SCHEDULE 2
REACTIVE SUPPLY AND VOLTAGE CONTROL SERVICE

In order to maintain transmission voltages on the New England Transmission System (for voltage constraints that are reflected in the ISO’s systems for operating the New England Transmission System or in the ISO New England Operating Procedures) within acceptable limits, Qualified Reactive Resources are operated to produce (or absorb) reactive power. Thus, VAR Service must be provided to support Regional Network Service and Through or Out Service on the New England Transmission System (both of which services have a direct impact on voltage constraints that are reflected in the ISO’s systems for operating the New England Transmission System or in the ISO New England Operating Procedures). The amount of VAR Service that must be supplied with respect to a Transmission Customer’s Regional Network Service and Through or Out Service will be determined based on the degree of dynamic reactive power support necessary to maintain transmission voltages within limits that are consistently adhered to in the operation of the New England Transmission System. Additional information regarding the processes used to collect data and calculate amounts due or payable under this Schedule 2 can be found in the Ancillary Service Schedule 2 Business Procedure posted on the ISO website. Transmission Customers taking Local Service, MTF Service or OTF Service may also need to acquire voltage support services not otherwise provided under this Schedule 2 pursuant to Schedules 18, 20A or 21 to this OATT, as appropriate.

I. DEFINITIONS

Whenever used in this Schedule, in either the singular or plural number, capitalized terms shall have the meanings specified in Section I.2.2. of the Tariff.

II. ELIGIBILITY FOR PAYMENT UNDER SCHEDULE 2

A. Qualified Generator Reactive Resources

Qualified Generator Reactive Resources shall be eligible for VAR Payments under this Schedule 2. A Qualified Generator Reactive Resource shall be offered into the Real-Time Energy Market at a MW level of at least its Economic Minimum Limit in all hours of the month whenever the resource is physically available, and be eligible for commitment by the ISO for the purpose of providing reactive power voltage
support to the New England Transmission System. Qualified Generator Reactive Resources are subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures for the purpose of providing reactive power voltage support to the New England Transmission System. In addition, any generator that is dispatched by ISO for the purpose of providing voltage support to the New England Transmission System shall be eligible to recover its Lost Opportunity Costs (“LOC”), Cost of Energy Consumed (“CEC”), and Cost of Energy Produced (“CEP”) pursuant to Sections IV.B-D of this Schedule 2.

A generator shall be deemed a Qualified Generator Reactive Resource if it meets the following criteria:

1. the entity owning or controlling the reactive power capability of the generator reactive resource is a Market Participant;

2. the generator is: (a) interconnected to the New England Transmission System or (b) interconnected to the distribution system but participating in the New England Markets and (c) is metered and dispatchable by the ISO or otherwise subject to operational control by the ISO;

3. the generator provides measurable dynamic reactive power voltage support to the New England Transmission System, as determined from time-to-time by the ISO, and has its automatic voltage regulator regulating equipment status and control mode (including power factor, reactive power output and voltage control) telemetered to the ISO and the applicable Local Control Center; provided that the generator shall have until January 1, 2009 to have the necessary telemetering equipment installed and operating;

4. the generator meets the reactive power testing requirements applicable to generators, as determined from time-to-time by the ISO and specified in the ISO New England Operating Documents; and

5. the installation of the generator shall have been approved in accordance with the requirements of Section I.3.9 of the Tariff or its predecessor or successor provisions under the New England regional transmission arrangements.
Any generator that has been receiving VAR Payments under Schedule 2 prior to June 1, 2007 shall be deemed to be a Qualified Generator Reactive Resource as of that date, provided that it continues to meet the criteria specified in Section II, A. (1), (3) and (4) above. Additionally, each generator seeking to be newly designated as a Qualified Generator Reactive Resource shall submit information to the ISO regarding its capability to provide leading VAR Service prior to receiving any leading VAR Payments under Schedule 2. Such information shall be submitted in the form and within the timeframe prescribed in the Ancillary Service Schedule 2 Business Procedure and/or the Schedule 2 VAR Payment Implementation Rule.

