenue from Energy Market transactions. The negotiated compensation between the Transmission Provider and the SSR Unit will be filed with the Commission as specified in the executed Attachment Y-1.

- h. Allocation of SSR Unit Costs.** The costs of operating an SSR Unit plus any other payments made pursuant to the SSR contract shall be allocated on a pro-rata basis to the Market Participants serving Load as an LSE or on behalf of an LSE in the Control Area(s) which requires the operation of the SSR Unit for reliability purposes. For the purposes of this Section, any SSR Unit located within the footprint of the American Transmission Company shall be allocated to all Market Participants within the footprint of the American Transmission Company on a pro-rata basis.

- i. Annual Review of SSR Unit Status.** On an annual basis, the Transmission Provider will review Generation Resource or SCU characteristics to determine whether the Generation Resource and SCU is qualified to remain as an SSR Unit in coordination with a review of the Transmission Provider's annual regional transmission expansion plan in Section 38.2.6.b. If so, the Transmission Provider will enter into a subsequent SSR Agreement at least ninety (90) days prior to the termination date of the existing SSR Agreement. If not, the SSR Agreement will expire by its own terms and the Generation Resource or SCU will lose its SSR Unit status and will be decommissioned, placed into extended reserve shutdown or disconnected from the Transmission Provider Region by the Market Participant.

### **38.2.8 Consequences**

Failure to comply with any of the requirements and/or provisions of this Tariff shall subject a Market Participant to such reasonable charges, penalties, or other remedies or sanctions for non-compliance as may be recommended by the Transmission Provider and implemented through appropriate Commission proceedings.

### **38.3 Generation Owners and Load Serving Entities**

Generation Owners and Load Serving Entities shall not be authorized to engage in Market Activities unless these entities are qualified as Market Participants. Generation Owners that do not intend to qualify as Market Participants, but intend to have the output of their Generation Resources available to the Transmission Provider, shall enter into agreements with Market Participants who will employ the output of the Generation Resource in support of the Market

Participant's Generation Offers. Such Market Participant shall remain financially, and in all other respects liable, to the Transmission Provider for service(s) provided by the Generation Resource through the Energy Markets, pursuant to such arrangements. Load Serving Entities that do not intend to qualify as Market Participants, but intend to have their Load served through purchases in the Energy Markets, shall enter into agreements with Market Participants who may submit Demand Bids supported by the Load Serving Entities' Load. The Market Participant shall remain financially, and in all other respects, liable for any service(s) received pursuant to such arrangements. Load Serving Entities that intend to Offer as Demand Response Resources shall fulfill the appropriate requirements of this Tariff.



### **38.4 Market Support Services Providers**

Market Participants may designate Scheduling Agents to conduct for them scheduling and scheduling support services. A Scheduling Agent shall not be authorized to settle with the Transmission Provider on the underlying Transactions for which it provides scheduling or scheduling support services. Market Participants may designate MDMA to perform metering and metering data management services. An MDMA shall not be authorized to settle with the Transmission Provider on the underlying Transactions for which it is providing support services. Market Participants may designate a Billing Agent to receive and make credits and debits for Settlement Statements issued by the Transmission Provider. The Market Participant shall remain financially, and in all other respects, liable for all statements received by the Billing Agent on behalf of the Market Participant. If a Market Participant is designated to serve as a Scheduling Agent, MDMA, and/or Billing Agent for another, or a group of other Market Participants, the Market Participant will be required to indicate which Market Participants shall settle with the Transmission Provider, and shall remain financially, and in all other respects, liable for the submitted transaction.

### **38.5 Load Aggregation**

A Market Participant may submit Bids for its Load at its Commercial Node. The Commercial Node can be defined by an aggregation of Buses or portions of Buses all within a single Control Area. The Transmission Provider will maintain a list of defined Commercial Nodes that comprise Customer Load Aggregations for the purpose of forming the aggregated Load Zone. The buses in a Customer Load Aggregation must also all be contained in a single Control Area. Customer Load Aggregations will be settled using LMPs for the associated Commercial Node(s). Market Participants must submit Energy withdrawal data for Loads to the Transmission Provider using the same aggregations that were used in definition of the Commercial Node. Market Participants can establish Customer Load Aggregations pursuant to the provisions set forth in the Business Practices Manuals and must schedule using the established Customer Load Aggregations Commercial Node. Day-Ahead Schedules for Energy Market Activity scheduled using a Customer Load Aggregation shall be settled using the same Commercial Node for the Customer Load Aggregation.

Market Participants submitting Demand Bids at the Commercial Node for the Customer Load Aggregation must submit the same information in the same form as described in Section 39.2.2. Market Participants are responsible for submitting withdrawal data for each Commercial Node where they represent Load including consumption information for Commercial Nodes defined as Aggregate Load Zone. The Transmission Provider will, for Settlement purposes apply any calculated Residual Load in each Control Area to the withdrawal data for the Residual Load Zone in that Control Area.

### **38.6 Obligations of Control Area Operators**

A Control Area Operator performs those reliability functions necessary to operate its Control Area within the requirements established by NERC and the Control Areas' associated Regional Reliability Council. In this regard, a Control Area Operator's functions are subject to meeting the compliance requirements of NERC, the Control Areas' associated Regional Reliability Organization, and the Commission's standards of conduct.

Any company's division, personnel or Affiliate that is designated as a Control Area Operator, and is also a Market Participant under this Tariff must comply with the Commission's standards of conduct provisions or have the appropriate waivers in place. Only divisions, personnel or Affiliates of a company that is in compliance with the Commission's standards of conduct to the satisfaction of Transmission Provider shall be eligible for status as a Market Participant. All Control Area Operators within the Transmission Provider Region shall function as a centrally coordinated system and shall operate their respective Control Areas pursuant to the single set of Dispatch Instructions determined and issued by the Transmission Provider. All Control Area Operators within the Transmission Provider Region shall have the obligations specified below.

### **38.6.1 Practices**

A Control Area Operator shall: (i) follow Good Utility Practice; (ii) comply with all applicable laws and regulations; (iii) comply with the applicable policies, standards and requirements of the Commission, NERC and the applicable Regional Reliability Councils; and (iv) comply with the procedures established by the Transmission Provider for the operation of the Control Areas in the Transmission Provider Region in order to allow the Transmission Provider to fulfill its responsibilities under this Tariff.

### **38.6.2 Real-Time Metering**

Control Area Operators may provide available real-time metering at the Market Participant's request and expense values to the Transmission Provider in accordance with data exchange practices established by the Transmission Provider in the Business Practice Manuals.

### **38.6.3 Ancillary Services Deployment**

Consistent with its responsibilities under NERC requirements, the Control Area Operator is responsible for ensuring that adequate Regulation reserves are available so that sufficient Resources are controlled to meet the applicable NERC reliability standards for control performance. Each Control Area Operator will coordinate the deployment of the regulating Resources in its Control Area. Each Control Area Operator will also coordinate deployment of any third party or Transmission Customer self-provided regulating Resources made available pursuant to the Business Practices Manuals for self-provision of regulation under Schedule 3 of this Tariff. Under NERC policies, Control Area Operators are responsible for ensuring that Spinning and Non-Spinning, Contingency Reserves exist so that sufficient Resources are controlled to meet the applicable NERC reliability standards for Operating

Reserve performance. Each Control Area Operator will coordinate the deployment of Operating Reserve Resources in their respective Control Area with the Transmission Provider in accordance with procedures developed by the Transmission Provider. Each Control Area will also coordinate with the Transmission Provider the deployment of any third party or Transmission Customer self-provided Operating Reserve resources made available pursuant to the Business Practices Manual for self-provision of Regulation under Schedules 5 and 6 of this Tariff. Market Participants with Resources identified as capable of providing these Ancillary Services must submit the Capacity reserved for use as Regulation, Spinning Reserve, or Non-Spinning Operating Reserve for each Control Area by Resource in accordance with the arrangements with the Control Area to the Transmission Provider no later than 0900 hours EST the day prior to the Operating Day, along with their Self-Schedule, Bilateral Transaction Schedule or Offer as set forth in Section 39.2.5.a.iii.

Market Participants shall notify the Transmission Provider of any changes to the availability of, changes in the quantity of, and/or changes in the Resources it has committed for providing Ancillary Services as the Operating Day approaches in accordance with timing specified in the Business Practices Manuals. In addition, the Market Participant shall abide by any other agreements it has in place with the Control Area Operator with regard to these Ancillary Services.

#### **38.6.4 Common Generation Resources Control Scheme**

Consistent with its responsibilities under NERC requirements, the Control Area Operator is responsible for implementing a Generation Resources control scheme for its Control Area to: (i) match the Energy output of the Generation Resources within its electric power system(s) with the Load within its electric power system(s) and schedule Interchange received from the Transmission Provider, within the limits of applicable NERC requirements; (ii) support the frequency of its electric power system(s) within reasonable limits in accordance with applicable NERC requirements; (iii) provide sufficient Capacity to maintain Operating Reserves in accordance with applicable NERC requirements; and (iv) implement inadvertent payback in accordance with NERC requirements and procedures developed by the Transmission Provider.



### **38.6.5 Load Forecasts**

All Control Area Operators shall determine hourly estimates of future Load demand in their respective Control Area. The definition of the Load submitted to the Transmission Provider by the Control Area Operator is located in the Business Practices Manual. The Control Area Operator shall submit its Load Forecasts to the Transmission Provider no later than 0900 hours EST the day prior to the Operating Day. Further, the Control Area Operator shall provide the Transmission Provider with timely and sufficiently detailed Load and supporting metering data used by the Control Area Operator to determine the Control Area's Load Forecast in accordance with the requirements of the Business Practices Manuals. Control Areas that operate through a Pseudo Tie shall also be subject to supplying the load forecast data to the Transmission Provider in accordance with this section.

### **38.6.6 Emergency Conditions**

All Control Area Operators shall take any necessary steps to assist the Transmission Provider, including, but not limited to, entering into any necessary agreements with the Transmission Provider and/or other Control Areas, for the transfer of Energy or any other reasonable support during conditions constituting an Emergency in the Transmission Provider Region, as determined by the Transmission Provider pursuant to the provisions of this Tariff.

### **38.6.7 Energy Markets Information and Schedules**

It shall be the responsibility of the Transmission Provider to provide the Control Area Operator with the Market Participants' Energy schedules, Day-Ahead Schedules, Dispatch Instructions and other information required to enable the Control Area Operator to perform its obligations hereunder and consistent with the protocols contained in Section 38.6.8. Data provided to the Control Area Operators shall be provided in accordance with Commission's standards of conduct.

### **38.6.8 Operational Functions and Responsibilities of Control Area**

#### **Operators**

- a.** As a Balancing Authority, each Control Area Operator shall perform the following functions prior to the Operating Day:
  - i. Share with the Transmission Provider the responsibility for compiling Load forecasts from LSEs.
  - ii. Implement the Generation Resource commitment and Dispatch Instructions for LSEs and Generation Resources received from the Transmission Provider.
  - iii. Acquire Ancillary Services from Generation Owners.

- b.** During the Operating Day, all Control Areas have the ability to take local action to redispatch or reconfigure transmission and/or Distribution Facilities in order to alleviate transmission constraints internal to their system, using their existing tools to the extent the constraints are not modeled in the State Estimator. Control Areas provide all such constraint information and resulting generation Dispatch Instructions back to the Transmission Provider for use in the regional dispatch function for the Transmission Provider Region. Such generation redispatch is treated as a Self-Scheduled Resource in the regional dispatch and is therefore not eligible to set LMPs.

- c. As a Balancing Authority during the Operating Day, each Control Area Operator shall:
  - i. Receive the Resource base points for each Generation Resource sent to Market Participants, on a five (5)-minute basis.
  - ii. Receive a ramped Net Scheduled Interchange every four (4) seconds that includes all scheduled interchange for that Balancing Authority, including Bilateral Transaction Schedules. The Balancing Authority will use this Net Scheduled Interchange value in its Area Control Error (ACE) equation.
  - iii. Receive from the Transmission Provider the amount of each Dynamic Schedule included in the dispatch calculation, to serve as confirmation to the Balancing Authority that the Transmission Provider included the estimate on the tag.

- iv. Adjust the Net Scheduled Interchange provided by the Transmission Provider by the real-time instantaneous dynamic signal.
- v. Share with the Transmission Provider the responsibility to direct Generation Owners and LSEs to take action to ensure Energy balance in real-time.
- vi. Provide available real-time operational information to the Transmission Provider.
- vii. Comply with reliability requirements specified by the Transmission Provider.
- viii. Verify implementation of Emergency procedures with the Transmission Provider.
- ix. Coordinate the use of controllable Loads with LSEs (*i.e.* interruptible Load that has been bid in as an Ancillary Services).
- x. Implement Emergency procedures as directed by the Transmission Provider.

- d.** As a Balancing Authority, after the Operating Day, each Control Area Operator shall confirm the Net Actual Interchange with its adjacent Balancing Authorities and shall provide the total of these actual interchange data to the Transmission Provider, for its Balancing Authority Responsibilities.

### **38.7 Transmission Operators Operating Functions and Responsibilities**

Transmission Operators shall perform the operational functions and responsibilities provided herein and as further developed in the Business Practices Manuals.

- a.** Prior to the Operating Day, Transmission Operators shall perform the following functions:

- i. Receive and/or develop transmission maintenance requirements and plans for Transmission Owners;
- ii. Define operating limits, develop contingency plans, and monitor operations of the transmission facilities under the Transmission Operator's control and as directed by the Reliability Authority;
- iii. Provide operating information to the Reliability Authority; and
- iv. Determine amounts required and arrange for interconnected operations services from Generation Owners to ensure Reactive Supply and Voltage Control (*e.g.* from Generation Resources) in coordination with the Reliability Authority.



- b.** During the Operating Day, Transmission Operators shall perform the following functions:
  - i. Operate or direct the operations of the Transmission System within equipment and facility ratings established by the Transmission Owners and Generation Owners, and system ratings established by the Reliability Authority;
  - ii. Deploy reactive Resources from Transmission Owners and Generation Owners as interconnected operations services to maintain acceptable voltage profiles and direct distribution providers to maintain voltages within limits;
  - iii. Provide real-time operations information to the Reliability Authority;

- iv. Notify Generation Owners and other affected entities of Transmission System problems (*e.g.* voltage limitations or equipment overloads that may affect generator operations);
- v. Request Reliability Authority actions to mitigate equipment overloads (*e.g.*, Dispatch Instructions, transmission loading relief);
- vi. Coordinate Load Shedding with, or as directed by, the Reliability Authority and direct distribution providers to shed Load.

### **38.8 Treatment of Grandfathered Agreements**

All parties to Grandfathered Agreements that choose to maintain such agreements and not convert to Transmission Service under this Tariff shall be subject to the following provisions.

### **38.8.1 GFA Responsible Entity**

- a.** Parties to Grandfathered Agreements shall inform the Transmission Provider who will be the GFA Responsible Entity, within the time frame set forth in Section 38.2.5.j.
- b.** The GFA Responsible Entity must be a fully qualified Market Participant under this Tariff.
- c.** The GFA Responsible Entity shall be financially responsible pursuant to the applicable GFA for:
  - i.** All Market Activities charges, as well as all charges under Schedules 16 and 17;
  - ii.** All Transmission Usage Charges caused by the applicable Bilateral Transaction Schedules; and
  - iii.** Any debits or credits associated with FTRs held by the GFA Responsible Entity.

### **38.8.2 GFA Scheduling Entity**

- a.** All entities operating pursuant to Grandfathered Agreements shall designate a GFA Scheduling Entity within the time frame set forth in Section 38.2.5.k. The GFA Scheduling Entity shall submit Bilateral Transaction Schedules consistent with the provisions set forth herein for any sales and/or purchases of Energy pursuant to the Grandfathered Agreement.
- b.** The GFA Scheduling Entity responsible for submitting such Bilateral Transaction Schedules shall either be the GFA Responsible Entity or a Scheduling Agent designated by the GFA Responsible Entity.

### **38.8.3 Optional Treatment of Transactions Pursuant to Grandfathered Agreements**

Market Participant Applicants that are party to Grandfathered Agreement(s) and intend to maintain service under such agreements shall select one of three options for scheduling and settlement of Costs of Congestion and Costs of Losses resulting in the Day-Ahead Energy Market and shall so notify the Transmission Provider in writing:

**a. Option A.**

- i. Treatment of FTRs: The GFA Responsible Entity shall be entitled to nominate the Capacity under the Grandfathered Agreement(s) for allocation of FTRs pursuant to the procedures set forth in Section 43.1.2. The GFA Responsible Entity shall be allocated FTRs, shall hold the FTRs and shall be responsible for all credits, debits, rights, and responsibilities associated with the FTR(s) as set forth in Section 42.

- ii. Treatment of Transmission Congestion: The Transmission Provider shall charge the GFA Responsible Entity the Cost of Congestion for all transactions pursuant to Dispatch Instruction or Day-Ahead Schedules based on the designated Internal Delivery Points or External Transaction Receipt Points and External Transaction Delivery Points for the Grandfathered Agreement(s), as set forth in Section 39.3.3 and 40.4.
- iii. Treatment of Transmission Losses: The GFA Responsible Entity shall be assessed the Cost of Losses for all transactions pursuant to the Grandfathered Agreement(s) based on the designated Internal Delivery Points or External Transaction Receipt Point and External Transaction Delivery Point, as set forth in Section 39.3.3 and 40.4.

**b. Option B.**

- i. Treatment of FTRs. The GFA Responsible Entity will not nominate or receive FTRs for the Capacity under the GFA, but will instead receive a refund of the Cost of Congestion resulting from the Day-Ahead Schedules cleared in the Day-Ahead Energy Market. The GFA Responsible Entity shall be responsible for the Transmission Provider's administrative costs associated with accounting for the FTRs under this option as set forth in Schedule 16 of this Tariff.

- ii. Treatment of Transmission Congestion. The Transmission Provider shall charge the GFA Responsible Entity the Cost of Congestion for all transactions pursuant to the Grandfathered Agreement(s) based on the designated Internal Delivery Point or the External Transaction Receipt Point and the External Transaction Delivery Point under the Grandfathered Agreement(s) but shall credit back the full amount of the Cost of Congestion resulting from Day-Ahead Schedules cleared in the Day-Ahead Energy Market to the GFA Responsible Entity. This refund will only be provided if the GFA Scheduling Entity submits a



Bilateral Transaction Schedule according to the procedures specified in Section 39.1.4 for the Day-Ahead Energy Market for the Grandfathered Agreement transaction(s) prior to the closing of the Day-Ahead Energy Market, consistent with the Internal Delivery Point or, the External Transaction Receipt Point and the External Transaction Delivery Point, and within the maximum MW Capacity permissible under the Grandfathered Agreement. In the event that there results a revenue inadequacy, the Transmission Provider shall fully compensate the GFA Responsible Entity for the Costs of Congestion. The revenue inadequacy shall be

funded through an assessment of debits on all Market Participants on a pro-rata basis, based on their Load Ratio Share across the Transmission Provider Region. The Transmission Provider shall account for Grandfathered Agreements under Option B in the FTR allocation process, but shall not actually allocate FTRs to the GFA Responsible Entity.

- iii. Treatment of Transmission Losses. The Transmission Provider shall charge the GFA Responsible Entity the Cost of Losses for all transactions under the Grandfathered Agreement based on the designated as the Internal Delivery Point and External Transaction Receipt Point and External Transaction Delivery Point, as set forth in Section 39.3.3 and 40.4. The Transmission

Provider shall credit back to the GFA Responsible Entity the difference between Marginal Losses and actual cost of serving Load at the designated Internal Delivery Points or External Transactions Receipt Point and External Transactions Delivery Point. The difference between Marginal Losses and System Losses shall be determined by the Transmission Provider on an equitable basis. This refund will only be provided if the GFA Scheduling Entity submits a Bilateral Transaction Schedule for the Grandfathered Agreement transaction(s) the day prior to the Operating Day, consistent with the source and sink point and within the maximum MW Capacity permissible under the Grandfathered Agreement. GFA Responsible Entities that receive such reimbursement for GFA transactions shall not receive an allocation of the Marginal Losses Pool Share.

**c. Option C.**

- i. Treatment of FTRs. The GFA Responsible Entity will not nominate nor receive an allocation of FTRs.
- ii. Treatment of Transmission Congestion. The Transmission Provider shall charge the GFA Responsible Entity the Cost of Congestion for all transactions pursuant to the Grandfathered Agreement(s) based on the designated Internal Delivery Points, or External Transaction Receipt Point and External Transaction Delivery Points for the Grandfathered Agreement(s), as set forth in Section 39.3.3 and 40.4.

- iii. Treatment of Transmission Losses: The GFA Responsible Entity shall be assessed the Marginal Losses Component for all transactions pursuant to the Grandfathered Agreement(s) based on the designated Internal Delivery Points, or the External Transaction Receipt Point and External Transaction Delivery Point, as set forth in Section 39.3.3 and 40.4. GFA Responsible Entities receiving such assessment for Marginal Losses shall receive an allocation of excess marginal losses revenue based on the Marginal Losses Pool Share.

#### **38.8.4 Transition Period**

The treatment of the Grandfathered Agreements as set forth in this Section 38.8 shall terminate no earlier than February 1, 2008, and thereafter upon acceptance by the Commission of new provisions governing treatment of GFAs. No later than twenty-four (24) months prior to February 1, 2008, the Transmission Provider shall begin its evaluation of the impact on the Energy Markets and comparable access to Transmission Service related to the optional treatments available to Grandfathered Agreements. No later than twelve (12) months prior to February 1, 2008, the Transmission Provider shall file a new proposal for treatment of the remaining Grandfathered Agreements.

## **38.9 Confidentiality**

### **38.9.1 Market Participant Access**

- a.** No Market Participant shall have a right hereunder to receive or review any documents, data, or other information of another Market Participant, including documents, data, or other information provided to the Transmission Provider, to the extent such documents, data, or information have been designated as confidential pursuant to the procedures adopted by the Transmission Provider specified in the Business Practices Manuals, or to the extent that they have been designated as confidential by such other Market Participant; provided, however, a Market Participant may receive and review any composite documents, data, and other information that may be developed based on such confidential documents, data, or information if the composite does not disclose any individual Market Participant's confidential data or information.

- b.** Except as otherwise provided in this Section 38.9, 54.3 and 54.4 of this Tariff, the Transmission Provider shall not disclose to Market Participants or to third parties, any documents, data, or other information of a Market Participant or a Market Participant Applicant, to the extent such documents, data, or other information has been designated confidential pursuant to the procedures adopted by the Transmission Provider specified in the Business Practices Manuals, or by such Market Participant, or Market Participant Applicant; provided, however, that nothing contained herein shall prohibit the Transmission Provider from providing any such Confidential Information



to its agents, representatives, or contractors to the extent that such person or entity is bound by an obligation to maintain such confidentiality; provided further that nothing contained herein shall prohibit the Transmission Provider from providing Market Participant Confidential Information to NERC or any of its Regional Reliability Councils to the extent that: (i) the Transmission Provider determines, in its reasonable discretion, that the exchange of such information is required to enhance and/or maintain reliability within the Transmission Provider Region and its neighboring Control Areas; (ii) such receiving entity is bound by a written agreement to maintain such confidentiality; and (iii) the Transmission Provider has

notified the affected Market Participant of its intention to release such information no less than five (5) Business Days prior to the release. The Transmission Provider shall collect and use Confidential Information only in connection with its authority under this Tariff and the retention of such information shall be in accordance with the Transmission Provider's data retention policies.

- c. Nothing contained herein shall prevent the Transmission Provider from releasing a Market Participant's confidential data or information to a third party provided that the Market Participant has delivered to the Transmission Provider specific, written authorization for such release setting forth the data or information to be released, to whom such release is authorized, and the period of time for which such release shall be authorized. The Transmission

Provider shall limit the release of a Market Participant's confidential data or information to that specific authorization received from the Market Participant.

Nothing herein shall prohibit a Market Participant from withdrawing such authorization upon written notice to the Transmission Provider who shall cease such release as soon as practicable after receipt of such withdrawal notice.

### **38.9.2 Required Disclosure**

- a.** Notwithstanding anything in Section 38.9.1 to the contrary, and subject to the provisions of Section 38.9.3 and Section 38.9.4, if a Market Participant or the Transmission Provider is required by applicable law, or in the course of administrative or judicial proceedings other than

Commission proceedings or investigations, to disclose to third parties other than the Commission or its staff, information that is otherwise required to be maintained in confidence pursuant to this Tariff, that Market Participant or the Transmission Provider may disclose such information; provided, however, that as soon as the Market Participant or the Transmission Provider learns of the disclosure requirement and prior to making disclosure, that Market Participant or the Transmission Provider shall notify the affected Market Participant(s) of the requirement and the terms thereof and the affected Market Participant(s) may direct, at their sole discretion and cost, any challenge to or defense against the disclosure requirement. The disclosing Market Participant and the Transmission Provider shall cooperate with such affected Market Participant(s) to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law.

Each Market Participant and the Transmission Provider shall cooperate with the affected Market Participant(s) to obtain proprietary or confidential treatment of such information by the person to whom such information is disclosed prior to any such disclosure.

- b.** Nothing in this Section 38.9 shall prohibit or otherwise limit the Transmission Provider's use of information covered herein if such information was: (i) previously known to the Transmission Provider without an obligation of confidentiality; (ii) independently developed by or for the Transmission Provider using non-Confidential Information; (iii) acquired by the Transmission Provider from a third party which is not, to the Transmission Provider's knowledge, under an obligation of confidence with respect to such information; and (iv) which is or becomes publicly available other than through a manner inconsistent with this Section 38.9.

- c. The Transmission Provider shall impose on any contractors retained to provide technical support or otherwise to assist with the implementation or administration of this Tariff a contractual duty of confidentiality consistent with the provisions of this Tariff. A Market Participant shall not be obligated to provide confidential or proprietary information to any contractor that does not assume such a duty of confidentiality, and the Transmission Provider shall not provide any information designated as confidential pursuant to this Tariff to any such contractor without the express written permission of the Market Participant providing the information.

- d. Section 38.9.2.a. does not apply to disclosure of information to the Commission or its staff.

### **38.9.3 Disclosure to the Commission**

Notwithstanding any provisions of this Section 38.9 to the contrary, if the Commission or its staff, during the course of an investigation or otherwise, requests information from the Transmission Provider that is otherwise required to be maintained in confidence pursuant to this Tariff, the Transmission Provider shall provide the requested information to the Commission or its staff, within the time provided for in the request for information.

Should the Transmission Provider require additional time to provide the information requested due to logistical matters such as the volume of information requested or technical complexity involved, the Transmission Provider will promptly communicate that need to the individual requesting the information and they shall establish the time for production of the requested information. In providing the information to the Commission, or its staff, the Transmission Provider shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by the Commission and its staff and that the information be withheld from public disclosure. The Transmission Provider shall promptly notify the entities that submitted the requested Confidential Information when it receives from the Commission or its staff a request for disclosure of Confidential Information.



#### **38.9.4 Disclosure to State Regulatory Commissions**

- a.** Notwithstanding any provisions of this Section 38.9 to the contrary, if any state regulatory commission, or other state governmental department that shares the regulatory responsibilities of such commission and is required by law to participate in proceedings before its state regulatory commission within the Transmission Provider Region, or duly authorized members of their respective staff, or counsel of record of such a regulatory commission, during

the course of an investigation or otherwise acting in fulfillment of a statutory authority, obligation or duty, or any organization formed by such state regulatory commissions (*e.g.* the Organization of MISO States (OMS)) through its duly authorized officers or employees, collectively “Authorized Requestor,” requests information from the Transmission Provider that is otherwise required to be maintained in confidence pursuant to this Tariff, the Transmission Provider shall provide the requested information to the Authorized Requestor within the time provided for in the request for information. Should the Transmission Provider require additional time to provide the information requested due to logistical matters such as the volume of information requested or technical complexity involved, the Transmission Provider will promptly communicate that need to the Authorized Requestor and they shall establish the time for production of the requested information.

The Transmission Provider will provide to the entity that originally provided the Confidential Information to the Transmission Provider notice of and all relevant information related to the request for such information. In providing the Confidential Information to the Authorized Requestor, the Transmission Provider shall, consistent with the terms of applicable rule or agreement, request that the information be treated as confidential and non-public by the Authorized Requestor and that the information be withheld from public disclosure; provided, however, that this required non-disclosure shall not extend to Confidential Information that is, or becomes publicly available other than through a manner inconsistent with this Section 38.9.

To facilitate the process described above, any Authorized Requestor prior to making its first request for information pursuant to this section shall provide to the Transmission Provider: (i) a list of the statutory authority, obligation or duty, or in the case of the OMS agreement, establishing or specifying the particular Authorized Requestor's duty, responsibility or authority in fulfillment of which it will make requests to the Transmission Provider under this Section for information, including, but not limited to, that enumerated and described as available to the Independent Market Monitor in Module D of this Tariff; and (ii) a statement identifying and forwarding copies of the particular statute, rule or regulation, or practice that will allow the Authorized Requestor to keep information

disclosed to it hereunder confidential and non-public, and of limited distribution within the Authorized Requestor. In the case of the OMS this requirement will be deemed met by the execution of a nondisclosure agreement with the Transmission Provider containing terms typical of or customary to such agreements sufficient to bind individuals receiving information pursuant to this section to keep such information confidential and not disclose the information to third parties who are not Authorized Requestors.

