

**NEW YORK STATE RELIABILITY COUNCIL (“NYSRC”)
POLICY NO. 1-5
PROCEDURE FOR REVIEWING,
DEVELOPING, MODIFYING, AND DISSEMINATING
NYSRC RELIABILITY RULES**

Introduction

This document explains the procedure the NYSRC has established for reviewing, developing, modifying, approving, and disseminating the NYSRC Reliability Rules, associated compliance elements, and implementation plans (the “Procedure”). The NYSRC Reliability Rules ("Reliability Rules") and associated compliance elements define certain obligations or requirements of entities that operate, plan, and use the NYS Bulk Power System. It is the intent of the NYSRC that participation in this process be open to the New York Independent System Operator (“NYISO”) and all market participants, as well as the NYSRC itself.

The Reliability Rules, in accordance with the NYSRC and NYISO/NYSRC Agreements, incorporate the following:

- a. North American Electric Reliability Council (“NERC”) Standards.**
- b. Northeast Power Coordinating Council (“NPCC”) Criteria, Guidelines and Procedures.**

NPCC criteria may be more specific or stringent than NERC Standards and Policies, recognizing regional characteristics or reliability needs.

c. New York-Specific Reliability Rules.

New York-Specific Reliability Rules may be more specific or stringent than NERC and NPCC Standards, recognizing NYCA system characteristics or reliability needs.

d. Local Reliability Rules.

Local reliability rules may be more stringent than the general New York-Specific Reliability Rules and apply to certain NYCA zones, recognizing unique local area characteristics or reliability needs.

e. Exceptions to the Reliability Rules.

Requests to obtain exceptions to the Reliability Rules must be submitted to and approved by the NYSRC Executive Committee. The NYISO or any member of the NYSRC Executive Committee may submit a request for an exception to the NYSRC Executive Committee in accordance with this policy. Section C describes the procedure to be followed and the supporting documentation required when requesting exceptions to the Reliability Rules.

The NYSRC Reliability Rules manual incorporates those Reliability Rules covered in sections c, d and e above. Reliability Rules in sections a and b above are incorporated by reference.

In addition to Reliability Rules, the Procedure covers associated compliance elements which are used to assess whether the technical and performance requirements of the Reliability Rules are fully met. Compliance elements include: (1) measurements, which are general actions that must be achieved for compliance with the Reliability Rules, (2) statements defining data or other information that must be provided to the NYSRC by the NYISO to show full compliance with the Reliability Rules and measurements, and (3) levels of non-compliance with the Reliability Rules and measurements.

The NYSRC Compliance Template Manual incorporates these three types of compliance elements.

Reliability Rules and measurements are included in "NYSRC Reliability Rules for Planning and Operating the New York Power System". Full compliance and levels of non-compliance statements are included in "Compliance Templates for the NYSRC Reliability Rules". Both manuals may be down-loaded from the NYSRC web site, <http://www.nysrc.org>.

The Procedure also covers plans for implementing new or modified Reliability Rules. Implementation plans address when the requirements of new or modified Reliability Rules will become effective and when compliance documentation must be initially submitted to the NYSRC.

Under the Procedure, modifications, deletions, and new Reliability Rules will be considered by the NYSRC on an ad hoc or scheduled basis. A flowchart showing the key steps of the Procedure is attached ("**Policy 1flw.pdf**"). The Procedure also recognizes that under certain conditions the NYSRC Executive Committee may adopt a new or modified Reliability Rule on an expedited basis, and that the NYISO may adopt a temporary exception to a Reliability Rule under exigent circumstances.

A. Procedural Steps for the Adoption of New or Modified Reliability Rules

Step 1 - Request to Develop or Modify Reliability Rules*

In addition to changes initiated by the NYSRC, requests to develop or modify

* The term "Reliability Rules" in Steps 1-8 refers to Reliability Rules, associated compliance elements, and implementation plans.

Reliability Rules, including Local Reliability Rules, must be submitted to the NYSRC Executive Committee Secretary (“Secretary”) by any party, via e-mail to "raymond40@aol.com", on the "Request to Develop or Modify Reliability Rules (NYSRC Policy No.1)" form provided on the NYSRC web site ("www.nysrc.org"), on the "Policies" page under "Reliability Rule Change Request.doc". Upon receipt, the Secretary will transmit the request concurrently to the NYSRC Reliability Rules Subcommittee (“RRS”) for action and to the NYSRC Executive Committee for information, and will post the request on the NYSRC web site. The NYISO Technical Information Exchange (“TIE”) e-mail list will be used to announce this web site posting.

