

**NEW YORK STATE  
RELIABILITY COUNCIL, LLC**

**CODE OF CONDUCT**

*As Amended & Approved by the NYSRC Executive Committee – June 12, 2009,  
Effective December 29, 2009*

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# NEW YORK STATE RELIABILITY COUNCIL, LLC

## CODE OF CONDUCT

### Introduction

The mission of the New York State Reliability Council, LLC (the “Council”) 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 New York Independent System Operator, Inc. (the “ISO”) and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System. This Code of Conduct (the “Code”) describes the standards of conduct and principal policies required by the Council in the fulfillment of its mission. The definitions set forth in the ISO Agreement, as filed with the Federal Energy Regulatory Commission on July 2, 1999, are applicable to the Code, unless the term is specifically defined in the Code or a definition set forth in the ISO Agreement is inconsistent with the express terms of the Code. The Code applies to members of the Executive Committee (“Managers”), alternates to the Executive Committee, members and alternates of any NYSRC subcommittee, working group or task force, officers, employees, consultants, auditors, accountants, counsel or other representative of the Council (collectively, “Council Personnel”). Compliance with the Code is an essential condition of membership on the Executive Committee, and any NYSRC subcommittee, working group or task force, employment by or affiliation with the Council.

In addition, the Code will apply to all Market Participants in all dealings with and activities concerning the Council. As used herein, “Market Participant” shall mean an entity, excluding the ISO, that is a Transmission Customer under the ISO OATT, Customer under the ISO Services Tariff, Power Exchange, Transmission Owner, Primary Holder, LSE, or Supplier, and their designated agents, including consultants, auditors, accountants and counsel. Market Participants also include entities buying or selling TCCs. Moreover, the Council will not knowingly tolerate violations of the Code by independent contractors working for the Council or by suppliers, vendors, service personnel or any other person or entity doing business with or for the Council.

The policies set forth in the Code of Conduct cover general areas of ethical decision-making. The Code is not intended to anticipate every situation that could arise in the course of the Council Activities (as hereinafter defined). Council Personnel are required to exercise the highest ethical standards even when confronted by situations not specifically covered by the Code’s policies. Continuing close attention to ethical issues will enable the Council to achieve and maintain the highest ethical standards.

The Council recognizes that ethical questions presented under the Code may be ambiguous and subject to interpretation. Council Personnel who have questions, become aware of a violation, or wish to know how the Code applies to specific facts should in the first instance consult the Executive Committee. Any Manager of the Executive Committee requiring guidance may in turn consult with legal counsel.

## A. Confidentiality

In order to fulfill its mission, the Council must serve as the forum for discussions in matters affecting the reliability of the bulk power system. The Council recognizes that information communicated through meetings of the Executive Committee or any subcommittee, working group or task force, distributions of materials, or other events (each, a “Council Activity” and collectively, “Council Activities”) may have commercial value to Council Personnel who participate in the regional power markets, including independent power marketers and the wholesale merchant functions and power marketers affiliated with traditional utilities. The Council also recognizes that information communicated through Council Activities may need to be kept confidential to protect the security of the NYS Bulk Power System. The Council has determined that Council Personnel should not be responsible for determining whether information communicated through Council Activities is non-public or requires prior or simultaneous public disclosure. Accordingly, it is the policy of the Council to receive Confidential Information only when such Confidential Information is essential to Council Activities and only under the following guidelines. The guidelines are intended to facilitate the free exchange of information in Council Activities.

The Council supports the full disclosure of information and discourages the use of Confidential Information in Council Activities. Nevertheless, the Council recognizes that it may receive Confidential Information from time to time. Confidential Information includes, but is not limited to, trade secrets, Market Information (as hereinafter defined), proprietary information and other information (including all copies, extracts, summaries, or other documents containing information derived therefrom) that is confidential, privileged or of competitive value. Confidential Information also includes Security Information as hereinafter defined. The Executive Committee from time to time shall approve a form of confidentiality agreement pursuant to which Confidential Information may be disclosed to the Council or Council Personnel (“Confidentiality Agreement”). Confidential Information shall not be disclosed to the Council or Council Personnel other than pursuant to a Confidentiality Agreement between the Council and the person or entity disclosing the Confidential Information. The Council and Council Personnel shall comply with all the terms of all Confidentiality Agreements to which the Council is a party.

For purposes of these Guidelines: “Market Information” means any information in written, oral, electronic or other form, whether present or future, positive or negative, concrete or potential, significant or slight, that is related to or may affect the price, quantity or any other aspect of transactions related to the purchase, sale or transmission of electricity, including but not limited to the availability of generating facilities, prices or purchases of electricity or fuel, power contract transactions or negotiations; “Disclosure Requirements” means obligations of any party to publicly disclose information, including those imposed by orders of the Federal Energy Regulatory Commission (“FERC”), ISO rules, State laws or regulations, and federal and state codes of conduct governing affiliate relations.