### **III. DAY-AHEAD ENERGY MARKET, RELIABILITY ASSESSMENT**

#### **COMMITMENT, AND THE REAL-TIME ENERGY MARKET**

##### **39 Day-Ahead Energy Market and Settlements**

This Section 39 contains the procedures the Transmission Provider will follow in determining Day-Ahead Schedules for Market Participants and Day-Ahead Locational Marginal Pricing (LMP). The Transmission Provider will operate the Day-Ahead Energy Market to develop, for each Market Participant, an Energy schedule of operation the day prior to the Operating Day (Day-Ahead Schedule). The Day-Ahead Energy Market is a forward market in which values are calculated for each Hour of the next Operating Day based on Generation Offers, Demand Response Resource Offers, Virtual Supply Offers, External Bilateral Transaction Schedules, Virtual Bids, Demand Bids, and Self-Schedules. Pursuant to the Bid and Offer specifications, Market Participants may purchase and sell Energy in the Day-Ahead Energy Market at binding Day-Ahead LMPs.

Market Participants may also submit Internal or External Bilateral Transaction Schedules which will be subject to the Transmission Usage Charge derived in the Day-Ahead Energy Market. The Transmission Provider will be responsible for creating a Day-Ahead Schedule for Resources based on Bids, Offers, and External Bilateral Transaction Schedules submitted based on least-cost, Security-Constrained Unit Commitment and Security Constrained Economic Dispatch for the next Operating Day. Resources may be self committed by the Market Participant or will be committed by the Transmission Provider, in the Day-Ahead Energy Market, for the next Operating Day. When the Day-Ahead Energy Market yields shortages or surpluses of supply relative to demand, the Transmission Provider shall take appropriate measures to clear the Day-Ahead Energy Market and determine LMPs. Day-Ahead Energy Market Settlement is based on scheduled hourly quantities (MW) and on Day-Ahead Hourly LMPs (\$/MWh). The Transmission Provider will settle FTRs based on Day-Ahead LMP values.

### **39.1 Day-Ahead Energy Market Procedures**

#### **39.1.1 Day-Ahead Energy Market Trading Deadline**

No later than 0900 hours EST of the day before the Operating Day, Market Participants, including GFA Scheduling Entities and Market Participants with SSR Units, must submit to the Transmission Provider any External Bilateral Transaction Schedules, Self-Schedules, or Bids and Offers for the purchase and sale of Energy for consideration in the Day-Ahead Energy Market. The Day-Ahead Energy Market closes at 0900 hours EST the day before the Operating Day. Any inconsistencies in Energy scheduling deadlines between this Tariff and Attachment J shall be interpreted according to the provisions set forth in this Tariff.



### **39.1.2 Rules for Self-Scheduled Resources**

Market Participants may submit schedules for their Resources, in whole or in part, in the Day-Ahead Energy Market. Any generation increment not Self-Scheduled can be offered into the Day-Ahead Energy Market to allow the Transmission Provider to schedule such increment. Market Participants that supply Energy from Self-Scheduled Resources are required only to submit a MWh quantity and the applicable time period. Self-Scheduled Resources are price-takers in the Energy Markets.

### **39.1.3 Rules for Internal Bilateral Transaction Schedules**

An Internal Bilateral Transaction Schedule is a Bilateral Transaction Schedule in which the Internal Source Point, the Internal Sink Point, and the Internal Delivery Point are all Commercial Nodes within the Transmission Provider Region, including Hubs and Interfaces. Internal Bilateral Transaction Schedules shall be financial schedules and shall be submitted through the Financial Scheduling Software (finSched) at any time prior to 1200 EST Hours of the Day after the Operating Day. The Internal Bilateral Transaction Schedule shall include:

- i. Identification of the Market Participants included in the Bilateral Transaction;
- ii. The Commercial Nodes identified as the Internal Source Point, the Internal Sink Point and the Internal Delivery Point;

- iii. The Energy Market at which the Internal Bilateral Transaction Schedule will be settled, using either the Day-Ahead LMPs or Hourly Ex Post LMPs; and
- iv. The scheduled volume in MWh for each Hour of the Internal Bilateral Transaction Schedule.

#### **39.1.4 Rules for External Bilateral Transaction Schedules to be Considered in the Day Ahead Energy Market**

An External Bilateral Transaction Schedule is a Bilateral Transaction Schedule in which either the External Transaction Receipt Point or the External Transaction Delivery Point, or both, are points outside the Transmission Provider Region. If only the External Transaction Receipt Point is a boundary point of the Transmission Provider Region, then the External Bilateral Transaction Schedule is an Import. Imports need not be accompanied by reservations of Point-To-Point Transmission Service on the Transmission System, if supported by Network Integration Transmission Service or are submitted pursuant to a Grandfathered Agreement.

If only the External Transaction Delivery Point is a boundary point of the Transmission Provider Region, then the External Bilateral Transaction Schedule is an Export. Exports, not submitted pursuant to a Grandfathered Agreement or to an individual Coordinating Owners coordination agreement regarding reciprocity provisions with regard to transmission service must be accompanied by reservations of Point-To-Point Transmission Service on the Transmission System. If the External Transaction Receipt Point and External Transaction Delivery Point are both boundary points to the Transmission Provider Region, then the External Bilateral Transaction Schedule is a Through Transaction. Through Transactions must be accompanied by reservations of Point-To-Point Transmission Services, unless the transmission service is provided according to the terms of a Grandfathered Agreement, for segments within the Transmission Provider Region. External Bilateral Transaction Schedules must be submitted by 0900 EST of the day prior to the Operating Day if they are to be considered for settlement in the Day-Ahead Energy Market.

- a.** External Bilateral Transaction Schedules are validated by the Transmission Provider to ensure a Transmission Service reservation exists and the schedule can be supported. The Transmission Provider confirms the accepted External Bilateral Transaction Schedule with appropriate neighboring Control Areas. The Transmission Provider must be able to confirm the External Bilateral Transaction Schedule with all Parties prior to 0900 hours EST or the Transaction will be rejected.

- b.** External Bilateral Transaction Schedules are physical schedules and shall be submitted through the Physical Scheduling Software (PSS). There are three (3) types of External Bilateral Transaction Schedules that can be settled through the Day-Ahead Energy Market: Fixed External Bilateral Transaction Schedules, Dispatchable External Bilateral Transaction Schedules, Up-to-TUC External Bilateral Transaction Schedules.

- i. Fixed External Bilateral Transaction Schedules are used to offer into or sell out of the Energy Markets. Market Participants that submit these types of schedules are price-takers for the amount of Energy scheduled.
- ii. Dispatchable External Bilateral Transaction Schedules specify a Bid or Offer (\$/MWh), consistent with the specifications in Sections 39.2.2 and 39.2.5.
- iii. Up-to-TUC External Bilateral Transaction Schedules specify a willingness to be charged the Transmission Usage Charge (\$/MWh) represented by a maximum amount beyond which the Market Participant agrees to be curtailed. Market Participants can specify any amount of Transmission Usage Charge they are willing to be charged up to \$25/MWh.

### **39.1.5 Posting of the Day-Ahead Schedules**

By 1500 hours EST on the day prior to the Operating Day, the Transmission Provider shall post the Day-Ahead Schedule for each Market Participant resulting from Bids, Offers, Self-Schedules, and External Bilateral Transaction Schedules that have been selected by the Transmission Provider. All Day-Ahead Schedules shall be considered proprietary, with the posting only visible to entities authorized by the Market Participant, subject to the Commission's applicable standards of conduct. The Day-Ahead Schedules for each Market Participant shall consist of twenty-four (24) Hourly values for specific Resources and Loads for the next Operating Day. Also at 1500 hours EST of the Day prior to the Operating Day, the Transmission Provider will post the Day-Ahead LMP as determined pursuant to the procedures set forth in Sections 39.2.9 (including the Marginal Congestion Component and the Marginal Losses Component) for each Commercial Node and Interface in each Hour of the Day-Ahead Energy Market.



## **39.2 Day-Ahead Energy Market**

### **39.2.1 Transmission Provider Obligations**

The Transmission Provider shall provide the following services for the Day-Ahead Energy Market.

- a.** Establish and post on the Internet, rules for eligibility to supply and purchase Energy in the Day-Ahead Energy Market.
- b.** Establish Day-Ahead Energy Market procedures and Settlement procedures for sales and purchases through the Day-Ahead Energy Market.
- c.** Establish and post Bid and Offer requirements and rules required for determination of hourly Day-Ahead LMPs for Energy and selection of Market Participants engaging in purchases and sales in the Day-Ahead Energy Market.

- d. Provide the Settlement functions associated with purchase and sale of Energy in the Day-Ahead Energy Market.
- e. Calculate and post on the Internet the Day-Ahead LMPs for Energy and the Day-Ahead Schedules for each Market Participant.

### **39.2.2 Demand Bid Rules in the Day-Ahead Energy Market**

- a. Market Participants that intend to purchase Energy in the Day-Ahead Energy Market shall provide the Bid information specified in this Section 39.2.2. Only Market Participants that have demonstrated to the Transmission Provider's satisfaction that they are Load Serving Entities or are purchasing on behalf of Load Serving Entities may submit Demand Bids. The Transmission Provider shall maintain a list of Commercial Nodes that may be specified in Demand Bids by Market Participants.

**b. Required Demand Bid Components.** Market Participants

that intend to submit a Demand Bid must provide the following information.

- i. MWh quantity desired to be purchased, with a default of zero (0) MWh.
- ii. Commercial Node registered by the Market Participant for which it intends to purchase the designated MWh of Energy.
- iii. Hours that the Market Participant desires to purchase the designated MWh of Energy.

- c. Optional Demand Bid Data.** The Market Participant may specify a maximum price (\$/MWh) at which the Market Participant desires to purchase the designated MWh of Energy. These Bids will be known as Price Sensitive Demand Bids. Price Sensitive Demand Bids must also specify the Commercial Node at which that specific Market Participant has registered Load and are accepted in separate bid blocks only, up to nine (9) bid blocks at a specific location.

### **39.2.3 External Demand**

All Market Participants may purchase Energy in the Day-Ahead Energy Market through External Bilateral Transaction Schedules and will be settled at the Commercial Node defined as the Interface for each External Bilateral Transaction Schedule.

### **39.2.4 Specifications for Virtual Bids**

- a. Use of Virtual Bid.** Market Participants that intend to purchase Day-Ahead Virtual Energy shall provide the Bid information specified in this Section 39.2.4. Market Participants that intend to purchase Virtual Energy at any Commercial Node (including Hubs and Interfaces) within the Transmission Provider Region shall submit Virtual Bids.

**b. Virtual Bid Components.**

- i. MWh desired to be purchased.
- ii. The Commercial Node where the Market Participant desires to purchase the designated MWh of Energy.
- iii. Maximum price (\$/MWh) at which the Market Participant desires to purchase the designated MWh of Energy.
- iv. Hours that the Market Participant desires the designated MWh of Virtual Energy.

### **39.2.5 Generation Offer (or Demand Response Resource Offer) Rules in the Day-Ahead Energy Market**

Market Participants that intend to supply Energy in the Day-Ahead Energy Market shall provide the information specified in this Section

39.2.5. Generation Offers (or DRR Offers) shall be submitted in the Day-Ahead Energy Market only for registered Generation Resources (or Demand Response Resources). Generation Offers (or DRR Offers) will remain in effect for the Day-Ahead Energy Market until specifically superseded by subsequent Generation Offers (or DRR Offers). Each Market Participant may only submit a single Generation Offer (or DRR Offer) for each individual Resource.

**a. Required Generation Offer (DRR Offer) Components.**

The Market Participant may submit Generation Offers that include an Energy Offer, a Start-Up Offer and No-Load Offer. Market Participants can provide Generation Offers (or DRR Offer) for the partial or full MW range of their Operable Capacity, from the Hourly Economic Minimum Level to the Hourly Economic Maximum Level. Market Participants must provide Offers for their full MW range of their Operable Capacity designated as a Network Resource pursuant to Section 69 for each Hour in the Day-Ahead



Energy Market consistent with the terms and provisions specified in Section 69.2. Market Participants may submit Generation Offers (or DRR Offers) to the Day-Ahead Energy Market up to seven (7) Days prior to the Operating Day and may modify these Generation Offers up until the time the Day-Ahead Energy Market closes, as specified in Section 39.1.1. Market Participants may submit a Generation Offer that contains zero amounts for No-Load and Start-Up Offers (or DRR Offers), in which case only the Energy Offer will be considered in the optimization pursuant to Section 39.2.9. Any limits on the Offer over the full quantity (MW) range of the Operable Capacity must be consistent with Module D. A single Generation Offer (or DRR Offer) may be submitted in the Day-Ahead Energy Market for each Hour of the Operating Day for which the Market Participant is willing to sell the designated MWh of Energy for a given Resource.

Any limits on the Offer over the full quantity (MW) range of Operable Capacity must be consistent with the requirements of Module D. The Transmission Provider shall maintain a Day-Ahead Energy Market Generation Offer (or DRR Offer) for each Resource. These Offers are standing Offers and maintained for each Energy Market independently of the other. These Offers may be updated or may be removed by making the Offer unavailable, consistent with the Business Practices Manuals.

- i. The Energy Offer curve must consist of either a single-part staircase price(s) versus quantity (MWh) curve, or a piecewise linear offer curve, of up to ten (10) segments and must be monotonically increasing for Generation Resources, and cover the full operating range of the Generation Resource, including the Emergency Energy minimum and maximum.

- ii. Demand Response Resources must submit an Energy Offer that consists of a monotonically increasing curve, consisting of no more than ten (10) price and quantity (MW) segments, or piecewise linear curve of up to ten (10) segments representing the price at which the DRR will voluntarily adjust its Day-Ahead Schedule.
- iii. Generation Offers must identify the Generation Resource increments that will provide Operating Reserves for each Control Area. DRR Offers must identify the DRR decrement that will provide non-spinning Operating Reserve. The Generation Resource (or DRR) increments providing reserves can vary for each Hour in the Day-Ahead Energy Market.

- iv. Start-Up Offer (Minimum Curtailment Offer) (\$),  
Intermediate, cold and hot start-up.
- v. No-Load Offer (Minimum Hourly Offer) (\$/hour).
- vi. Commercial Node.

**b. Additional Generation Resources (or DRR) Parameters.**

A Generation Offer may contain all or any of the following information.

- i. Ramp Rate (MW/minute). Ramp rates shall vary by  
no more than ten (10) segments.
- ii. Hourly Economic Minimum Level (MW).
- iii. Hourly Economic Maximum Level (MW).

- iv. Hourly Emergency Minimum Level (MW).
  - v. Hourly Emergency Maximum Level (MW).
  - vi. Minimum Run Time.
  - vii. Maximum Run Time.
  - viii. Minimum Down Time.
  - ix. Notification times.
- c. **Values in Offers.** The values in Offers representing the on-price information identified in Sections 39.2.5.a. and 39.2.5.b. shall reflect the actual known physical capabilities and characteristics of the Generating Resource (or DRR) on which the Offer is based.

- d. Combined Cycle Units.** A Generation Offer for a Generation Resource with combined cycle capability shall submit either an Offer for the combustion turbine (CT) or an Offer for the combined cycle combustion turbine (CCCT) unit, not both.
- e. Jointly Owned Generation Resource.** Each Market Participant may submit a Generation Offer, including Start-up and No-Load Offers for their respective ownership of a Jointly Owned Generation Resource. All joint owners of the Jointly Owned Generation Resource shall coordinate their Offers so that the physical operating characteristics described in Section 39.2.5.b are honored.

The combined Energy Offer component for the Jointly Owned Generation Resource must meet the specifications of Section 39.2.5.a. The physical operator of the Jointly Owned Generation Resource shall submit the physical operating characteristic data.

- f. Day-Ahead Energy Market Offer Cap.** In no event shall the Offer submitted pursuant to this Section 39.2.5 exceed \$1,000/MWh. This Section shall not apply to Demand Response Resource Offers submitted in accordance with the provisions of this Section 39.2.5. Demand Response Offers may be submitted at actual, verifiable prices.

### **39.2.6 Self-Scheduled Resources**

Market Participants may submit Self-Schedules in the Day-Ahead Energy Market. Self-Schedules shall consist of MW amounts for the applicable time period during the Day-Ahead Energy Market. Self-Schedules are price-takers for the portion submitted as a Self-Scheduled Resource. Any increment of a Generation Resource not designated as a Self-Scheduled Resource may be Offered into the Day-Ahead Energy Market.

### **39.2.7 Virtual Supply Offer Rules**

A Market Participant offering to supply Virtual Energy shall provide the information specified below.



- a.** The minimum price the Market Participant is willing to sell Virtual Energy into the Day-Ahead Energy Market, consistent with the requirements of Module D;
- b.** A MW quantity;
- c.** The Commercial Node; and
- d.** Hours that the Market Participant is willing to sell the designated MW of Virtual Energy.

### **39.2.8 External Supply**

Market Participants may offer to sell Energy from External Resources by submitting External Bilateral Transactions Schedules.

### **39.2.9 Day-Ahead Energy Market Process**

The Transmission Provider shall clear the Day-Ahead Energy Market for all Hours of the Day-Ahead Energy Market with a multi-hour optimization methodology, using the Security-Constrained Unit Commitment (SCUC) and Security Constrained Economic Dispatch (SCED) to simultaneously: (i) clear Offers and Bids for each Hour of the Day-Ahead Energy Market to yield Day-Ahead Schedules; (ii) efficiently allocate transmission Capacity to Day-Ahead Schedules by resolving transmission constraints; and (iii) commit available Resources at least-cost to meet the Energy and congestion management requirements throughout the Day-Ahead Energy Market.

- a. Determination of Day-Ahead Schedules.** In developing the Day-Ahead Schedules, the Transmission Provider shall select Market Participants to supply Energy for each Hour of the Day-Ahead Energy Market through its Day-Ahead SCED and SCUC procedures, using Offers, including Self-Schedules and External Bilateral Transaction Schedules for Imports. The Day-Ahead Schedules for each Market Participant shall list the twenty-four (24) hourly injections and withdrawals for each Market Participant whose Bids and Offers the Transmission Provider accepts for the Day-Ahead Energy Market.

- b. Determination of the Day-Ahead LMP.** The Transmission Provider shall calculate the Day-Ahead LMPs for each Hour in the Day-Ahead Energy Market, based on the economic dispatch and commitment of Resources to meet the demand in the Day-Ahead Energy Market. The Day-Ahead LMPs are calculated for each Commercial Node, including Zones and Hubs. The LMP at a Node is the marginal cost of serving demand at the Commercial Node. Such LMPs shall be calculated on a Day-Ahead basis for each Hour of the Day-Ahead Energy Market.
- i. Instruments Eligible to Set LMP.** LMPs are established based on Generation Offers, DRR Offers, Virtual Supply Offers, Price Sensitive Demand Bids, Dispatchable External Bilateral Transaction Schedules, and Virtual Bids.

### Up-to-TUC External Bilateral Transaction

Schedules are also eligible to set LMPs in the Day-Ahead Energy Market.

- ii. **Hubs and Zones.** The Transmission Provider will maintain Hubs and Zones based on a pre-defined set of Commercial Nodes and will calculate weighted average LMPs for this pre-defined set Commercial Nodes. The LMPs, Hub LMPs, and Zonal LMPs shall include separate components for the Cost of Congestion and the Cost of Losses. The Transmission Provider LMP model in the Day-Ahead Energy Market shall be based on the Network Model power flow representation from the Transmission Provider's EMS.

- c. Day-Ahead LMP Calculation at the Bus.** For each Hour, the Transmission Provider will calculate for each Commercial Node on the Transmission Provider Region the LMP, equal to the marginal cost of serving Energy demand at the Commercial Node in the Hour, based on the Bids and Offers selected in the Day-Ahead Energy Market SCUC process for market clearing (or SCUC and SCED).
- i. Calculation of Marginal Congestion Component.** The Transmission Provider will calculate the Cost of Congestion at each Commercial Node as a component of the LMP (the Marginal Congestion Component).

The Marginal Congestion Component at a Commercial Node will be equal to the LMP at the Commercial Node minus the Marginal Losses Component of LMP at the Commercial Node, minus the LMP at the Reference Bus. The Marginal Congestion Component reflects the Cost of Congestion between the Commercial Node and the Reference Bus.

- ii. **Calculation of Marginal Losses Component.** The Transmission Provider will calculate the Cost of Losses at each Commercial Node as a component of the LMP at that Commercial Node (the Marginal Losses Component). The Marginal Losses Component of any LMP reflects the cost of serving System Losses that arise from changes in demand at the Commercial Node which are served by changes in generation at the Reference Bus.

- d. Day-Ahead LMP Calculation at the Hub.** The Transmission Provider shall calculate a Hub LMP based on the LMPs for a set of Commercial Nodes that comprise the Hub. These Hub LMPs are the pre-determined weighted averages of the LMPs at the Commercial Nodes that comprise the Hub. The weights will be pre-determined by the Transmission Provider and remain fixed. Hubs are also used as source and sink points in transactions.
- e. Day-Ahead LMP Calculation at the Zone.** The Transmission Provider shall calculate a Zonal LMP for the Commercial Node defined for that Load Zone based on the LMPs for a set of Buses that comprise the Zone. These Zonal LMPs are the weighted averages of the LMPs at the set of Buses that comprise the Zone. The Zone weights will equal the fractional share of each Load Bus in the total Load share in the Zone based on State Estimator results from the average over the twenty-four (24) hours of seven (7) days prior to the Operating Day.



- i. If the LMP is for the Commercial Node associated with the Load Zone and is used for Settlement purposes, it is subject to the following rules: (a) a single Market Participant is responsible for all the Load in that defined Zone; (b) the Zone is defined as a Bus or percentage of a Bus all within a single Control Area; (c) a Zone may be defined as a single Bus or a percentage of a single Bus.
- ii. LMPs for the Commercial Node associated with the Load Zone are calculated as a weighting of the calculated LMPs from each of the Buses that is included in the definition of that Zone.

- f. Day-Ahead Offer Revenue Sufficiency Guarantee.** The Transmission Provider shall ensure the recovery of a Market Participant's Generation Offer (Start-Up, No-Load, and Energy Offers) for Resources committed by the Transmission Provider and scheduled in the Day-Ahead Energy Market process.

**39.2.10 Shortage Conditions in the Day-Ahead Energy Market**

If the sum of the Demand Bids, Exports, and Virtual Bids in the Day-Ahead Energy Market cannot be satisfied with all available Offers (Generation Offers, Imports and Virtual Supply Offers) within the Transmission Provider Region at its Hourly Economic Maximum Level (MW), the Transmission Provider shall clear the Day-Ahead Energy Market pursuant to the following procedures.

- a. Step One.** The Transmission Provider will employ the high emergency range of all on-line generation and DRR as required to clear the Day-Ahead Energy Market. Resource Offers for Emergency range will be used in the calculation. LMP is set based on the highest offer price of all on-line units that have cleared the Day-Ahead Energy Market.
- b. Step Two.** The Transmission Provider will employ off-line Generation Resources and DRRs that are designated as available only for Maximum Generation Emergency conditions based on economic Offer data and clear the Day-Ahead Energy Market. LMP is set based on the highest Offer of all off-line units that have cleared the Day-Ahead Energy Market.

- c. Step Three.** If the Energy balance is not achieved after the process described in Step One and Step Two have been completed, the Transmission Provider will reduce Bids proportionately within the appropriate area, until balance is achieved and the Day-Ahead Energy Market is cleared. The Transmission Provider will then set Offers to the higher of the highest Offer of all on-line Generation Resources that have been cleared in the Day-Ahead Energy Market or at \$1,000/MWh.

**39.2.11 Surplus Conditions in the Day-Ahead Energy Market**

If the sum of supply from the Self-Schedules, Imports, Virtual Supply Offers, and non-price sensitive Offers within the Transmission Provider Region exceeds all demand reflected in Demand Bids, Exports, and Virtual Bids within the Transmission Provider Region, the Transmission Provider shall use the following procedures to clear the Day-Ahead Energy Market.

- a. Step One.** The Transmission Provider will employ any Offers submitted in conjunction with Imports to cut Dispatchable External Bilateral Transactions Schedules to zero (0) MWs.
- b. Step Two.** The Transmission Provider will employ the low Emergency range (specified in the Emergency Energy Offer) of all on-line Generation and as required to clear the Day-Ahead Energy Market. LMP is based on the lowest Offer of all on-line units that have cleared in the Day-Ahead Energy Market.
- c. Step Three.** If the Energy balance is not achieved after Step One and Two, the Transmission Provider will reduce supply according to the following scheduling priorities. The Transmission Provider will then set Offers to negative \$30/MWh. Supply will be reduced proportionately until balance is achieved and the Day-Ahead Energy Market cleared.

### **39.2.12 Load Forecasts**

Each Control Area Operator within the Transmission Provider Region will provide the Transmission Provider with an hourly forecast of its Load requirements by 0900 hours EST on the Day prior to the Operating Day consistent with the provisions of Section 38.6.5. The Transmission Provider shall develop its Load Forecast based on these forecasts and its own analysis of Load for the next Day and shall post this Load Forecast by 1500 hours EST of the day prior to the Operating Day.

### **39.3 Day-Ahead Settlement**

Transactions in the Day-Ahead Energy Market are financially binding. The following fees and charges are assessed in the Day-Ahead Energy Market:

- (i) Day-Ahead Energy Market purchases; (ii) Day-Ahead Energy Market sales;
- (iii) Bilateral Transaction Schedules; and (iv) FTRs.

### **39.3.1 Charges for Day-Ahead Energy Market Purchases**

- a.** Each Market Participant that purchases Energy in the Day-Ahead Energy Market shall be charged for all the cleared Day-Ahead Energy Market demand not covered by an Internal Bilateral Transactions (finSched) designated to settle in the Day-Ahead Energy Market at the Day-Ahead LMPs, which includes the Marginal Losses Components and the Marginal Congestion Components, applicable to each Commercial Node and time period.
- b.** If a Market Participant elects to calculate and settle Energy purchases at Zonal LMPs, the Market Participant shall be charged for its entire Load scheduled to be served from the Day-Ahead Energy Market at the Day-Ahead Zonal LMPs applicable to each relevant Zone and time period.

- c. On any Day when a Market Participant is scheduled to purchase any Energy in the Day-Ahead Energy Market, including cleared Demand Bids, Virtual Bids and External Bilateral Transaction Schedules for Exports, the Market Participant shall be charged a Day-Ahead Revenue Sufficiency Guarantee Charge. The Market Participant's Day-Ahead Revenue Sufficiency Guarantee Charge on any given day shall equal the product of: (i) the Market Participant's total cleared Demand Bid, Virtual Bids, and External Bilateral Transaction Schedules for Exports (in MWh) scheduled in the Day-Ahead Energy Market and (ii) the per unit Day-Ahead Revenue Sufficiency Guarantee Charge.



The per unit Day-Ahead Revenue Sufficiency Guarantee Charge for any given Day shall equal: (i) the aggregate Day-Ahead Revenue Sufficiency Guarantee Credit payable to Resources in the Day-Ahead Energy Market for that day divided by (ii) sum of the total cleared Demand Bids, Virtual Bids, and External Bilateral Transaction Schedules for Exports in (MWh) of all Market Participants scheduled in the Day-Ahead Energy Market.

### **39.3.2 Payments for Day-Ahead Energy Market Sales**

- a.** Market Participants that have Resources scheduled to supply Energy in the Day-Ahead Energy Market shall be credited for all the cleared supply in the Day-Ahead Energy Market (Self-Schedules, and cleared Generation Offers, Virtual Supply Offers, and External Bilateral Transaction Schedules for Imports) not covered by an Internal Bilateral Transaction Schedule (finSched) set to clear in the Day-Ahead Energy Market at the Day-Ahead LMPs applicable Commercial Node and Hour.

- b.** The Transmission Provider shall determine, on a daily basis, whether any Resources committed by the Transmission Provider in the Day-Ahead Energy Market will not recover Energy, Start-Up and No-Load Offers through the revenues received in the Day-Ahead and Real-Time Energy Market for the Hours during the Transmission Provider Commitment Period. If the Start-Up, No-Load and calculated production costs during the commitment periods for the cleared Day-Ahead

Schedules (MW quantities) exceeds the sum of the value of the cleared Day-Ahead Schedules multiplied by the Day-Ahead LMP over all the Transmission Provider commitment periods, then the Market Participant's revenue from the Day-Ahead Energy Market shall be augmented by an additional payment called the Day-Ahead Revenue Sufficiency Guarantee Credit, in the amount of the shortfall. This payment shall be supported through revenue collected from the Day-Ahead Revenue Sufficiency Guarantee Charge as set forth in Section 39.3.1.c.

### **39.3.3 Payments and Charges for Bilateral Transaction Schedules**

- a.** Internal Bilateral Transaction Schedules and External Bilateral Transaction Schedules for Through Transactions are settled only for the Transmission Usage Charge derived pursuant to the provisions set forth in Section 39.3.3.c.