Step 2 - RRS Reviews Request to Develop or Modify Reliability Rule

RRS will review the request for the new or modified Reliability Rule. If RRS agrees that a new or modified Reliability is needed, it will notify the NYSRC Executive Committee of its decision and will seek the NYSRC Executive Committee’s approval prior to preparing a draft of the new or modified Reliability Rule to be posted for comment.

If RRS determines that the proposed new or modified Reliability Rule is not needed, it will notify the NYSRC Executive Committee of its decision, along with its reasons for recommending that the request should be denied, and will seek the NYSRC Executive Committee’s approval of that decision. If the NYSRC Executive Committee approves the RRS recommendation to reject a proposed new or modified Reliability Rule, it will prepare a response to the party that submitted the proposal. If the NYSRC Executive Committee denies the RRS recommendation, it will instruct RRS to take further action, which may include drafting the proposed new or modified Reliability Rule.

The RRS will also review all new or revised NERC and NPCC Standards and draft revisions of the Reliability Rules as necessary to comply with these

standards. The RRS schedule for incorporating changes in NERC Standards will be coordinated with changes in NPCC Standards to comply with NERC Standards. RRS will seek the NYSRC Executive Committee's approval to make such Rule changes.

Step 3 – Draft Rule Posted for Comment

The Secretary will post for comment a draft of the new or modified Reliability Rule approved by the NYSRC Executive Committee on the NYSRC web site ("www.nysrc.org") and will provide forty-five (45) calendar days for comment. All comments must be supplied via e-mail to the Secretary at "raymond40@aol.com". The Secretary will post all comments from third parties on the NYSRC web site. The NYISO TIE e-mail list will be used to announce these web site postings.

Step 4 - RRS Reviews Comments

RRS will review all e-mail comments received, prepare a summary of comments received, revise the draft Reliability Rule as needed, and submit to the NYSRC Executive Committee.

Step 5 – NYSRC Executive Committee Reviews and Votes on Final Draft Rule

The NYSRC Executive Committee will review the RRS final draft of a new or modified Reliability Rule, including any RRS minority opinions. The NYSRC Executive Committee will then either accept the Reliability Rule as drafted by RRS, modify the Reliability Rule as drafted, or return the draft Reliability Rule to RRS for further work and revision.

If the NYSRC Executive Committee decides to revise the draft Reliability Rule, the NYSRC Executive Committee may elect to re-post the draft Rule change for comment and repeat Steps 3-5.

Step 6 – Dissemination of Rules

The Secretary will disseminate new and revised Reliability Rules after approval by the NYSRC Executive Committee as follows:

1. Inclusion in the NYSRC Reliability Rules and Compliance Template Manuals
2. Posting on the NYSRC web site
3. Transmittal to the NYISO, ISO-New England, NPCC, FERC, and PSC
4. Inclusion in the NYSRC Executive Committee meeting minutes

The NYISO has the responsibility to notify its Market Participants of new or revised Reliability Rules. The NYISO TIE e-mail list will be used to announce the above web site posting.

Step 7 - Rule Implementation

The NYISO and its Market Participants shall comply with the Reliability Rule in accordance with NYSRC and NPCC reliability compliance program procedures.

Step 8 - Dispute Resolution

If the NYISO determines that the new or revised Reliability Rule is unnecessary or should be modified, NYSRC Executive Committee and NYISO representatives shall discuss the NYISO's concerns and attempt to resolve the matter in accordance with NYISO/NYSRC Agreement Section 8.01. If the NYSRC Executive Committee agrees to consider revising the Reliability Rule after its discussion with the NYISO, the NYSRC Reliability Rule development process will be repeated. If the parties cannot agree, the dispute resolution process will be initiated.

B. Development or Modification of Reliability Rules on an Expedited Basis

The NYSRC Executive Committee may adopt a new or modified Reliability Rule, including exceptions, on an expedited basis if it determines that delay of the implementation of the Reliability Rule, could have an adverse impact on the reliability of the NYS Bulk Power System.