B. Qualified Non-Generator Reactive Resources

Qualified Non-Generator Reactive Resources shall be eligible for VAR Payments under this Schedule 2. However, to the extent that cost recovery for the dynamic reactive power capability of a non-generator resource could occur under the PTF cost recovery mechanism, it shall occur only under such cost recovery mechanism and not under this Schedule 2.

A non-generator shall be deemed a Qualified Non-Generator Reactive Resource if it meets the following criteria:

1. the entity owning or controlling the reactive power capability of the non-generator reactive power resource is a Market Participant;

2. the non-generator reactive power equipment provides measurable dynamic reactive power voltage support to the New England Transmission System, as determined from time-to-time by the ISO;

3. the type of dynamic reactive power equipment is within a category of equipment that has been approved by the ISO, with advisory input from the Reliability Committee;

4. the dynamic reactive power equipment is subject to the Operating Authority of the ISO and all necessary operating protocols for provision of reactive power voltage support from such equipment have been agreed to, in writing, between the ISO and the non-generator reactive power resource are in place;

5. such equipment is interconnected to the New England Transmission System and metered and dispatchable by the ISO or otherwise subject to operational control by the ISO, and has
its automatic voltage regulator regulating equipment status and control mode (including power factor, reactive power output and voltage control) telemetered to the ISO and the applicable Local Control Center; provided that the non-generator shall have until January 1, 2009 to have the necessary telemetering equipment installed and operating.

6. the non-generator reactive resource meets the reactive power testing requirements applicable to such non-generators, as determined from time-to-time by the ISO and specified in the ISO New England Operating Documents; and

7. the installation of such equipment shall have been approved in accordance with the requirements of Section I.3.9 of the Tariff or its predecessor provisions under the New England regional transmission arrangements.

C. Non-Dynamic Reactive Resources

Nothing in this Schedule 2 is intended to preclude, or provide support for, the cost recovery under a separate schedule to the Tariff, filed with the Commission pursuant to the requirements of Sections 205 or 206 of the Federal Power Act, for non-generator, non-dynamic reactive resources that are interconnected to and provide VAR Service to the New England Transmission System but do not meet the criteria to be deemed either Qualified Non-Generator Reactive Resources or PTF.

III. DETERMINATION AND ALLOCATION OF VAR SERVICE CHARGES

Transmission Customers must purchase VAR Service from the ISO for the support of transmission voltages on the New England Transmission System. With the exception of VAR Service charges related to high voltage conditions, the hourly charge for VAR Service shall be paid by each Transmission Customer that receives either Regional Network Service or Through or Out Service. In the event that VAR Service charges for an hour are exclusively related to service provided to meet reliability criteria that address high voltage conditions in one or more Reliability Regions, then the VAR Service charges associated with high voltage conditions for that hour are allocated to each Transmission Customer within the affected Reliability Regions that receives Regional Network Service based on its pro rata share of Regional Network Load within the affected Reliability Regions. VAR Service charges are determined pursuant to the following formula:

\[
CH = (CC + LOC_0 + CEC_0 + CEP_0) \left( \frac{HL + RC}{HL + RC} \right)
\]
+ (LOC_{HV} + CEC_{HV} + CEP_{HV})_{\text{HLR}} \text{HLR}

in which the inputs to the formula have the following meaning:

CH = the amount to be paid by the Transmission Customer for the hour;

CC = the Capacity Costs for the hour shall be the VAR Revenue Requirement determined as set forth herein divided by the number of hours in the month;

LOC_{HV} = the Lost Opportunity Costs for the hour to be paid for a dynamic reactive power resource that supplies VAR Service to meet reliability criteria in the Transmission Customer’s Reliability Region, provided the VAR Service is supplied exclusively to address high voltage conditions within one or more Reliability Regions;

LOC_{O} = the Lost Opportunity Costs for the hour to be paid for a dynamic reactive power resource that provides VAR Service to meet reliability criteria within one or more Reliability Regions excluding the costs for VAR Service that is supplied exclusively to address high voltage conditions;

CEP_{HV} = the Cost of Energy Produced which is the portion of the amount paid for the hour for Energy produced by a dynamic reactive power resource for VAR Service to meet reliability criteria in the Transmission Customer’s Reliability Region, provided the VAR Service is supplied exclusively to address high voltage conditions within one or more Reliability Regions;

