

Option 3 - Capacity & Energy

Terms and Conditions

The Authority's *Capacity & Energy* Option is governed in part by the New York Independent System Operator ("NYISO") Installed Capacity Manual ("ICAP Manual"), February 12, 2010 revision and the Consolidated Edison Company of New York, Inc. ("Con Ed") Rider U , both as may be revised from time to time, as well as by any other applicable NYISO or Con Ed requirements. In addition, the following terms and conditions apply to any Customer facility ("Facility") enrolled with the Authority in the *Capacity & Energy* Option.

1. Registration

Implementation of the *Capacity & Energy* Option with respect to the Facility shall be subject to completion of the registration procedures set forth by the Authority, the NYISO and/or Con Ed (as applicable). The Facility must be able to provide a load reduction ("Pledged Capacity") through curtailing or limiting the use of discretionary loads and/or by operating on-site generation, of at least 100 kW measured by an interval meter installed in accordance with the *Capacity & Energy* Option requirements. The Facility's Pledged Capacity may only be offered in 10 kW increments; the actual load reduction will be rounded to the nearest 100 kW. Payments are only guaranteed for accepted performance to the nearest 100 kW. The Facility's Pledged Capacity must be specified in the Peak Load Management Master Program Appendix ("Appendix").

2. Customer Notification of Capacity & Energy Events and Tests

The Authority will provide the Facility twenty (20) hour day-ahead notice of potential need, and two (2) hour in-day notice of required operation or interruption. The day-ahead and in-day notice may occur on a weekend day or a holiday, as needed. The NYISO commits not to use day-ahead notification of potential need to operate indiscriminately but rather only when the Day-Ahead Market indicates serious shortages of supply for the next day.

The Customer agrees that, upon commencement of participation in the *Capacity & Energy Option*, it will perform in the NYISO-activated *Capacity & Energy* test for the capability period (May – October, November – April), even if it is not still enrolled during the month of the test.

In the Appendix the Customer shall provide the contact information for three designees at each participating Facility to be notified by the Authority when a *Capacity & Energy* event or test is called.

3. Payments

The *Capacity & Energy* Option incentives are threefold. The Facility pledging Capacity will be compensated for 1) the Capacity commitment pledged for a specific period, 2) the Energy actually

curtailed during any *Capacity & Energy* events called during that period, and 3) a potential bonus payment as described below. The minimum *Capacity & Energy* period is one month.

Capacity Payments: The Capacity Payments for the Facility's Pledged Capacity (kW) will be 85% of the UCAP Monthly Auction clearing price for the same period and location that the Facility commits Capacity. The Authority will retain 15% of the payment to be placed in a reserve fund in case of future penalties.

Energy Payments: Additional monies will be paid for verified performance by the Facility when called to perform during an event. Payment will be the greater of \$0.50/kWh or the LBMP for the Energy reduced by the Customer during *Capacity & Energy* events, and the LBMP of the energy reduced during the mandatory *Capacity & Energy* test each period. No administrative fee will be withheld from energy payments

Bonus Payments: The Facility will also be eligible for additional monies in the form of bonus payments for participation in Con Ed's Distribution Load Relief Program ("DLRP"). Additional payments can range from \$2-5/kW-month depending on the Facilities' location and participation.

The Authority will make payment to Customer following the completion of the enrolled capability period (May – October, November – April), provided that the Authority has been paid by or received a credit from the NYISO and/or Con Ed. The Authority will include the credit on the Customer's monthly electric bill (if direct-billed by the Authority) or issue a check, as selected by the Customer in the Appendix.

For any *Capacity & Energy* Option event or test, the NYISO and/or Con Ed have sole discretion and final determination of the Customer's actual load reduction and any related payment. **In no event shall the Authority be liable for any payments to the Customer greater than the payment received by the Authority from the NYISO and/or Con Ed for the *Capacity & Energy* Option event or test.**

4. **There is NO monetary penalty to a Customer if it does not meet its commitment during a test or event (only a limit on Customer's ability to commit in the future).**

De-rate

The Facility is expected to supply its Pledged Capacity for the duration of every *Capacity & Energy* event called during the period for which the Facility is committed. In the event that no *Capacity & Energy* events are called during that period, the Facility shall demonstrate its ability to supply its Pledged Capacity by participating in the Capacity & Energy test(s) called during that period. The Facility must perform at its Pledged Capacity for the duration of the *Capacity & Energy* events and/or the *Capacity & Energy* test to avoid de-rating (or reduction of commitment going forward). Failure to provide the Pledged Capacity will result in the de-rating (lowering) the amount of Capacity that the Facility can pledge in subsequent periods, thus limiting the earning potential for those subsequent periods. Capacity values will be calculated every capability period based on a rolling 12-month calculation that incorporates the Facility's performance during *Capacity & Energy* events and tests.

5. **Performance Verification**

For each participating Facility that is not metered directly by the Authority, the Customer shall provide the appropriate interval metered data to the Authority by the 15th day of the month following the *Capacity & Energy* event or test in a format acceptable to the NYISO and Con Ed. Failure to provide such data may result in the Customer not receiving payment for participation in the *Capacity & Energy* Option. The Authority will verify the load reduction in accordance with the NYISO and/or Con Ed-approved method

and forward the data to the NYISO and/or Con Ed by the deadline set by such entities. For each participating Facility that is metered directly by the Authority, the Authority will collect data, verify the load reduction and forward the data to the NYISO and/or Con Ed in accordance with the applicable rules and procedures.

6. Term and Cancellation

The Customer must commit Capacity 45 days prior to the start of the enrollment period. A Customer Facility committed as a *Capacity & Energy* resource is expected to participate for the entire period committed and must report to the Authority any change of status that would affect its ability to provide Capacity or Energy to the NYISO and/or Con Ed during that period.

Either party may terminate this Agreement, provided that the Customer and the Authority will complete their respective obligations as a *Capacity & Energy* resource and Responsible Interface Party (“RIP”) (as defined by the NYISO) for the remainder of any period for which the Customer’s Facility is currently committed, the terminating party provides at least 45 days written notice to the other party, and the Customer is paid any payments earned under the Option (less the Authority’s administrative fees) to the time of termination.

Upon commencement of participation, the Customer will perform in the NYISO-activated *Capacity & Energy* test for the capability period, whether or not the Customer is still enrolled during the month of the test. If a committed Customer Facility that has withdrawn from participation cannot or does not perform in the *Capacity & Energy* test and the Authority is assessed penalties or other charges (“Charges”) as a result of such failure to perform, then the amount of the Charges shall be an offset against any payments otherwise due to Customer under the Option. In the event that a payment due to Customer minus the Charges is zero or a negative number, there shall be no payments to Customer and no Charges owed to the Authority.

7. Compatibility

A Facility enrolled in the *Capacity & Energy* Option cannot participate in either the *Peak Reduction* Option or the *Energy Only* Option for the same period. A Facility enrolled in the *Capacity & Energy* Option may switch to the *Peak Reduction* or *Energy Only* Options at the completion of its committed period, provided the Facility meets the eligibility requirements of such Options. Customer is advised to inquire with the Authority before enrolling in any other external (non-Authority) demand response program(s) to ensure compatibility.