

NEW YORK STATE RELIABILITY COUNCIL

AGREEMENT

As Amended by the NYSRC Executive Committee on June 12, 2009;
Amendment accepted by FERC on December 29, 2009,
Docket No. ER-10-304-000

NEW YORK STATE RELIABILITY COUNCIL AGREEMENT

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NEW YORK STATE RELIABILITY COUNCIL AGREEMENT

AGREEMENT made as of the ____ day of _____, 1999, by and among Central Hudson Gas & Electric Corporation ("Central Hudson"), Consolidated Edison Company of New York, Inc. ("Con Edison"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation ("NMPC"), Orange and Rockland Utilities, Inc. ("O&R"), and Rochester Gas and Electric Corporation ("RG&E"), all corporations organized under the laws of the State of New York, and Power Authority of the State of New York ("NYPA") and LIPA, (a subsidiary of the Long Island Power Authority, a corporate municipal instrumentality of the State of New York) (collectively the "Parties");

WITNESSETH:

WHEREAS, the Parties have invested tens of billions of dollars in facilities to provide reliable electric service in the State of New York; and

WHEREAS, reliable electric service is critical to the economic and social welfare of the millions of residents and businesses in the State of New York; and

WHEREAS, the Parties currently are members of the New York Power Pool ("NYPP") and through NYPP have coordinated their electric operations to enhance reliability; and

WHEREAS, the reliable and efficient operation of the NYS Power System is fundamental to achieving and maintaining reliability of supply; and

WHEREAS, the reliable and efficient operation of the NYS Power System requires extensive coordination of system design and Reliability Rules; and

WHEREAS, in order to maintain the reliability of the NYS Power System, it is necessary

to have standards of performance and Reliability Rules that must be used in planning and operating the NYS Power System; and

WHEREAS, in the future, the Independent System Operator ("ISO") will be responsible for exercising Operational Control over the Transmission Facilities Under ISO Operational Control; and

WHEREAS, network interactions and transmission congestion on the NYS Transmission System create special conditions that require the development and promulgation of Reliability Rules that must effectively be implemented in order to maintain the reliable operation of the NYS Transmission System; and

WHEREAS, the unique circumstances and complexities related to the maintenance of reliable transmission service to the New York City metropolitan area and the dire consequences that would result from a failure to provide uninterrupted service to that region of the state, as has been demonstrated in the past, further require the development of Reliability Rules in New York State; and

WHEREAS, the Parties own the transmission facilities that comprise the NYS Transmission System, and will continue to be responsible for the safe and reliable operation of those facilities and for protecting their respective interests in the safe and reliable operation of those facilities; and

WHEREAS, the development and promulgation of Reliability Rules for the NYS Power System will allow the ISO to determine the most appropriate and efficient means of implementing those Reliability Rules; and

WHEREAS, it is essential that the restructuring of the electric industry in New York State

and the deregulation of certain aspects of that industry not create a risk of any degradation of the current level of reliability of the NYS Power System; and

WHEREAS, upon implementation of the New York State Reliability Council ("NYSRC") and the ISO, the Parties intend to dissolve the NYPP; and

WHEREAS, it is essential to maintain the reliable operation of the Transmission Owners' electric systems consistent with Good Utility Practice and the Transmission Owners' legal and fiduciary responsibilities; and

WHEREAS, the Parties have concluded that it is appropriate and necessary to establish the NYSRC with the appropriate authority to establish Reliability Rules that will be implemented by the ISO and enforce compliance with the Reliability Rules, including Local Reliability Rules; and

WHEREAS, the primary mission of the NYSRC is to promote and preserve the reliability of electric service on the NYS Power System within New York State;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE 1: DEFINITIONS

1.01 The definitions contained in the Independent System Operator Agreement (the "ISO Agreement") as they existed on the date this Agreement is signed by the Parties are hereby incorporated by reference in their entirety into this NYSRC Agreement. Modifications to such definitions, under the ISO Agreement shall apply to this Agreement only if the Parties to this Agreement agree in writing pursuant to Article 19 below.

ARTICLE 2: SCOPE AND MISSION

2.01 The Parties hereby agree to create the NYSRC, an organization comprising the Transmission Owners and certain participants in New York State's Wholesale Market. The Parties will seek any necessary authorizations, regulatory approvals and rulings to give effect to this Agreement.

