PRICING OF EMERGENCY ENERGY SALES BY ISO NEW ENGLAND INC. TO HYDRO-QUÉBEC TRANSÉNERGIE

Background

A fundamental objective of ISO New England Inc. ("ISO" or "ISO-NE") is to assure that the bulk power supply within the ISO-NE Balancing Authority Area conforms to proper standards of reliability. One of the means by which the ISO meets this objective is by entering into coordination agreements and operating arrangements with the operators of neighboring Balancing Authority Areas. Such agreements and arrangements are designed to, among other things, improve the reliability of the bulk power supply through coordinated system operations and the provision of mutual assistance during emergencies.

Two such coordination agreements are the *Interconnection Operators Agreements between ISO New England Inc. and Hydro-Québec TransÉnergie* (the "IOA") for the Highgate Interconnection Facilities and the Phase I/II HVDC interconnection Facilities. In accordance with the IOAs, each Party to the agreement is required to always have a price or pricing formula in effect for its sales of Emergency Energy to the other Party and to provide written notice of any changes to such price or pricing formula, thirty (30) days in advance, to the other Party.

In accordance with the IOAs, this document describes the method ("ISO Emergency Energy Pricing Method") for the calculation of the charge for Emergency Energy sold by the ISO to Hydro-Québec TransÉnergie (hereinafter "TransÉnergie"), pursuant to the IOAs. The ISO Emergency Energy Pricing Method shall apply to deliveries of Emergency Energy by the ISO to TransÉnergie in support of Emergency conditions and to protect reliability in the event that there is a need for energy on TransÉnergie's system that could not be supplied, or could not be supplied in a timely manner, by resources within its system or other market-based sources. This ISO Emergency Energy Pricing Method will serve as the method for pricing sales of Emergency Energy by the ISO to TransÉnergie, until such time as it is superseded.

Terms used in this document with initial capitalization that are not defined herein shall have the meaning specified in the IOA.

Terms and Conditions

I. These terms and conditions for pricing Emergency Energy sales by the ISO to TransÉnergie shall be effective as of August 1, 2017.

II. The charge for Emergency Energy provided by the ISO to TransÉnergie shall be as determined below. The calculations described below shall be performed by the ISO.

ISO Emergency Energy Pricing Method

In accordance with Section 6.5 of the Interconnection Operators Agreements between ISO New England Inc. and Hydro-Québec TransÉnergie for the Highgate Interconnection Facilities and the Phase I/II HVDC interconnection Facilities, ISO-NE is informing TransÉnergie of the pricing method for Emergency Energy provided to Hydro-Québec TransÉnergie at their request by ISO-NE. Emergency Energy may be provided by ISO-NE to and Hydro-Québec TransÉnergie by way of a Direct Emergency Energy Sale by the ISO to TransÉnergie, which is Emergency Energy provided over the Highgate Interconnection Facilities or the Phase I/II HVDC interconnection Facilities by the ISO through the participants in the New England markets, or a Third-Party Emergency Energy Sale by the ISO to TransÉnergie, which is Emergency Energy acquired by the ISO from a neighboring third-party Balancing Authority Area and wheeled through the ISO-NE Balancing Authority Area for sale to TransÉnergie.

A. Direct Emergency Energy Sale by the ISO to TransÉnergie

The total charge for a Direct Emergency Energy delivery in an hour to TransÉnergie by the ISO shall equal the sum of the Energy Charge for the Direct Emergency Energy sale and the Transmission Charge for the Direct Emergency Energy sale, which are calculated as described below.

Total Charge for Emergency Energy Supplied in an Hour

The Total Charge for Emergency Energy supplied in an Hour =
the Emergency Energy Charge for the hour +
the Emergency Energy Transmission Charge for the hour.

A.1. Energy Charge for the hour

The Energy Charge for the hour equals the sum of the ISO-NE Emergency Energy Charges for each five-minute settlement interval in the hour * 1.5. For purposes of this calculation:

(1) ISO-NE Emergency Energy Charge for a five-minute settlement interval equals the amount of Emergency Energy (in MWh) scheduled in the settlement interval at the external node associated with the Delivery Point (as used in the New England market system for energy exports from the ISO-NE Balancing Authority Area into the and Hydro-Québec TransÉnergie Balancing Authority Area), adjusted for any curtailment, multiplied by the Cost of Emergency Energy in the settlement interval.

(2) The Cost of Emergency Energy in a five-minute settlement interval equals the Locational Marginal Price (LMP) at the external node associated with the Delivery Point for the settlement interval. For purposes of this calculation, an LMP in a settlement interval is set to $0.00 if the LMP in the settlement interval was negative.

A.2. Transmission Charge for the hour

The Transmission Charge portion of the charge for a Direct Emergency Energy sale provided to TransÉnergie in an hour by the ISO shall include all costs incurred by the ISO in delivering such Emergency Energy to TransÉnergie in that hour. Such costs shall include, but not be limited to, all applicable costs for transmission service, congestion uplift and ancillary services not otherwise contained in the Energy Charge.

B. Third-Party Emergency Energy Sale by ISO to TransÉnergie

The charge for a sale of Emergency Energy supplied in an hour to TransÉnergie by the ISO that is obtained by the ISO from a neighboring third-party Balancing Authority Area and wheeled through the ISO-NE Balancing Authority Area for sale to TransÉnergie shall equal the sum of the Energy Charge for the Third-Party Emergency Energy Sale and the Transmission Charge for the Third-Party Emergency Energy Sale, which are calculated as described below.

B.1. Third Party Balancing Authority Area Supplier Emergency Energy Charge in an hour

The Energy Charge portion of the charge for Emergency Energy for each hour in which the ISO delivers such energy from a third-party supplier to TransÉnergie shall equal the total cost the third-party supplier imposes for such energy upon the ISO. The costs included in this Energy Charge may include an energy charge, capacity charge, transmission charge(s) and any other applicable charges for delivery of the Emergency Energy through the third-party Balancing Authority Area.

B.2. Transmission Charge for a Third-Party Emergency Energy Sale

The Transmission Charge portion of the charge for Emergency Energy provided to TransÉnergie in an hour by the ISO from a third-party supplier shall include all costs incurred by the ISO to transmit the Emergency Energy through the New England Balancing Authority Area to deliver the Emergency Energy to one of the points of Interconnection between the ISO and TransÉnergie in that hour . Such costs shall include, but not be limited to, all applicable costs for transmission service, congestion uplift and ancillary services not otherwise contained in the Energy Charge. Transmission costs would include, but not be limited to, any costs for congestion and losses that are associated with the delivery of such Emergency Energy through the delivering Party's Balancing Authority Area for an hour to the Delivery Point, as calculated by the amount of Emergency Energy supplied multiplied by (the ISO final real-time integrated hourly Locational Marginal Price of the external node at which the Emergency Energy exits the ISO Balancing Authority Area minus the ISO final real-time integrated hourly Locational Marginal Price of the external node at which the Emergency Energy enters the ISO Balancing Authority Area).