CEP_{O} = the Cost of Energy Produced which is the portion of the amount paid for the hour for Energy produced by a dynamic reactive power resource for VAR Service to meet reliability criteria within one or more Reliability Regions excluding the costs for VAR Service supplied exclusively to address high voltage conditions;

CEC_{HV} = the Cost of Energy Consumed which is the cost of energy used in the hour by a dynamic reactive power resource in order to supply VAR Service to meet reliability criteria in the Transmission Customer’s Reliability Region, provided the VAR Service is supplied exclusively to address high voltage conditions within one or more Reliability Regions;
CEC₀ = the Cost of Energy Consumed which is the cost of Energy used in the hour by a dynamic reactive power resource in order to provide VAR Service to meet reliability criteria within one or more Reliability Regions excluding the costs for VAR Service supplied exclusively to address high voltage conditions;

\( HL₁ = \) the Regional Network Load of the Transmission Customer for the hour;

\( HL = \) the aggregate of the Regional Network Loads of all Transmission Customer for the hour;

\( HLR₁ = \) that portion of the Regional Network Load of the Transmission Customer that is within a Reliability Region where VAR Service charges in the hour were a result of VAR Service provided exclusively to meet reliability criteria that address high voltage conditions;

\( HLR = \) the aggregate of all the Regional Network Loads of all Transmission Customers within Reliability Regions where VAR Service charges in the hour were a result of VAR Service provided exclusively to meet reliability criteria that address high voltage conditions;

\( RC₁ = \) the Reserved Capacity for Through or Out Service of the Transmission Customers for the hour, excluding any Coordinated External Transaction Reserved Capacity for Through or Out Service; and

\( RC = \) the aggregate Reserved Capacity for Through or Out Service of all Transmission Customers for the hour, excluding all Coordinated External Transaction Reserved Capacity for Through or Out Service.

**IV. DETERMINING A QUALIFIED REACTIVE RESOURCE’S PAYMENT UNDER THIS SCHEDULE**

The compensation to be paid to resources providing VAR Service shall be as set forth below.

**A. Capacity Cost (CC)**
1. A Qualified Reactive Resource shall be eligible to receive VAR Payments under the Capacity Cost component of this Schedule 2 for the capability to provide VAR Service.

2. Payment for VAR Service associated with lagging capability is not intended to compensate a Qualified Generator Reactive Resource for reactive power absorbed by the generator step-up transformer. Payment for VAR Service associated with leading capability is intended to compensate a Qualified Generator Reactive Resource for reactive power absorbed by the generator step-up transformer.

3. The “VAR CC Rate” will be established each year as of January 1 on a prospective basis for that calendar year and shall be the Adjusted CC Rate * Min (1, (1.2*Forecast Peak Adjusted Reference Load for the year/(SUM of all Qualified Reactive Resources' Summer Seasonal Claimed Capability))).

4. The “Base CC Rate” shall be $2.19/kVAR-yr effective January 1, 2012.

5. The Adjusted CC Rate shall be a single rate applied over the full range of leading and lagging capability of a Qualified Reactive Resource and shall be determined as described below. The Base CC Rate shall be converted into an Adjusted CC Rate, expressed in the form of $/kVAR-yr, representing the amount to be paid for leading and lagging capability. The Adjusted CC Rate shall be calculated in accordance with the following formula:

   \[
   \text{Adjusted CC Rate} = \frac{\text{Base CC Rate} \times \text{Current Total Aggregate lagging VARs}}{\text{Current Total Aggregate Lagging VARs} + \text{Current Total Aggregate Leading VARs}}
   \]

   The basis of each such formula element and methodology for calculation is set forth in the Schedule 2 VAR Payment Implementation Rule. The details of the Schedule 2 VAR Payment Implementation Rule may be modified by the ISO without a filing under the Federal Power Act, provided that: (i) the modifications are consistent with the requirements of this Schedule 2; and (ii) the modifications receive the support of at least two-thirds of the voting percentage of the Transmission Committee members.