- b.** External Bilateral Transaction Schedules that are Exports shall be charged for all transaction MWs not covered by a Day-Ahead Internal Bilateral Transaction (finSched) at the Day-Ahead LMP at the relevant Commercial Node for the Interface.
- c.** Calculation of the Transmission Usage Charges in the Day-Ahead Energy Market. The Transmission Provider shall collect a Transmission Usage Charge for all Bilateral Transaction Schedules scheduled in the Day-Ahead Energy Market. The Transmission Usage Charges for External Bilateral Transaction Schedules from a given External Transaction Receipt Point to a given External Transaction Delivery Point shall be the product of:

(i) the amount of Energy scheduled to be withdrawn by the Market Participant in each Hour at the External Transaction Delivery Point, in MWh, and (ii) the Day-Ahead LMP at the Commercial Node for the Interface relevant to the External Transaction Delivery Point Commercial Node minus the Day-Ahead LMP at the Commercial Node for the Interface relevant to the External Transaction Receipt Point, in \$/MWh. The Transmission Usage Charge includes the Cost of Congestion and the Cost of Losses as defined below.

- i. **Cost of Congestion.** The Cost of Congestion shall be calculated as the Marginal Congestion Component of the Day-Ahead LMP at the External Transaction Delivery Point minus the Marginal Congestion Component of the Day-Ahead LMP at the External Transaction Receipt Point, as described in Section 39.2.9.c.i.

- ii. **Cost of Losses.** The Cost of Losses shall be calculated as the Marginal Losses Component of the Day-Ahead LMP at the External Transaction Delivery Point minus the Marginal Losses Component of the Day-Ahead LMP at the External Transaction Receipt Point, as described in Section 39.2.9.c.ii.
- d. Calculation of the Transmission Usage Charges for Internal Bilateral Transactions in the Day-Ahead Energy Market. The Transmission Provider shall collect a Transmission Usage Charge for all Internal Bilateral Transaction Schedules submitted to be considered for Settlement in the Day-Ahead Energy Market.

The Transmission Usage Charges for the seller shall be the product of (i) the amount of Energy scheduled, in MWh, and (ii) the Day-Ahead LMP at the Delivery Point Commercial Node minus the Day-Ahead LMP at the Source Point Commercial Node. The Transmission Usage Charges for the buyer on the Day-Ahead Internal Bilateral Transaction Schedule shall be the product of: (i) the amount of Energy scheduled, in MWh, and (ii) the Day-Ahead LMP at the Commercial Node for the Internal Sink Point minus the Day-Ahead LMP at the Commercial Node for the specified Delivery Point.

### **39.3.4 Settlement of FTRs**

All FTRs will be settled pursuant to the provisions set forth below, irrespective of whether they are obtained through the initial allocation, FTR Auctions, contributions made to Network Upgrades, or through a secondary FTR transaction.

**a. Calculation of the Transmission Congestion Credit**

**Target Allocation.** For each Hour in the Day-Ahead Energy Market, the Transmission Provider shall determine the Cost of Congestion associated with Transmission Service from a designated FTR Receipt Point to a designated FTR Delivery Point specified in each FTR Obligation or FTR Option. In each instance when the applicable Cost of Congestion from the FTR Receipt Point to the FTR Delivery Point is positive, the Transmission



Provider shall credit to the FTR Holder (of either a FTR Obligation or FTR Option) an amount equal to the applicable hourly Cost of Congestion from the FTR Receipt Point to the FTR Delivery Point multiplied by the specified FTR Quantity (Transmission Congestion Credit). In each instance when the applicable Cost of Congestion from the FTR Receipt Point to the FTR Delivery Point is negative, the Transmission Provider shall charge to each FTR Holder of a FTR Obligation (but not the FTR Holder of a FTR Option) an amount equal to the absolute value of the

applicable Cost of Congestion from the FTR Receipt Point to the FTR Delivery Point multiplied by the specified FTR Quantity. The Transmission Provider shall calculate for each FTR Holder for each Hour, the FTR Holder's Target Allocation for the Transmission Congestion Credit, which shall be the sum of the FTR Holder's Transmission Congestion Credits for that Hour.

- b. Settlement of FTRs.** The Transmission Provider shall compare, for each Hour, the total of all Target Allocations for the Transmission Congestion Credit to the Hourly Transmission Congestion Charges collection.

- i. If the total of all Target Allocations for the Transmission Congestion Credit for a given Hour is less than the Hourly Transmission Congestion Charges collection for that same Hour, the Transmission Provider shall pay to each FTR Holder an amount equal to its Target Allocation for the Transmission Congestion Credit for that Hour (Transmission Congestion Charge). The difference between the total of all Transmission Congestion Charges for a given Hour and the Hourly Transmission Congestion Charges collection for that same Hour shall accrue in the Excess Congestion Charge Fund. After the end of a given Month, the Excess Congestion Charge Fund shall be distributed to fund any deficiency in the share of Transmission Congestion Credits received by each FTR Holder as described in Section 39.3.4.c.

- ii. If the total of all Transmission Congestion Credit Target Allocations for a given Hour is equal to the total of the Hourly Transmission Congestion Charges collection for that same Hour, the Transmission Provider shall credit to each FTR Holder an amount equal to its Target Allocation for the Transmission Congestion Credit for that Hour.
- iii. If the total of all Target Allocations for the Transmission Congestion Credit for a given Hour is greater than the total of the Hourly Transmission Congestion Charges collection for that same Hour, the Transmission Provider shall credit to each FTR Holder an amount equal to its share of the Hourly

Transmission Congestion Charges collection for that same Hour in proportion to its Target Allocation for the Transmission Congestion Credit. The shortfalls in Hourly Transmission Congestion Charges shall be offset by credits from the Excess Congestion Charge Fund after the end of each Month.

**c. Determination and Disposition of Excess Congestion Charge Fund.**

- i. The Transmission Provider will distribute the amounts accumulated in the Excess Congestion Charge Fund after the end of each Month to each FTR Holder in proportion to the difference between Transmission Congestion Credits received by the FTR Holder during that Month and its total Transmission Congestion Credit Target Allocations for the Month. If insufficient funds exist in the Excess Congestion Charge Fund to satisfy all deficiencies, then deficiencies will carry forward to the end of the Year.

- ii. The Transmission Provider will distribute any Transmission Congestion Charges remaining in the Excess Congestion Charge Fund after the end of the Year to Network Customers and Firm Point-To-Point Transmission Customers in proportion to their charges for Network Integration Transmission Service and their charges for Point-To-Point Firm Transmission Service, regardless of whether these Transmission Customers hold FTRs for their Transmission Service.

### **39.3.5 Calculation of the Day-Ahead Marginal Losses Surplus**

The Transmission Provider shall calculate the Day-Ahead Marginal Losses Surplus, as the Day-Ahead Marginal Losses Surplus plus the Day-Ahead Bilateral Transactions Schedules Marginal Losses Surplus. The Day-Ahead Marginal Losses Surplus is summed with the Real-Time Marginal Losses Surplus, calculated pursuant to Section 40.5, to determine the Marginal Losses Surplus, allocated to Market Participants as described in Section 40.6.

- a.** The Transmission Provider shall calculate for each Hour of the Day-Ahead Energy Market the Day-Ahead Marginal Losses Surplus as the Total Day-Ahead Charges for Energy Market Purchases, minus Total Day-Ahead Credits for Energy Market Sales, minus Total Day-Ahead Congestion Charges:

- i. The Total Day-Ahead Charges for Energy Market Purchases (including cleared Virtual Bids) for each Hour of the Day-Ahead Energy Market will be the sum across all Commercial Nodes of Day-Ahead LMP multiplied by the Scheduled Withdrawals excluding any purchases covered by Grandfathered Schedules or Day 1 Inadvertent Credit Schedules.
- ii. The Total Day-Ahead Credits for Energy Market sales (including cleared Virtual Supply) for each Hour of the Day-Ahead Energy Market will be the sum across all Commercial Nodes of Day-Ahead LMP multiplied by the Scheduled Injections excluding any sales covered by Grandfathered Agreements or Day 1 Inadvertent Credit Schedules.



- iii. The Total Day-Ahead Congestion Credits for each Hour of the Day-Ahead Energy Market will be the sum across all Commercial Nodes of: (a) the Marginal Congestion Component multiplied by the Scheduled Withdrawals (including cleared Virtual Bids but excluding withdrawals covered by Grandfathered Agreements or Day 1 Inadvertent Credit Schedules); minus (b) the Marginal Congestion Component multiplied by the Scheduled Injections (including cleared Virtual Supply Offers but excluding any injections covered by Grandfathered Agreements or Day 1 Inadvertent Credit Schedules).

- b.** The Transmission Provider shall calculate for each Hour of the Day-Ahead Energy Market the Day-Ahead Bilateral Transaction Schedules Marginal Losses Surplus. The Day-Ahead Bilateral Transaction Schedules Marginal Losses Surplus is the sum of Transmission Usage Charge minus the Cost of Congestion for all Bilateral Transaction Schedules submitted during the Day-Ahead.

#### **40 Real-Time Energy Market and Operating Day Processes**

##### **40.1 Reliability Assessment and Commitment**

The Transmission Provider will employ the Reliability Assessment and Commitment procedures to incorporate changes to Real-Time Offers and in response to changes in system conditions. The intent of the Transmission Provider operations in reliability assessment and commitment process is to ensure, to the extent feasible, that expected system conditions in the Operating Day are represented in the Transmission Provider's Network Model and that the Transmission Provider can reliably operate the facilities and serve its Load Forecast and Capacity requirements.

#### **40.1.1 Role, Responsibilities and Requirements of Transmission**

##### **Provider**

In preparation for the Real-Time Energy Market, the Transmission Provider will: (i) allow a Market Participant to submit a new or modify existing Offers for the Real-Time Energy Market, including Self-Schedules up to thirty (30) minutes prior to each Dispatch Hour in the Operating Day; and (ii) allow a Market Participant to submit new or update existing Bilateral Transaction Schedules intended to settle in the Real-Time Energy Market up to thirty (30) minutes prior to each Dispatch Hour in the Operating Day. The Transmission Provider will allow these changes, as long as the Transmission Provider can ensure reliable operation of the facilities within the Transmission Provider Region, and serve its Load Forecast and Capacity during the Operating Day.

The Transmission Provider shall perform the RAC process to ensure that sufficient Resources are available and on-line to meet Load Forecast and Capacity requirements projected for each Hour of the Operating Day. The RAC process employs a SCUC and is performed as necessary beginning seven (7) days prior to the Operating Day and continues to be performed during the Operating Day. From 1500 to 1600 hours EST of the day prior to the Operating Day, the Transmission Provider shall perform a RAC process to ensure that sufficient Resources are committed to reliably operate and meet Load Forecast and Capacity requirements within the Transmission Provider Region each Hour of the next Operating Day. The RAC process assists the Transmission Provider to reliably operate the facilities within the Transmission Provider Region by allowing the Transmission Provider to commit additional Resources beyond those selected for the Day-Ahead Energy Market if needed to meet the Load Forecast and Capacity requirements.

#### **40.1.2 The RAC Process**

- a. Timing.** A RAC process shall occur sequentially after the closing and publishing of Day-Ahead Energy Market results at 1500 hours EST. The RAC process starts at 1500 hours EST and closes at 1600 hours EST. The Transmission Provider will conduct other RAC processes as necessary beginning seven (7) days prior to the Operating Day and throughout an Operating Day to ensure that it can serve forecasted Load and Capacity requirements.

- b. Load Forecast.** After publishing the Day-Ahead Energy Market results, the Transmission Provider will publish its most recent Load Forecast for each Hour of the Operating Day.
- c. Offer Submission.** From 1500 hours EST through 1600 hours EST, Market Participants can submit Offers as described below for consideration by the Transmission Provider in its RAC process.
- d. Notification.** The Transmission Provider will commit selected Resources through the RAC process and will notify these applicable Market Participants by 1900 hours EST of the Day before the Operating Day.

### **40.1.3 Eligible Resources**

Generation Resources can, but are not obligated to, Offer any Capacity from a Resource not selected for a Day-Ahead Schedule. Market Participants are obligated to Offer any Capacity from its Network Resource designated pursuant to Section 69 not selected in the Day-Ahead Energy Market.

### **40.1.4 Offer Requirements and Specifications for the RAC Process**

A Market Participant intending to supply Capacity and Energy into the RAC process shall submit the information requested in the Real-Time Offer Specifications.

#### **40.1.5 RAC Selection Process**

- a. RAC Objective Function.** The Transmission Provider shall use the RAC process to optimize its selection of Resources by minimizing total commitment costs of procuring Resources needed to meet 100 percent (100%) of its Load Forecast, ensuring Capacity is on-line to serve Operating Reserve requirements and reasonable Load Forecast error. The RAC process will employ a SCUC algorithm over a multi-hour time horizon that will minimize commitment costs, account for transmission constraints, and respect Resource operating characteristics. In performing the optimization, the RAC process will consider Start-Up, No-Load Offers and Offers at minimum Load only.



- b. Notification of RAC Results.** The Transmission Provider will notify Market Participants whose Resources have been selected in the RAC process by 1900 hours EST and will instruct such Market Participants when to start their Resources and operate at minimum Load.
- c. Resource Obligations.** Resources selected and committed by the Transmission Provider in the RAC process must adhere to the Dispatch Instructions of when to start up and operate at minimum Load, to the extent feasible, and must submit an Energy Offer for the Resource's full Capacity in the Real-Time Energy Market.

#### **40.1.6 Intra-Day RAC Processes**

The Transmission Provider will undertake, as necessary, at any time during the Operating Day, a RAC process to select and commit incremental Resources at minimal commitment costs, to ensure reliability in the Transmission Provider Region during the Operating Day. During such intra-day RAC process, the Transmission Provider shall employ the Start-Up and No-Load Offers last submitted by the Market Participants in clearing the RAC process.

#### **40.2 Real-Time Energy Market**

The Transmission Provider will operate the Real-Time Energy Market to coordinate Energy flows based on an assessment of actual current conditions in the Transmission Provider Region as determined by the State Estimator.

The Transmission Provider will dispatch Resources in the Real-Time Energy Market using a Security-Constrained Economic Dispatch (SCED) optimization program every five (5) minutes of the Operating Day to simultaneously balance injection and withdrawals, while managing congestion and calculating Ex Post LMPs. The Transmission Provider shall conduct a Real-Time Energy Market Settlement process, which is based on actual hourly quantity deviations from the Day-Ahead Schedules at Hourly Ex Post LMPs.

#### **40.2.1 Real-Time Energy Market Operations**

The Real-Time Energy Market operates continuously throughout the Operating Day on a five (5) minute basis. The Real-Time Energy Market is cleared every five (5) minutes based on Offers to create Dispatch Instructions and Net Scheduled Interchange targets for the end of the next Dispatch Interval.

#### **40.2.2 Transmission Provider Responsibilities**

**a. Establish and Post Real-Time Energy Market Rules.**

The Transmission Provider shall: (i) establish and post on the Internet rules for eligibility to supply Energy in the Real-Time Energy Market; (ii) establish and post on the Internet Offer data requirements and rules, and provide the market functions required for determination of hourly Real-Time Energy LMPs and selection of Market Participants to provide Real-Time Energy; and (iii) establish and post on the Internet the rules for determination of any additional charges necessary to support efficient operations of the Real-Time Energy Market.

- b. Determine Actual Operating Conditions.** The Transmission Provider shall develop a description of the power system conditions on the Transmission Provider Region every five (5) minutes by using the most recent power flow solution produced by the State Estimator. The State Estimator provides the Transmission Provider with a solution of current conditions on the Transmission Provider Region that includes information on the MW output of Generation Resources and Loads at the Commercial Nodes, calculated transmission line losses, loss penalty factors and calculated flows or Load in the Transmission Provider Region.

- c. Selection of Market Participants to Provide Energy in Real-Time Energy Market.** The Transmission Provider shall select Market Participant's Resources to provide Energy in the Real-Time Energy Market based on, but not limited to, system reliability needs, system operational considerations, and the use of a Security-Constrained Economic Dispatch to determine the least costly means of serving the Load. The selection will be communicated either electronically or through other means to the Market Participants as Dispatch Instructions.
- d. Settlement Functions.** The Transmission Provider shall provide the Settlement functions associated with purchase and sale of Energy in the Real-Time Energy Market.

**e. Calculation and Posting of LMPs in the Real-Time**

**Energy Market.** The Transmission Provider shall determine and post the Real-Time LMPs for Energy on five (5) minute intervals.

**40.2.3 Offer Rules and Obligations for Market Participants in the Real-Time Energy Market**

- a. Eligibility to Supply.** A Market Participant's Resources can participate in the Real-Time Energy Market if the Transmission Provider has certified the Resource is capable of responding to five (5) minute Dispatch Instructions and has appropriate telemetry installed. Market Participants that offer to supply Real-Time Energy shall provide the Offer information specified below or provide a Self-Schedule.

- b.**      **Generation Offers (Demand Response Resource Offers)**  
Rules and Specifications in the Real-Time Energy Market.  
Generation Offers (including Self-Schedules and DRR Offers) may only be submitted in the Real-Time Energy Market for actual physical Generation Resources (or DRR) at registered locations. Offers to supply Energy in the Real-Time Energy Market have the same price, quantity, and data requirements as Generation Offers or DRR Offers in the Day-Ahead Energy Market. Virtual Supply Offers are not permitted in the Real-Time Energy Market. The following rules also apply to Generation Offers in the Real-Time Energy Market.
- i.**      **Combined Cycle Units.** A Generation Offer for a Generation Resource with combined cycle capability shall submit either an Offer for the combustion turbine (CT) or an Offer for the combined cycle combustion turbine (CCCT) unit, not both.



- ii. **Weather Curves.** Only CTs and CCCTs may submit weather curves. Weather curves specify MW limits for CTs and CCCTs as a function of temperature. Forecast points shall consist of a daytime temperature and a nighttime temperature. The Market Participant shall submit separate weather curves for economic MW and for emergency MW. Each CT is assigned to a Weather Point, which is entered by the Market Participant and may be changed by the Market Participant. The Market Participant may submit the forecast for the Weather Point. If no forecast is submitted, the Transmission Provider temperature forecast is used as a default.

- iii. **Hourly Economic Maximum.** An Offer shall include an Hourly Economic Maximum.
- iv. **Hourly Economic Minimum.** An Offer shall include an Hourly Economic Minimum, which shall be based on the actual capability of the Resource to operate on its Offer curve and may not be used to withhold a portion of the Capacity of a Resource from the Real-Time Energy Market, except for Regulation reserves a Resource is providing.
- v. **Emergency Limits.** The Market Participant shall submit an Offer for a Resource or a portion of a Resource as Hourly Emergency Maximum and/or Hourly Emergency Minimums, which must be consistent with the economic Operable Capacity of the unit (*i.e.*, the entire Offer curve must be monotonically increasing).

When a Resource or part of a Resource is designated as Hourly Emergency Maximum and/or Hourly Emergency Minimum, the referenced output levels may require extraordinary procedures and the designated MWs are available only when the Transmission Provider requests Emergency generation. Designation of a Resource or a portion of a Resource as Hourly Emergency Maximum and/or Hourly Emergency Minimum shall be based on the real operating characteristics of the Resource and shall not be used to withhold all or a portion of the Capacity of a Resource from the Real-Time Energy Market.

- vi. **Limit Priority.** Operating limits for Resources provided to the Transmission Provider and kept on file can be overridden by daily Resource schedule MW limits (limits applicable on an Operating Day). Daily Resource schedule MW limits can be overridden by Generation Resource hourly MW limits (limits applicable to an Operating Hour). Weather curves for CTs apply to both hourly Resource limits and schedule limits. All these specified Resource limits and other physical operating parameters are subject to investigation by the Independent Market Monitor pursuant to provisions set forth in Module D.

- vii. **Rollover.** The set of Offers for the Real-Time Energy Market last submitted for Resources shall remain in effect for each Day until they are replaced by subsequent Offers or the Market Participant makes the Offer unavailable.
- viii. **Self-Scheduled Resources.** A Market Participant may adjust the schedule of a Self-Scheduled Resource on an Hour-to-Hour basis for the Real-Time Energy Market. The Market Participant must notify the Transmission Provider not later than thirty (30) minutes prior to the Hour in which the adjustment is to take effect. Any Self-Scheduled Resource is subject to the right of the Transmission Provider to schedule and dispatch Self-Scheduled Resources in an Emergency.

A Market Participant may schedule as a Self-Scheduled Resource any of its Generation Resources or Generation Resource increments not previously designated as Self-Scheduled Resources.

A Market Participant may remove from service a Generation Resource that it had previously designated as a Self-Scheduled Resource, provided that the Transmission Provider has the option to schedule Energy from such Generation Resource if needed for reliability. The schedule of a Self-Scheduled Resource last submitted for each Resource will remain in effect for each Day until replaced by subsequent schedules or until made unavailable by the Market Participant.

- ix. **Real-Time Energy Offer Cap.** In no event shall the Energy Offer in an Offer submitted pursuant to this Section 40.2.3 exceed \$1,000/MWh. This section shall not apply to Demand Response Resource Offers. Demand Response Offers may be submitted at actual, verifiable prices.

x. **Start-Up Offer (Minimum Curtailment Offer).**

A Market Participant shall submit a Start-up Offer, which consists of dollar (\$) amounts that represent the fees required by the Market Participant to start the Generation Resource. For Demand Response Resources, the Start-Up Offer shall reflect, in dollars (\$), the minimum charge for initiating Curtailment regardless of the quantity curtailed or the duration of the Curtailment.

xi. **No-Load Offer (Minimum Hourly Offer).** A

Market Participant shall submit a No-Load Offer, which consists of dollar amounts (\$) representing the fees required by the Market Participant to operate the unit at zero (0) Load levels. The No-Load Offer can vary for each Hour of the Operating Day. For Demand Response Resources, the No-Load Offer shall reflect, in dollars (\$), the minimum charge per Hour of Curtailment at the lowest MW level of Curtailment.

- xii. **Additional Offer Data.** Market Participants may submit other data, including that specified in Section 39.2.2.c.

#### **40.2.4 External Demand in the Real-Time Energy Market**

Market Participants may purchase Energy in the Real-Time Energy Market through External Bilateral Transaction Schedules. For Dispatchable Dynamic External Bilateral Transactions Schedules, Market Participants have the option to designate a price for which their External Bilateral Transaction Schedules should be dispatched.



#### **40.2.5 Generation Resources Providing Ancillary Services**

##### **a. Regulation**

- i. Generation Resources providing Regulation shall submit an hourly MW schedule for both Regulation Up and Regulation Down Capacity. Each Generation Resource shall indicate its Regulation status through the Energy Management System. Resources providing Regulation can also submit Generation Offers for the unused portions of available Capacity. The Transmission Provider will allocate and reserve the uppermost portion of the Resource's operating range as the Regulation Up Capacity and the lower most portion of the Resource's operating range as the Regulation Down Capacity.

- ii. To the extent the Market Participant physically controls the Resource, the Market Participant will deploy Resources for Regulation in accordance with requirements and instructions from the Control Area to provide Regulating response, consistent with direction from the Transmission Provider.
- b. **Operating Reserves.** Market Participants providing Operating Reserve from Generation Resources shall submit an hourly MW schedule for Operating Reserve Capacity. The Transmission Provider will allocate and reserve the uppermost portion of the Resource's operating range as the Operating Reserves Capacity. For resources providing Contingency Reserves and Regulation, the Transmission Provider will allocate and reserve the uppermost portion of the Resource's operating range to include spinning reserve, supplemental reserve, and Regulation Up.

#### **40.2.6 Rules for Bilateral Transaction Schedules in the Real-Time Energy Market**

Market Participants may submit Bilateral Transaction Schedules up to thirty (30) minutes prior to the effective Hour in the Real-Time Energy Market and if so, are subject to Transmission Usage Charges. For consideration in the Real-Time Energy Market, Market Participants may submit Fixed External Bilateral Transaction Schedules or Dispatchable Dynamic External Bilateral Transaction Schedules. These Bilateral Transaction Schedules can be submitted up to seven (7) days prior to the Operating Day.

- a. Fixed External Bilateral Transaction Schedule.** Fixed External Bilateral Transaction Schedules are considered Fixed External Bilateral Transaction Schedules unless they are designated as Dispatchable Dynamic External Bilateral Transaction Schedules.

**b. Dispatchable Dynamic External Bilateral Transaction**

**Schedule.** Dispatchable Dynamic External Bilateral Transaction Schedules are cleared as Dispatchable External Bilateral Transaction Schedules. During the Real-Time Energy Market, the Transmission Provider will dispatch these schedules every five (5) minutes at the appropriate Commercial Node for the Interface.

**40.2.7 Real-Time Energy Market Process**

The Transmission Provider will clear the Real-Time Energy Market before the start of each five (5) minute interval of the Operating Day by determining the Security-Constrained Economic Dispatch that based on actual conditions and on Offers submitted to the Real-Time Energy Market by Market Participant's.

#### **40.2.8 Real-Time Energy Market Data Inputs**

The Transmission Provider shall consider the data inputs set forth in this Section 40.2.8 in its clearing of the Real-Time Energy Market.

Under Emergencies the Transmission Provider shall deviate from these procedures to ensure that Load within the Transmission Provider Region is served reliably.

- a. Load Forecast.** The Transmission Provider shall conduct Real-Time Load Forecasts pursuant to procedures set forth in Section 38.1 and further elaborated in the Business Practices Manuals. The Load Forecast shall be distributed to individual Load Buses, using the most recent State Estimator results. Load forecast adjustments submitted by Control Area Operators are recognized for non-conforming loads and included in the Load Forecast if deemed appropriate by the Transmission Provider.

- b. Dispatch Model.** The Dispatch Model is populated in the real-time with the most recent State Estimator results before the start of the Real-Time Energy Market clearing process at the start of each five (5) minute Dispatch Interval.
- c. Dispatchable Dynamic Bilateral Transaction Schedules.** The Transmission Provider shall obtain the expected values of Dispatchable Dynamic External Bilateral Transaction Schedules for the following five (5) minute Dispatch Interval (including any Transmission Loading Relief requirements) from the EMS.
- d. Resource Information.** The Transmission Provider shall accept and consider Offers from Resources for the following five (5) minute Dispatch Interval.

- e. **Reserve Sharing Groups.** If a Reserve Sharing Group is activated, then the Transmission Provider shall account for Resources providing reserves in the Offers of Generation Resources providing these reserves in the notified Control Areas. Each Generation Resource contributes a share of the reserve in proportion to the response parameters provided by the Control Area Operators.

#### **40.2.9 Clearing the Real-Time Energy Market**

The Transmission Provider shall dispatch Resources in the Real-Time Energy Market using a Security Constrained Economic Dispatch (SCED) process. The objective of the SCED process is to minimize the as-bid Energy costs of Energy procurement based on Offers received over the Dispatch Interval, the Transmission Provider's forecasted demand estimate, subject to transmission system network constraints and Resource operating constraints.

The SCED process produces explicit Resource-specific Dispatch Instructions, which the Transmission Provider shall communicate to Market Participants as well as Control Area Operators. The Transmission Provider will employ the same Network Model as used in the Day-Ahead Energy Market, but will reflect all real-time network configuration and constraints as determined from the most recent State Estimator results and contingency analysis results (Dispatch Model). SCED will produce the following outputs.

- a. Resource Base Points.** The Real-Time Energy Market clearing process shall develop the cleared amount of each offered Generation Resource and Demand Response Resource for the five (5) minute Dispatch Interval. The resource base points are defined as the Target Resource Dispatch at the end of the five (5) minute period. All Dispatch Instructions shall be financially binding obligations that the Transmission Provider deems delivered.



- b. Net Scheduled Interchange (NSI).** The Real-Time Energy Market clearing process develops the NSI schedules for each Control Area for the five (5) minute Dispatch Interval.

**40.2.10 State Estimator**

The Transmission Provider shall obtain State Estimator solutions at least every five (5) minutes that provide information on Energy injections and withdrawals, transmission line losses, penalty factors, and actual flows on transmission facilities.

#### **40.2.11 Calculation of Real-Time LMPs (Ex Post LMPs)**

At the close of each Dispatch Interval, the Transmission Provider shall calculate LMPs for each Commercial Node on the Transmission Provider Region used for Settlement of the Real-Time Energy Market. These LMPs are referred to as Ex Post LMPs. The Ex Post LMP for a Dispatch Interval at a given Commercial Node shall be the marginal cost of Energy at the Commercial Node based on the Energy actually produced during the Dispatch Interval. Real-Time Generation Offers (DRR Offers) and External Bilateral Transaction Schedules that are Dispatchable in the Real-Time Energy Market, are dispatched by the Transmission Provider and are following Dispatch Instructions are eligible to set Ex Post LMP. A Resource is eligible to set the Ex Post LMP based on real-time performance observed by the latest State Estimator solution, the Offer or transaction price, and the price associated with the Dispatch Instructions for that Resource.