Council Personnel shall be entitled to regard all Market Information that is communicated to them in a Council Activity as public information at the time of the communication unless the party disclosing such information expressly designates it as Confidential Information and signs a Confidentiality Agreement.

A Market Participant shall not communicate to Council Personnel any non-public Market Information it may possess regarding its own or any other entity's system or business unless applicable Disclosure Requirements have been complied with. Any Market Participant communicating non-public Market Information shall be solely responsible for any liability associated with unauthorized disclosure of Market Information.

Prior to communicating Market Information concerning its own system or business in a Council Activity, a Market Participant shall be responsible for ensuring that such Market Information has been made public through posting on its own or the ISO's bulletin board, or by other means.

Each Market Participant shall be responsible for compliance with any applicable Disclosure Requirements prior to communicating Market Information about its own or any other entity's system or business in any Council Activity. Market Participants are advised that the Council does not regard the communication of Market Information in a Council Activity to constitute public disclosure for purposes of compliance with any applicable Disclosure Requirement.

For purposes of these guidelines: "Security Information" means any information, written or oral, electronic or other form, whether present or future, positive or negative, concrete or potential, significant or slight, the disclosure of which may compromise the security of the NYS Bulk Power System.

Council Personnel shall be entitled to regard all information communicated to them as not Security Information unless the party disclosing such information expressly designates it as Security Information and signs a Confidentially Agreement.

The Executive Committee shall meet in executive session whenever the Executive Committee, in its sole discretion, deems it necessary or advisable in order to conduct the business of the Council, including prevention of the disclosure of Confidential Information. Attendance at an executive session of the Executive Committee shall be limited to the thirteen members of the Executive Committee unless the Executive Committee expressly invites others to attend. All communications at an executive session of the Executive Committee, whether or not pertaining to Confidential Information, shall be privileged and confidential and shall not be published, disclosed or otherwise divulged, to any person or entity other than those in attendance at such executive session; provided, however, that disclosure shall be permitted if, and to the extent, required by an order of a court or administrative agency of appropriate jurisdiction. Any NYSRC subcommittee, working group or task force may meet in executive session. The procedures for such executive sessions shall be the same as those applicable to executive sessions held by the Executive Committee.

#### B. Communication

Council Personnel will comply with Article 5 of the New York State Reliability Council Agreement concerning the publication of Reliability Rules. In addition, Council Personnel will ensure that adequate records are kept of all Council Activities. The Executive Committee shall have full and complete access to the books and records of the Council. Council Personnel shall record and report all information honestly, accurately, and completely. No undisclosed funds or accounts may be established for any purpose.

Auditors and legal counsel shall be provided with any and all information requested. Council Personnel shall not conceal or falsify information for any reason, or direct others to conceal or falsify information. Any violations of this policy shall be reported to the Chairman of the Executive Committee immediately upon discovery thereof.

C. Use of Funds and Facilities

The funds and facilities of the Council shall be used only for Council Activities approved by the Executive Committee in the annual budget. Council Personnel shall not use the Council's funds and/or facilities for personal use. Council property, services, materials, and/or funds shall not be taken for any activity which has not been authorized by the Executive Committee. In addition, the name and reputation of the Council should not be used for any unauthorized purpose.

D. Conflicts of Interest

The Council and Council Personnel shall carry out the Council's mission with no intent to advantage or disadvantage any Market Participant's commercial interests. The Council recognizes that certain members of the Executive Committee represent diverse interests, as set forth in Article 4 of the New York State Reliability Council Agreement; however, Council Personnel shall not favor their own private or commercial interests in carrying out Council responsibilities. In the performance of their responsibilities related to the Council, members of the Executive Committee and other Council Personnel shall not engage in activities which 1) intentionally advantage or disadvantage any Market Participant's commercial interests, 2) are unlawful, or 3) interfere with the duties owed to the Council. Any individual serving as a Manager or alternate on the Executive Committee is precluded from serving on the ISO Board of Directors or serving as an officer, employee or paid consultant of the ISO.