2.02 The mission of the NYSRC is to promote and preserve the reliability of electric service on the NYS Power System by developing, maintaining, and, from time-to-time, updating the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System. The NYSRC shall carry out its mission with no intent to advantage or disadvantage any Market Participant's commercial interests.

2.03 The NYSRC's mission also includes monitoring compliance with the Reliability Rules by working in consultation with the ISO to assure compliance, including when necessary, seeking compliance through the dispute resolution procedure contained in the ISO/NYSRC Agreement, and taking such other actions which may be necessary to carry out the purpose of the NYSRC Agreement.

2.04 The NYSRC will be governed by an Executive Committee as set forth in Article 4.

ARTICLE 3: DUTIES OF THE NYSRC

3.01 General Reliability Rules

Using the reliability standards, regulations, criteria, procedures, and rules established or imposed by NERC, NPCC, FERC, PSC, NRC, and any other government agency with jurisdiction

over the reliability of the NYS Power System, other reliability criteria, and Local Reliability Rules, the NYSRC shall develop, establish, maintain, assure compliance with, and, from time-to-time, update the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric power transactions on the NYS Power System. The NYSRC shall initially adopt those existing rules, policies, and procedures of the NYPP that relate to or affect the reliability of the NYS Power System. The NYSRC shall adopt or create from time-to-time such additional Reliability Rules that it deems necessary to meet the unique reliability needs of New York State. The NYSRC may apply Reliability Rules to the entire NYS Power System or to a particular sub-region thereof as is deemed necessary by the NYSRC to ensure that the reliability needs of the New York Control Area are met.

The ISO or a member of the NYSRC may petition the NYSRC Executive Committee to seek specific and limited exceptions to NERC and NPCC criteria, provided the intent of the criteria is not compromised. Subject to Article 8, the Executive Committee shall be responsible for granting such exceptions. The NYSRC shall adopt all new mandatory compliance rules of NERC and NPCC unless existing Reliability Rules are more stringent.

3.02 Local Reliability Rules

The NYSRC shall adopt as a Reliability Rule each Local Reliability Rule in existence at the time this Agreement becomes effective. Local Reliability Rules shall be treated the same as other Reliability Rules. A Transmission Owner may promulgate a new Local Reliability Rule if that Transmission Owner determines that a new Local Reliability Rule is necessary to protect the reliable delivery of electricity over its transmission and/or distribution facilities. Such promulgated new

Local Reliability Rules will be reviewed and voted on for adoption as a Reliability Rule at the request of the Transmission Owner who promulgated that rule in accordance with Section 4.05 of this Agreement

3.03 Installed and Operating Capacity Requirements

The NYSRC shall establish the state-wide annual Installed Capacity requirements for New York State consistent with NERC and NPCC standards. The NYSRC will initially adopt the Installed Capacity requirement as set forth in the current NYPP Agreement and currently filed with FERC. Any changes to this requirement will require an appropriate filing and FERC approval. In establishing the state-wide annual Installed Capacity requirements, consideration will be given to the configuration of the system, generation outage rates, assistance from neighboring systems and Local Reliability Rules.

The NYSRC shall develop Reliability Rules, to be implemented by the ISO to ensure that sufficient Operating Capacity is committed on a Day-Ahead basis and remains available to ensure the reliable operation of the NYS Power System during the next day.

3.04 Relationship with ISO

The NYSRC shall enter into an agreement with the ISO (the "ISO/NYSRC Agreement") which shall define the terms and conditions of their relationship. The ISO/NYSRC Agreement shall provide that the ISO will implement and comply with all Reliability Rules established by the NYSRC. The NYSRC shall monitor and audit the ISO's compliance with the Reliability Rules and with the provisions of the ISO/NYSRC Agreement.

The NYSRC shall have the authority to require the ISO to provide it with information and

data demonstrating the ISO's compliance with the Reliability Rules. If the NYSRC determines, in its sole discretion, that the ISO has failed to comply with or has improperly implemented the Reliability Rules, representatives of the NYSRC shall discuss this issue with representatives of the ISO. If a satisfactory resolution of the differences cannot be reached within thirty (30) days, then the issue may be referred to dispute resolution in accordance with the provisions of the ISO/NYSRC Agreement.

The NYSRC shall represent New York State at NPCC and NERC. The NYSRC shall review and comment on all state-wide documents prepared by the ISO that are filed with the NPCC and NERC.