#### **40.2.12 Price Verification**

The Transmission Provider shall continually monitor the various processes associated with the calculation of Ex Post LMP. In the event of a data input failure or program failure, corrective actions may be engaged to ensure that the resulting Ex Post LMPs are as reasonably accurate as is attainable. Where the input data is unavailable, the Transmission Provider shall take all reasonable measures to recover the original data for use in the Ex Post LMP calculation. In the event of a program failure, the Transmission Provider shall attempt to correct the reason for the failure and to recalculate Ex Post LMP values for the affected intervals. If the Transmission Provider is unable to correct the failure and the original data cannot be recovered, the Transmission Provider shall use data from the best available alternate data sources including, but not limited to, backup systems, dispatcher logs, raw telemetry data, and Market Participant data sources. In the event of a data input or program failure, Ex Post LMP replacements shall be performed as follows.

- a.** Where the stale data or program failure exists for eleven (11) or fewer intervals within the same Hour, the affected intervals shall be replaced with data from the last successful interval or the next successful interval, as appropriate, within the same Hour;
- b.** Where the stale data or program failure exists for all intervals within the same Hour, the following shall occur:

  - i. Where the Hour is unconstrained, the Hourly Ex Post LMP shall be replaced with the loss-adjusted hourly integrated Dispatch Instruction; and
  - ii. Where the system is constrained, the Ex Post LMP values shall be recalculated using data from the best available sources. The Ex Post LMP values shall be recalculated for each five-minute Dispatch Intervals and then integrated and weighted in accordance with the standard procedure.

- c. Hourly Ex Post LMPs will be finalized and posted as soon as practicable following the Operating Day and in accordance with the timeframes specified in the Business Practices Manuals, except that the finalization and posting of such Hourly Ex Post LMPs shall not exceed five (5) Business Days from the applicable Operating Day. Any posting of final Hourly Ex Post LMPs exceeding five (5) Business Days from the applicable Operating Day shall require approval by the Transmission Provider Board.

#### **40.2.13 Real-Time Offer Revenue Sufficiency Guarantee**

The Transmission Provider shall ensure the minimum recovery of a Market Participant's Start-Up, No-Load and calculated production costs for Resources committed by the Transmission Provider in any of the RAC processes, prior to the Day-Ahead Energy Market (i.e. long start-up times), RAC process conducted at 1500 hours EST of the day prior to the Operating Day, and intra-day RAC.

#### **40.2.14 Exceptions to LMP Pricing**

During Reserve Sharing events the Transmission Provider will not perform centralized economic dispatch and calculate LMPs on the portion of Resources that are set-aside to provide Contingency Reserve response. Instead, each Market Participant will identify to the Transmission Provider where it plans to carry the Contingency Reserves it is responsible for, and during normal conditions this Capacity will not be considered during the LMP calculation. After a trip of a Resource, when Contingency Reserves are deployed, the Transmission Provider and the Control Areas will treat Contingency Reserve activation as a Self-Schedule. Settlement of the transaction will occur as a Bilateral Transaction Schedule between members of the Reserve-Sharing Group. When the Transmission Provider is notified by the Control Area Operators that the Contingency Reserve activation adjustment can be terminated, the Transmission Provider will terminate the Self-Schedule treatment of the applicable Contingency Reserve activation capacity.

#### **40.2.15 Shortage Conditions in the Real-Time Energy Market**

If the Transmission Provider's forecast of real-time demand within the Transmission Provider Region cannot be satisfied with all available Offers (Generation, Self-Schedules, and Demand Response Resource Offers) within the Transmission Provider Region at its Hourly Economic Maximum Level (MW), the Transmission Provider shall issue a Maximum Generation Emergency warning message due to a shortage of economic Resources. Offers for the Emergency range of each unit will be used to calculate the least-cost dispatch solution. The Transmission Provider will proceed with the following procedures to clear the Real-Time Energy Market.

- a. Step One.** The Transmission Provider will employ the high Emergency range as determined by the Market Participant of all on-line Resources as required to clear the Real-Time Energy Market using SCED and will calculate LMPs. Offers for Emergency range will be used in the calculation.

- b. Step Two.** The Transmission Provider will call on Operating Reserves to attempt to achieve the Energy balance. If so, the Operating Reserve Capacity segments dispatched in merit are Offered at \$1000/MWh and are eligible to set the Ex Post LMP.
- c. Step Three.** The Transmission Provider will employ off-line Generation Resources that is designated as available only for Maximum Generation Emergency conditions and clear the Real-Time Energy Market using SCED.
- d. Step Four.** If the Energy balance is not achieved after Step Three above, the Transmission Provider will resort to Load Shedding pursuant to Attachment Q, until balance is achieved and the Real-Time Energy Market is cleared through SCED.



#### **40.2.16 Surplus Conditions in the Real-Time Energy Market**

If the on-line Generation Resources at its minimum, including Self-Scheduled Resources, plus the Imports within the Transmission Provider Region exceeds the forecasted Load, including Exports, within the Transmission Provider Region, the Transmission Provider will follow the following procedures to clear the Real-Time Energy Market.

- a. Step One.** The Transmission Provider will employ the low Emergency range of all on-line Resources as required to clear the Real-Time Energy Market using SCED and will calculate LMPs. Offers for this low Emergency range will be used in the calculation. The specifications for these Emergency range Offers are developed in the Business Practices Manuals.

- b. Step Two.** If the Energy balance is not achieved after the Step One, the Transmission Provider will reduce supply by decommitting units with the shortest start-up times in the appropriate area. Supply associated with Bilateral Transaction Schedules will not be reduced to the extent feasible. In these cases, Offers will be set at negative \$30/MWh.

#### **40.2.17 Emergency Energy Purchases**

During a declared Maximum Generation Emergency, the Transmission Provider shall make Emergency Energy purchases pursuant to provisions set forth below in an attempt to resolve the declared Emergency.

- a. Notification.** The Transmission Provider will attempt to provide at least sixty (60) minutes notice before Emergency Energy is required. The Transmission Provider will post a message on its Internet website indicating that:

(i) Emergency Energy purchases are anticipated beginning at a specific Hour; and (ii) Market Participants may submit Offers for Emergency Energy. The Transmission Provider will also notify neighboring Control Area Operators that Emergency Energy may be requested. The Transmission Provider will implement and curtail Emergency Energy transactions with as much notice as practical to allow for a reliable transition into and out of Emergency conditions.

**b. Accepting and Scheduling Emergency Energy Offers.**

The Transmission Provider will accept Offers in the format prescribed in 40.2.3 for Emergency Energy on an economic basis.

- c. Deliverability.** Emergency Energy deliverability is the responsibility of the Market Participant whose Offer has been accepted and scheduled by the Transmission Provider. The Transmission Provider will accept Offers from External Resources consistent with requirements for External Bilateral Transactions Schedules specified in this Tariff. If an external reliability authority or reliability coordinate has imposed transmission load relief, firm point-to-point transmission service to the Transmission Provider Region may be required.
- d. Payments for Emergency Energy.** Market Participants are paid the higher of the applicable Commercial Node LMP or their Offer price for Emergency Energy purchases.

- e. Allocation of Charges.** The costs of Emergency Energy will be recovered through the LMP market from Market Participants with Generation Resources or Load in the Energy Deficient Region that participate in the Real-Time Energy Market that have deviations from their Day-Ahead Schedules, on a pro-rata basis. Deviations instructed by Transmission Provider are exempt from charges for Emergency Energy purchases.
- f. Use of Neighboring Control Areas.** Emergency Energy may be requested from neighboring Control Areas after all Energy offered by Market Participants has been accepted, unless Transmission Provider determines that an immediate need requires circumvention of the Offer process.

### **40.3 Settlement of Real-Time Energy Market**

The Transmission Provider will provide timely Settlement of purchases and sales of Energy in the Real-Time Energy Market and will assess penalties for deviations from Dispatch Instructions. Settlement of the Real-Time Energy Market will be conducted on an Hourly basis as described below. Real-Time Settlement for injections and withdrawals is based on Hourly Ex Post LMPs calculated using the integrated Ex Post LMP and reported MWh values. Settlement is also performed on quantity deviations from Day-Ahead Schedules.

#### **40.3.1 Hourly Ex Post LMPs**

Hourly Ex Post LMPs are the weighted average of the five (5) minute interval Ex Post LMPs. Because separate Commercial Nodes are defined for each Resource, Load, Hub, and Interfaces, Hourly Ex Post LMPs for Commercial Nodes associated with the same electrical Node may differ due to weighting differences.

### **40.3.2 APNode Weighting**

Aggregate Price Nodes (APNodes) are the weighted average of a set of hourly PNodes which include Load Zones, Interfaces and Hubs. The set of Commercial Nodes and weights for Hubs are pre-determined and published. The set of Commercial Nodes for Load Zones are those PNodes within the Zone that have Load settled at the Zonal LMP. The weights for each Node in the Load Zone are equal to the corresponding State Estimator calculated volume (MW).

### **40.3.3 Real-Time Energy Market Settlement**

The Real-Time Energy Market is settled on quantity deviations from the Day-Ahead Schedules (including deviations from Virtual Supply and Demand amounts), with consideration for real-time Internal Bilateral Transactions (finScheds). Settlement for the Real-Time Energy Market uses reported values and Hourly Ex Post LMPs.

Until Market Participants report the values to be used for injections and withdrawals at each of their Commercial Nodes, the Transmission Provider may estimate values based on information available at the time of Settlements. A Market Participant's reported values are subject to review and validation by the Transmission Provider for Settlements. For each Hour of the Operating Day, the following payments and charges are determined:

**a. Charges for Real-Time Energy Market Purchases.**

- i. Market Participants are charged the Hourly Ex Post LMP for any withdrawals that exceed their amounts scheduled in the Day-Ahead Schedule and Internal Bilateral Transactions (finScheds) (and are credited for the withdrawals that are below their amounts scheduled in the Day-Ahead Schedule). The Hourly Ex Post LMP used is the Commercial Node at which the withdrawal takes place.



- ii. On any Day when a Market Participant actually withdraws any Energy the Market Participant shall be charged a Real-Time Revenue Sufficiency Guarantee Charge. The Market Participant's Real-Time Revenue Sufficiency Guarantee Charge for that Hour shall equal the product of: (i) the Market Participant's total uncovered Load withdrawn during the Operating Day (in MWh), all Virtual

Supply for the Market Participant in the Day-Ahead Energy Market, and Resource Uninstructed Deviation quantities (MWh), and (ii) the per unit Real-Time Revenue Sufficiency Guarantee Charge. The per unit Real-Time Revenue Sufficiency Guarantee Charge for any given Day shall equal: (i) the aggregate Real-Time Revenue Sufficiency Guarantee Charge in that Hour attributed to Resources committed in any RAC processes conducted in the Operating Day divided by (ii) the sum of the total uncovered Load withdrawn in the Operating Day (in MWh), all Virtual Supply for that Market Participant in the Day-Ahead Energy Market, and for deviations from Dispatch Instructions, of all Market Participants withdrawing during that Hour for the Operating Day.

**b. Credits for Real-Time Energy Market Sales.**

- i. Market Participants are credited the Hourly Ex Post LMP for any injection that exceeds their amounts set in the Day-Ahead Schedule and Real-Time Internal Bilateral Transactions (finScheds) (and will pay for any injection deviations below their amounts set in the Day-Ahead Schedule and Real-Time Internal Bilateral Transactions (finSched)). The Hourly Ex Post LMP used is for the Commercial Node at which the injection occurs. Credits are subject to Uninstructed Deviations penalties (Section 40.3.4).

- ii. The Transmission Provider shall determine, on a daily basis, whether any Resources committed by the Transmission Provider in any RAC processes in the Real-Time Energy Market did not recover Start-Up and production cost through the revenues received in the Real-Time Energy Market for the Hours during the Transmission Provider Commitment Period. If the Start-Up and calculated production costs during the commitment periods for the committed resources at their real-time output from the State Estimator (MW quantities) is greater than the value of the Energy as determined by the

real-time output from the State Estimator multiplied by the real-time Hourly Ex Post LMP over each contiguous commitment period, then the Market Participant's Real-Time credits shall be augmented by an additional credit called the Real-Time Revenue Sufficiency Guarantee Credit, in the amount of the shortfall spread over all the Hours in that contiguous commitment period. This credit shall be supported through revenue collected from the Real-Time Revenue Sufficiency Guarantee Charge as set forth in Section 40.3.3.a.ii.

#### **40.3.4 Uninstructed Deviation Penalties**

Settlement of deviations from Dispatch Instructions (Uninstructed Deviations) is conducted subject to a Tolerance Band with minimum and maximum amounts as specified below. Uninstructed Deviations Penalties are assessed for Uninstructed Deviations outside the Tolerance Band.

**a. Tolerance Band.**

- i. **Tolerance Band.** The Tolerance Band will consist of Actual Injections that are within plus ten percent (10%) or minus ten percent (10%) of the Hourly average Dispatch Instructions for that Hour.
- ii. **Minimum and Maximum Amounts.** The Tolerance Band as specified above will be adjusted so that it is five (5) MW at a minimum and twenty-five (25) MW at a maximum.
- iii. **Regulation Capacity.** The Tolerance Band will be adjusted by adding the MW of Regulation Up and Regulation Down Capacity being provided by the Resource.

**b. Settlement when Actual Injections are Less than the Dispatch Instruction in the Real-Time Energy Market.**

- i. **Within the Tolerance Band.** Transactions are settled according to Section 40.3.3, with no Uninstructed Deviation Penalty.
- ii. **Outside the Tolerance Band.** In addition to the payments and charges settled according to Section 40.3.3, the Market Participant shall be assessed an Uninstructed Deviation Penalty which is the product of: (i) forty percent (40%) of the Hourly Ex Post LMP calculated at the applicable Market Participant's Commercial Node; and (ii) the positive difference between the Tolerance Band lower limit

and the Actual Injections at that Commercial Node.  
The maximum Uninstructed Deviations Penalty within the Tolerance Band will be calculated as the product of: (i) forty percent (40%) of the Hourly Ex Post LMP calculated at the applicable Market Participant's Commercial Node; and (ii) the Actual Injections at the Commercial Node.

**c. Settlement when Actual Injections are Greater than the Dispatch Instructions in the Real-Time Energy Market.**

- i. **Within The Tolerance Band.** Transactions are settled according to Section 40.3.3, with no Uninstructed Deviation Penalty.



- ii. **Outside of the Tolerance Band.** In addition to the fees and charges settled according to Section 40.3.3, the Market Participant shall be penalized by being credited only the product of: (i) forty percent (40%) of the Hourly Ex Post LMP at the applicable Market Participant's Commercial Node; and (ii) the positive difference between the Actual Injections at that Commercial Node and the Tolerance Band upper limit.

**d. Exemption from Uninstructed Deviation Penalties.**

**i. Treatment of Intermittent Resources.**

Notwithstanding any provisions of this Tariff to the contrary, Generating Resources certified by the Transmission Provider to be Intermittent Resources shall not be subject to any Uninstructed Deviation Penalties (as specified in Section 40.3.4), but only to the extent that the Uninstructed Deviation Penalties is the result of events or conditions beyond the control of the Market Participant (or any Generation Owner for which the Market Participant submits Offers). The Transmission Provider shall develop and implement procedures to certify Generation Resources as Intermittent Resources.

ii. **Treatment of Demand Response Resources.**

Notwithstanding any provisions of this Tariff to the contrary, Demand Response Resources certified by the Transmission Provider shall not be subject to Uninstructed Deviations Penalties.

e. **Revenue Distribution from Uninstructed Deviation**

**Penalties.** The Transmission Provider shall distribute excess charges received from Uninstructed Deviation Penalty charges to Market Participants Loads based on the Load Ratio Share for which they Bid or submit a Bilateral Transactions Schedule.

#### **40.4 Settlement of External Bilateral Transaction Schedules**

##### **40.4.1 Transmission Usage Charges in the Real-Time Energy Market**

- a.** External Bilateral Transaction Schedules submitted to be considered in the Real-Time Energy Market are subject to External Bilateral Charges based on the LMP at the Interface where they enter or exit the Transmission Provider Region. The Transmission Provider shall charge a Transmission Usage Charge to all Market Participants submitting new or updated External Bilateral Transaction Schedules after the 0900 hours EST (after the deadline for submitting External Bilateral Transaction Schedules to be considered in the Day-Ahead Energy Market).

- b.** For Exports or Imports, the Transmission Usage Charge will be the product of: (i) the amount of Energy scheduled to be withdrawn by the Market Participant in each Hour of the Real-Time Energy Market, minus the amount of Energy submitted to be considered in the Day-Ahead Energy Market through an External Bilateral Transaction Schedule (possibly zero (0)) to be withdrawn by that Market participant in that Hour, in MWh; and (ii) the Hourly Ex Post LMP at the Commercial Node for the relevant Interface in \$/MWh.

- c. External Bilateral Transaction Schedules that represent Through Transactions are subject to Transmission Usage Charges based on the LMP at the Interface where they enter or exit the Transmission Provider Region. The Transmission Usage Charge will be the product of: (i) the amount of Energy scheduled to be withdrawn by that Market Participant in each Hour of the Real-Time Energy Market, minus the amount of Energy submitted to be considered in the Day-Ahead Energy Market (possibly zero (0) for new Real-Time External Bilateral Schedules) to be withdrawn by that Market Participant in that Hour, in MWh; and (ii) the Hourly Ex Post LMP at the Commercial Node for the Interface relevant to the External Transaction Delivery Point, minus the Hourly Ex Post LMP at the Commercial Node of the Interface relevant to the External Transaction Receipt Point, in \$/MWh.

- d.** The Transmission Provider shall divide each Transmission Usage Charge or the Real-Time External Bilateral Charges into separate components for Cost of Congestion and the Cost of Losses.
- i. Cost of Congestion.** The Cost of Congestion shall be calculated as the (a) MWh quantity multiplied by the (b) Marginal Congestion Component of the Hourly Ex Post LMP at the Interface for the External Transaction Delivery Point minus the Marginal Congestion Component of the Hourly Ex Post LMP at the Commercial Node for the External Transaction Receipt Point; or the MWh quantity multiplied by the Marginal Congestion Component of the Hourly Ex Post LMP at the Interface for transactions that are not Through Transactions.

- ii. **Cost of Losses.** The Cost of Losses shall be calculated as the (a) MWh quantity multiplied by the (b) Marginal Losses Component of the Hourly Ex Post LMP at the Interface for the External Transaction Delivery Point minus the Marginal Losses Component of the Hourly Ex Post LMP at the Interface for the External Transaction Receipt Point; or the MWh quantity multiplied by the Marginal Losses Component at the Interface for transactions that are not Through Transactions.



#### **40.4.2 Internal Bilateral Transaction Settlements**

The Transmission Provider shall collect a Transmission Usage Charge for all Internal Bilateral Transaction Schedules designated to be settled in the Real-Time Energy Market. The Transmission Usage Charge for the seller shall be the product of: (i) the amount of Energy scheduled, in MWh, and (ii) the Hourly Ex Post LMP at the Internal Delivery Point minus the Hourly Ex Post LMP at the Internal Source Point. The Transmission Usage Charges for the buyer on the Internal Bilateral Transaction Schedule shall be the product of: (i) the amount of Energy scheduled, in MWh, and (ii) the Hourly Ex Post LMP at Internal Sink Point minus the Hourly Ex Post LMP at the specified Internal Delivery Point.

#### **40.5 Determination of Real-Time Marginal Loss Surplus**

The Transmission Provider shall calculate for each Hour of the Real-Time Energy Market the Real-Time Marginal Losses Surplus, as the Real-Time Energy Market Marginal Losses Surplus plus the Real-Time Bilateral Transactions Schedules Marginal Losses Surplus. The Real-Time Marginal Losses Surplus is summed with the Day-Ahead Marginal Losses Surplus, to determine the Marginal Losses Surplus, allocated to Market Participants as described in Section 40.6.

##### **40.5.1 Hourly Real-Time Marginal Loss Surplus**

The Transmission Provider shall calculate for each Hour of the Real-Time Energy Market the Real-Time Marginal Losses Surplus as the Total Real-Time Charges for Energy Market Purchases, minus Total Real-Time Credits for Energy Market Sales, minus Total Real-Time Congestion Credits:

- a.** The Total Real-Time Charges for Energy Market Purchases for each Hour of the Real-Time Energy Market will be the sum across all Commercial Nodes of the Hourly Ex Post LMP multiplied by the difference between: (i) Actual Withdrawals; and (ii) Scheduled Withdrawals.
- b.** The Total Real-Time Credits for Energy Market Sales for each Hour of the Real-Time Energy Market will be the sum across all Nodes, Commercial Nodes, and Zones of the Hourly Ex Post LMP multiplied by the difference between: (i) Actual Injections; and (ii) Scheduled Injections.
- c.** The Total Real-Time Congestion Credits for each Hour of the Real-Time Energy Market will be the sum across all Nodes, Commercial Nodes, and Zones of:

- i. The Marginal Congestion Component multiplied by the difference between: (a) Actual Withdrawals; and (b) Scheduled Withdrawals; minus
- ii. The Marginal Congestion Component multiplied by the difference between: (a) Actual Injections; and (b) Scheduled Injections.

#### **40.5.2 Real-Time Bilateral Transaction Schedules Marginal Losses Surplus**

The Transmission Provider shall calculate for each Hour of the Real-Time Energy Market the Real-Time Bilateral Transaction Schedules Marginal Losses Surplus. The Real-Time Bilateral Transaction Schedules Cost of Losses at the sink minus the Cost of Losses at the source for all Bilateral Transaction Schedules submitted to be considered in the Real-Time Energy Market.

#### **40.6 Calculation and Distribution of Marginal Losses Surplus**

The Transmission Provider shall calculate Marginal Losses Surplus as the sum of the Day-Ahead Marginal Losses Surplus calculated pursuant to Section 39.3.5 and the Real-Time Marginal Losses Surplus calculated pursuant to Section 40.5 minus the determined value of Inadvertent Energy summed across all Control Areas. The Transmission Provider shall allocate the Marginal Losses Surplus as follows:

- a.** The Transmission Provider shall calculate the Marginal Loss Pool Share by allocating the Marginal Losses Surplus to each Loss Pool on a pro-rata basis per the cost of supplying losses to Load scheduled by Market Participants, excluding any Load scheduled by GFA Responsible Entities.

- b.** The Transmission Provider shall allocate the Marginal Losses Pool Share to Market Participants within each Loss Pool on a pro-rata basis per the Load Ratio Share of the total Load in the Losses Pool served by the Market Participant, excluding any Load scheduled and served by GFA Responsible Entities.

#### **40.7 Inadvertent Energy Management**

##### **40.7.1 Determination of Inadvertent Energy Revenue.**

Consistent with NERC policies, the Transmission Provider shall track physical obligations with the Eastern Interconnection. The Transmission Provider will calculate Inadvertent Energy for each Control Area and will aggregate those amounts to the Transmission Provider Region level.

The Transmission Provider shall maintain a balance account of Inadvertent Energy and shall report those accounts to NERC. The Transmission Provider will financially value the Inadvertent Energy at the applicable LMP to calculate whether the Inadvertent Energy Value results in a surplus or shortage. The Inadvertent Energy Value for a Control Area will be the Control Area's average generation LMPs multiplied by the Inadvertent Energy MW amount.

#### **40.7.2 Disposition of Inadvertent Energy Value.**

The Transmission Provider shall accumulate Inadvertent Energy Value for each Hour of the Operating Day. Each Day, the Transmission Provider shall credit any Inadvertent Energy Value surplus, or debit any Inadvertent Energy Value shortage, to Market Participants that participated in Real-Time Energy Market Transactions based on the same billing determinants specified as market ratio share (Schedule 17) and the Market Participant's participation in the Real-Time Energy Market.

## **41 Settlement Statements and Invoices**

The Transmission Provider shall prepare Settlement Statements for each Market Participant, detailing each Market Participant's cost responsibility. Settlement Statements shall provide sufficient detail to allow verification of the invoiced amounts and completion of the Market Participant's internal accounting.

### **41.1 Settlement Statements**

Settlement Statement(s) will be made available for each Operating Day and will be published for Market Participants electronically on Business Days. The Market Participant is responsible for accessing the information once posted by the Transmission Provider. To issue a Settlement Statement, the Transmission Provider may use estimated, disputed or calculated Metered data and information in schedules. The Transmission Provider will create the applicable statements for each Operating Day. Statements for resettlement can be created for any given Operating Day having met the dispute-filing deadline and prior to twelve (12) months elapsed time from the Operating Day.



When actual validated data and schedule information are available and all of the settlement and invoice disputes raised by Market Participants during the validation process have been resolved, the Transmission Provider shall recalculate the amounts payable and receivable by the affected Market Participant.

Settlement Statements will break down credits and charges by charge type. A schedule for resettlement will be published electronically by the Transmission Provider indicating that a specific Operating Day will be resettled and the date the Settlement Statement will be issued.

#### **41.2 Confirmation of Settlement Statements**

It is the responsibility of each Market Participant to notify the Transmission Provider if it fails to receive Settlement Statements on the date specified for issuance of such Settlement Statement. Each Market Participant shall be deemed to have received its Settlement Statement on the dates specified, unless it notifies the Transmission Provider to the contrary. If the Transmission Provider receives notice that a Settlement Statement has not been received, it will make reasonable attempts to provide the Settlement Statement to such Market Participant(s). The Settlement schedule will not be modified for a Market Participant's failure to notify the Transmission Provider of a missing Settlement Statement.

#### **IV. FINANCIAL TRANSMISSION RIGHTS**

The Transmission Provider shall make available Financial Transmission Rights (FTRs) within the Transmission Provider Region to provide a financial hedging mechanism for managing the risk of congestion charges reflected in Day-Ahead LMPs. FTRs will not protect Market Participants from congestion charges related to Hourly Ex Post LMPs.

##### **42 Types of FTRs**

The Transmission Provider will provide FTR Obligations and, when feasible, FTR Options. The Transmission Provider shall maintain a list of possible FTR Receipt Points and FTR Delivery Points as specified in FTR Obligations and in FTR Options.

#### **42.1 FTR Obligations**

For a given Hour that falls within the FTR Period and term, an FTR Obligation confers on its FTR Holder appropriate debits or credits. In an applicable Hour, an FTR Obligation will provide the FTR Holder with credits when the Marginal Congestion Component of the Day-Ahead LMP at the FTR Delivery Points are greater than the LMP at the FTR Receipt Points. Conversely, in an applicable Hour, an FTR Obligation will impose on its FTR Holder charges when the Marginal Congestion Component of the Day-Ahead LMP of the FTR Delivery Point is less than that of the LMP of the FTR Receipt Point. The settlement of FTRs shall be consistent with Section 39.3.4.

#### **42.2 FTR Options**

For a given Hour that falls within the FTR Period and Term, an FTR Option confers credits on the FTR Holder when the Marginal Congestion Component of the Day-Ahead LMP at the FTR Delivery Points is greater than the LMP at the FTR Receipt Point. There will be no charge (financial obligation) to the FTR Holder when the Marginal Congestion Component of the Day-Ahead LMP of the FTR Delivery Point is less than the LMP of the FTR Receipt Point. The set of FTR Receipt Points and the set of FTR Delivery Points that are specified for an FTR Option are a subset of those specified for FTR Obligations.

### **42.3 FTR Specifications**

An FTR is specified by: (i) an FTR Receipt Point; (ii) an FTR Delivery Point; (iii) an FTR Quantity; (iv) whether the right is an Obligation or an Option; (v) an FTR Period (peak/off peak); and (vi) an FTR term. The FTR Receipt Point and FTR Delivery Point specified in a given FTR (Obligation or Option) may be any one of the following:

- i. Node for the relevant Generation Resource.
- ii. Hub.
- iii. Load Zone.
- iv. Interface.

### **43 Allocation of FTRs**

The following Transmission Services shall be eligible for conversion to FTRs. At least ninety (90) days prior to the beginning of each allocation period, the Transmission Provider shall initiate a process to allocate FTRs to Market Participants or to entities that intend to become Market Participants.

## **43.1 Transmission Service Eligible for Conversion to FTRs**

### **43.1.1 Tariff Service Agreements**

Transmission Customers taking Transmission Service under this Tariff must convert their transmission rights under such agreements to FTR Obligations upon commencement of the Energy Markets consistent with the procedures described herein.

### **43.1.2 Grandfathered Agreements**

#### **a. FTRs for Grandfathered Agreements. Market**

Participants with Grandfathered Agreements must elect to schedule and settle for Congestion Costs as provided in Section 38.8.3. Market Participants under Grandfathered Agreements that select Option A as described in Section 38.8.3 convert rights to Transmission Service under Grandfathered Agreements to candidate FTR Obligations to be effective on the first Day that the Transmission Provider operates its Energy Markets.

Such converted Grandfathered Agreements shall be comparable to the Transmission Service received by such parties under their existing Grandfathered Agreements.

Under Option A, transmission rights under Grandfathered Agreements are converted in their entirety to FTRs.

- b. Election of Conversion:** Market Participants intending to convert transmission rights contained in Grandfathered Agreements to FTRs during the initial allocation shall notify the Transmission Provider of such intent during the FTR registration process. Procedures for such notification are specified in the Business Practices Manuals. Market Participants requesting FTRs for Grandfathered Agreements must follow the nomination and allocation procedures established for service conversion under the Tariff and as further described in the Business Practices Manuals.