6. The “Forecast Peak Adjustment Reference Load” shall be the value published in the then-most recently published Forecast Report of Capacity, Energy, Loads and Transmission (the “CELT Report”) at the time the VAR CC Rate is established for a year.
7. “Seasonal Claimed Capability” for Qualified Reactive Resources shall be determined as follows:

a. A “Qualified Generator Reactive Resource’s Seasonal Claimed Capability” shall be the Seasonal Claimed Capability of each Qualified Generator applicable for the season in which the ISO Forecast Peak Adjusted Load is forecast to occur. The Seasonal Claimed Capability (SCC) represents the Summer (SCC-S) and Winter (SCC-W) Claimed Capability of a generating unit (or ISO approved combination of units in accordance with ISO New England Operating Procedures). Claimed Capability Ratings are the maximum dependable load carrying ability, in megawatts to three decimal places, of such unit or units, excluding capacity required for station use. SCC-S and SCC-W are the MW values of the Resource that will be used as billing determinants under this Tariff.

b. A “Qualified Non-Generator Reactive Resource’s Seasonal Claimed Capability” shall be 2.5 times the maximum dynamic reactive power capability on a lagging basis demonstrated by the Qualified Non-Generator Reactive Resource during the testing of its VAR Service capability consistent with ISO Procedures for measurement of such capability in megawatts to three decimal places.

8. The “VAR Revenue Requirement” shall be the sum over a month of all Qualified Reactive Resources’ VAR Payments.

9. A Qualified Reactive Resource’s VAR Payment shall equal (1/12) * (VAR CC Rate*Qualified VARs).

10. Qualified Reactive Resources will be paid their VAR Payment under this Section for each month of a calendar year starting with the month in which the resource is approved as a Qualified Reactive Resource.

11. “Qualified VARs” shall be determined as follows:

(a) In accordance with the ISO New England Operating Procedures, the Qualified VARs of a Qualified Reactive Resource shall be determined as follows: [Section II - Schedule 2 - Reactive Supply and Voltage].
Control from Qualified Reactive Resources Service shall be determined through an actual testing in accordance with the then-applicable VAR testing procedures set forth in the ISO New England Operating Procedures. At least every five (5) years after that initial test, an ongoing test of the capability of a Qualified Reactive Resource to supply VAR Service in both leading and lagging capability shall be conducted. The Qualified VARs of a Qualified Reactive Resource shall equal the sum total of the absolute values of the leading and lagging VAR capability of the resource determined pursuant to this section.

(b) Qualified VARs of a Qualified Generator Reactive Resource:

- The Qualified VARs of an untested Qualified Generator Reactive Resource shall be equal to the sum of the absolute values of the lagging VAR capability at the Summer Seasonal Claimed Capability and the leading VAR capability at the EcoMin point as indicated on the Qualified Generator Reactive Resource’s NX-12D form that is then in effect adjusted (downward for lagging capability and upward for leading capability) for reactive power absorbed by the generator step-up transformer:
  i) lagging VAR capability (adjusted downward for reactive power absorbed between the resource and its Point(s) of Interconnection):
     a) At zero real power output for Intermittent Power Resources accepted by the ISO as Qualified Generator Reactive Resources after (effective date); or,
     b) At the Summer Seasonal Claimed Capability for all other Qualified Generator Reactive Resources;
  -and-
  ii) leading VAR capability (adjusted upward for reactive power absorbed between the resource and its Point(s) of Interconnection):
     a) At zero real power output for intermittent resources accepted by the ISO as Qualified Generator Reactive Resources after (effective date); or,
     b) At Econonemic Minimum, during the time of the test, for all other Qualified Generator Reactive Resources.
- The Qualified VARs of an untested Qualified Non-Generator Reactive Resource shall be equal to the sum of the absolute values of the lagging VAR capability at the corresponding Summer Seasonal Claimed Capability or an equivalent point and the leading VAR capability at the corresponding EcoMin point or an equivalent point as indicated on the Qualified Non-Generator Reactive Resource's NX-12D form reactive capability data, as required in ISO Operating Documents, that is submitted to and approved by the ISO and then in effect adjusted for reactive power absorbed by between the resource and its step-up transformer Point(s) of Interconnection.