ARTICLE 4: MEMBERSHIP ON THE NYSRC EXECUTIVE COMMITTEE AND VOTING

4.01 The NYSRC Executive Committee shall be comprised of thirteen (13) members (collectively the "Members" or "Executive Committee Members"). The Members will be selected as follows:

Each Transmission Owner (or its successors or assigns) shall select one Member (for a total of eight (8) Transmission Owner Members). The ISO Board will establish procedures for the selection of three Members to represent the following groups:

- Parties who are engaged in the NYCA principally in the business of selling electricity in the Wholesale Market (1 Member).
- Parties who are Large Commercial or Industrial Consumers of electricity in the NYCA (1 Member).
- Parties who are Municipal Electric Systems or Cooperatively Owned Electric Systems in the NYCA (1 Member).

Two (2) Members of the Executive Committee shall not be affiliated with any Market Participant. For the purpose of this Article, the term "affiliated" shall have the same meaning as set forth in Article 5 of the ISO Agreement.

4.02 The ISO Board may designate a member of its staff to participate in meetings of the Executive Committee on a non-voting basis. The Executive Committee will make provisions for the attendance at committee meetings for non-voting representatives of the Commission and the PSC.

4.03 Each Member of the Executive Committee shall have substantial knowledge and/or experience in the reliable operation of bulk power electric systems. Each Member of the Executive Committee shall file a notice with the Commission stating that he/she has been selected as a Member of the Executive Committee.

4.04 Executive Committee Members shall serve two (2) year terms, with no limitation on the number of terms that an Executive Committee Member can serve. The Executive Committee Members will serve from August 1 of each year to July 31 of the following year, and shall be eligible for reappointment. A vacancy in a seat held by a Member representing a Transmission Owner shall be filled by that Transmission Owner. Vacancies in seats held by Members of the Executive Committee affiliated with Parties engaged in the business of selling electricity in the Wholesale Market, Parties who are Municipal Electric Systems or Cooperatively Owned Electric Systems, and Parties who are Large Commercial or Industrial Consumers shall be filled pursuant to procedures adopted by the ISO Board. Vacancies in seats held by Members who are not affiliated with any Market Participant shall be filled by the Executive Committee.

A merger or consolidation among the existing Transmission Owners will reduce the number of Transmission Owner seats on the Executive Committee. A vacancy on the Executive Committee created as a result of such merger or consolidation among the Transmission Owners shall be filled by a Member not affiliated with any Market Participant. Unaffiliated Members who fill seats on the Executive Committee created as a result of a merger or consolidation among the Transmission Owners shall be selected by the Executive Committee. Should the number of Transmission Owners subsequently increase, the new Transmission Owner will appoint a Member to fill the first vacancy created by the expiration of the term of an unaffiliated Member holding a seat originally held by one of the eight initial Transmission Owners; provided, however, the number of Members appointed by Transmission Owners may never exceed eight (8). Should the number of Transmission Owners exceed eight (8), the Transmission Owners will select eight (8) Members of the Executive Committee by a per capita voting methodology.

4.05 Attendance or participation by proxy of nine (9) Members of the Executive Committee shall constitute a quorum. A vote of nine (9) Members is needed to pass a measure. All Executive Committee Members shall have the right to vote on all measures brought before the Executive Committee. Executive Committee Members not physically present may vote by proxy, telephone, signed facsimile, or a duly authorized alternate.

4.06 Each Executive Committee Member may designate one or more representatives with full authority to act on its behalf in carrying out the work of the Executive Committee.

4.07 The Executive Committee shall elect a chairperson, vice chairperson, and secretary with a one (1) year term of office. The chairperson shall have the power to call meetings of the Executive

Committee and such other powers as set forth in this Agreement. The vice chairperson shall exercise any powers delegated by the chairperson.

4.08 The NYSRC shall act through the Executive Committee. The Executive Committee shall approve all Reliability Rules and changes to Reliability Rules issued by the NYSRC. Any Member of the Executive Committee may propose modifications to the Reliability Rules, including specific exceptions, additions, or deletions. The Executive Committee shall seek input and recommendations from the ISO, as appropriate, on proposed modifications to the Reliability Rules. Modifications to the Reliability Rules shall be within the exclusive authority and discretion of the Executive Committee of the NYSRC.