Market Participants that elect not to convert their existing rights under Grandfathered Agreements to FTRs by the first Day that the Transmission Provider operates Energy Markets may convert service at a later date. The amount of FTRs awarded following such belated conversion is subject to availability. Market Participants intending to convert Grandfathered Agreements to FTRs must follow the nomination and allocation procedures established for service conversion under the Tariff as set forth in the Business Practices Manuals.

## **43.2 Allocation and Nomination Procedures**

### **43.2.1 Registration of Existing Entitlements**

- a.** All Point-To-Point Transmission Service of annual or longer duration and Network Integration Transmission Service under this Tariff, and Option A Grandfathered Agreements as specified in Section 38.8.3.a, are eligible for conversion of their existing entitlements to FTRs in the FTR allocation process. All Market Participants that have existing entitlements and are eligible to nominate and hold FTRs when the Energy Markets commence must participate in the FTR registration procedures specified in this Section 43.2 to preserve their entitlements under the Service Agreement, or Grandfathered Agreements for Market Participants that elect Option A. During the FTR registration period, Market Participants must register their existing entitlements by providing information requested by the Transmission Provider, including:



- i. Information about the term of service, Point of Receipt and Point of Delivery associated with the identified Transmission Service, and reserved Capacity under Point-To-Point Transmission Service, or in the case of existing entitlements under Grandfathered Agreements the relevant sources and sinks.
  - ii. Unit maximum output for designated resources under Network Integration Transmission Service.
  - iii. OASIS reservation number where appropriate.
- b.** The Transmission Provider shall verify such information as consistent with the terms of the Transmission Service for which the existing entitlement is claimed. Any Market Participant that fails to provide all of the information requested during the FTR Registration period will be deemed to have waived any rights to participate in the initial FTR nomination process.

### **43.2.2 Registration of Grandfathered Agreements**

Any party to an agreement that remains in effect for transmission service, Energy, or a combination thereof, that was executed prior to September 16, 1998, has rights to participate in the FTR nomination process (Option A), or to request refunds of Day-Ahead congestion costs (Option B). To protect such rights, parties to Grandfathered Agreements must participate in the FTR registration process. During the registration period, Market Participants must register their existing entitlements contained in Grandfathered Agreements by providing information requested by the Transmission Provider, including: information about contractual source, sink, term, MW quantity, and OASIS reservation numbers where appropriate. For purposes of this Section, a GFA Responsible Entity shall be entitled to specify multiple sources and sinks, consistent with its existing entitlements.

With regard to GFAs involving multiple sources and sinks, the GFA Responsible Entity shall provide information identifying each source and sink combinations. The Transmission Provider shall verify such information as consistent with the terms of the Grandfathered Agreement for which the existing entitlement is claimed.

#### **43.2.3 Registration of FTR Receipt Points As Control Areas**

If the Points of Receipt for a Point-To-Point Transmission Service reservation, Network Integration Transmission Service reservation, or Grandfathered Agreements reservation are specified as a Control Area, the existing entitlement shall be defined in terms of generation Commercial Nodes within the Control Area, Load Zone Commercial Nodes in the Control Area or a Hub. The use of generation Commercial Nodes within the Control Area shall be the default. Multiple existing entitlements shall be defined when Point of Receipt includes more than one (1) generation Commercial Node.

The Transmission Provider shall accommodate a definition of the FTR Receipt Point as a specific set of generation Commercial Nodes when the Market Participant registering the existing entitlement and the Market Participant for the Generation Resource are in agreement as to the FTR Receipt Point definition. In all other cases, existing entitlement sources will be defined based on a pro-rata share of each generation Commercial Node in the originating Control Area.

If the Transmission Provider determines that two or more existing entitlements represent hubbing transactions in which a set of existing entitlements are used to deliver power to the Control Area while another set of existing entitlements are used to transport that power from the Control Area, the Transmission Provider may use a Load Zone Commercial Node in the Control Area or a Hub as the FTR Delivery Point corresponding to first set of existing entitlements that deliver power to the Control Area and as the FTR Receipt Point corresponding to the second set of existing entitlements that transport the power from the Control Area.

The Transmission Provider shall accommodate a definition of a Commercial Nodes for the Load Zone in the Control Area as the FTR Receipt Point for an existing entitlement when the Market Participant registering the existing entitlement and the Market Participant for the Load Zone Commercial Node for the Load Zone are in agreement as to the use of the Load Zone Commercial Node for the Load Zone as the FTR Receipt Point.

#### **42.2.4 Nomination and Allocation of Candidate FTRs**

The Transmission Provider shall make FTRs for existing entitlements registered through the FTR Registration process available to Market Participants based on a multi-tiered allocation/nomination methodology. In each tier, the Transmission Provider shall provide Market Participants with the opportunity to be allocated FTRs from Network Resources based on the Forecast Peak Load served under Network Integration Transmission Service by the Market Participant plus FTRs for Option A Grandfathered Agreements from Grandfathered Agreement sources to sinks.

The Transmission Provider shall determine Tier sizes for Network Integration Transmission Service plus all Grandfathered Agreements. The Transmission Provider shall also determine Tier sizes for each Point-To-Point Transmission Service of an annual duration or longer. The Transmission Provider will determine four (4) nomination and allocation Tiers. For each Tier and each category, within each Tier, FTR nomination eligibility will be equal to maximum nomination eligibility (Total of Forecast Peak Load served under Network Integration Transmission Service plus Grandfathered Service; or Point-To-Point reservation amount) multiplied by a Tier Factor less the MW quantity of FTRs allocated in previous Tiers. Tier Factors shall be:

Tier I: thirty five percent (35%)

Tier II: fifty percent (50%)

Tier III: seventy five percent (75%)

Tier IV: one hundred percent (100%)

During a transition period, a process will be available that in certain circumstances may allow restoration of CFTRs that are curtailed in Tier I or Tier II. This restoration process is premised on the principle that FTRs from base load generation to Load should be made available to the extent feasible. During a transition period of three (3) years, CFTRs that are curtailed in Tier I and Tier II and that qualify as Eligible Base CFTRs, are restored by the Transmission Provider in full or in part to the nominated MW quantity, if requested to do so by the Market Participant.

The Transmission Provider shall allocate FTRs only to Market Participants in each Tier to the extent that the Transmission Provider determines that such FTRs satisfy its Simultaneous Feasibility Test (SFT), subject to restoration during the Transition Period. Allocated FTRs are obligations.

- a.** Tier I Nomination and Allocation Procedures.
  - i. Transmission Customers qualified as Market Participants are eligible to nominate CFTRs up to thirty five percent (35%) of the sum of their forecast Network Integration Transmission Service peak load for the upcoming allocation period, plus Option A and Option B Grandfathered Agreements. In addition, Market Participants are eligible to nominate up to thirty five percent (35%) of the reservation MW quantity for each annual or longer Firm Point-To-Point Transmission Service entitlement.



The Tier I nominations are for a single MW value that applies to all seasons and for peak and off-peak periods for all units other than pump storage units, including pump storage units under Option B Grandfathered Agreements, which may nominate two FTRs: (i) with the unit as an FTR Receipt Point during peak periods, and (ii) with the unit as an FTR Delivery Point during off-peak periods. The peak and off-peak nominations for a pump storage unit in Tier I apply to all seasons. CFTRs equal to one hundred percent (100%) of the Option B Grandfathered Agreements are automatically included in Tier I. The Transmission Provider shall not allocate FTRs representing Option B Grandfathered Agreements that are determined to be feasible to Market Participants.

Such FTRs are used by the Transmission Provider as an accounting mechanism to determine revenue adequacy of any congestion cost refunds to Option B Grandfathered Agreements. The Transmission Provider shall perform an SFT for each season and time period for Tier I CFTRs. CFTRs are curtailed in each season and time period as required to achieve simultaneous feasibility.

- ii. CFTRs for Option B Grandfathered Agreements shall be included in the Tier I nomination at the full MW quantity of the existing entitlement, even if these nominations exceed the Tier cap for CFTRs for Network Integration Transmission Service plus Grandfathered Agreements.

CFTRs for service under the Tariff and for Option A Grandfathered Agreements may be nominated in addition to the Option B Grandfathered Agreements up to the Tier I cap for CFTRs for Network Integration Transmission Service plus Grandfathered Agreements.

- iii. Where the MW quantity of Option B Grandfathered Agreements exceeds the Tier I limit for CFTRs for Network Integration Transmission Service plus Grandfathered Agreements, Tier I nominations for Network Integration Transmission Service plus Grandfathered Agreements will include only Option B Grandfathered Agreements. Any Option B Grandfathered Agreements over the Tier I limit for CFTRs for Network Integration Transmission

Service plus Grandfathered Agreements are taken into account in subsequent Tiers by reducing the size of subsequent Tiers for the purpose of determining nomination eligibility for CFTRs for Network Integration Transmission Service plus Grandfathered Agreements.

**b. Tier II Nomination and Allocation Procedures.**

Transmission Customers qualified as Market Participants are eligible to nominate CFTRs up to fifty percent (50%) of the sum of their forecast Network Integration Transmission Service peak Load for the upcoming allocation period, plus Option A and Option B Grandfathered Agreements. Less FTRs allocated in Tier I for Network Integration Transmission Service and Option A Grandfathered Agreements and less Option B Grandfathered Agreements.

Market Participants are eligible to nominate CFTRs up to fifty percent (50%) of the reservation MW quantity for each annual or longer firm Point-To-Point Transmission Service entitlement, less FTRs allocated in Tier I. Tier II includes eight (8) independent nominations: one (1) for each of four (4) seasons and two (2) time periods (peak and off-peak). Any Option B Grandfathered Agreements rolled over from Tier I shall automatically reduce the Tier II nomination limit for NITS and Grandfathered Agreements. The Transmission Provider shall perform an SFT for each season and time period for Tier II CFTRs. The Transmission Provider shall curtail CFTRs in each season and time period as required to achieve simultaneous feasibility. Previously allocated Tier I FTRs are fixed (not subject to Curtailment) in the Tier II process.

**c. Tier III Nomination and Allocation Procedures.**

Transmission Customers qualified as Market Participants are eligible to nominate CFTRs up to seventy-five percent (75%) of the sum of their forecast Network Integration Transmission Service peak Load for the upcoming allocation period, plus Option A and Option B

Grandfathered Agreements, less FTRs allocated in Tiers I and II for Network Integration Transmission Service and Option A Grandfathered Agreements and less Option B Grandfathered Agreements. Market Participants are eligible to nominate CFTRs up to seventy five percent (75%) of the reservation MW quantity for each annual or longer-term firm Point-To-Point Transmission Service entitlement, less FTRs allocated in Tiers I and II. Tier III includes eight (8) independent nominations: one (1) for each of four (4) seasons and two (2) time periods (peak and off-peak).

Any Option B Grandfathered Agreements rolled over from Tier II shall automatically reduce the Tier III nomination limit for Network Integration Transmission Service and Grandfathered Agreements. The Transmission Provider shall perform an SFT for each season and time period for Tier III CFTRs. The Transmission Provider shall curtail CFTRs in each season and time period as required to achieve simultaneous feasibility. Previously allocated Tier I and Tier II FTRs are fixed (not subject to Curtailment) in the Tier III process.

**d. Tier IV Allocation and Nomination Procedures.**

Transmission Customers qualified as Market Participants are eligible to nominate CFTRs up to one hundred percent (100%) of the sum of their forecast Network Integration Transmission Service peak Load for the upcoming

allocation period, plus Option A and Option B

Grandfathered Agreements, less FTRs allocated in Tiers I,

II and III for Network Integration Transmission Service and

Option A Grandfathered Agreements. Market Participants

are eligible to nominate CFTRs up to one hundred percent

(100%) of the reservation MW quantity for each annual or



longer Firm Point-To-Point Transmission Service entitlement, less FTRs allocated in Tiers I, II and III. Tier IV will include eight (8) independent nominations: one (1) for each of four (4) seasons and two (2) time periods (peak and off-peak). Any Option B Grandfathered Agreements rolled over from Tier III shall automatically reduce Tier IV nomination limit for Network Integration Transmission Service and Grandfathered Agreements. The Transmission Provider shall perform an SFT for each season and time period for Tier IV CFTRs. The Transmission Provider shall curtail CFTRs in each season and time period as required to achieve simultaneous feasibility. Previously allocated Tier I, Tier II and Tier III FTRs are fixed (not subject to Curtailment) in the Tier IV process.

#### **43.2.5 Transition Process for Restoration of Curtailed CFTRs**

Market Participants that are allocated FTRs for Transmission Service under this Tariff or Grandfathered Agreements treated under Option A in Tier II that are less than the nominated CFTR MW quantity have the ability to request that the Transmission Provider restore the FTRs to the full nominated CFTR MW quantity. Such requests shall be accepted and evaluated after Tier II allocations and before nominations are accepted for Tier III. Requests for restoration of Tier II CFTRs shall be granted under the following conditions:

- a.** The CFTR must meet the definition of an Eligible Base CFTR to have the FTRs restored to the extent feasible by adding one (1) or more Counter Flow CFTR(s) to the SFT. Counter Flow CFTRs are Eligible Base CFTRs that were not nominated in Tier I or Tier II by the Market Participant owner or were not allocated to the Market Participant in Tier I or Tier II, but would provide counter flow necessary to enable an Eligible Base CFTR curtailed in Tier II to be restored in full or in part.

- i. The Transmission Provider will maximize a measure of the amount of curtailed CFTRs that it can restore by adding counterflow FTRs to satisfy simultaneous feasibility.
  - ii. The Transmission Provider shall select Counter Flow FTRs to add to minimize a measure of the Counter Flow FTRs that it must add to make the allocated FTRs, including those CFTRs that were restored, simultaneously feasible.
- b.** Counter Flow FTRs shall be allocated directly to the Market Participant owner of the Counter Flow CFTR. Counter Flow FTRs shall be subject to the same settlement terms and conditions as other allocated FTRs with one exception. Where the FTR source is unavailable due to scheduled maintenance, settlement conditions may vary. For the duration of a scheduled and forced outage period, the Transmission Provider shall not financially settle with the Counter Flow FTR Market Participant owner.

Any shortfall of congestion cost relative to target FTR revenues as a consequence of not settling the Counter Flow FTR shall be allocated as a reduction in credits to FTR Holders.

- c.** Counter Flow FTRs allocated as part of the restoration process shall not be considered toward FTR nomination eligibility of the Market Participant allocated such Counter Flow FTRs.
- d.** Eligible Base CFTRs include CFTRs from Network Resources with average historical capacity factors equal to or greater than seventy percent (70%) and Point-To-Point Transmission Service CFTRs with historic scheduling factors equal to or greater than seventy percent (70%). In determining Capacity Factors for Network Resources, data for the previous sixty (60) months will be examined.

Data from the twelve (12) consecutive month period with the lowest Capacity factor for that Network Resource will be excluded. If there are less than two (2) years of available data, then all available data will be used. If less than six (6) months of data is available, the Network Resource does not qualify as an Eligible Base CFTR. In determining the scheduling factor for Point-To-Point Transmission Service CFTRs, data for the previous twenty-four (24) months will be used. If less than twenty-four (24) months of data is available, all available data will be used. If less than six (6) months of data is available, the Point-To-Point Transmission Service CFTR does not qualify as an Eligible Base CFTR.

#### **43.2.6 Alternative Process for Restoration of Curtailed CFTRs**

A state commission may institute remedial procedures to restore any curtailed FTRs. The Transmission Provider shall grant such requests if accompanied by instructions regarding how the required Counter Flow FTRs, or their costs, are allocated among Market Participants falling under the jurisdiction of that state. This alternative process will be available at the discretion of each state and is subject to Commission approval. It is not subject to a transition period.

#### **43.3 Time Periods and Seasons for Existing Entitlements**

The annual allocation performed by the Transmission Provider considers time period and season for entitlements (existing terms of Transmission Service or terms under the Grandfathered Agreement for Market Participants that elected Option A), irrespective of whether the existing entitlements vary by time period or season.

- a.** The annual allocation of FTRs shall be performed separately for Peak and Off-Peak periods in each of four (4) seasons prior to the start of each allocation period.
- b.** The four (4) seasons are:

  - i. **Winter:** December, January, February
  - ii. **Spring:** March, April, May
  - iii. **Summer:** June, July, August
  - iv. **Fall:** September, October, November
- c.** Peak and Off-Peak periods are:

  - i. **Peak:** weekdays, for hours ending 0700 to 2200 EST (excluding NERC holidays)
  - ii. **Off-Peak:** weekdays, for hours ending 0100 to 0600 EST and hours ending 2300 to 2400 EST, weekends, and NERC holidays, for all hours.

#### **43.4 Monthly True-Ups**

The Transmission Provider is responsible for performing a true-up at the beginning of each month at least five (5) Business Days prior to the commencement of the monthly auction for CFTRs. Market Participant CFTRs that are curtailed during the annual nomination process can nominate CFTRs up to the MW quantity curtailed in the annual allocation. The true-up evaluates such nominated CFTRs to achieve simultaneous feasibility. For each monthly true-up, the Transmission Provider reviews the status of Transmission Facilities and unscheduled loop flow. To the extent that nominated CFTR amounts are feasible in the current month, corresponding monthly FTRs shall be allocated up to the nominated amount. FTRs awarded in each monthly true-up are valid for one (1) month. The Transmission Provider shall evaluate the necessity of monthly true-ups at the end of the transition period.



## **43.5 FTR Allocations for New Service**

### **43.5.1 Requesting FTRs with New Point-To-Point Service**

When making a request for Transmission Service under Schedules 7 and 9 (except daily service under such Schedules) on OASIS, Transmission Customers that are qualified Market Participants may request a CFTR for the same duration as the Transmission Service request for the same Point of Receipt and Point of Delivery as the Transmission Service request for a MW amount not to exceed the Transmission Service request. Each CFTR request is placed in a queue and is analyzed individually by the Transmission Provider on a first-in basis utilizing the time stamp provided by the OASIS system.

### **43.5.2 FTR Model Usage**

Monthly Point-To-Point Transmission Service requests may be for one (1) month to eleven (11) months consecutively. Yearly requests must be for at least twelve (12) months. If the yearly request is accompanied with a CFTR request then the Point-To-Point Transmission Service must start on the first of the month and end on the last day of a given month. Weekly requests begin on Sunday and end on Saturday. Monthly requests begin on the 1st day of the month and end on the last day of the month. The most current FTR model available for the period of the request is used to evaluate CFTR requests. A CFTR request submitted during a timeframe in which an FTR model is not yet available will incorporate the last available Seasonal FTR model for that time period. The CFTRs allocated in that time are taken into account while using those FTR models.

### **43.5.3 Granting FTRs in Pairs**

- a.** A CFTR request cannot distinguish between On-Peak and Off-Peak. A CFTR request that spans multiple months is treated as a profiled request and multiple pairs of FTRs are granted for each month. Daily CFTR requests crossing months are only processed using the first month and a single pair will be granted for the duration. In the event a daily CFTR crosses multiple days, the system grants the full MW Capacity awarded in the minimum period. In the event a weekly CFTR crosses multiple weeks, the system grants the full MW Capacity awarded in the minimum period. In the event a yearly CFTR crosses multiple allocation years, requests for the CFTRs that extend beyond the end of the current CFTR allocation year are split into two requests:

- i. A request for a CFTR relating to the Transmission Service request, which is considered using the current allocation year's FTR Models.
  - ii. The CFTR request for the remaining period, is converted to a CFTR and considered as part of the allocations for the next allocation year.
- b.** The distribution and treatment of CFTR requests that extend beyond the end of the current allocation year and are converted to CFTRs are subject to the same re-nomination business rules.
- c.** In the event that a monthly, weekly or daily CFTR crosses multiple allocation years, requests for the CFTRs that extend beyond the end of the current CFTR allocation year are split into two requests:

#### **43.5.4 FTR Pre-emption**

Shorter-term Transmission Service requests and corresponding CFTRs that have been received, studied or accepted, are superceded without a right of first refusal by longer-term requests with a later time stamp. Transmission Service and FTRs that have been granted will remain conditional until a specified time before the start of the service. A daily FTR is conditional until one day before the start of the Transmission Service. A weekly FTR is conditional until one week before the start of the Transmission Service. A monthly FTR is conditional until one month before the start of the Transmission Service. In the event a monthly Transmission Service request crosses multiple months, the corresponding FTR shall be considered unconditional for the request duration upon the first month that the request becomes unconditional. During the period of conditional status of a Transmission Service request, the CFTR can be displaced or superceded.

After the Transmission Service request goes into an unconditional state, neither the Transmission Service request nor the FTR can be displaced or superceded. An FTR will be awarded with the original Transmission Service request-FTR request. During the conditional period, the CFTR request is coupled with the Transmission Service request and can be withdrawn. Once Transmission Service requests and FTRs are considered unconditional, the two are decoupled and considered separate instruments. New FTRs will not be awarded under the same transmission service request even if the Transmission Service request changes.

- a. Redirect:** These requests shall be evaluated as new Transmission Service requests. A new FTR shall not be granted if an FTR was already granted for the original request. An FTR may be released for selling in the auction or secondary market.

- b. Resell/Reassignment:** FTRs shall not be reassigned or redirected. Customers may purchase additional Transmission Service or go through the auction to obtain desired FTRs.
- c. Deferrals:** FTRs that are already allocated and decoupled from the Transmission Service request shall not be delayed or changed.
- d. Recall:** If the FTR remains conditional, then the Transmission Provider has the right to recall the FTR if the Transmission Service request is withdrawn. The Transmission Provider must retain the option to manually recall both if the FTR is unconditional.

- e. **Renewal:** Rollovers are restudied and CFTRs awarded for the next annual FTR re-allocation period.
- f. **Annulments:** Transmission Service requests that are annulled during the conditional period result in the FTRs being withdrawn. If the annulment occurs after the FTR has become unconditional, then both the Transmission Provider and the Transmission Customer must give consent. Where FTRs are involved, no consent will be granted. The Transmission Provider has the authority to determine annulment according to a business process established to support this assumption.



#### **43.5.5 Agency**

Entities requesting Point-To-Point Transmission Service on OASIS must represent a Market Participant as its agent or be a Market Participant. Where the entity requests a CFTR for the Point-To-Point Transmission Service, the Market Participant or its agent must designate Generation Owner or LSE. Periodically, OASIS shall be updated by the Transmission Provider with the Commercial Model information (Market Participants to Generation Owners and LSEs).

#### **43.5.6 Trading FTRs**

During the period that a Transmission Service request is conditional or unconfirmed, the corresponding FTR cannot be sold in a secondary market with the change of ownership registered with the Transmission Provider or in any upcoming auctions administered by the Transmission Provider.

## **43.6 Annual Allocations**

### **43.6.1 Replacement of Network Resource**

Market Participants that replace Network Resources during an allocation period due to retirement and replacement of a Generation Resource, or removal of a Generation Resource from service, or termination and replacement of a power purchase agreement, may request replacement of allocated FTRs. The Transmission Provider shall permit Parties to replace such FTRs in whole or in part to the extent that the Transmission Provider determines that the replacement satisfies the SFT.

- a. Designation of new Eligible Base CFTRs.** Market Participants that replace FTRs as described above may request designation of a replacement FTR as an Eligible Base CFTR for future allocation periods. Such designations are permitted where the replaced CFTR was previously an Eligible Base CFTR and for a MW quantity not to exceed the replaced Eligible Base CFTR.

#### **43.6.2 Designation of New Network Resources**

Requests to designate new Network Resources shall be accommodated subject to analysis by the Transmission Provider to determine deliverability. Approved new Network Resources are eligible for nomination in subsequent allocation periods. Newly designated Network Resources shall not qualify as a Resource subject to designation for Eligible Base CFTRs unless the Resource is designated as replacement as described above.

### **43.6.3 Expiration of Point-To-Point Service Contracts**

For Point-To-Point Transmission Service Agreements, any allocated FTRs terminate when such service agreement expires. Point-To-Point Transmission Service with annual service or longer that terminates during the allocation period is included in the annual allocation.

### **43.6.4 Retirement of Generation Resources**

For Generation Resources that are retired during an allocation period with the Transmission Provider's prior approval, such FTRs are terminated at the discretion of the FTR Holder and the Transmission Provider. Where the retired resource is a Network Resource, the source shall not be valid in subsequent allocation periods.

#### **43.6.5 Synchronization of FTR Time Periods.**

After the first FTR allocation period, the Transmission Provider may propose Tariff changes to “synchronize” the time frames for FTRs with the FTR allocation timing for the PJM Interconnection, LLC or the Southwest Power Pool, Inc. to reduce seams issues between the markets.

#### **43.6.6 Load Growth**

Beginning in the second allocation period, Market Participants shall be provided the opportunity to nominate additional CFTRs in each Tier to reflect incremental Load growth. Load growth shall be reflected in the Total Forecast Peak Load.

## **43.7 General Provisions for FTRs**

### **43.7.1 External Flowgate Data**

The Transmission Provider shall consider the impact of FTRs on external flowgates located outside the Transmission Provider Region. The Transmission Provider shall address such impacts consistent with any executed seams agreements with such parties.

### **43.7.2 FTR Re-allocation to Reflect Load Switching Under State Retail Choice Programs**

FTRs will be re-allocated to reflect load switching under State Retail Choice. On an annual basis, each Market Participant's nomination eligibility will be based on forecasted Load for the upcoming FTR allocation period and will reflect load switching between annual FTR allocation periods.

During the FTR allocation period, FTRs will be re-allocated as Auction Revenue Rights (ARRs) to reflect Load shifts. An ARR will entitle the holder to revenue based on clearing prices in upcoming monthly FTR auctions, based on the source, sink and MW value of the ARR. On a monthly basis, the Transmission Provider will allocate ARRs and ARR funding obligations based on Load reported to have shifted between Market Participants under State Retail Choice Programs during the month. ARRs and ARR funding obligations will be allocated prior to each monthly FTR auction. Market Participants within a state that lose Load will receive an obligation to fund ARRs equal to a pro-rata share of all FTRs received by the Market Participant for Network Integration Transmission Service in the annual FTR allocation, plus a pro-rata share of any ARRs previously received by the Market Participant pursuant to Load shifts. Market Participants that acquire Load will receive a pro-rata share of Load gained during the month multiplied by the total ARR funding obligations allocated to Market Participants that Lost load during the month.

### **43.7.3 Remedial State Actions**

Any Market Participant unsatisfied with its FTR allocation may contact any state regulatory commission to seek remedial actions. Such state regulatory commission may institute remedial procedures designed to address the FTR concerns. If a state regulatory commission proposes a remedy to the Transmission Provider, it shall file such proposal with the Commission for approval.

### **43.7.4 New Transmission Customers that Join after July 15, 2004.**

The Transmission Provider shall not guarantee that new Transmission Customers are entitled to the same level of FTRs as existing Transmission Customers. Where a Market Participant has provided FTR data to the Transmission Provider by July 14, 2004, and has submitted an unconditional application to become a Market Participant prior to July 14, 2004, the Transmission Provider shall include such entities in the initial FTR allocations. The Transmission Provider shall make best efforts to have all Market Participants receive all eligible FTRs that might be available.



#### **44 Annual FTR Auctions**

The Transmission Provider shall conduct FTR Auctions on an annual basis: (i) to allow the Transmission Provider to sell FTRs for the FTR Capability of the Transmission Provider Region; and (ii) to facilitate the buying and selling of existing FTRs between Market Participants. The Transmission Provider shall conduct FTR Auctions in a manner consistent with this Tariff and the standards and procedures set forth in the Business Practices Manuals. The annual auction shall consist of eight (8) independent auctions for the peak and off-peak periods for four (4) seasons.

##### **44.1 Nature and Timing of Annual FTR Auctions**

Transmission Provider shall offer for sale at FTR Auctions the entire expected transfer capability of the Transmission Provider Region for each of the four (4) seasons for the Year following the auction, less FTRs held by existing FTR Holders (Adjusted Annual FTR Capability).

- a. All FTRs offered by the Transmission Provider for sale through the Annual FTR Auctions shall have a term of one (1) Year Season as defined in Section 43.3.
- b. All offers by FTR Holders to sell FTRs and all bids to purchase FTRs must be submitted to the Transmission Provider during Annual Bidding Period, pursuant to the requirements contained in the Business Practices Manual.
- c. The Transmission Provider shall post the results of the FTR Auction pursuant to the requirements contained in the Business Practices Manual.

#### **44.2 Responsibilities of the Transmission Provider Prior to Each Auction**

##### **44.2.1 Establish Auction Rules**

The Transmission Provider shall develop and use auction rules and procedures as specified in this Section 44.2 and implement them through procedures consistent with the Business Practices Manuals.

#### **44.2.2 Evaluate Creditworthiness**

The Transmission Provider shall ensure that each party submitting an FTR Bid is a Market Participant qualified to submit such a bid consistent with the creditworthiness provisions maintained by the Transmission Provider. As a result of this evaluation of creditworthiness, the Transmission Provider shall establish a limit before the auction on the value of the FTRs that the Market Participant may be awarded in the auction. Market Participants will not be permitted to submit FTR Bids that exceed this permissible amount.

