5.2.7   Reliability Must-Run Charge. The ISO shall prepare and send to each Responsible Utility in accordance with Annex 1 to the ISO's Settlement and Billing Protocol a~~n~~ ~~Responsible Utility~~ISO ~~invoice~~ Invoice in respect to those costs incurred under each Reliability Must-Run Contract that are payable to the ISO by such Responsible Utility or payable by the ISO to such Responsible Utility pursuant to Section 5.2.8. The ~~Responsible Utility invoices~~ ISO Invoices shall reflect all reductions or credits required or allowed under or arising from the Reliability Must-Run Contract or under this Section 5.2.7. The ~~Responsible Utility invoice~~ISO Invoice shall separately show the amounts due for services from each RMR Owner. Each Responsible Utility shall pay the amount due under each ~~Responsible Utility invoice~~ISO Invoice by the due date specified in the ~~Responsible Utility invoice~~ISO Invoice, in default of which interest shall become payable at the interest rate provided in the Reliability Must-Run Contract from the due date until the date on which the amount is paid in full. For each Reliability Must-Run Contract, the ISO shall establish two, segregated commercial bank accounts under the "Facility Trust Account" referred to in Annex 1 to the ISO's Settlement and Billing Protocol and Article 9 of the Reliability Must-Run Contract One commercial bank account, the "RMR Owner Facility Trust Account," shall be held in trust by the ISO for the RMR Owner. The other commercial bank account, the "Responsible Utility Facility Trust Account," shall be held in trust by the ISO for the Responsible Utility. Payments received by the ISO from the Responsible Utility in connection with the Reliability Must-Run Contract, including payments following termination of the Reliability Must-Run Contract, will be deposited into the RMR Owner Facility Trust Account and payments from the ISO to the RMR Owner will be withdrawn from such account, in accordance with Section 5.2.7, Article 9 of the Reliability Must-Run Contract and Annex 1 to the ISO's Settlement and Billing Protocol. Any payments received by the ISO from the RMR Owner in connection with the Reliability Must-Run Contract will be deposited into the Responsible Utility Facility Trust Account. Any payments due to the Responsible Utility of funds received from the RMR Owner in connection with the Reliability Must-Run Contract will be withdrawn from the Responsible Utility Facility Trust Account, in accordance with this Section 5.27, Annex 1 to the ISO's Settlement and Billing Protocol and Article 9 of the Reliability Must-run Contract. Neither the RMR Owner Facility Trust Account nor

the Responsible Utility Trust Account shall have other funds commingled in it an any time. The

ISO shall not modify this Section 5.27 or Annex 1 to the ISO Settlement and billing Protocol as it

applies to procedures for the billing, invoicing and payment of charges under Reliability Must-Run

Contracts without the Responsible Utility's consent, provided, however, that no such consent

shall be required with respect to any change in the method by which costs incurred by the ISO

under RMR Contracts are allocated to or among Responsible Utilities.

5.2.7.1 Except where the Responsible Utility is also the RMR Owner, the Responsible Utility's

payment of the ~~Responsible Utility invoice~~ISO Invoice shall be made without offset, recoupment

or deduction of any kind whatsoever. Notwithstanding the foregoing, if the ISO fails to deduct an

amount required to be deducted under Section 5.2.7.1.1, the Responsible Utility may deduct such

amount from payment otherwise due under such ~~invoice~~ISO Invoice.

5.2.7.1.1 If the Responsible Utility disputes a~~n~~ ~~Responsible Utility invoice~~ISO Invoice, ~~final~~

~~Revised~~ Estimated RMR Invoice, ~~or final~~Revised Adjusted RMR Invoice, or Final Invoice, it shall

pay the ~~Responsible Utility invoice~~ISO Invoice but may pay under protest and reserve its right to

seek a refund, with interest, from the ISO. If resolution of the dispute results in an amount paid

by the Responsible Utility under protest being due from the ISO to the Responsible Utility and

from the RMR Owner to the ISO, and such amount was paid to the RMR Owner by the ISO, then

such amount, with interest at the interest rate specified in the applicable Reliability Must-Run

Contract from the date of payment until the date on which the amount is repaid in full, shall be

refunded by the RMR Owner to the ISO and from the ISO to the Responsible Utility, pursuant to