4.09 The Executive Committee, or the chairperson acting pursuant to the direction of the Executive Committee, shall direct the activities of the NYSRC, create subcommittees as necessary, and make assignments to these subcommittees.

4.10 The Executive Committee shall have the authority to employ such staff members, temporary workers, independent consultants, auditors, and counsel as necessary to carry out such assignments and functions.

4.11 Minutes of meetings of the Executive Committee will be made available to any entity requesting a copy. A reasonable charge may be made for copies furnished to any entity other than Members and regulatory agencies.

4.12 The unaffiliated Members of the Executive Committee shall receive a fee for meetings and have their expenses reimbursed by the NYSRC.

4.13 If costs associated with a study or any other activity undertaken by the NYSRC can be

directly assigned to a specific person or entity the costs associated with such study or activity shall be borne by that person or entity. Costs not so assigned shall be paid out of the NYSRC budget.

4.14 The Executive Committee shall determine the NYSRC's annual budget and assess annual dues. Such dues shall not be allocated to the unaffiliated Members.

4.15 Members shall be required to provide the NYSRC with appropriate personnel, on a temporary basis, to enable the NYSRC to carry out its functions.

4.16 The costs associated with membership and participation in meetings and committee work shall be borne by the individual Members. These costs include, but are not limited to, travel to and from meetings and the costs of providing the NYSRC with personnel on a temporary basis to carry out the administrative and technical functions of the NYSRC.

4.17 The NYSRC may request the ISO to perform certain studies on behalf of the NYSRC.

4.18 The Executive Committee shall meet at least quarterly and at any other such time as agreed to by nine (9) of the Executive Committee Members.

4.19 Each Member of the Executive Committee shall be bound by terms of this Agreement.

ARTICLE 5: PUBLICATION OF RELIABILITY RULES

5.01 The secretary of the Executive Committee shall be responsible for ensuring that all Reliability Rules, including Local Reliability Rules, are published, updated, and maintained in a Reliability Rules manual. Copies of the Reliability Rules manual, along with any updates, are to be made available to: the Members, the Commission, the PSC, the ISO, all ISO customers and any Market Participant that requests a copy. A reasonable charge may be made for copies furnished to entities other than Members and regulatory agencies.

5.02 Costs associated with the publication and dissemination of the Reliability Rules manual are to be apportioned as determined by the Executive Committee.

ARTICLE 6: RESPONSIBILITIES OF THE PARTIES

6.01 Each Party shall maintain and operate its portion of the NYS Power System in accordance with the Reliability Rules established by the NYSRC.

6.02 Each Party shall use its best efforts to assure that, whenever it enters into Energy, Capacity, Ancillary Services, or Transmission Service agreements with non-parties, such arrangements will be in accord with the Reliability Rules and criterion established by NERC or the regional reliability council established in the areas in which the facilities used for such arrangements are located.

ARTICLE 7: EFFECTIVE DATE AND TERMINATION

7.01 This Agreement, once executed by the Parties, shall become effective on the date on which the Commission, the PSC and other regulatory agency of competent jurisdiction, to the extent applicable, grant all the necessary approvals and the Agreement is executed by the Parties.

7.02 Any Party may withdraw from this Agreement upon ninety (90) days written notice to all other Parties; provided, however, that any Party submitting notice of intent to withdraw shall continue to be obligated to pay its allocated share of the administrative expenses of the NYSRC for one (1) full year commencing with the date such termination shall become effective.

ARTICLE 8: DISPUTE RESOLUTION

8.01 If there is a dispute between the ISO and the NYSRC regarding the necessity, terms or the implementation and/or application of a Reliability Rule by the ISO or in the enactment of a specific Reliability Rule by the NYSRC, the dispute shall be resolved in accordance with the dispute resolution process contained in the ISO/NYSRC Agreement.

ARTICLE 9: CODE OF CONDUCT

9.01 The NYSRC shall prepare and apply a code of conduct with respect to the treatment by Members, their representatives or NYSRC Staff of any information of a commercial value provided by a Customer or Market Participant to the NYSRC. The code of conduct will establish protocols to ensure that Members, their representatives or NYSRC Staff shall not favor their own commercial interests in carrying out their NYSRC responsibilities.

9.02 An individual serving as a Member's designated representative or alternate on the Executive Committee of the NYSRC is precluded from serving on the ISO Board or serving as an officer, employee or paid consultant of the ISO.