#### **44.2.3 Information to be Made Available to FTR Bidders and FTR Offerors**

To aid Market Participants' participation in the auction, the Transmission Provider shall make available information on Marginal Congestion Components of LMPs and historical congestion before each FTR Auction. The Transmission Provider will also make available data to be used in the optimization model pursuant to the Business Practices Manual.

#### **44.2.4 Other Responsibilities**

The Transmission Provider will establish an auditable information system to facilitate analysis and acceptance or rejection of FTR Bids, to provide a record of all FTR Bids, and to provide all necessary assistance in the resolution of disputes that arise from questions regarding the acceptance, rejection, awarding and recording of FTR Bids. The Transmission Provider will establish a system to communicate auction-related information to all auction participants. The Transmission Provider will receive FTR Bids from any entity that meets the eligibility criteria established in this Tariff and will implement the auction bidding rules previously established by the Transmission Provider. The Transmission Provider will properly utilize an optimization process program to determine the set of Winning FTR Bids for each auction and calculate the FTR Market Clearing Price of all FTRs at the conclusion of the auction, in the manner described in this Tariff.

### **44.3 Responsibilities of Each Market Participant Submitting FTR Bids**

#### **44.3.1 Creditworthiness**

The aggregate value of the FTR Bids submitted by any Market Participant submitting FTR Bids (FTR Bidder) into the FTR Auction shall not exceed the portion of that Market Participant's Total Credit Limit allocated to the FTR Auction, as provided in the Credit Policy. Each FTR Bidder must pay the FTR Market Clearing Price for each FTR it is awarded in the auction, as calculated pursuant to Section 44.5.2.

#### **44.3.2 FTR Bids**

- a.** Each FTR Bidder shall include the following information in its FTR Bid:

- i. The type of FTR (*i.e.*, Receipt Point-to-Delivery Point FTR Obligation, Receipt Point-to-Delivery Point FTR Option);
- ii. FTR Receipt Point, FTR Delivery Point, as applicable;
- iii. The maximum MW desired;
- iv. The maximum acceptable price, in \$/MWh;
- v. Whether for On-Peak or Off-Peak; and
- vi. Season.

- b.** An FTR Bid for a specified MW quantity of FTRs shall constitute an FTR Bid to purchase a quantity of FTRs equal to or less than the specified quantity. An FTR Bid may not specify a minimum quantity of MW that the FTR Bidder wishes to purchase.
- c.** All FTR Bids and the actions of FTR Bidders shall be subject to the provisions of Module D.

## **44.4 Responsibilities of Each FTR Offeror**

### **44.4.1 FTR Offers**

- a.** Each FTR Holder desiring to sell an FTR in an FTR Auction shall include the following information in its FTR Offer:
  - i. The type of FTR (i.e. Receipt Point-to-Delivery Point FTR Obligation, or Receipt Point-to-Delivery Point FTR Option);
  - ii. FTR Receipt Point or FTR Delivery Point, as applicable;
  - iii. The MW quantity of the FTR offered;
  - iv. The minimum acceptable price, if any (reserve price), in \$/MWh;
  - v. Whether for On-Peak or Off-Peak; and
  - vi. Season.



- b.** Each FTR Holder that Offers FTRs for sale must provide verification of its ownership of the FTRs offered. An FTR Offer for a specified MW quantity of FTRs shall constitute an Offer to sell a quantity of FTRs equal to or less than the specified quantity. An FTR Offer may not specify a minimum quantity offered but may specify a reserve price, below which the FTR Holder does not wish to sell the FTR.
- c.** All FTR Offers and the actions of FTR Holders submitting such offers shall be subject to the provisions of Module D.

## **44.5 Selection of Winning Bids and Determination of the FTR Market**

### **Clearing Price**

#### **44.5.1 Selection of Winning FTR Bids**

Independent auctions shall be held for the Peak Period and Off-Peak Period in each of the four (4) seasons of the Year. The Transmission Provider shall use for each FTR Auction a linear programming model that considers all FTR Bids and FTR Offers submitted and selects a combination of FTR Bids and FTR Offers (Winning FTR Bids and Winning FTR Offers, respectively) that: (i) respects the transfer capability of the Transmission Provider Region over the Period in the Subject Season; and (ii) maximizes the combined net economic value (as

expressed in the FTR Bids) of the Winning FTR Bids, recognizing any reserve priced specified in FTR Offers. In order to maximize the net economic value of the Winning FTR Bids, the linear programming model shall automatically reconfigure the FTRs offered for sale in FTR Auctions by FTR Holders, consistent with the provisions herein. In the event that there are two (2) or more Winning FTR Bids that are identical in all material respects except for the quantity of MW sought, then each such Winning FTR Bid shall reflect its pro-rata share of the quantity of MW sought that can be awarded.

#### **44.5.2 Determination of the FTR Market Clearing Price**

All Comparable FTRs sold in an FTR Auction shall be sold at the same FTR Market Clearing Price, expressed in \$/MW. For a FTR Obligation, the FTR Market Clearing Price is the negative of the rate of change in the objective function value of the FTR auction linear programming problem for an infinitesimal increment or decrement of flow from the FTR Receipt Point to the FTR Delivery Point. This can also be calculated from the difference in shadow price of the power flow balance at the FTR Receipt Point and at the FTR Delivery Point. For all FTR Options, the FTR Market Clearing Price is calculated from the shadow prices of the transmission constraints in the FTR auction linear programming problem. The shadow price of a transmission constraint is the rate of change in the objective function value for an infinitesimal increment or decrement in the capacity of the constraint. The FTR Market Clearing Price for the FTR Option is the sum of the product of the PTDF (OTDF) of the FTR Option on the constraint multiplied by the shadow price of the constraint limit in the direction of the corresponding PTDF (or OTDF) over all transmission constraints.

#### **44.6 Auction Settlement**

Each Market Participant that submitted a Winning FTR Bid shall pay the Transmission Provider the FTR Market Clearing Price for all FTRs awarded to it in accordance with the provisions of the Business Practices Manuals. The Transmission Provider shall pay to each FTR Holder the FTR Market Clearing Price for each FTR held by that FTR Holder that was sold in the FTR Auction. All remaining revenues from the FTR Auction collected by the Transmission Provider shall be allocated among those who pay for firm Transmission Service whether Network Integration Transmission Service or firm Point-To-Point Transmission Service through a credit back directly to those Transmission Customers.

#### **44.7 Continuing Confidentiality of FTR Bids**

The Transmission Provider shall not reveal the FTR Bids submitted by any FTR Bidder in an FTR Auction until six (6) Months following the date of the auction, except as required pursuant to the provisions of Section 38.9. When these FTR Bids are posted, the names of the FTR Bidders shall not be publicly revealed.

## **45 Monthly FTR Auctions**

The Transmission Provider shall conduct FTR Auctions on a monthly basis: (i) to allow the Transmission Provider to sell FTRs for the Adjusted Monthly FTR Capability of the Transmission Provider Region; and (ii) to facilitate the buying and selling of existing FTRS between Market Participants. The Transmission Provider shall conduct FTR Auctions in a manner consistent with this Tariff and the standards and procedures set forth in the Business Practices Manuals.

### **45.1 Nature and Timing of Monthly Auctions**

Transmission Provider shall offer for sale at FTR Auctions the entire expected monthly transfer capability of the Transmission Provider Region for the Month following the auction, less FTRs held by existing FTR Holders (Adjusted Monthly FTR Capability). The first monthly FTR Auction shall be held during the month of December 2004 for January 2005. Subsequent FTR Auctions shall be held every Month or Year thereafter.

- a.** All FTRs offered by the Transmission Provider for sale through Monthly FTR Auctions shall have a term of one (1) Month beginning on the first Day of the Month following the FTR Auction.

- b.** All offers by FTR Holders to sell FTRs and all bids to purchase FTRs must be submitted to the Transmission Provider during the Monthly Bidding Period, pursuant to the requirements contained in the Business Practices Manuals.
- c.** The Transmission Provider shall post the results of the FTR Auction pursuant to the requirements contained in the Business Practices Manuals.

## **45.2 Responsibilities of the Transmission Provider Prior to Each Auction**

### **45.2.1 Establish Auction Rules**

The Transmission Provider shall develop and use auction rules and procedures as specified in this Section 45.2 and implement them through procedures consistent with the Business Practices Manuals.

### **45.2.2 Evaluate Creditworthiness**

The Transmission Provider shall ensure that each party submitting an FTR Bid is a Market Participant qualified to submit such a bid consistent with the creditworthiness provisions maintained by the Transmission Provider. As a result of this evaluation of creditworthiness, the Transmission Provider shall establish a limit before the auction on the value of the FTRs that the Market Participant may be awarded in the auction. Market Participants will not be permitted to submit FTR Bids that exceed this permissible amount.



### **45.2.3 Information to be Made Available to FTR Bidders and FTR Offerors**

To aid Market Participants' participation in the auction, the Transmission Provider shall make available information on Marginal Congestion Components of LMPs and historical congestion before each FTR Auction. The Transmission Provider will also make available data to be used in the optimization model pursuant to the Business Practices Manuals.

### **45.2.4 Other Responsibilities**

The Transmission Provider will establish an auditable information system to facilitate analysis and acceptance or rejection of FTR Bids, to provide a record of all FTR Bids, and to provide all necessary assistance in the resolution of disputes that arise from questions regarding the acceptance, rejection, awarding and recording of FTR Bids.

The Transmission Provider will establish a system to communicate auction-related information to all auction participants. The Transmission Provider will receive FTR Bids from any entity that meets the eligibility criteria established in this Tariff and will implement the auction bidding rules previously established by the Transmission Provider. The Transmission Provider will properly utilize an optimization process program to determine the set of Winning FTR Bids for each auction and calculate the FTR Market Clearing Price of all FTRs at the conclusion of the auction, in the manner described in this Tariff.

### **45.3 Responsibilities of Each Market Participant Submitting FTR Bids**

#### **45.3.1 Creditworthiness**

The aggregate value of the FTR Bids submitted by any Market Participant submitting FTR Bids (FTR Bidder) into the FTR Auction shall not exceed that Market Participant's ability to pay as determined by the Transmission Provider (based on an analysis of the FTR Bidder's creditworthiness). Each FTR Bidder must pay the FTR Market Clearing Price for each FTR it is awarded in the auction, as calculated pursuant to Section 45.5.2.

### 45.3.2 FTR Bids

- a. Each FTR Bidder shall include the following information in its FTR Bid:
  - i. The type of FTR (*i.e.* Receipt Point-To-Delivery Point FTR Obligation, Receipt Point-To-Delivery Point FTR Option);
  - ii. FTR Receipt Point, FTR Delivery Point, as applicable;
  - iii. The maximum MW desired;
  - iv. The maximum acceptable price, in \$/MWh; and
  - v. Whether for On-Peak or Off-Peak.

- b.** An FTR Bid for a specified MW quantity of FTRs shall constitute an FTR Bid to purchase a quantity of FTRs equal to or less than the specified quantity. An FTR Bid may not specify a minimum quantity of MW that the FTR Bidder wishes to purchase.
- c.** All FTR Bids and the actions of FTR Bidders shall be subject to the provisions of Module D.

#### **45.4 Responsibilities of Each FTR Offeror**

##### **45.4.1 FTR Offers**

- a.** Each FTR Holder desiring to sell an FTR in an FTR Auction shall include the following information in its FTR Offer:

- i. The type of FTR (*i.e.* Receipt Point-To-Delivery Point FTR Obligation, or Receipt Point-To-Delivery Point FTR Option);
  - ii. FTR Receipt Point or FTR Delivery Point, as applicable;
  - iii. The MW quantity of the FTR offered;
  - iv. The minimum acceptable price, if any (reserve price), in \$/MWh; and
  - v. Whether for On-Peak or Off-Peak.
- b.** Each FTR Holder that Offers FTRs for sale must provide verification of its ownership of the FTRs offered. An FTR Offer for a specified MW quantity of FTRs shall constitute an Offer to sell a quantity of FTRs equal to or less than the specified quantity. An FTR Offer may not specify a minimum quantity offered but may specify a minimum quantity offered but may specify a reserve price, below which the FTR Holder does not wish to sell the FTR.

- c. All FTR Offers and the actions of FTR Holders submitting such offers shall be subject to the provisions of Module D.

## **45.5 Selection of Winning Bids and Determination of the FTR Market**

### **Clearing Price**

#### **45.5.1 Selection of Winning Bids**

Independent auctions shall be held for the Peak Period and Off-Peak Period in a given Month. The Transmission Provider shall use for each FTR Auction a linear programming model that considers all FTR Bids and FTR Offers (Winning FTR Bids and Winning FTR Offers, respectively) that: i) respects the transfer capability of the Transmission

Provider Region over the Period in the subject Month; and ii) maximizes the combined net economic value (as expressed in the FTR Bids) of the Winning FTR Bids, the linear programming model shall automatically reconfigure the FTRs offered for sale in FTR Auctions by FTR Holders, consistent with the provisions herein. In the event that there are two (2) or more Winning FTR Bids that are identical in all material respects except for the quantity of MW sought, then each such Winning FTR Bid shall reflect its pro-rata share of the quantity of MW sought that can be awarded.

#### **45.5.2 Determination of the FTR Market Clearing Price**

All Comparable FTRs sold in an FTR Auction shall be sold at the same FTR Market Clearing Price, expressed in \$/MW. For an FTR Obligation, the FTR Market Clearing Price is the negative of the rate of change in the objective function value of the FTR auction linear programming problem for an infinitesimal increment or decrement of flow from the FTR Receipt Point to the FTR Delivery Point. This can also be calculated from the difference in shadow price of the power flow balance at the FTR Receipt Point and at the FTR Delivery Point. For all FTR Options, the FTR Market Clearing Price is calculated from the shadow prices of the transmission constraints in the FTR auction linear programming problem.



The shadow price of a transmission constraint is the rate of change in the objective function value of the infinitesimal increment or decrement in the capacity of the constraint. The FTR Market Clearing Price for the FTR Option is the sum of the product of the PTDF (OTDF) of the FTR Option on the constraint multiplied by the shadow price at the constraint limit in the direction of the corresponding PTDF (or OTDF) over all transmission constraints.

#### **45.6 Auction Settlement**

Each Market Participant that submitted a Winning FTR Bid shall be charged to the FTR Market Clearing Price for all FTRs awarded to it in accordance with the provisions of the Business Practices Manuals. The Transmission Provider shall credit to each FTR Holder the FTR Market Clearing Price for each FTR held by that FTR Holder that was sold in the FTR Auction. All remaining revenues from the FTR Auction collected by the Transmission Provider shall be allocated among those who are charged for firm transmission service whether Network Integration Transmission Service or firm Point-To-Point Transmission Service through a credit back directly to those Transmission Customers.

#### **45.7 Continuing Confidentiality of FTR Bids**

The Transmission Provider shall not reveal the FTR Bids submitted by any FTR Bidder in an FTR Auction until six (6) Months following the date of the auction, except as required pursuant to the provisions of Section 38.9. When these FTR Bids are posted, the names of the FTR Bidders shall not be publicly revealed.

#### **46 Issuance of FTRs for Network Upgrades**

The Transmission Provider shall issue FTRs to all Market Participants that fund Network Upgrades and elect not to receive credits under Attachment R, Section 9.2.2 of this Tariff. Such issued FTRs shall be: (i) equal to the capability created by the Network Upgrade(s) (as agreed to by the Transmission Provider and Market Participant(s) funding the upgrade), and (ii) consistent with the existence of FTRs previously issued. Entities eligible to receive FTRs pursuant to the provisions of this Section 46 shall be permitted to elect any set of Receipt Point-to-Delivery Point FTRs, provided that the combination of such FTRs issued satisfy the two (2) conditions set forth in the first sentence of this paragraph.

#### **46.1 Term**

Where a Network Upgrade increases the capability of the Transmission Provider Region under normal operating conditions equally during all Months of the Year, FTRs issued pursuant to this section shall have a term of up to one (1) year, beginning on the date in which the Network Upgrade begins to materially contribute to the transfer capability of the Transmission Provider Region and ends at the conclusion of the allocation period. FTRs applicable to subsequent allocation periods shall be allocated at later dates based on the evaluation of the contribution of the Network Upgrade to increasing capability in such later allocation periods. Where a Network Upgrade increases the transfer capability of the Transmission Provider Region under normal operating conditions by different amounts during different Months of the allocation period, to reflect these varying amounts, certain of the FTRs awarded pursuant to Section 44 shall have a term of one (1) Month, but may be awarded for all or less than all Months of the first allocation period in which the Network Upgrade begins to materially contribute to the transfer capability of the Transmission Provider Region. FTRs applicable to Months in subsequent allocation periods shall be allocated at later dates based on an evaluation of the contribution of the Network Upgrade to increasing the capability of such later allocation periods.

#### **46.2 Allocation Among Multiple Market Participants**

Where multiple Market Participants fund a Network Upgrade, absent an agreement among such Market Participants to the contrary, the FTRs awarded pursuant to the provisions of Section 45 shall be allocated to such Market Participants in proportion to their financial contribution to the Network Upgrade (including construction, research, and development costs), as reported by the Market Participants to the Transmission Provider. Market Participants collectively funding a Network Upgrade are encouraged to agree in writing among themselves prior to any significant outlays, how such FTRs will be allocated following completion of the Network Upgrade.

#### **47      Development of Auction Revenue Rights**

After the Transmission Provider begins operation of the Energy Markets, the Transmission Provider shall implement a plan for the development of auction revenue rights at a future date. For the purposes of this section, auction revenue rights refer to a right held by an entity that confer on that entity the right to receive the net revenues generated from the sale of one (1) or more FTRs in an FTR Auction.

**SECTIONS 48 AND 49 ARE RESERVED FOR FUTURE**

**ORIGINAL SHEETS NO. 678 THROUGH 700**

## **MODULE D - MARKET MONITORING AND MITIGATION MEASURES**

### **I. INTRODUCTION**

The Market Monitoring and Mitigation Measures of this Module D include Part II, the Independent Market Monitoring Plan, and Part III, the Market Mitigation Measures. The Plan is intended to provide for the independent, impartial and effective monitoring and reporting on the Energy Markets as a whole. The Market Mitigation Measures are intended to provide the means for the Transmission Provider to mitigate the market effects of any conduct that would distort competitive outcomes in the Energy Markets administered by the Transmission Provider.

### **II. INDEPENDENT MARKET MONITORING PLAN**

#### **50 Purpose and Objectives of the Plan**

##### **50.1 Purposes and Objectives**

This Plan is intended to provide for the independent, impartial and effective monitoring of and reporting on: (i) the competitive performance and efficiency of the Transmission Provider's Energy Markets, including identification of opportunities for efficiency improvements;

(2) the conduct of Market Participants, Transmission Owners, and the Transmission Provider, including but not limited, to any exercise of or attempt to exercise, market power in any Energy Market or to inefficiently reduce the quantity or quality of Transmission Service in the region; (3) the operation, use, and congestion of the Transmission System as such system affects competitive conditions in the region; and (4) the adequacy and effectiveness of any market rule, procedure, or action that affects the competitiveness or economic efficiency of the Markets and Services.

The Plan will be implemented by an Independent Market Monitor (“IMM”) that shall report to the Transmission Provider’s Board of Directors. The IMM shall report its findings to the FERC, State Regulatory Commissions, and the Transmission Provider. The IMM will provide annual reports to the Transmission Provider’s Board of Directors, FERC, State Regulatory Commissions, and the Transmission Provider that will provide relevant market data and the results of analyses of that data undertaken by the IMM. In



addition, the IMM will conduct preliminary investigations of Market Participants' conduct as specified in this Plan, the results of which will be reported to Interested Government Agencies when further action may be warranted. The IMM will also respond to requests from FERC or State Regulatory Commissions for additional analysis or data the IMM has in its possession, subject to its obligation to protect the confidentiality of the data. The IMM also will respond to complaints by customers of the Transmission Provider and to requests for public data that are not readily available.

The Plan is intended to protect and foster competition, while minimizing interference with open and competitive markets. The IMM will recognize that conduct that might under some circumstances suggest an attempt to exercise market power is, under other circumstances, pro-competitive and efficient. In making this distinction, the IMM will generally focus on an analysis of the identified conduct and associated market impacts, rather than seeking to determine the intent of the participant (*e.g.*, conducting profitability analyses that would require comprehensive information on all the physical and financial positions of a participant). The IMM will work to ensure that all monitoring and reporting activities are implemented fairly and consistently in accordance with the Plan.

## **50.2 Markets to be Monitored**

The IMM will monitor the Markets and Services provided by the Transmission Provider, including the imbalance energy market, any congestion management market or system, any Ancillary Services market, any market for the purchase or sale of transmission rights, and any other market administered, coordinated or facilitated by the Transmission Provider. The IMM will not monitor bilateral Energy or Capacity markets, or private transmission rights not administered, coordinated or facilitated by the Transmission Provider, except to periodically assess the effect of these markets on the Energy Markets, or the effects of the Energy Markets on these markets.

## **50.3 Persons and Entities Subject to the Plan**

The Transmission Provider, the IMM, and any person or entity participating in any of the Energy Markets or that takes service under or is a party to any tariff or agreement administered by the Transmission Provider, shall be subject to the terms, conditions and obligations of this Plan.

#### **50.4 Independence of Market Monitoring**

The IMM shall be granted complete independence to perform those activities necessary to provide impartial and effective market monitoring within the scope of the Plan. No person, party or agent, including the Transmission Provider, State Regulatory Commissions, or any other administrative oversight group responsible for the administration of the IMM activities, shall be granted authority to screen, alter, delete, or delay IMM investigations or the preparation of findings, conclusions, and recommendations developed by the IMM that fall within the scope of market monitoring responsibilities contained in the Plan.

## **51 Market Monitoring Liaison**

### **51.1 Establishment**

The Transmission Provider's Board of Directors shall appoint a Market Monitoring Liaison Officer to carry out the functions described in this Section 51.

### **51.2 Responsibilities of the Market Monitoring Liaison Officer**

- a.** The Market Monitoring Liaison Officer shall:
  - i. Be responsible for administrative oversight of the contractual agreement with the IMM (Attachment S-1 of this Tariff);
  - ii. Support efforts of the IMM to collect necessary data and information from the Transmission Provider;

- iii. Facilitate the provision of comments from the Transmission Provider as appropriate on issues investigated or analyzed by the IMM related to the factual accuracy of the IMM's reports;
- b.** The Market Monitoring Liaison Officer shall not:
  - i. Have authority to impose penalties, sanctions, or fines;
  - ii. Screen, alter, delete, or delay IMM investigations or the preparation of findings, conclusions, and recommendations developed by the IMM; or
  - iii. Share or discuss confidential data, information, or analysis related to any of the Markets and Services

## **52 Independent Market Monitor**

### **52.1 Retention of the Independent Market Monitor**

The Transmission Provider shall retain a person or persons, consulting firm or other entity to be known as the Independent Market Monitor that shall report to the Transmission Provider's Board of Directors. The IMM shall have experience and expertise appropriate to the analysis of competitive conditions in markets for Energy, Ancillary Services, and transmission rights, and to such other responsibilities as are assigned to the IMM under this Plan. The IMM shall interface with the Market Monitoring Liaison Officer.

## **52.2 Conflicts of Interest**

The Market Monitoring Liaison Officer shall adopt a policy on conflicts of interest for the IMM establishing appropriate standards for the professional and financial independence of the IMM. In addition, the IMM shall adopt ethics policies and standards for its employees and subcontractors. The IMM, including each member, employee, or subcontractor of the IMM, shall comply at all times with the conflicts of interest and ethics policies, and shall certify such compliance to the Market Monitoring Liaison Officer upon request.

## **52.3 Responsibilities of the IMM**

- a.** The IMM shall:
  - i.** Advise the Transmission Provider, and shall prepare and submit to FERC the reports specified herein, on the nature and extent of, and any impediments to, competition in and the economic efficiency of the Markets and Services;



- ii. Assist in the development of this Plan, including the screens and indices described in Section 55 of the Plan;
- iii. Recommend to the Transmission Provider modifications to market rules, tariffs, or other corrective actions to improve the competitiveness or efficiency of the Markets and Services;
- iv. Recommend to the Transmission Provider modifications to market rules or tariffs to improve the compatibility of, and the efficiency of trading between, the Transmission Provider and neighboring RTOs or Control Areas; and
- v. Have such other duties and responsibilities as specified in this Plan, as it may be amended from time to time

- b.** The IMM may, at any time, bring any matter to the attention of the Transmission Provider, Interested Government Agencies, or appropriate federal or state antitrust enforcement agencies as the IMM may deem necessary or appropriate for achieving the purposes, objectives and effective implementation of this Plan. The IMM shall also notify the FERC immediately in the event the IMM identifies a significant market problem that may require (i) further investigation; (ii) a change in the Transmission Provider's Tariffs or market rules; or (iii) action by the FERC and/or one or more State Regulatory Commissions. The IMM shall not have the authority to impose sanctions, penalties or fines.

## **53 Monitoring Implementation and Responsibilities**

### **53.1 Conditions, Functions or Actions Monitored**

The IMM will achieve the purposes and objectives of this Plan through review and analysis of conditions, functions or actions affecting the competitiveness, economic efficiency and proper operation of the Markets and Services, including but not limited to, the following to the extent each may be deemed relevant to the purposes and objectives of this Plan by the IMM:

- a.** The schedules and Offers submitted for and actual dispatch of Generation Resources in or affecting any of the Markets and Services;

- b.** The provision of Transmission Services and rights by the Transmission Provider, including but not limited to estimating and posting of Available Transfer Capability (“ATC”), administration of the Tariff, the operation and maintenance of the Transmission System, the auctions and other markets for transmission rights, and the reservation and scheduling of Transmission Service;
- c.** Other information relating to collusive or other anticompetitive or inefficient behavior in or affecting any of the Markets and Services;

- d.** Competitive or other market impacts of tariffs and agreements, or other rules, standards or procedures, or any other Transmission Provider or Market Participant actions governing or affecting any of the Markets and Services;
- e.** The nature and extent, causes of, and costs of and charges for transmission congestion in the Transmission Provider Region or, to the extent practicable, transmission congestion on any other system that affects any of the Markets and Services;
- f.** The need for and efficacy of appropriate sanctions or other corrective actions to be submitted to and approved by FERC to address: a) competitive problems, b) violations or failures to comply with any tariff or services agreement that have material effects on the Markets and Services, or c) market flaws; and

- g.** To the extent practicable, conditions or events outside the Transmission Provider's Control Areas affecting the supply and demand for, and the quantity and price of, products or services sold or to be sold in any of the markets administered, coordinated, or facilitated by the Transmission Provider.

### **53.2 Legal Advice**

The IMM may consult legal counsel for advice on antitrust, regulatory or other legal issues pertinent to this Plan.

## **54 Data Collection and Disclosure**

### **54.1 Access to Transmission Provider's Data and Information**

For purposes of carrying out its responsibilities under this Plan, the IMM shall have access to data or other information gathered or generated by the Transmission Provider in the course of its operations. This data and information shall include, but not be limited to,

- a.** Hourly schedules, Offers, and actual output for the Generation Resources within the Transmission Provider Region (including designated Network Resources outside the Transmission Provider Region) and external Imports to and Exports from the Transmission Provider Region;

- b.** Reserved and scheduled Transmission Service into, out of, or through the Transmission System;
- c.** Transmission limits (including temporary deratings) on each of the monitored flowgates or other relevant transmission facilities;
- d.** Hourly flow over each of the monitored flowgates or other relevant transmission facilities;
- e.** Dispatch of generation for Energy, Regulation, and frequency or other operational orders, including Transmission Provider or Control Area operating logs or other information pertaining to such dispatch;
- f.** Redispatch of generation or other actions taken to manage transmission congestion;
- g.** Logs of Transmission Service requests, including the disposition of the request and the explanation for any refused, retracted or annulled requests;



- h.** Logs of generator interconnection requests, including the disposition of the request and the explanation of any refused requests;
- i.** Generation and transmission facility outage data;
- j.** Records of complaints by customers of the Transmission Provider; and

- k.** Other information required to be provided to the Transmission Provider under the Transmission Provider's Tariff, operating agreements, Regional Reliability Organization requirements, or government agency orders.

## **54.2 Data from Market Participants**

### **54.2.1 Data Requests**

If the IMM determines that additional data or other information is required to accomplish the objectives of the Plan, the IMM may request the persons or entities possessing, having access to, or having the ability to generate or produce such data or other information to furnish it to the IMM. Any such request shall be accompanied by an explanation of the need for such data or other information, a specification of the form or format in which the data is to be produced, and an acknowledgment of the obligation of the IMM to maintain the confidentiality of the data.

### **54.2.2 Enforcement of Data Requests**

- a.** A party receiving an information request from the IMM shall furnish all information, in the requested form or format, that is: (i) included in the categories of data or information that it may request from a Market Participant to support an active investigation, as specified in Section 61.;; or (ii) reasonably necessary to achieve the purposes or objectives of this Plan, not readily available from some other source that is more convenient, less burdensome and less expensive, and not subject to a legal privilege.