Article 9 of the Reliability Must-Run Contract and Annex 1 to the ISO's Settlement and Billing

Protocol, by the RMR Owner's inclusion of such refund amount in the appropriate invoice. If the

RMR Owner does not include such refund amount (including interest) in the appropriate invoice,

then such refund amount shall be deducted by the ISO from the next succeeding amounts

otherwise due from the Responsible Utility to the ISO and from the next succeeding amounts

otherwise due from the ISO to the RMR Owner with respect to the applicable Reliability Must-run

Contract or, if such Contract has terminated, such amount shall be refunded by the ISO to the

Responsible Utility; provided, however, that if and to the extent that such resolution is based on

an error or breach or default of the RMR Owner's obligations to the ISO under the Reliability Must-Run Contract, then such refund obligation shall extend only to amounts actually collected by the ISO from the RMR Owner as a result of such resolution. If resolution of the dispute requires the ISO, but not the RMR Owner, to pay the Responsible Utility, then such award shall be recovered from any applicable insurance proceeds, *provided* that to the extent sufficient funds are not recoverable through insurance, the amount of the award (whether determined through settlement, or ADR or otherwise) shall be collected by the ISO Pursuant to Section 13.5, and in any event, the award shall be paid by the ISO to the Responsible Utility pursuant to Section 13.5.

5.2.7.1.2 If the Responsible Utility disputes an Responsible Utility invoice, a finalISO Invoice, a Revised Estimated Invoice Invoice,or a final Revised Adjusted RMR Invoice, or a Final Invoice, or part thereof, based in whole or in part on an alleged error by the RMR Owner or breach or default of the RMR Owner's obligations to the ISO under the Reliability Must-Run Contract, the Responsible Utility shall notify the ISO of such dispute within 12 months of its receipt of the applicable final Revised Adjusted RMR Invoice or Final Invoice from the ISO, except that the Responsible Utility may also dispute a final Revised Estimated RMR Invoice, or finalRevised Adjusted RMR Invoice, or Final Invoice, for the reasons set forth above in this Section 5.2.7.1.2, within 60 days from the issuance of a final report with respect to an audit of the RMR Owner's books and accounts allowed by a Reliability Must-Run Contract.

5.2.7.1.3 If the Responsible Utility disputes an final ISO Invoice, a Revised Estimated RMR Invoice, final a Revised Adjusted RMR Invoice, or Responsible Utility invoicea Final Invoice, based in whole or in part on an alleged error by the ISO or breach or default of the ISO's obligations to the Responsible Utility, the Responsible Utility shall notify the ISO of such dispute prior to the later to occur of (i) the date 12 months following the date on which the ISO submitted such invoice to the Responsible Utility for payment or (ii) the date 60 days following the date on which a final report is issued in connection with an operational audit, pursuant to Section 12.2.2, of the ISO's performance of its obligations to Responsible Utilities under this Section 5.27 conducted by an independent third party selected by the ISO Governing Board and covering the period to which such alleged dispute relates. The ISO or any Responsible Utility shall have the

right to request, but not to require, that the ISO Governing board arrange for such an operational audit at any time.

5.2.7.1.4 Notwithstanding ~~Article~~ Section 13 of this ISO Tariff, any Responsible Utility dispute relating to a~~n~~ ~~Responsible Utility Invoice, a final~~ISO Invoice, a Revised Estimated Invoice, a ~~final~~ Revised Adjusted Invoice, a Final Invoice, or a RMR Charge, RMR Payment or RMR Refund as defined in Annex 1 to the Settlement and Billing Protocol, shall be resolved through the dispute resolution process specified in the relevant RMR Contract. If the Responsible Utility fails to notify the ISO of any dispute as provided above, it shall be deemed to have validated the invoice and waived its right to dispute such invoice.