9.03 The NYSRC shall adopt appropriate procedures to maintain the confidentiality of Confidential Information in the possession of the NYSRC.

ARTICLE 10: ASSIGNMENT

10.01 This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the respective Parties.

ARTICLE 11: FORCE MAJEURE

11.01 A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from an act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials, act of the public enemy, war invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause or causes beyond such Party's reasonable control, including any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the ISO or any party to the ISO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except that the settlement of any labor disturbance shall be in the sole judgment of the affected party.

ARTICLE 12: LIMITATION OF LIABILITY

12.01 The NYSRC and the Parties shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to any Party, Market Participant or third party for any damages whatsoever, including without limitation direct, special, indirect, punitive, incidental, exemplary or consequential damages resulting from any act or omission in any way associated with this NYSRC Agreement except to the extent that the NYSRC or a Party is found liable for gross

negligence or willful misconduct, in which case the NYSRC or the Party will not be liable for any incidental, consequential, exemplary, punitive, special or indirect damages.

ARTICLE 13: REGULATORY JURISDICTION

13.01 Subject to Article 19, nothing in this NYSRC Agreement shall restrict the rights of the Parties to file a complaint with or submit any action to the Commission or any appropriate regulatory authority under relevant provisions of the Federal Power Act or other relevant statutory provisions, nor shall anything in this Agreement affect the jurisdiction of the Commission or any other regulatory authority over matters arising under this Agreement.

ARTICLE 14: GOVERNING LAW AND JURISDICTION

14.01 The interpretation and performance of this NYSRC Agreement shall be in accordance with, and shall be controlled by, the laws of the State of New York. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of the Federal or the State Courts of the State of New York, the Parties consent to the exclusive jurisdiction and venue of said courts.

ARTICLE 15: HEADINGS

15.01 The section headings herein are for convenience and reference only, and in no way define or limit the scope of this NYSRC Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this Agreement, they shall be construed as referring to this entire NYSRC Agreement, rather than to any individual section, subsection or sentence.

ARTICLE 16: NO THIRD PARTY RIGHTS

16.01 Nothing in this NYSRC Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any rights or remedies under or by reason of this NYSRC Agreement.

ARTICLE 17: NOT PARTNERS

17.01 Nothing contained in this NYSRC Agreement shall be construed to make the Parties partners or joint ventures or to render any Party liable for the debts or obligations of any other Party.

ARTICLE 18: WAIVER

18.01 Any waiver at any time of the rights of any Party as to any default on the part of any other Party or Parties to this NYSRC Agreement or as to any other matter arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.

ARTICLE 19: AMENDMENTS

19.01 This Agreement is not subject to change under Section 205 and 206 of the FPA, as either section may be amended or superseded, absent the mutual written agreement of the Parties. It is the intent of this Section 19.01 that, to the maximum extent permitted by law, the terms and conditions of this Agreement shall not be subject to change, regardless of whether such change is sought (a) by the Commission acting sua sponte on behalf of a Party, (b) by a Party, (c) by a third party, or (d) in any other manner.

ARTICLE 20: CLAIMS BY EMPLOYEES AND INSURANCE

Each Party shall be solely responsible for and shall bear all of the costs of claims by its own

employees, contractors, or agents arising under, and covered by, any workers' compensation law. Each of the Parties shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this NYSRC Agreement to be executed in its corporate name by its proper officers as of the date first written above.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

By: _____
Carl E. Meyer

Title: President and Chief Operating Officer

Date: _____

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: _____
Stephen B. Bram

Title: Senior Vice President, Central Operations

Date: _____

LIPA

By: _____
Richard M. Kessel

Title: Chairman

Date: _____

NEW YORK STATE ELECTRIC & GAS CORPORATION

By: _____
Dennis R. Urgento

Title: Vice President, Customer Engineering and Delivery

Date: _____

NIAGARA MOHAWK POWER CORPORATION

By: _____
Clement E. Nadeau

Title: Vice President, Electric Delivery

Date: _____

ORANGE AND ROCKLAND UTILITIES, INC.

By: _____
Kevin Burke

Title: President and Chief Executive Officer

Date: _____

ROCHESTER GAS AND ELECTRIC CORPORATION

By: _____
Clifton B. Olson

Title: Vice President, Energy Supply

Date: _____

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
Clarence D. Rappleyea

Title: Chairman and Chief Executive Officer

Date: _____