- b.** The categories of data or information specified in Section 61 that may be routinely requested shall be limited to data or information the routine provision of which would not be unduly burdensome or unduly expensive, and which has been reasonably determined by the IMM to be relevant to the purposes and objectives of this Plan. No party that is the subject of a data request shall be required to produce any summaries, analyses, or reports of the data that do not exist at the time of the data request. The IMM shall notify the Market Participants and other interested parties, and provide an opportunity for comment, prior to adding or deleting any categories of data or information to or from Section 61

- c.** A party receiving a request for data or information, consistent with Section 61, shall promptly provide it to the IMM, and may not contest the right of the IMM to obtain such data or information except to the extent that the Party has a good faith basis to assert that the data or information is not included in any of the categories on the list. If the IMM determines that the requested information has not or will not be provided within a reasonable time, the IMM may invoke the Transmission Provider's dispute resolution provisions set forth in Section 12 of this Tariff
- d.** The Party from whom the information has been requested may invoke the Transmission Provider's dispute resolution provisions, if applicable, to determine the IMM's right to obtain requested information not contained on the foregoing list.

- e. The Parties may submit any such determination to binding arbitration, or other form of binding resolution, and shall seek expedited resolution, in accordance with the applicable dispute resolution procedures. Alternatively, any such Party may contest the request with the FERC. If the entity from whom the data or other information has been requested is not subject to either of the foregoing dispute resolution procedures and does not voluntarily agree to the use of either or a comparable dispute resolution procedure, or has not contested the request with the FERC, the Transmission Provider or the IMM may initiate such judicial or regulatory proceedings to compel the production of the requested information as may be available and deemed appropriate by the IMM.

### **54.3 Access to Data by Interested Government Agencies**

- a.** Notwithstanding any provisions to the contrary, if the Commission or its staff, during the course of an investigation or otherwise, requests information from the IMM that is otherwise required to be maintained in confidence pursuant to this Tariff, the IMM shall provide the requested information to the Commission or its staff, within the time provided for in the request for information. Should the IMM require additional time to provide the information requested due to logistical matters such as the volume of information requested or technical complexity involved, the IMM will promptly communicate that need to the individual requesting the information and they shall establish the time for production of the requested information. In providing the information to the

Commission, or its staff, the IMM shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by the Commission and its staff and that the information be withheld from public disclosure. The IMM shall promptly notify the entity that provided the requested information when it is notified by the Commission or its staff, that a request for disclosure of, or decision to disclose, Confidential Information has been received.



- b.** If any Authorized Requestor, as defined in Module C Section 38.8.4, requests Confidential Information from the IMM that was provided to the IMM by the Transmission Provider or reports that are derived from or contain such information, the IMM shall provide the information or reports to the Authorized Requestor under the process described in Section 38.8.4. The IMM may refer the request to the Transmission Provider if the information is available from the Transmission Provider.
- c.** If an Authorized Requestor requests Confidential Information provided by a Market Participant that is not identified as “commercially sensitive” by the Market Participant who provided the data, the IMM shall provide the information to the Authorized Requestor under the process described in Section 38.8.4.

- d.** If an Authorized Requestor requests Confidential Information provided by a Market Participant that is identified and justified to the IMM as “commercially sensitive” by the Market Participant, the following process shall apply:

  - i.** The Authorized Requestor shall provide to the IMM a list of the statutory authority, obligation, or duty, or in the case of the OMS the agreement, establishing or specifying the particular Authorized Requestor’s duty, responsibility or authority in fulfillment of which it will make requests to the IMM under this Section for information and a statement identifying and forwarding copies of the

particular statute, rule or regulations, or practice that will allow the Authorized Requestor to keep information disclosed hereunder confidential and non-public, of limited distribution within the Authorized Requestor and to prevent disclosure of information to third parties. In the case of the OMS, this requirement will be deemed to be met by the execution of a non-disclosure agreement with the IMM typical or customary to such agreements sufficient to bind individuals receiving information pursuant to this Section to keep such information confidential and not disclose the information to third parties.

- ii. The IMM shall promptly notify the entity that provided the data and shall provide to the entity notice of and all relevant information related to the request for such information.

- e. Notwithstanding other provisions in this Section 54.3, all Authorized Requestors may participate in meetings or teleconferences with the IMM where Confidential Information may be discussed verbally. Authorized Requestors that do not satisfy the conditions under Section 38.8.4 to take possession of confidential data may participate in such meetings or teleconferences if they have executed a nondisclosure agreement with the IMM containing (i) an agreement not to take notes that would contain information disclosed in such meetings or teleconferences or retain any materials the IMM may distribute at the meeting; and (ii) containing terms typical or customary to such agreements sufficient to bind individuals receiving information pursuant to this Section to keep such information confidential and not disclose the information to third parties.

#### **54.4 Confidentiality**

The IMM shall use all reasonable procedures necessary to protect and preserve the confidentiality of all information obtained in connection with the implementation of this Plan. Confidential Information shall include data or information that is proprietary, commercially valuable or competitively sensitive, or is a trade secret and that has been designated as confidential by a Market Participant, provided that such information is not available from public sources, or is not otherwise subject to disclosure under any tariff or agreement administered by the Transmission Provider.

Except as may be required by subpoena or other compulsory process, the IMM shall not disclose Confidential Information to any person or entity without prior written consent. Upon receipt of a subpoena or other compulsory process for the disclosure of Confidential Information, the IMM shall promptly notify the party that provided the data and shall provide all reasonable assistance requested by the party to prevent disclosure, and if possible under the terms of the subpoena or other compulsory process shall not release the data until the party provides written consent or until the party's legal avenues are exhausted. The confidentiality of data and information provided to Interested Government Agencies will be maintained with a protective order or other procedures of the agency for protecting confidential data.

**54.5 Collection and Retention of Information:**

- a. The IMM shall regularly collect and maintain the information necessary for implementing this Plan. The IMM, in conformity with the Transmission Provider's applicable data retention policies, shall adopt schedules for the periodic destruction of information in the possession of the IMM the retention of which is no longer reasonably necessary for purposes of this Plan.

The IMM or Transmission Provider shall ensure that data and information necessary for use by any subsequent IMM shall be retained in usable form.

- b.** The IMM shall adopt policies and requirements for the retention of information by Market Participants, and submission of such information to the IMM as necessary for the implementation of this Plan, after providing an opportunity for interested parties and the Market Monitoring Liaison Officer to review and comment on such procedures.

## **55 Performance Indices and Screens**

### **55.1 Development of Indices and Screens**

The IMM, with due consideration of the proposals and comments of Market Participants and other interested parties submitted as specified below, and subject to review and comment by the Transmission Provider, shall develop and adopt such indices or other screens for reviewing the data or other information as the IMM deems appropriate.

### **55.2 Consultation with Market Participants**

In connection with the development of indices and screens as specified in Section 55.1, Market Participants, Interested Government Agencies, or other interested parties may submit proposed indices or screens for review of the data or other information collected in connection with the implementation of this Plan, along with any justification for the adoption thereof, to the IMM for consideration and adoption if and to the extent appropriate. The IMM shall provide Market Participants, Interested Government Agencies, and other interested parties the opportunity to comment on any new indices and screens prior to their adoption.



### **55.3 Use of Indices and Screens**

To the extent practicable, the IMM shall review data or other information collected in connection with implementation of this Plan in accordance with the indices or screens adopted as specified above; provided, however, that nothing herein shall be deemed to prevent the IMM from conducting such further or different review or evaluation of such data or information as appropriate for the effective implementation of this Plan.

## **56 Complaints and Requests for Investigations**

### **56.1 Requests from Interested Government Agencies**

Any Interested Government Agency may, at any time, submit information to the IMM concerning any matter relevant to the responsibilities of the IMM under the Plan, or may submit a request to the IMM for it to conduct an investigation. Such submissions or requests may be made on a confidential basis. Acting in a timely manner, the IMM shall carry out the requested investigation to the extent deemed reasonably necessary by the IMM. Subject to redaction or other measures necessary for the protection of Confidential Information, the IMM shall report the results of these investigations to the Transmission Provider, the agency requesting the investigation, and as appropriate to the FERC and other Interested Government Agencies.

## **56.2 Requests from Others**

Any Market Participant or other interested person or entity may at any time submit information to the IMM concerning any matter relevant to the responsibilities of the IMM under the Plan, or may submit a request to the IMM for it to conduct an investigation. Such submissions or requests may be made on a confidential basis. The IMM may request further relevant information available from such Market Participant or other person or entity as a condition of undertaking any further investigation. Acting in a timely manner, the IMM shall, in its independent judgment, decide whether to undertake an investigation, in the manner that it deems appropriate, or decline to do so.

### **56.3 Reporting of Complaints and Requests**

The IMM shall include a summary of its actions or decisions not to act in its annual report as well as in any other periodic or other reports on any matters within its purview as may be requested by the Transmission Provider's Board of Directors or any of the Interested Government Agencies.

## **57 Reports**

### **57.1 Periodic Reports**

The IMM shall prepare and submit to the Transmission Provider's Board of Directors a report on the competitive performance and efficiency of the Markets and Services. Such report shall be submitted at least annually and include any recommendations of the IMM for the improvement of the Markets and Services, or of the monitoring, reporting and other functions undertaken pursuant to this Plan.

The report shall also include a description of all requests for investigation/complaints and the resolution or disposition thereof. A copy of the report shall be forwarded by the IMM to each of the Interested Government Agencies. Copies of the report shall be made publicly available by the Transmission Provider, subject to redaction or other measures necessary for the protection of Protected Information.

### **57.2 Other Reports or Filings**

The IMM shall prepare such other periodic or other reports on any matters within its purview as may be requested by the Transmission Provider's Board of Directors or any of the Interested Government Agencies. The IMM shall also prepare other reports that it deems necessary. Unless the Board of Directors or the Interested Government Agency requesting such report specifies to

the contrary, copies of such reports shall be made publicly available by the Transmission Provider, subject to redaction or other measures necessary for the protection of Confidential Information. All reasonable fees and expenses for the preparation of reports or other filings relating to the Markets and Services that are requested by an Interested Government Agency from the incumbent IMM, or from a former IMM with respect to conditions or conduct occurring in the period during which the entity receiving the request served as the IMM, shall be borne by the Transmission Provider.

### **57.3 Transmission Provider Response to Reports**

The Transmission Provider shall provide a final response to any report by the IMM per Sections 57.1 and 57.2 that include recommendations for action by the Transmission Provider. The response shall be made no later than forty-five (45) days from the date of the IMM report and the statement shall clearly identify the Transmission Provider's agreement or disagreement with each recommendation. The Transmission Provider's response will be given the same distribution as the IMM report.

## **58     **Liability****

The liability of the Transmission Provider, and its directors, officers, employees and agents, and of the IMM, and its directors, officers, employees and agents, for any matter arising under or relating to this Plan shall be governed by this Section. The Transmission Provider, and its directors, officers, employees and agents, and the IMM, and its directors, officers, employees and agents, shall not be liable to any person or entity for any matter, act or omission described in or contemplated by this Plan, as the same may be amended or supplemented from time to time, including but not limited to liability for any financial loss, loss of economic advantage, opportunity cost, or actual, direct, indirect or consequential damages of any kind resulting from or attributable to any act or omission of the Transmission Provider or the IMM under this Plan unless the foregoing persons or organizations are found to have engaged in gross negligence or willful misconduct by a court of competent jurisdiction.

The Transmission Provider shall indemnify and hold harmless its directors, officers, employees and agents and the IMM, its directors, officers, employees and agents, of and from any and all actions, claims, demands, costs (including any form of damages or other economic loss and all court costs and reasonable attorneys' fees) and liabilities to third parties, arising from or in any way connected with, the implementation or a failure to implement this Plan, except to the extent that such action, claim, demand, cost or liability results from the gross negligence or willful misconduct of any of the foregoing persons.

## **59 Rights and Remedies**

- a.** With the exception of the limitation of liability specified in Section 58 of this Plan, nothing herein shall prevent the Transmission Provider or any other person or entity from asserting any rights it may have under the Federal Power Act or any other applicable law, statute, or regulation, including the filing of a petition with or otherwise initiating a proceeding before the FERC regarding any matter which is the subject of this Plan.



- b.** Except as and to the extent otherwise specified in this Plan, including the provisions of .a in this Section 59.a, disputes as to the implementation of or compliance with this Plan shall be subject to the Transmission Provider's dispute resolution procedures contained in Section 12 of this Tariff.

**60 [RESERVED]**

**61 List of Data the IMM May Request from Market Participants**

**61.1 Data**

The following data or information may be obtained by the IMM from Market Participants, Transmission Owners, or the Transmission Provider in accordance with Section 54.2 of the Plan. Market Participants, Transmission Owners, or the Transmission Provider shall retain the following categories of data or information for at least two years, beginning with the date of initial operation.

- a.**     Production costs: Data or information relating to the costs of operating a specified Electric Facility (for Generation Resources such data or information shall include, heat rates, start-up fuel requirements, fuel purchase costs, environmental costs, and operating and maintenance expenses).
- b.**     Opportunity costs: Data or information relating to regulatory, environmental, technical, or other restrictions that limit the run-time or other operating characteristics of a Generation Resource.
- c.**     Generating Logs: Data or information relating to the operating status of a generating facility, including generator logs showing the generating status of a specified unit. Such data or information shall include any information relating to a forced outage or derating of a Generation Resource.

- d.** Transmission Logs: Data or information relating to the operating status of a transmission facility, a contingency, or other operating consideration. This shall include data or information related to any Generation Resources called out-of-merit or dispatched under any other operating order from the Transmission Provider or a Control Area Operator.

- e. Bidding Agreements: Data or information relating to the ability of a Market Participant or its Affiliate to determine the pricing or output level of generating capacity owned by another entity, including but not limited to any document setting forth the terms or conditions of such ability.

### III. MARKET MITIGATION MEASURES

#### 62 Purpose and Objectives

- a. These market power Mitigation Measures are intended to provide the means for the Transmission Provider to mitigate the market effects of any conduct that would substantially distort competitive outcomes in the Energy Markets or other markets administered by the Transmission Provider, while avoiding unnecessary interference with competitive price signals.

- b.** These Mitigation Measures are intended to minimize interference with open and competitive markets. To that end, the Mitigation Measures authorize the mitigation of specific conduct only when the conduct exceeds well-defined conduct thresholds *and* when the effect on market outcomes of the conduct exceeds well-defined market impact thresholds. Using these thresholds, the Mitigation Measures are designed to allow prices to rise efficiently to reflect legitimate supply shortages while effectively mitigating inflated prices associated with artificial supply shortages in transmission constrained areas resulting from physical or economic withholding.

- c.** In addition, the IMM shall monitor the Markets and Services administered by the Transmission Provider for conduct that may distort competitive market outcomes, but does not trigger the thresholds specified below for the imposition of Mitigation Measures. If the IMM identifies any such conduct, the Transmission Provider shall make a filing under § 205 of the Federal Power Act, 16 U.S.C. § 824d (1999) (“§ 205”) with the Commission requesting authorization to apply appropriate Mitigation Measures. Any such filing shall identify the particular conduct the IMM believes warrants mitigation, shall propose a specific Mitigation Measure for the conduct, and shall set forth the justification for that Mitigation Measure.

- d. The IMM shall monitor the actions of the Transmission Provider to identify any actions that substantially distort competitive outcomes in the Energy Markets or any other market administered by the Transmission Provider. If such actions are identified, the IMM shall recommend changes in these actions and, as necessary, to Transmission Provider's market rules or procedures.

### **63 Conduct Warranting Mitigation**

**63.1 Conduct Subject to Mitigation:** Mitigation Measures may be applied:

- (i) to the Offers, scheduling or operation of an Electric Facility; or (ii) as specified in Section 65.3.

## **63.2 Conditions for the Imposition of Mitigation Measures**

- a.** To achieve the foregoing purpose and objectives, the IMM shall impose Mitigation Measures to remedy conduct that:
  - i. is significantly inconsistent with competitive conduct; and
  - ii. would result in a substantial change in one (1) or more prices in an Energy Market or any other market administered by the Transmission Provider, or Offer Revenue Sufficiency Guarantee Payment .



- b.** The categories of conduct that are inconsistent with competitive conduct include, but are not limited to, the categories of conduct specified in Section 63.3 below. In general, the IMM shall consider a Market Participant's conduct for a given Electric Facility to be inconsistent with competitive conduct if the conduct would (i) reduce the net revenue associated with the Electric Facility, but for the effect of the conduct on market outcomes, or (ii) inefficiently reduce the capability of the Transmission System. The Mitigation Measures will only apply in the presence of a Binding Transmission Constraint. Binding Transmission Constraints shall include constraints in adjacent areas that are monitored by the Transmission Provider and affect the dispatch or commitment of Electric Facilities in the Transmission Provider Region.

### **63.3 Categories of Conduct that May Warrant Mitigation**

- a.** The following categories of conduct, whether by a single firm or by multiple firms, may warrant mitigation:
  - i.** *Physical withholding of an Electric Facility*, that is, not offering to sell or schedule the output of or services provided by an Electric Facility capable of serving an Energy Market or any other market administered by Transmission Provider. Such withholding may include, but is not limited to, (i) falsely declaring that an Electric Facility has been derated, forced out of service or otherwise become unavailable, (ii) refusing to provide Offers or schedules for an Electric Facility, (iii) operating a Generation Resource in real time to

produce an output level that is less than Dispatch Instructions, or (iv) operating a transmission facility in a manner that is not economic, is inconsistent with Good Utility Practice or causes or contributes to a Binding Transmission Constraint.

- ii. *Economic withholding of a Generation Resource*, that is, submitting Offers for a Generation Resource that violate the economic withholding criteria set forth in Section 64.1.2 that cannot be justified, so that (i) output from the Generation Resource is not or will not be dispatched or scheduled, or (ii) the Offers will clear at prices significantly above competitive levels.

- iii. *Uneconomic production from a Generation Resource*, that is, increasing the output of a Generation Resource to levels that would otherwise be uneconomic in order to cause or contribute to a Binding Transmission Constraint.
- iv. *Uneconomic Market Participant Bids or Virtual Transactions*, that is, submitting an Offer in the Day-Ahead Energy Market that is not economically justified based on risk management or other economic considerations, and that causes or contributes to substantial divergence between prices in the Day-Ahead and Real-Time Energy Markets.

- b.** A temporary Mitigation Measure may also be imposed to mitigate the market effects of a rule, standard, procedure or design feature of an Energy Market or other market administered by the Transmission Provider that allows a Market Participant to manipulate market prices or otherwise reduce the efficient operation of that market, pending the revision of such rule, standard, procedure or design feature to preclude such manipulation of prices or reduction of efficiency. Under these circumstances, the Commission shall be notified immediately and the temporary Mitigation Measure will be filed with the Commission prior to its implementation.

- c.** Taking advantage of opportunities to sell at a higher price in a market other than an Energy Market or any other market administered by the Transmission Provider shall not be deemed a form of withholding or otherwise inconsistent with competitive conduct.
- d.** The IMM shall monitor Markets and Services for other categories of conduct, whether by a single firm or by multiple firms, that substantially distort competitive outcomes in an Energy Market or any other market administered by the Transmission Provider. The IMM shall: (i) seek to amend the foregoing list as may be appropriate to include any such conduct that would substantially distort or impair the competitiveness of any of the Energy Markets or any other markets administered by the Transmission Provider; and (ii) seek such other authorization to mitigate the effects of such conduct from the FERC as may be appropriate.

## **63.4 Defining Transmission Constrained Areas**

As described above, the Mitigation Measures are intended to mitigate locational market power resulting from transmission congestion. Locational market power can occur in Narrow Constrained Areas or Broad Constrained Areas.

### **63.4.1 Determination of Narrow Constrained Areas**

- a.** On a yearly basis, or more frequently as the IMM deems necessary, the IMM will evaluate the patterns of congestion in the Transmission Provider Region to determine the constrained areas that should be identified as Narrow Constrained Areas in accordance with the following procedures.

- b.** A Narrow Constrained Area is an electrical area identified by the IMM that is defined by one or more Binding Transmission Constraints that are expected to be binding for at least five hundred (500) hours during a given twelve (12)-month period and within which one (1) or more suppliers are pivotal.
- c.** A supplier is pivotal when the output of some of its Generation Resources must be increased or decreased to resolve the transmission constraint during some or all hours when the constraint is binding. This will be determined utilizing transmission load flow cases reflecting a variety of market conditions.



- d.** These load flow cases will be used to estimate: (i) the Generation Shift Factors for all Transmission Provider and relevant non-Transmission Provider Generation Resources relative to each potentially constrained flowgate; (ii) the base loadings of Generation Resources; and (iii) the base flows on each flowgate. A supplier is pivotal when a Binding Transmission Constraint cannot be relieved without changing the base loadings for other suppliers' Generation Resources.
- e.** Once the initial Narrow Constrained Areas are defined, the IMM may determine that the transmission constraints that define the Narrow Constrained Area have been, or are expected to be, binding for fewer than five hundred (500) hours during a given twelve (12)- month period, in which event it will remove the area's designation as a Narrow Constrained Area.

- f.** The IMM will seek comment from the Transmission Provider's Market Participants before altering or removing the designations of any area as a Narrow Constrained Area. Subject to any applicable confidentiality requirements, the IMM will provide any interested Market Participants with a description of its supporting analysis to allow comment on proposed designation changes.
- g.** The IMM will make an informational filing with the Commission describing any change in the Narrow Constrained Area designations, including the analysis supporting the change.

- h.** To ensure the Narrow Constrained Area designations are available to Market Participants, the Narrow Constrained Area designations and the associated thresholds set forth in Section 64.1.2 will be posted on the Transmission Provider's website.

#### **63.4.2 Broad Constrained Areas**

- a.** A Broad Constrained Area is an electrical area in which sufficient competition usually exists even when one or more transmission constraints are binding, or into which the transmission constraints bind infrequently, but within which a transmission constraint can result in substantial locational market power under certain market or operating conditions.
- b.** Broad Constrained Areas will not be identified in advance by the IMM, but will be monitored for and mitigated when appropriate, utilizing the thresholds in Section 64.1 and Section 64.2

- c.** All units that significantly affect the flow over the constrained flowgate would be tested to determine whether mitigation is warranted. A Generation Resource will be deemed to have a significant effect on the flowgate if the absolute value of its Generation Shift Factor is greater than the Constraint Generation Shift Factor Cutoff.
- d.** The Constraint Generation Shift Factor Cutoff will be specified by the IMM based on an analysis of the distribution of Generation Shift Factor values for all Generation Resources impacting the flowgate. The Constraint Generation Shift Factor Cutoff identifies Generation Resources that have a relatively large effect on the flowgate.

- e.** The IMM will make all Constraint Shift Factor Cutoffs available to the Market Participants by posting them on the Transmission Provider website. The IMM will allow time for Market Participants to comment on any proposed changes in the Constraint Generation Shift Factor Cutoffs before implementing the changes.
- f.** To assist the owner of a Generation Resource in understanding whether its unit may be located within a Broad Constrained Areas for a given flowgate, the IMM will post a representative set of Generation Shift Factors for the Generation Resources in the Transmission Provider Region.

## **64 Criteria for Imposing Mitigation Measures**

### **64.1 Identification of Conduct Inconsistent with Competition**

Conduct that may potentially warrant the imposition of a Mitigation Measure includes the categories described in Section 63.3.a above, which shall be detected through the use of indices and screens developed by the IMM and made available as specified in the Plan. The thresholds listed in Sections 64.1.1 to 64.1.3 below shall be used to identify conduct that may warrant mitigation.

#### **64.1.1 Thresholds for Identifying Physical Withholding**

- a.** Except as specified in subsection (e) below, the following initial thresholds will be employed by the IMM to identify physical withholding of a Generation Resource:

- i. Withholding more than the lower of 5 percent or 200 MW of the total capability owned or controlled by a Market Participant and its Affiliates; or
  - ii. Operating a unit in real-time at an output level that is less than 90 percent of the Transmission Provider's Dispatch Instructions for the unit.
- b.** The amounts of generating Capacity considered withheld for purposes of applying the foregoing thresholds shall include unjustified deratings, and any portions of a Generation Resource's output that is not Offered or is economically withheld under the thresholds in Section 64.1.2.
- c.** The foregoing thresholds are intended to ensure that mitigation only be applied to significant instances of locational market power resulting from one (1) or more Binding Transmission Constraints associated with a Broad Constrained Area.

- d.** A transmission facility shall be deemed physically withheld if it is unjustifiably out of service or not operated in accordance with Transmission Provider's Dispatch Instructions and such failure to conform to Transmission Provider's Dispatch Instructions causes or contributes to a Binding Transmission Constraint. A transmission facility shall not be deemed withheld if it is subject to a forced outage or is out of service for maintenance in accordance with a maintenance schedule approved by the Transmission Provider. Scheduled maintenance that is not approved by the Transmission Provider, such as maintenance scheduled by an ITC that is not economically justified and is inconsistent with Good Utility Practice may be deemed physical withholding.



- e. The minimum quantity thresholds in Section 64.1.1.a shall not be applicable to the identification of physical withholding by a Generation Resource in a Narrow Constrained Area.

#### **64.1.2 Thresholds for Identifying Economic Withholding**

- a. The following thresholds shall be employed by the IMM to identify economic withholding that may warrant the mitigation of a unit in a Broad Constrained Area and shall be determined with respect to a Reference Level determined as specified in Section 64.1.4

- i. Energy and minimum generation Offers: A three hundred percent (300%) increase or a \$100 per MWh increase, whichever is lower; provided, however, that Energy or minimum generation Offers (*i.e.* No-Load Offers plus Energy Offers up to the Hourly Economic Minimum Level) below \$25 per MWh shall be deemed not to constitute economic withholding.
- ii. Start-up Offers: A two hundred percent (200%) increase.

- iii. Time-based Offer parameters: An increase of three (3) hours, or an increase of six (6) hours in total for multiple time-based Offer parameters. Time-based Offer parameters include, but are not limited to, Start-Up Times, Minimum Run Times and Minimum Down Times.
- iv. Offer parameters expressed in units other than time or dollars: A 100 percent (100%) increase for parameters that are minimum values, or a 50 percent (50%) decrease for parameters that are maximum values (including but not limited to Ramp Rates and Maximum Shut Down Limits).

- b.** The foregoing thresholds are intended to ensure that mitigation is only applied to significant instances of locational market power resulting from one or more Binding Transmission Constraints associated with a Broad Constrained Area.
- c.** The following thresholds shall be employed by the IMM to identify economic withholding that may warrant the mitigation of a unit in a Narrow Constrained Area when a constraint is binding as specified in (i) below, and shall be determined with respect to a Reference Level determined as specified in Section 64.1.4:

- i. For Energy and minimum generation Offers: for intervals in which an interface into the Narrow Constrained Area in which a Generation Resource is located has a shadow price (*i.e.* the value of relieving one MW of congestion on a constraint, as determined by Transmission Provider's market model) greater than zero (0), an increase in the Offer above the applicable Reference Level by more than the threshold determined in accordance with the following formula –

$$\text{Narrow Constrained Area Threshold} = \frac{\text{Net Annual Fixed Cost}}{\text{Constrained Hours}}$$

Where:

*Net Annual Fixed Cost* = Annual fixed costs of a new peaking generator per MW, including recovery of capital costs, minus appropriate credits for net revenue the new peaking generator would receive from the Markets and Services provided under the Tariff and any applicable resource adequacy mechanism.

*Constrained Hours* = The total number of hours over the prior twelve (12) months in which a Binding Transmission Constraint has occurred on any interface into the Narrow Constrained Area in which the Generation Resource is located, but not more than 2000 hours.

- ii. Start-up Offers: A 50 percent (50%) increase.
- iii. Time-based and other Offer parameters: thresholds stated in Section 64.1.2.a.iii and Section 64.1.2.d.iv.
- iv. The Transmission Provider shall post on its website the threshold values for each Narrow Constrained Area

### **64.1.3 Thresholds for Identifying Uneconomic Production**

- a.** The following thresholds will be employed to identify uneconomic production that may warrant the imposition of a Mitigation Measure:
  - i.** Energy scheduled at a location where the LMP is less than 50 percent (50%) of the applicable Reference Level and that causes or contributes to a Binding Transmission Constraint; or

- ii. Real-time output from a Generation Resource that exceeds 110 percent (110%) of the Dispatch Instructions , and causes or contributes to a Binding Transmission Constraint.

#### **64.1.4 Reference Levels**

- a. Reference Levels are intended to reflect a Generation Resource's marginal costs, including legitimate risk and opportunity costs or justifiable technical characteristics for physical Offer parameters. A Reference Level for each component of a Generation Resource's Offer shall be calculated using the first of the three methods for which sufficient information is available, following the order in which they are listed below.



- i. The lower of the mean or the median of a unit's accepted Offers or Offer components in competitive periods over the previous 90 days for similar hours or Load levels, adjusted for changes in fuel prices;
- ii. The mean of the LMP at the unit's location during the lowest-priced twenty-five percent (25%) of the hours that the unit was dispatched over the previous 90 days for similar hours or Load levels, adjusted for changes in fuel prices; or
- iii. A level determined in consultation with the Market Participant submitting the Offer or Offers at issue and intended to reflect a unit's marginal costs, including legitimate risks and opportunity

costs, or justifiable technical characteristics for physical Offer parameters, provided such consultation has occurred prior to the occurrence of the conduct being examined. Such consultation may be initiated by either the IMM or the Market Participant.