5.2.7.2 The RMR Owner shall, to the extent set forth herein, be a third party beneficiary of, and have all rights that the ISO has under the ISO Tariff, at law, in equity or otherwise, to enforce the Responsible Utility's obligation to pay all sums invoiced to it in the ~~Responsible Utility invoices~~ISO Invoices but not paid by the Responsible Utility, to the extent that , as a result of the Responsible Utility's failure to pay, the ISO does not Pay the RMR Owner on a timely basis amounts due under the Reliability Must-Run Contract. The RMR Owner's rights as a third party beneficiary shall be no greater than the ISO's rights and shall be subject to the dispute resolution process specified in the relevant RMR Contract. Either the ISO or the RMR Owner (but not both) will be entitled to enforce any claim arising from an unpaid ~~Responsible Utility invoice~~ISO Invoice, and only one party will be a "disputing party" under the dispute resoultion process specified in the relevant RMR Contract with respect to such claim so that the Responsible Utility will not be subject to duplicative claims or recoveries. The RMR Owner shall have the right to control the disposition of claims against the Responsible Utility for nonpayments that result in payment defaults by the ISO under a Reliability Must-Run Contract. To that end, in the event of nonpayment by the Responsible Utility of amounts due under the ~~Responsible Utility invoice~~ISO Invoice, the ISO will not take any action to enforce its rights against the Responsible Utility unless the ISO is requested to do so by the RMR Owner. The ISO shall cooperate with the RMR Owner in a timely manner as necessary or appropriate to most fully effectuate the RMR Owner's rights related to such enforcement, including using its best efforts to enforce the Responsible Utility's

payment obligations if, as, to the extent, and within the time frame, requested by the RMR Owner. The ISO shall intervene and participate where procedurally necessary to the assertion of a claim by the RMR Owner.

5.2.7.3   If a Responsible Utility first executed a TCA after April 1, 1998 (a "New Responsible Utility") and if:

> (i)   the senior unsecured debt of the New Responsible Utility is rated or becomes rated at less than A- from Standard & Poor's ("S&P") or A3 from Moody's Investment Services ("Moody's"), and

> (ii)   Such ratings do not improve to A- or better from S&P or A3 or better from Moody's within 60 days,

the New Responsible Utility shall issue and confirm to the ISO an irrevocable and unconditional letter of credit in an amount equal to three times the highest monthly payment invoiced by the ISO to the New Responsible Utility (or the prior Responsible Utility) in connection with services under Reliability Must-Run Contracts in the last 3 months for which invoices have been issued. The letter of credit must be issued by a bank or other financial institution whose senior unsecured debt rating is not less than A from S&P and A2 from Moody's. The letter of credit shall be in such form as the ISO may reasonably require from time to time by notice to the New Responsible Utility and shall authorize the ISO or the Owner to draw on the letter of credit for deposit solely into the RMR Owner Facility Trust Account in an amount equal to any amount due and not paid by the Responsible Utility under the ~~Responsible Utility invoice~~ISO Invoice. The security provided by the New Responsible Utility pursuant to this Section 5.2.7.3 is intended to cover the New Responsible Utility's outstanding liability for payments it is liable to make to the ISO under this Section 5.2.7, including monthly payments, any reimbursement for capital improvement, termination fees and any other payments to which the ISO is liable under Reliability Must-Run Contracts.

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13.5.2 Timing of Adjustments.

Upon determination that an award is payable by or to the ISO pursuant to good faith negotiations or the ISO ADR Procedures, the ISO shall calculate the amounts payable to and receivable from the party, Market Participants, and Scheduling Coordinators, as soon as reasonably practical, and shall show any required adjustments as a debit or a credit in a subsequent Preliminary Settlement Statement or, in the case of an amount payable by the ISO to a party, as the ISO and that party may agree.

* * * * *

Appendix A

Master Definition Supplement

Final Invoice	The invoice due from a RMR Owner to the ISO at termination of the RMR Contract.
Final Schedule	A Schedule developed by the ISO following receipt of a Revised Schedule from a Scheduling Coordinator.

* * * * *

ISO Invoice	The invoices issued by the ISO to the Responsible Utilities or RMR Owners based on the Revised Estimated RMR Invoice and the Revised Adjusted RMR Invoice.
ISO Market	Any of the markets administered by the ISO under the ISO Tariff, including, without limitation, Imbalance Energy, Ancillary Services, and FTRs.

* * * * *

Revised Adjusted RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting any appropriate revisions to the Adjusted RMR Invoice based on the ISO's validation and actual data for the billing month.
Revised Estimated RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting appropriate revisions to the Estimated RMR Invoice based on the ISO's validation of the Estimated RMR Invoice.
Revised Schedule	A Schedule submitted by a Scheduling Coordinator to the ISO following receipt of the ISO's Suggested Adjusted Schedule.