B. Lost Opportunity Cost (LOC)

1. The LOC for generators that are dispatched down by, or at the request of, the ISO, or a Local Control Center for the purpose of providing VAR Service will be calculated pursuant to Market Rule 1.

2. Qualified Non-Generator Reactive Resources shall be eligible for payment of the LOC for Qualified Non-Generator Reactive Resources that are dispatched down (pursuant to the authority established within written operating protocols developed under Section II.B.4) at the request of the ISO or a Local Control Center for the purpose of providing VAR Service. The LOC of such Qualified Non-Generator Reactive Resources will be calculated pursuant to procedures established at the time of approval of the equipment type pursuant to Section II.B and filed with the Commission pursuant to the requirements of Section 205 of the Federal Power Act.

C. Cost of Energy Consumed (CEC)

1. The CEC associated with hydro and pumped storage generating units that are motoring at the request of the ISO or a Local Control Center for the purpose of providing VAR Service will equal the cost of Energy to motor and will be calculated in each hour as follows: CEC = (MWhUnit * (LMP or actual Energy cost), where the MWh Unit are calculated pursuant to the Ancillary Service Schedule 2 Business Procedure. The actual Energy cost applies only if motoring Energy is purchased through a bilateral contract.
2. For the Chester SVC, the CEC will be set to zero ($0), and the cost of Energy to supply reactive supply and voltage control from the Chester SVC will be treated as losses on the New England Transmission System.

3. Qualified Non-Generator Reactive Resources shall be eligible for payment of the CEC incurred by Qualified Non-Generator Reactive Resources for the purpose of providing VAR Service (pursuant to the authority established within written operating protocols developed under Section II.B.4). The CEC of such Qualified Non-Generator Reactive Resources shall be measured pursuant to procedures established at the time of approval of the equipment type pursuant to Section II.B and filed with the Commission pursuant to the requirements of Section 205 of the Federal Power Act.

D. Cost of Energy Produced (CEP)

1. The CEP associated with thermal generating units that are brought on-line by the ISO or a Local Control Center for the purpose of providing VAR Service shall equal the portion of the total NCPC (as defined in Market Rule 1) to be paid that resource for a day that is attributed to the hour(s) during which the resource is run to provide VAR Service in accordance with Market Rule 1 and the ISO New England Operating Documents.

2. The CEP associated with hydro or pumped storage generating units that are producing real power and that have also been brought on-line by the ISO or a Local Control Center to provide VAR Service shall equal the portion of the total NCPC to be paid that resource for a day that is attributed to the hour(s) during which the resource is run to provide VAR Service in accordance with Market Rule 1 and the ISO New England Operating Documents.

3. Qualified Non-Generator Reactive Resources shall be eligible for payment of the CEP incurred by Qualified Non-Generator Reactive Resources for the purpose of providing VAR Service (pursuant to the authority established within written operating protocols developed under Section II.B.4). The CEP of such Qualified Non-Generator Reactive Resources shall be measured pursuant to procedures established at the time of approval of the equipment type pursuant to Section II.B and filed with the Commission pursuant to the requirements of Section 205 of the Federal Power Act.
VI. ALTERNATIVE PAYMENT FOR VAR SERVICE

Where a non-generator source of VAR Service (i) responds to identified needs for dynamic reactive power on the New England Transmission System, as identified in the Regional System Plan, and (ii) is confirmed by the ISO as a dynamic reactive power resource that will meet the identified need, and (iii) such non-generator source of VAR Service meets the criteria to be a Qualified Non-Generator Reactive Resource but cannot recover its costs of providing dynamic reactive power under Schedule 2, such non-generator may submit a separate schedule to the ISO OATT to be filed with the Commission pursuant to the requirements of Section 205 of the Federal Power Act for a rate to be paid to allow such resource to recover its costs related to providing VAR Service. In such case, it shall not be considered a Qualified Non-Generator Reactive Resource under this Schedule 2 and its provision of VAR Service and payment shall be governed solely by such separate schedule filed with the Commission.