A party requesting an expedited Reliability Rule development or modification must follow the request procedure in accordance with Step 1 above. The request form must include a statement justifying an expedited action. Upon receipt, the Secretary will transmit the request concurrently to RRS and the NYSRC Executive Committee for their consideration, as in Step 2. Following an expedited review, RRS will submit the requested new or modified Reliability Rule to the NYSRC Executive Committee for its consideration. If the NYSRC Executive Committee approves the proposed new or modified Reliability Rule for expedited posting, the draft will be posted on the NYSRC web site for a 15-day comment period. Steps 4-8 in the open process will be executed following the expedited posting period.

Any Reliability Rule approved by the NYSRC Executive Committee on an expedited basis shall have a termination date specified not to exceed one year from the approval date. Should there be a need to make the Reliability Rule permanent, then the Reliability Rule would be required to go through the full open review process in Steps 1-8 above.

C. Exceptions to the NYSRC Reliability Rules

A request for an exception to a NYSRC Reliability Rule must be submitted to the NYSRC Executive Committee for approval. The NYISO or any member of the NYSRC Executive Committee (the Applicant) may submit a request for an exception. An applicant other than the NYISO shall obtain a recommendation for approval from the NYISO prior to submission of the request to the NYSRC Executive Committee. Approval by the Executive Committee is dependant on a successful demonstration that such an exception will not have an adverse impact on reliability.

Documentation

The Applicant shall meet NYISO documentation requirements, including the following:

1. A technical assessment demonstrating that there will be no adverse impact on reliability as the result of granting the exception by the NYSRC.
2. An assessment of the economic impacts and/or reliability needs to be addressed by granting the exception.

Procedure for Obtaining an Exception

The following procedure shall be used in obtaining an exception:

1. If the NYISO recommends approval of the exception, it shall so notify the NYSRC Executive Committee.
2. The Applicant shall submit the request for the exception and supporting documentation to the NYSRC Executive Committee.
3. The Executive Committee shall direct RRS to review the request to verify that the documentation requirements have been met and whether the technical merits of the request justify an exception. RRS may request that the Applicant provide additional information in order to complete its verification review.

4. RRS shall report to the NYSRC Executive Committee its recommendation as to whether the required procedures were followed, whether it deems the request to be technically acceptable and whether it should be approved.
5. The merits of the exception shall be assessed by the NYSRC Executive Committee. The Executive Committee will notify the Applicant and the NYISO of its decision to approve or reject the exception and will document its decision.
6. Following approval of an exception, NYSRC shall update its list of exceptions to the Reliability Rules and will request the NYISO to update its own list.

Annual NYISO Review of Exceptions

The list of exceptions to the NYSRC Reliability Rules shall be reviewed by the NYISO annually. The scope of the review is to verify that the basis for each exception is still valid, but not to question the original justification for the exception. The NYISO shall notify the NYSRC when it has determined that an exception is no longer valid and document the reasons for its determination. If the NYSRC concurs with the NYISO's determination, the exception will be discontinued and the NYISO and NYSRC will revise their list of exceptions accordingly.

D. Implementation of a Temporary Exception to a Reliability Rule by the NYISO under Exigent Circumstances

The NYISO may implement a temporary exception to a Reliability Rule, prior to approval of the NYSRC Executive Committee, if the President of the NYISO, or his designee, determines that (1) implementation of the temporary exception to a Reliability Rule is necessary to protect the reliability of the NYS Bulk Power System, and (2) exigent circumstances exist that require implementation of the

temporary exception prior to approval by the NYSRC Executive Committee.

As soon as reasonably possible following the implementation of a temporary exception to a Reliability Rule under exigent circumstances, the President of the NYISO or his designee will submit to the NYSRC Executive Committee a full written description of the temporary exception implemented by the NYISO along with a certification of his determination that implementation was necessary to protect the reliability of the NYS Bulk Power System and a description of the exigent circumstances that warranted implementation prior to approval by the NYSRC Executive Committee. The NYSRC Executive Committee will undertake a review of the NYISO's action and will determine whether the temporary exception implemented by the NYISO should be adopted as a permanent exception or discontinued. In making its determination, the NYSRC Executive Committee will follow the procedures set forth in this policy statement. The temporary exception implemented by the NYISO will remain in effect until the NYSRC Executive Committee makes a determination as to whether the temporary exception should be made permanent or discontinued.

Approved by the NYSRC Executive Committee – October 12, 2007

NYSRC Policy No. 1-5

Issued By: P. Donald Raymond, Secretary

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