Unaffiliated members of the Executive Committee shall be those members who are not affiliated with any Market Participant. With respect to the Council, the term "affiliated" shall have the meaning assigned to it in Section 5.01 of the ISO Agreement, which states that:

"A Director shall be deemed "affiliated" with a Market Participant or its Affiliate if:

- a. Such person or his or her spouse or minor children owns, controls, or holds with power to vote, securities of a Market Participant or any of its Affiliates; provided, however, (i) that each newly elected Director shall dispose of such securities in accordance with the terms of the ISO's Code of Conduct, (ii) if such person or his or her spouse or minor children owns, controls or holds with power to vote such securities as a result of an entity becoming a Market Participant, such person shall dispose of such securities in accordance with the terms of the ISO's Code of Conduct, and (iii) if such person or his or her spouse or minor children owns, controls or holds with power to vote such securities as a result of a gift, inheritance, distribution of marital property or other involuntary acquisition, such person shall dispose of such securities in accordance with the terms of the ISO's Code of Conduct;

- b. Such person or his or her spouse or minor children purchases securities of any Market Participant or any Affiliate of any Market Participant while such person is a Director;
- c. Such person is an officer, director, partner or employee of a Market Participant or any of its Affiliates;
- d. Such person (i) is a former executive officer of a Market Participant which Market Participant, together with its Affiliates, has three percent or more of the voting shares on the Management Committee or of any Affiliate of such Market Participant and (ii) is receiving continuing benefits under an existing employee benefit plan, arrangement or policy of such Market Participant or any of its Affiliates, except to the extent permitted under the ISO Code of Conduct; or
- e. Such person has a material ongoing business or professional relationship with a Market Participant or any of its Affiliates; provided, however, that such person shall not be deemed to have a material ongoing business relationship with a Market Participant or any of its Affiliates solely as a result of being served, as a customer, with electricity or gas by such Market Participant or its Affiliates.”

For the purposes of paragraph (d) of Section 5.01 of the ISO Agreement, the term “continuing benefits under an existing employee benefit plan” shall not include a pension plan that is a defined benefit plan that does not involve the ownership of the securities of the Market Participant that provides the benefits.

Unaffiliated members of the Executive Committee shall be independent. Accordingly, such unaffiliated members shall not represent the interests of the ISO or of any Market Participant. In the event that any unaffiliated Manager of the Executive Committee has a business or commercial relationship with the ISO or any Market Participant (“Business Relationship”), such unaffiliated Manager of the Executive Committee shall have a duty to disclose such Business Relationship to the Executive Committee. If any Manager of the Executive Committee expresses concern that the Business Relationship may present an impermissible conflict with the individual’s status as an unaffiliated Manager of the Executive Committee, then the disinterested Managers of the Executive Committee shall vote on the permissibility of the Business Relationship and the decision reached by the affirmative vote of at least nine disinterested Managers of the Executive Committee shall be binding.

Council Personnel shall not accept a bribe in any form. Council Personnel shall not abuse their position with the Council to obtain personal favors or special consideration for themselves, their families, or any other party.

E. Compliance with Laws

The Council and its operations are subject to Federal, state, and local laws and regulations. Council Personnel with questions or concerns about the applicability of any law or regulation should promptly seek advice from the Executive Committee or from legal counsel.

F. Violations of the Code

Council Personnel shall promptly report any known violations of the Code to the Chairman of the Executive Committee. The Executive Committee shall from time to time establish procedures for the investigation of alleged violations of the Code. All alleged violations of the Code shall be investigated in accordance with such procedures to determine whether a violation has in fact occurred. The Council shall take action to correct any violations of the Code. Such corrective action may include discharge from employment or removal from the Executive Committee, if appropriate.

G. Executive Committee

Under the Council's organic documents, general principles of corporate law and the FERC's regulations, the Executive Committee serves as the Council's Board of Managers and is accountable for fulfillment of the Council's missions, its contractual obligations and its compliance with applicable legal and regulatory requirements. The Executive Committee must exercise reasonable due diligence, good faith and care in the management of Council affairs while bringing to bear sound, honest and unbiased business judgment.

If any Manager of the Executive Committee proposes to enter into a business or commercial transaction with the Council, such Manager shall have a duty to make prior disclosure of his or her interest in the transaction. Such transaction shall be subject to approval by the affirmative vote of at least nine disinterested Managers of the Executive Committee if (i) the transaction is a significant transaction representing 10% or more of the annual budget of the Council or (ii) any Manager of the Executive Committee requests a vote thereon.

The Executive Committee will use reasonable due diligence to inform themselves of the Council's affairs and activities and to exercise oversight with respect thereto. To this end, the Managers of the Executive Committee will participate whenever possible, either in person or, where permitted, by telephone conferencing, in all properly noticed meetings. The Managers of the Executive Committee will register dissent when in disagreement with action of the Executive Committee and will ensure that such dissent is made a matter of record in the minutes of the relevant meeting. The Executive Committee may refer questions or concerns regarding their duties and responsibilities to legal counsel.

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