

ATTACHMENT 2

ADDITIONAL PAYMENT OPTION FOR ISO DISPATCH ORDERS

7.2.6.2 Intra-Zonal Congestion During Initial Period. Except as provided in Sections 5.2 and 11.2.4.2, during the initial period of operation, the ISO will perform Intra-Zonal Congestion Management in real time using available Adjustment Bids and Imbalance Energy bids, based on their effectiveness and in merit order, to minimize the cost of alleviating Congestion. In the event no Adjustment Bids or Imbalance Energy bids are available or the market for such bids is not competitive, the ISO will exercise its authority to direct the redispatch of resources.

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11.2.4.2 Payment Options for ISO Dispatch Orders

With respect to all resources ~~Regulatory Must-Take and Regulatory Must-Run Generation, and with respect to Generating Units, Loads and imports~~ which have either: 1) not bid into the Imbalance Energy or Ancillary Services markets but which have been dispatched by the ISO to avoid an intervention in market operations, ~~or~~ to prevent or relieve a System Emergency, or to satisfy a locational requirement, or 2) bid into the Imbalance Energy markets or submitted Adjustment Bids but which, though not dispatched by the ISO according to their bid, have been dispatched by the ISO to satisfy a locational requirement, the ISO shall calculate, account for and, if applicable, settle deviations from the Final Schedule submitted on behalf of each such Generating Unit, Load or import resource, with the relevant Scheduling Coordinator for each Settlement Period for each such resource ~~Generating Unit, Load or import by way of by~~ application of either of the following payment options described below. For resources subject to a Reliability Must-Run Contract, the ISO will dispatch such resources according to the terms of the RMR Contract. In circumstances where an RMR Unit would be used to resolve Intra-Zonal Congestion and there are no such RMR Units available, a resource may be called upon and paid under this Section to resolve the Intra-Zonal Congestion.

By December 31 of each year for the following calendar year, each Scheduling Coordinator for a resource shall select one of the following payment options for each resource it schedules:

(a) _____ the Uninstructed Imbalance Energy Charge price as calculated in accordance with Section 11.2.4.1- (i.e., using the Hourly Ex Post Price) or

(b) _____ a calculated price:

(i) _____ for decremental dispatch orders that is an Energy payment to the ISO that is equal to the Market Clearing Price for the relevant Settlement Period for the applicable Energy market less verifiable daily gas imbalance charges, if any, that are solely attributable to the ISO's dispatch instruction and that the Scheduling Coordinator or Generator was not able to eliminate or reduce despite

the application of best efforts, if the Scheduling Coordinator provides the resource's daily gas imbalance charges to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched; and (ii) for incremental dispatch orders is the sum of: 1) a capacity payment equal to the average Day-Ahead Market prices for Spinning Reserve and Non-Spinning Reserve for the three (3) most recent similar days for the same Settlement Period for which the resource is dispatched; 2) an Energy payment equal to the average calculated using the PX Day-Ahead, PX Hour-Ahead and ISO Real-Time Market Energy prices for the three (3) most recent similar days for the same Settlement Period for which the resource is dispatched; 3) such resource's verifiable start-up fuel costs, if the start-up was solely attributable to the ISO's dispatch instruction and if the Scheduling Coordinator provides the resource's start-up fuel costs to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched; and 4) verifiable daily gas imbalance charges, if any, that are solely attributable to the ISO's dispatch instruction and that the Scheduling Coordinator or Generator was not able to eliminate or reduce despite the application of best efforts, if the Scheduling Coordinator provides the resource's daily gas imbalance charges to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched.

References to "similar days" in this Section refer to Business Days when the resource is dispatched on a Business Day and otherwise to days that are not Business Days.

To the extent a Scheduling Coordinator does not specify a payment option, the ISO will apply the payment provisions of Section 11.2.4.1.

11.2.4.2.1 Allocation of Costs Resulting From ISO Dispatch Orders

Pursuant to Section 11.2.4.2, the ISO may, at its discretion, dispatch any Participating Generator, Participating Load and import, to avoid an intervention in market operations or to prevent or

relieve a System Emergency. Such dispatch may result from, among other things, planned and unplanned transmission facility outages; bid insufficiency in the Ancillary Services and Real-Time Energy markets; and location-specific requirements of the ISO that cannot be meaningfully provided through the market . All costs incurred by the ISO for such dispatch instructions necessary as a result of a transmission facility outage or in order to satisfy a location-specific requirement shall be payable to the ISO by the Participating Transmission Owner in whose Service Area the transmission facility is located or the location-specific requirement arose. All costs incurred by the ISO for dispatch instructions other than for a transmission facility outage or a location-specific requirement shall be payable to the ISO by all Scheduling Coordinators in proportion to their metered Demand (including exports). To the extent that the ISO has procured such services on a Zonal basis, the ISO will allocate the cost of such dispatch orders to all Scheduling Coordinators in the applicable Zone in proportion to their metered Demand (including exports).