SCHEDULE 2 VAR PAYMENT IMPLEMENTATION RULE

This rule describes the steps to be taken to calculate the VAR CC Rate in accordance with Section V.A. of Schedule 2. On an annual basis, the Base CC Rate shall be converted into a VAR CC Rate, expressed in the form of $/kVAR-yr, representing the amount to be paid for leading and lagging capability.

The following calculations shall be done in December of each year to calculate the VAR CC Rate for the next year of VAR Payments for leading and lagging reactive power capability in the following year. As described below, the VAR CC Rate shall be updated on an annual basis utilizing the most current leading and lagging test results, and it is expected to take three years to test all of the Qualified Reactive Resources in leading mode.

1. Calculate the “Current Total Aggregate Lagging VARs”, which shall equal the “Current Net Aggregate Tested Lagging VARs” plus the “Current Net Aggregate Non-Tested Lagging VARs”;

   Where:

   a. the Current Net Aggregate Tested Lagging VARs shall equal the total of Lagging Qualified VAR Capability for all Schedule 2 Qualified Reactive Resources that have completed a successful lagging VAR test, as reflected in the VAR Status Report tab of the VAR Annual Capacity Cost Rate Report that is posted on the ISO website; this value will reflect the lagging kVARs of Schedule 2 Qualified Reactive Resources as taken from its lagging VAR test results adjusted for losses incurred for such VARs to reach the high side of the step-up
the Current Net Aggregate Non-Tested lagging VARs shall equal the total of Lagging Qualified VAR Capability for all Schedule 2 Qualified Reactive Resources that have not yet completed a successful lagging VAR test, as reflected in the VAR Status Report tab of the VAR Annual Capacity Cost Rate Report that is posted on the ISO website; this value will reflect the lagging kVARs of a Schedule 2 Qualified Reactive Resource as taken from its \textit{NX-12D} reactive capability (and \textit{NX-9B} line and transformer impedance, where needed to calculate \textit{generator step-up transformer} losses) data, submitted to and approved by the ISO, at the points defined in IV.11, adjusted for losses incurred for such VARs to reach the \textit{high side} Point(s) of the \textit{step-up transformer} Interconnection (i.e., gross lagging VARs data, as required in ISO Operating Documents, at SCC adjusted down for losses).

c. Increase and decrease limiters shall be applied to potential increases or decreases in the Current Total Aggregate Lagging VARs as follows:

i. Current Total Aggregate Lagging VARs Limiters for 2010:
   • The Current Total Aggregate Lagging VARs value shall not be limited for 2010.

ii. Current Total Aggregate Lagging VARs Limiters for 2011 and beyond:
   • Current Total Aggregate Lagging VARs Increase Limiter for 2011 and beyond: the calculated Current Total Aggregate Lagging VARs will be limited to no greater than 130% of the Current Total Aggregate Lagging VARs value used in the determination of CCRate_{adjusted} for 2010; and

   • Current Total Aggregate Lagging VARs Decrease Limiter for 2011 and beyond: the calculated Current Total Aggregate Lagging VARs will be limited to no less than 70% of the Current Total Aggregate Lagging VARs value used in the determination of CCRate_{adjusted} for 2010.

2. Calculate the Current Total Aggregate Leading VARs which shall equal the Current Net Aggregate Tested Leading VARs plus the Current Net Aggregate Non-Tested Leading VARs;
Where:

a. the Current Net Aggregate Tested Leading VARs shall equal the total of Leading Qualified VAR Capability for all Schedule 2 Qualified Reactive Resources that have completed a successful Leading VAR Test, as reflected in the VAR Status Report tab of the VAR Annual Capacity Cost Rate Report that is posted on the ISO website; this value will reflect the Leading kVARs of Schedule 2 Qualified Reactive Resources as taken from its leading VAR test results adjusted for losses incurred for such VARs to reach the high side of the step-up transformer Point(s) of Interconnection (i.e., gross leading VARs test results adjusted up for losses);