- b.** If sufficient data do not exist to calculate a Reference Level on the basis of either of the first two methods and the third is not applicable or an attempt to determine a Reference Level in consultation with a Market Participant has not been successful, the IMM shall determine a Reference Level on the basis of:

- i. the IMM's estimate of the costs of a Generation Resource or technical characteristics of a Generation Resource for physical Offer parameters, taking into account available operating costs data, appropriate input from the Market Participant, and the best information available to the IMM; or
  - ii. an appropriate average of competitive Offers of one (1) or more similar Generation Resources.
- c. Reference Levels for the Energy Offers of a Generation Resource may vary over the output range of the Generation Resource. Reference Levels may be shifted to recognize ambient temperature conditions or seasonal factors based on input provided to the IMM by the Market Participant.

- d.** The IMM will make available to the Market Participant the Reference Levels applicable to that Participant's Offers upon request.
- e.** Upon request by a Market Participant or at the initiative of the IMM, the IMM shall consult with a Market Participant with respect to the Reference Levels determined for that Market Participant. If cost data or other information submitted by a Market Participant indicates to the satisfaction of the IMM that the Reference Levels for that Market Participant should be changed, revised Reference Levels shall be determined, communicated to the Market Participant, and implemented, as soon as practicable. The IMM shall provide a written explanation of its determination to the Market Participant upon request.

## **64.2 Price Effects or Changes in Offer Revenue Sufficiency Guarantee**

### **Payments**

#### **64.2.1 Market Impact Thresholds**

- a.** In order to avoid unnecessary intervention in the Energy Markets and other markets administered by the Transmission Provider, Mitigation Measures shall not be imposed unless conduct identified as specified above (i) causes or contributes to a substantial change in one or more prices in the Energy Markets or other markets administered by the Transmission Provider, or (ii) substantially increases Offer Revenue Sufficiency Guarantee Payments to Market Participants in the Energy Markets or other markets administered by the Transmission Provider.

- b.** The thresholds to determine a substantial price effect in a Broad Constrained Area shall be an increase of 200 percent or \$100 per MWh, whichever is lower, in the Hourly LMP at any location, or of any other price in an Energy Market or other market administered by the Transmission Provider.
- c.** The thresholds to determine a substantial price effect in a Narrow Constrained Area in Constrained Hours (as defined in Section 64.1.2.c) shall be: the threshold determined in accordance with the formula specified in Section 64.1.2.c.i above.

- d. The threshold to determine a substantial change in Offer Revenue Sufficiency Guarantee Payments shall be: an increase of 200 percent in the payment to a Market Participant for a Day.

#### **64.2.2 Price Impact Analysis**

When it has the capability to do so, the IMM shall determine the effect on prices or Offer Revenue Sufficiency Guarantee Payments of questioned conduct through the use of sensitivity analyses performed using the Transmission Provider's market models, and such other computer modeling or analytic methods as the IMM shall deem appropriate. Pending development of the capability to use the market models, the IMM shall determine the effect on prices or Offer Revenue Sufficiency Guarantee Payments of questioned conduct using the best available data and such models and methods, as it shall deem appropriate.

### **64.2.3 Section 205 Filings**

The Transmission Provider shall make a filing under Section 205 of the FPA with the Commission seeking authorization to apply an appropriate Mitigation Measure to conduct that departs significantly from the conduct that would be expected under competitive market conditions but does not rise to the thresholds specified in Sections 64.1.1 through 64.1.3 above, if that conduct has a significant effect on market prices or Offer Revenue Sufficiency Guarantee Payments.

### **64.3 Consultation with a Market Participant**

- a.** If, through the application of an appropriate index or screen or other monitoring of market conditions, conduct is identified that (i) exceeds an applicable threshold, and (ii) has a substantial effect, as specified above, on one (1) or more prices or Offer Revenue Sufficiency Guarantee Payments in an Energy Market or



other market administered by the Transmission Provider, the IMM shall, as soon as practicable and if warranted in light of the information available to the IMM, contact the Market Participant engaging in the identified conduct to request an explanation of the conduct. If a Market Participant anticipates submitting Offers in an Energy Market or other market administered by the Transmission Provider that will exceed the thresholds specified in Section 64.1 above for identifying conduct inconsistent with competition, the Market Participant may contact the IMM to provide an explanation of any legitimate basis for any such changes in the Market Participant's Offers.

- b.** If a Market Participant's explanation of the reasons for its Offers indicates to the satisfaction of the IMM that the questioned conduct is consistent with competitive behavior, no further action will be taken.
- c.** Upon request, the IMM shall also consult with a Market Participant with respect to the information and analysis used to determine Reference Levels under Section 64.1.4 for that Market Participant. If cost data or other information submitted by a Market Participant indicates to the satisfaction of the IMM that the Reference Levels for that Market Participant should be changed, revised Reference Levels shall be determined, communicated to the Market Participant, and implemented, as soon as practicable. The IMM shall provide a written explanation of its determination to the Market Participant upon request.

## **65 Mitigation Measures**

### **65.1 Purpose**

If conduct is detected that meets the criteria specified in Section 63.3, the appropriate Mitigation Measure described in this Section shall be applied. The conduct specified in Sections 64.1.1 to 64.1.3 shall be remedied by the prospective application of a Default Offer measure as described in Section 65.2, below. If an entity engages in certain types of physical withholding or uneconomic production that cannot feasibly be remedied by the prospective application of a Default Offer, or if otherwise appropriate to deter either the physical withholding or uneconomic production, the Transmission Provider shall apply a sanction described in Section 65.3 below.

## **65.2 Default Offer**

### **65.2.1 Purpose**

A Default Offer shall be designed to cause a Market Participant to Offer as if it faced workable competition during a period when the Market Participant: (i) does not face workable competition; and, (ii) has responded to such condition by engaging in the physical or economic withholding of, or uneconomic production from a Generation Resource. In designing and implementing Default Offers, the IMM shall seek to avoid causing a Generation Resource to Offer below its marginal cost.

### **65.2.2 Implementation**

- a.** If the criteria contained in Section 64 are met, the Transmission Provider shall prospectively substitute a Default Offer for an Offer submitted for a Generation Resource. The Default Offer shall establish a mitigated value for one or more components of the Offer for a Generation Resource equal to the Reference Level for that component of the Generation Resource's Offer determined as specified in Section 64.1.4.

- b.** A Default Offer shall only be imposed on a Generation Resource if it is located in a Broad Constrained Area or a Narrow Constrained Area and if one or more transmission constraints defining the area are binding.
- c.** A Generation Resource subject to a Default Offer shall be paid the LMP or other market-clearing price applicable to the output from the Generation Resource. Accordingly, a Default Offer shall not limit the price that a Generating Resource may receive unless the Default Offer determines the LMP or other market clearing price applicable to that Generation Resource.

- d.** The Transmission Provider shall not use a Default Offer to determine revised market clearing prices for periods prior to the imposition of the Default Offer, except as may be specifically authorized by the Commission.

- e. A Mitigation Measure imposed in a Narrow Constrained Area in accordance with the conduct thresholds of Sections 64.1.1.a or .b and the impact thresholds of Section 64.2.1 shall remain in effect for the duration of any hour in which there is an interval for which such mitigation is deemed warranted.

### **65.3 Sanctions**

#### **65.3.1 Imposition**

- a. The Transmission Provider shall impose financial penalties as provided in this Section 65.3, if the IMM determines in accordance with the thresholds and other standards specified in this Module D, Part III that: (i) a Market Participant has engaged in physical withholding, or (ii) a Market Participant has engaged in uneconomic production; or (iii) a



Load Serving Entity is subject to a Penalty Level payment in accordance with Section 65.4 below; or (iv) a Transmission Owner has taken unjustified actions that cause transmission congestion, including operating network control devices in a manner that is not economic and is inconsistent with Good Utility Practice.

- b.** A Market Participant that is found to have engaged in the conduct described in Section 65.3.1.a above, may be subject to a financial penalty only if the conduct has caused a substantial increase in one or more prices or Offer Revenue Sufficiency Guarantee Payments in the Energy Markets or other markets administered by the Transmission Provider. Generation Resources that are not designated to satisfy resource adequacy requirements under Module E shall not be subject to financial penalties for physical withholding from the Day-Ahead Energy Market or Reliability Assessment Commitment process.

- c. This Section 65.3 shall apply to a Generation Resource only if it is located in a Broad Constrained Area or a Narrow Constrained Area and if one (1) or more transmission constraints that give rise to locational market power in the area are binding.

**65.3.2 Base Penalty Amount**

- a. Financial penalties shall be determined by the product of a Base Penalty Amount, as specified below, times the appropriate multiplier specified in Section 65.3.3:

$$\text{Base Penalty Amount} = \text{Capability (MW) Affected} * \text{Penalty LMP during Penalty Hours}$$

- b.** For purposes of determining a Base Penalty Amount, the term “Penalty Hours” shall mean: (i) for a Day-Ahead Energy Market, the hours in which conduct occurred; (ii) for a Real-Time Energy Market, the Hours in the calendar Day commencing in the Hour in which the conduct first occurred and concluding at the Hour in which the conduct was determined to have ceased; and (iii) for Market Participant Bids to serve Load, the hours giving rise to Penalty Level payments.
- c.** For purposes of determining a Base Penalty Amount, the term “Penalty LMP” shall mean: (i) for a Generation Resource, the LMP at the Bus of the withheld Generation Resource; (ii) for a Market Participant on behalf of a Load Serving Entity, the LMPs at the location of the Load being served; and (iii) for an entity withholding equipment used for transmission of electricity or engaged in uneconomic production, the LMP most affected by the conduct.

- d.** For purposes of determining a Base Penalty Amount, the term “Capability (MW) Affected” shall include (i) the quantity of the Generation Resources physically withheld or uneconomically produced, (ii) the transmission capability reduced by a Transmission Owner, or (iii) the Load under-scheduled by a Market Participant for an LSE. It shall not include economically withheld resources.
- e.** Real-Time LMPs shall not be revised as a result of the imposition of a financial obligation as specified in this Section, except as may be specifically authorized by the Commission.

### **65.3.3 Multipliers**

The Base Penalty Amount specified in Section 65.3.2 shall be subject to the following multipliers:

- a.** For the first instance of a type of conduct by a Market Participant meeting the standards for mitigation, the multiplier shall be one (1).
- b.** For the second instance within eighteen (18) months of substantially similar conduct regarding the same product (*e.g.*, Energy, regardless of whether it is in the Day-Ahead or Real-Time Energy Market) by a Market Participant or its Affiliates, the multiplier shall be two (2),
- c.** For the third instance or any additional instance within eighteen (18) months of substantially similar conduct regarding the same product (*e.g.*, Energy, regardless of whether it is in the Day-Ahead or Real-Time) by a Market Participant or its Affiliates, the multiplier shall be three (3).

#### **65.3.4 Disposition of Penalty Funds**

Except as specified in Section 65.4.3, amounts collected as a result of the imposition of financial penalties shall be credited against costs collectable under this Tariff.

### **65.4 Load Measures**

#### **65.4.1 Purpose**

As initially implemented, the Transmission Provider market rules allow Market Participants to choose to purchase power to serve Load in either the Day-Ahead Energy Market or in the Real-Time Energy Market. As a result of this and other design features, certain bidding practices may cause LMPs in the Day-Ahead Energy Market not to achieve the degree of convergence with the LMPs in the Real-Time Energy Market that would be expected in a workably competitive market.

### **65.4.2 Implementation**

- a.** LMPs in the Day-Ahead and Real-Time Energy Markets shall be monitored to determine whether there is a persistent hourly deviation between them in any location that would not be expected in a workably competitive market.
- b.** The IMM shall compute the average hourly deviation between Day-Ahead and Real-Time Energy Market LMPs, measured as:  $(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1$ . The average hourly deviation shall be computed over a rolling four week period or such other period determined by the IMM to be appropriate to achieve the purpose of this Mitigation Measure.

- c.** The IMM shall also estimate and monitor the average percentage of each Market Participant's Bid to Serve Load scheduled in the Day-Ahead Energy Market, using a methodology intended to identify a sustained pattern of under-bidding as accurately as deemed practicable. The average percentage will be computed over a specified time period determined by the IMM to be appropriate to achieve the purpose of this Mitigation Measure.
- d.** If the IMM determines that (i) the relationship between LMPs at a location in the Day-Ahead Energy Market and the Real-Time Energy Market is not what would be expected under conditions of workable competition, (ii) one or more Market Participants on behalf of one or more LSEs have been purchasing a substantial portion of their Loads with purchases in the Real-Time Energy Market,



(iii) that this practice has contributed to an unwarranted divergence of LMP between the two markets, and (iv) that this practice has created operational problems, then the following Mitigation Measure may be imposed. A description of any such problem will be posted on the Transmission Provider's website. Any such measure shall be rescinded upon a determination by the IMM that any one or more of the foregoing conditions is not met.

#### **65.4.3 Description of the Measure**

- a.** A Market Participant that makes purchases on behalf of a Load Serving Entity may be required to purchase or schedule all of its expected power requirements in the Day-Ahead Energy Market. A Market Participant subject to this requirement may purchase up to a

specified portion of the actual Load requirements of the LSE on whose behalf the Market Participant is making such purchases (the “Allowance Level”) in the Real-Time Energy Market without penalty, as determined by the IMM to be appropriate in recognition of the uncertainty of load forecasting.

- b.** Effective with the imposition of the foregoing requirement, all purchases in the Real-Time Energy Market in excess of this Allowance Level (the “Penalty Level”) shall be settled at a specified premium over the applicable LMP. Revenues from such premiums, if any, shall be rebated on a *pro rata* basis to the Market Participants that scheduled Energy for delivery in the Day-Ahead Energy Market for the Day in which the revenues were collected.
- c.** The Allowance Level and the Penalty Level shall be established at levels deemed effective and appropriate to mitigate the market effects described in this Section 64.4. In addition, the Penalty Level payments shall be waived in any hour in which the Allowance Level is exceeded because of unexpected system conditions.

## **65.5 Virtual Transaction Measures**

### **65.5.1 Purpose**

The provisions of this Section 65.5 specify the market monitoring and Mitigation Measures applicable to Virtual Transactions.

### **65.5.2 Implementation**

- a.** LMPs in the Day-Ahead and Real-Time Energy Markets shall be monitored to determine whether there is a persistent hourly deviation between them that would not be expected in a workably competitive market.

- b.** The IMM shall compute the average hourly deviation between LMPs in the Day-Ahead and Real-Time Energy Markets, measured as:  $(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1$ . The average hourly deviation shall be computed over a rolling four week period or such other period determined to be appropriate to achieve the purpose of this Mitigation Measure.
- c.** If the IMM determines that (i) the relationship between LMPs in a location in the Day-Ahead Energy Market and the Real-Time Energy Market is not what would be expected under conditions of workable competition, and that (ii) the Virtual Transaction practices of one or more Market Participants has contributed to an unwarranted divergence of LMPs between the two (2) markets, then the following Mitigation Measure may be imposed. Any such measure shall be rescinded upon a determination by the IMM that the foregoing conditions are not met.

### **65.5.3 Description of the Measure**

- a.** If the IMM determines that the conditions specified in Section 65.5.2 exist, the Transmission Provider may limit the hourly quantities of Virtual Offers or Bids for supply or Load that may be offered in a location by a Market Participant, which may include limiting the Market Participant to submitting Virtual Offers or Bids only at aggregate Nodes or Hubs. Any such limitation shall be set at such level that, and shall remain in place for such period as, the IMM deems sufficient to prevent any unwarranted divergence between LMPs in the Day-Ahead and Real-Time Energy Markets.

- b.** As part of the foregoing determination, the IMM shall request explanations of the relevant Virtual Transaction practices from any Market Participant submitting such Bids or Offers. Prior to imposing a Virtual Bid or Offer quantity limitation as specified above, the Transmission Provider shall notify the affected Market Participant of the limitation.

#### **65.6 Duration of Mitigation Measures**

Any Mitigation Measure imposed as specified above shall expire not later than six (6) months after the occurrence of the conduct giving rise to the measure, or at such earlier time as may be specified by the Transmission Provider.

## **66 Annual Review**

- a.** As a component of the IMM's Annual Report as required in Module D, Part II to this Tariff, the IMM shall review and report on:

  - i. The extent to which mitigation has taken place, including the number of Generation Resources mitigated, and the number of MWh mitigated. The foregoing results should be reported by location as appropriate under the Transmission Provider's information policies.
  - ii. The economic incentives for maintaining existing generation, investing in new generation or transmission facilities, or developing additional demand response in various locations within the Transmission Provider Region.



- b.** If the IMM determines that inappropriate application of the Mitigation Measures contributes to an inability of existing Generation Resources or new Generation Resources to operate profitably, or an understatement of Energy prices during shortage conditions, the IMM shall recommend changes to the Mitigation Measures to prevent such inappropriate effects in future periods.

## **67 Dispute Resolution**

- a.** If a Market Participant has reasonable grounds to believe that it has been adversely affected because a Mitigation Measure has been improperly applied or withheld, it may seek a determination in accordance with the dispute resolution provisions of this Tariff whether, under the standards and procedures specified above, the imposition of a Mitigation Measure was or would have been appropriate.

- b.** Payment of a financial penalty may be withheld pending conclusion of any arbitration or other alternate dispute resolution proceeding instituted pursuant to the preceding paragraph and any petition to FERC for review under the Federal Power Act of the determination in such dispute resolution proceeding. The exclusive remedy for the imposition of a financial penalty, to the exclusion of any claim for damages or any other form of relief, shall be a determination that a penalty should not have been imposed, and a refund of paid amounts of a penalty determined to have been improperly imposed, as may be determined in the applicable dispute resolution proceedings.

- c.** In no event, however, shall the IMM or the Transmission Provider be liable to a Market Participant or any other person or entity for money damages or any other remedy or relief except and to the extent specified in Section 58.
- d.** If a Default Offer is substituted for a Market Participant's as-submitted Offer and it is subsequently determined that the Offer should not have been mitigated, the Market Participant shall be compensated for each MW for which the Default Offer was substituted, at the higher of the LMP or its full, as-submitted Offer for all intervals during which it was improperly mitigated, including any applicable Offer Revenue Sufficiency Guarantee Payment.
- e.** This Section 67 shall not restrict the right of any party to make such filing with the Commission as may otherwise be appropriate under the Federal Power Act.

## **MODULE E - RESOURCE ADEQUACY**

### **I. INTRODUCTION**

This Module E provides requirements and standards to be met by the Transmission Provider and Market Participants to ensure access to adequate Generation Resources to meet demand on the Transmission System. The resource adequacy requirements established in this Module E are based upon the pre-existing reliability mechanisms of the states within the Transmission Provider Region and within the Regional Reliability Organizations (RRO), as adapted to the Transmission Provider Region.

### **II. RESOURCE ADEQUACY REQUIREMENTS**

#### **68 Compliance with Existing State and Reliability Resource Organization Requirements**

##### **68.1 Market Participant Responsibilities**

###### **68.1.1 Compliance with Regional Reliability Organizations**

- a.** A Market Participant serving Load within the Transmission Provider Region must comply with all requirements, including those related to operating and planning reserves, of the appropriate RRO governing the location(s) where the Market Participant's Load is located.

- b.** To the extent that a Market Participant serves Load outside of the Transmission Provider Region, this Module E does not impose upon the Market Participant any obligation to conform to RRO standards for that pro-rata portion of Load that is not located in the Transmission Provider Region.
- c.** To the extent that a Market Participant serves Load within two (2) or more RRO regions within the Transmission Provider Region, the Market Participant must comply with each applicable RRO's requirements for the pro-rata portion of the Load served within each RRO region within the Transmission Provider Region.
- d.** Market Participants serving Load in the Transmission Provider Region that are currently members of Reserve Sharing Groups may not withdraw from such groups without the prior approval of the Transmission Provider.

- e. Market Participants will identify to the Transmission Provider those Resources relied upon to comply with RRO reliability and resource adequacy standards, including operating and planning reserve requirements. Resource identification will occur on an annual basis, or more frequently where required by RRO standards, according to procedures set forth in the Business Practices Manuals.

#### **68.1.2 Compliance with State Authorities**

- a. Market Participants that serve Load within the Transmission Provider Region must comply with all regulations and laws regarding reliability, including any reserve margin requirements, of the states in which the Transmission Provider operates.

- b.** To the extent that a Market Participant serves Load in two (2) or more states in the Transmission Provider Region, the Market Participant must comply with the reliability or resource adequacy requirements of each state in which it serves Load.
- c.** Market Participants will identify to the Transmission Provider those Resources relied upon to comply with state resource adequacy standards, as determined by the Transmission Provider. Such identification will occur on an annual basis, or more frequently where required by state standards, according to procedures set forth in the Business Practices Manuals.

### **68.1.3 Contracts Supporting Reliability Obligations**

A Market Participant may contract with other entities to ensure compliance with an RRO's or state's reliability obligations, consistent with any RRO or state requirements for, or limitations related to, such contracts.

## **68.2 Transmission Provider Requirements**

### **68.2.1 Determination of Compliance by the Transmission Provider**

- a.** The Transmission Provider will determine reliability and resource adequacy standards, including operating and planning reserve requirements, applicable to Load served within the Transmission Provider Region. The Transmission Provider shall notify Market Participants of the reliability and resource adequacy obligations determined to be applicable to Load in each state.
  - i.** Determination of reliability and resource adequacy standards shall be based to the extent feasible on existing RRO and state standards.



- ii. The Transmission Provider shall work with individual state policymakers, state regulatory agencies, the OMS and RROs to resolve inconsistencies between state and RRO resource adequacy requirements and their application to Market Participants.
- iii. If there is an irreconcilable difference between the reliability or resource adequacy obligations of an applicable RRO (or RROs) and a state (or states), the Transmission Provider shall determine standards that comply fully with the obligations imposed by the state(s) while complying with such portion of the RROs' requirements as is feasible.

- iv. If the Transmission Provider is unable to determine that an adequacy standard is in effect for Load within a state within the Transmission Provider Region, an annual reserve margin requirement of twelve (12) percent will be applied to Load in that state.
- b.** The Transmission Provider shall review compliance by Market Participants with the reliability and resource adequacy requirements determined by the Transmission Provider to apply to Load in each state.
  - i. The Transmission Provider will conduct its review of reliability and resource adequacy compliance in conformance with the applicable state or RRO timeframe, but no less often than annually.

- ii. To the extent feasible, the Transmission Provider will utilize RRO or state compliance policies (*e.g.*, adjustments for forced outage rates, treatment of Imports, etc.) to evaluate compliance by Market Participants subject to applicable RRO or state obligations.

### **68.2.2 Qualification of Resources**

The Transmission Provider shall determine criteria for Resources to qualify as satisfying RRO and state reliability requirements.

- a. The Transmission Provider shall work with individual state policymakers, state regulatory agencies, the Organization of MISO States and RROs to determine applicable criteria and to resolve inconsistencies between state and RRO criteria.

- b.** If there is an irreconcilable difference between the criteria of an applicable RRO (or RROs) and a state (or states), the Transmission Provider shall determine criteria that comply fully with those imposed by the state(s) while complying with such portion of the RROs' criteria as is feasible.
- c.** If the Transmission Provider is unable to determine criteria applicable to Load within a state, the Transmission Provider will establish such criteria for purpose of assessing compliance with applicable resource adequacy standards consistent NERC standards, Good Utility Practice, and criteria in place in other RROs and states within the Transmission Provider Region.

## **69 Designated Network Resources**

### **69.1 Designation of Network Resources**

Resources identified by Market Participants as available to meet the reliability requirements determined by the Transmission Provider must comply with the requirements for designation of a designated Network Resources consistent with the procedures set forth by the Transmission Provider. Exceptions to this requirement will be made by the Transmission Provider for demand reductions and behind-the-meter generation to the extent that such resources are designated as Alternative Capacity Resources, as described in Section 70.

#### **69.1.1 Single State or RRO Network Resources**

If a Market Participant serves Load both in the Transmission Provider Region and outside the Transmission Provider Region within a single state or RRO region, then the Market Participant must designate Network Resources in the proportion of its Load in the Transmission Provider Region within the state or RRO to its total Load within the state or RRO region.

### **69.1.2 Network Resource Requirements**

- a.** Designation of a Network Resource will require ownership or equivalent contractual rights that assure that each Network Resource complies with all applicable requirements specified in this Module E. Market Participants may satisfy this obligation by fulfilling either of the following requirements:

  - i.** Designating a Generation Resource registered with the Transmission Provider by the Market Participant; or
  - ii.** Designating a Generation Resource registered with the Transmission Provider by another Market Participant and providing proof, as required by the Transmission Provider, that the Generation Owner accepts designation as a Network Resource and the responsibility to comply with all applicable requirements of such designation.

- b.** Generation Resources designated as Network Resources must be deliverable to Load within the Transmission Provider Region. To ensure deliverability, Network Customers shall be required to make a request for Network Integration Transmission Service for new Network Resources. The deliverability of Network Resources to Network Load within the Transmission Provider Region shall be determined by System Impact Studies pursuant to this Tariff as conducted by the Transmission Provider that considers, among other factors, the delivery of aggregate Resources of Network Customers to the aggregate of Network Load.

The System Impact Study will include validation that a new Network Resource can be dispatched along with all other Network Resources specified by Network Customers in the vicinity of the newly designated Generation Resource. If the Generation Resource designated as a Network Resource is a Generation Resource that received Network Resource Interconnection Service to serve the Network Customer requesting the new designation, the Network Resource deliverability study that was performed during the interconnection process shall serve to suffice for the System Impact Study required in this subsection, unless at the sole discretion of the Transmission Provider the System Impact Study performed during the interconnection process study is insufficient for this purpose.



### **69.1.3 Determination of Compliance with Network Resource**

#### **Requirements**

The Transmission Provider shall be responsible for determining whether Market Participants have appropriately designated Network Resources pursuant this Module E. The Transmission Provider may, at its sole discretion, determine that it is appropriate to allow a grace period for full compliance with the designation of Network Resource requirements of this Module E. It is also within the Transmission Provider's discretion to allow all Market Participants reasonable time to modify contract terms to comply with the new requirements of this Module E. Any such grace period will be announced to all Market Participants.

## **69.2 Network Resource Must Offer Requirement**

Market Participants for Network Resources designated pursuant to Section 69.1 must submit a Self-Schedule or Offer, consistent with requirements specified in the Business Practices Manuals, in the Day-Ahead Energy Market and the first Reliability Assessment Commitment, except to the extent that the Network Resource is unavailable due to a full or partial forced or scheduled outage consistent with this Tariff. Must Offer requirements specified in the Business Practices Manual will reflect Resource operational limitations, including those related to fuel limited, energy output limited or Intermittent Resources. Capacity reserved for use as Regulation, Spinning Operating Reserve or Non-Spinning

Operating Reserve, consistent with the terms of Module C, will be deemed to have satisfied the requirement to Self-Schedule or offer in the Day-Ahead Energy Market. At its sole discretion, the Transmission Provider may curtail Exports sourced at a Network Resource or from the Energy Markets during a declared Emergency. Procedures for such Curtailments shall be specified in the Business Practices Manuals. The Transmission Provider may not curtail Export Generation Resources responding to a reserve activation in accordance with the terms and conditions of a Regional Reserve Sharing Agreement during the time such reserve activation is effective.

## **70 Alternative Capacity Resource**

### **70.1 Qualifying Resources**

The following Resources will be designated as Alternative Capacity Resources, notwithstanding the fact that such Resources may fail to meet the criteria to be designated as a Network Resource, if the Resources satisfy the criteria to be counted toward state or RRO resource adequacy standards.

### **70.1.1 Interruptible Demand**

Market Participants with demand that is interruptible on an economic or emergency basis and that has been identified as satisfying applicable state or RRO resource adequacy standards, as determined by the Transmission Provider, shall provide information, including the location(s), quantity, price, required Emergency conditions, and any other information deemed necessary by the Transmission Provider in order to determine the circumstances under which the demand reduction may be instructed by the Transmission Provider. The Transmission Provider shall develop procedures for commitment and dispatch of an interruptible demand designated by a Market Participant as an Alternative Capacity Resource. Such procedures shall be consistent with the information provided by the Market Participant and at a minimum will provide for the commitment and dispatch of the interruptible demand during declared Emergencies. The Market Participant will implement demand reductions when instructed by the Transmission Provider.

### **70.1.2 Behind-the-Meter Generation**

Market Participants that own or control behind-the-meter generation that has been identified as satisfying state or RRO adequacy standards, as determined by the Transmission Provider, shall provide information, including the location(s), MW, any operating restrictions, and any other information deemed necessary by the Transmission Provider in order to determine the circumstances under which the resource may be called upon to generate. The Transmission Provider shall develop procedures for commitment and dispatch of behind-the-meter generation designated by a Market Participant as an Alternative Capacity Resource. Such procedures shall be consistent with the information provided by the Market Participant and at a minimum will provide for the commitment and dispatch of the generation, when available, during declared Emergencies. The Market Participant shall notify the Transmission Provider of the status and availability of the unit on a daily basis according to procedures specified in the Business Practices Manuals. The Transmission Provider shall coordinate with Market Participants that own or control such behind-the-meter generation to commit and dispatch the units when necessary.

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