b. the Current Net Aggregate Non-Tested Leading VARs: shall equal the total of Leading Qualified VAR Capability for all Schedule 2 Qualified Reactive Resources that have not yet completed a successful Leading VAR Test, as reflected in the VAR Status Report tab of the VAR Annual Capacity Cost Rate Report that is posted on the ISO website. This value will reflect the Leading kVARs of Schedule 2 Qualified Reactive Resources as taken from its NX-12D reactive capability data, as required in the ISO Operating Documents, (and NX-9B line and transformer impedance, where needed to calculate generator step-up transformer losses) data at EcoMin the points defined in IV.11, adjusted for losses incurred for such VARs to reach the high side Point(s) of the step-up transformer Interconnection (i.e., gross leading VARs NX-12D data reactive capability data, as required in the ISO Operating Documents, at EcoMin adjusted up for losses);

c. Current Total Aggregate Leading VARs Limiters

i. Current Total Aggregate Leading VARs Limiters for 2010:
   • The Current Total Aggregate Leading VARs value shall not be limited for 2010.

ii. Current Total Aggregate Leading VARs Limiters for 2011 and beyond:
   • Current Total Aggregate Leading VARs Increase Limiter for 2011 and beyond: the calculated Current Total Aggregate Leading VARs will be limited to no greater
than 130% of the Current Total Aggregate Leading VARs value used in the determination of CCRate_{adjusted} for 2010; and

• Current Total Aggregate Leading VARs Decrease Limiter for 2011 and beyond: the calculated Current Total Aggregate Leading VARs will be limited to no less than 70% of the Current Total Aggregate Leading VARs value used in the determination of CCRate_{adjusted} for 2010.

3. Calculate the Adjusted CC Rate (CCRate_{adjusted}): shall equal (the Base CC Rate, \* Current Total Aggregate Lagging VARs) / (Current Total Aggregate Lagging VARs + Current Total Aggregate Leading VARs).

4. VAR CC Rate (“VARCCRate”): shall equal (the Adjusted CC Rate) \* (the lesser of 1 or (1.2 \* “Forecast Peak Adjusted Reference Load” for the year / the sum of the “Qualified Reactive Resources’ Seasonal Claimed Capability”));

Where:

a. the “Forecast Peak Adjusted Reference Load” for the year shall equal the amount specified as “Adjusted Reference Load” for the applicable year in Section I.1 - Summaries – Summer from the most current Forecast Report of Capability, Energy, Loads and Transmission (CELT Report);

b. The sum of the “Qualified Reactive Resources’ Seasonal Claimed Capability” shall equal the Qualified Generator Reactive Resources’ Seasonal Claimed Capability plus the Qualified Non-Generator Reactive Resources’ Adjusted Seasonal Claimed Capability;

Where:

i. the Qualified Generator Reactive Resources’ Seasonal Claimed Capability is reflected on the VAR CC Rate tab of the VAR Annual Capacity Cost Rate Report; and

ii. the Qualified Non-Generator Reactive Resources’ Adjusted Seasonal Claimed Capability is reflected on the VAR CC Rate tab of the VAR Annual Capacity Cost Rate Report.
5. Monthly VAR Payment for a Qualified Reactive Resource in a particular month shall equal the
(VARCCRate / 12 * (its Monthly Net Lagging VARs for that month + its Monthly Net Leading
VARs for that month)), as reflected in the applicable monthly VAR Status Summary Report that is
posted on the ISO website.

value shall equal its VAR value based on (a) its most recent successful Lagging VAR test
or (b) if it has not yet completed such a test, its VAR value at SCC, or equivalent point,
based on its submitted and ISO accepted NX-12D reactive capability data, as required in
the ISO Operating Documents, and NX-9B line and transformer impedance data. The
Qualified VAR Resource’s Monthly Net Lagging VARs value shall be reflected in the
applicable monthly VAR Status Summary Report that is posted on the ISO website.

value shall equal its VAR value based on (a) its most recent successful Leading VAR test
or (b) if it has not yet completed such a test, its VAR value at EcoMin, or equivalent point,
based on its submitted and ISO accepted NX-12D reactive capability data, as required in
the ISO Operating Documents, and NX-9B line and transformer impedance data. The
Qualified Reactive Resource’s Monthly Net Leading VARs value shall be reflected in the
applicable monthly VAR Status Summary Report that is posted on the ISO website.