

Northern Maine Independent System Administrator, Inc.
FERC FPA Electric Tariff
Volume No. 1

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1. Definitions

Whenever used in this Tariff, in either the singular or plural number, capitalized terms shall have the meanings set forth below:

- 1.1** ADR is the Alternative Dispute Resolution procedure set forth in Section 9 of this Tariff.
- 1.2** Affiliate is any person or entity that controls, is controlled by, or is under common control with, such person or entity. As used in this Section 1.2, “control” means either (i) the ownership, directly, indirectly or through a chain of successive ownership, of 10% or more or the voting interest of an entity or (ii) the possession, directly, indirectly or through a chain of successive ownership of the power to direct the policies and actions of an entity.
- 1.3** Ancillary Services are (1) Scheduling, System Control and Dispatch Service; (2) Reactive Supply and Voltage Control from Generation Sources Service; (3) Regulation and Frequency Response Service; (4) Energy Imbalance Service; (5) Operating Reserve - Spinning Reserve Service; and (6) Operating Reserve - Supplemental Reserve Service, as defined in Market Rule No. 3.
- 1.4** Area is one of the following: New England, New York, Ontario, Quebec or the Maritimes within the Northeast Power Coordinating Council that is operated as a control area as defined by the North American Electric Reliability Council.
- 1.5** Automatic Generation Control is the measure of the ability of an electric generating unit or portion thereof to respond automatically within a specified time to a direction

to increase or decrease the level of output in order to control frequency and maintain proper power flows into and out of the Northern Maine Market.

- 1.6** Balancing Area is the Area of operation of the Balancing Authority to which the ISA is subject.
- 1.7** Balancing Authority is the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within an Area, and supports interconnection frequency in real-time.
- 1.8** Balancing Energy is energy used to maintain the balance between generation and demand on an actual basis and to provide CEPs with the difference between their actual generation and actual demand, including losses, on an hourly basis.
- 1.9** Balancing Energy Clearing Price is the price, applied hourly, for Balancing Energy.
- 1.10** Base Case is a study of the planned development of the Northern Maine Transmission System prepared in accordance with the Market Rules and Section 4.14 of this Tariff.
- 1.11** Commission is the Federal Energy Regulatory Commission.
- 1.12** Competitive Electricity Provider (CEP) is any marketer, broker, aggregator or other entity that is legally entitled in the State of Maine to sell, and that is selling or that will sell, electric energy, capacity or Ancillary Services to the public at retail in the Northern Maine Market. A CEP includes only a limited number of competitive electricity providers as they are defined under 35-A M.R.S.A. § 3201 sub-§
- 1.13** Demand is the Load of a Market Participant plus its allocated share of Northern Maine losses.

- 1.14** Demand-Side Management (DSM) is the application of programs, activities and technologies designed to encourage or facilitate consumers' longer term modification of electricity usage and patterns of use, including the timing and level of electricity demand. It refers specifically to energy and load-shape modifications that are undertaken in response to utility-administered programs, customer initiated activities or programs developed in the marketplace, including government initiated energy-efficiency standards.
- 1.15** Effective Date is the date on which this agreement is permitted to become effective by the Commission.
- 1.16** EMEC is the Eastern Maine Electric Cooperative, Inc., a consumer-owned electric utility operating in Northern Maine and performing the functions of both a T&D Utility and a Transmission System Operator.
- 1.17** Executive Session is any meeting of the ISA Board of Directors that is not open to any ISA Members except those constituting the Board and Alternate Directors.
- 1.18** Federal Power Act (FPA) is an Act of the United States Congress that governs the ISA.
- 1.19** Force Majeure is any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any reduction in firm or non-firm transmission service in response to a transmission capacity shortage as a result of system reliability conditions, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond the control of the party claiming Force Majeure. Neither the ISA nor any ISA Member will be considered in default as to

any obligation under this Tariff if prevented from fulfilling the obligation due to an event of Force Majeure. However, a party whose performance under this Tariff is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Tariff. Force Majeure shall not include: (i) equipment failures that can reasonably occur in normal operation due to any degree of wear or tear; (ii) economic hardship or any inability to obtain financing; or (iii) conditions of national or local economies or markets.

1.20 Generating Unit is an electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered that is:

- i Located within Northern Maine;
- ii Connected to the Northern Maine Transmission System, either directly or via interconnected transmission or distribution facilities; and
- iii Capable of producing and delivering net energy (energy in excess of a generating station's internal power requirements).

A Generating Unit shall be an individual unit or a group of units with a common connection point and meter.

1.21 Generator is the owner or operator of any electric generating unit or combination of units located in the Northern Maine Market, the dispatch and scheduling of which is subject to the oversight and monitoring of the ISA.

1.22 Good Utility Practices are any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made,

could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.23 HWC is the Houlton Water Company, a municipally-owned electric utility operating in the Northern Maine Market and performing the function of a T&D Utility.

1.24 ISA is the Northern Maine Independent System Administrator, Inc., a non-profit organization that, with Commission authorization: (i) oversees, monitors, and coordinates the use of the Northern Maine Transmission System and administers the relevant Transmission Tariffs; (ii) administers the Balancing Energy, energy and Ancillary Services Markets, including support for bilateral and self-scheduled services; (iii) provides the settlement and billing functions in the Northern Maine Market; (iv) requires compliance with Reliability Standards and capacity obligations; and (v) discharges the other responsibilities set forth in this Tariff.

1.25 ISA Member is any entity or person that meets the requirements of Section 7 of this Tariff and that executes the Service Agreement attached to this Tariff as Attachment A and that agrees to be bound by the terms of this Tariff.

1.26 ISO-NE is ISO New England, Inc., the Independent System Operator of the New England Power Pool (“NEPOOL”) control area.

1.27 Large Customer is any retail consumer of electric energy or capacity whose maximum demand during the previous calendar year is equal to or greater than 500 kilowatts.

- 1.28** Load is the total of all kilowatt-hours delivered for consumption to an end-user during a relevant period, regardless of the Resources supplying those kilowatt-hours. For a wholesale Market Participant, Load is the total of all kilowatt-hours consumed by the wholesale Market Participant's end-user customer(s) during a relevant period. For a T&D Utility, Load is the total of all kilowatt-hours delivered to its point(s) of interconnection with the Northern Maine Transmission System for use by end-user customers on its system.
- 1.29** Maine Public Advocate is the entity established to represent the using and consuming public before the MPUC under Chapter 17 of Title 35-A of the Maine Revised Statutes Annotated.
- 1.30** Market Participant means any Generator, CEP, Transmission System Operator or T&D Utility whose participation in the Northern Maine Market is required in order to provide electric service to the ultimate end-users in that market.
- 1.31** Market Rules are those rules developed, implemented, interpreted and enforced by the ISA pursuant to Section 4.2 of this Tariff.
- 1.32** MPS is Maine Public Service Company, an investor-owned electric utility operating in Northern Maine and performing the functions of a T&D Utility and Transmission System Operator.
- 1.33** MPUC is the Maine Public Utilities Commission.
- 1.34** NB Power is the New Brunswick Power Corporation, an electric utility owned and operated by the Province of New Brunswick, Canada, and that owns the only direct transmission interface with Northern Maine.

- 1.35** New Brunswick System Operator (“NBSO”) is the independent body whose primary responsibilities are to ensure the security and reliability of the New Brunswick electricity system and to facilitate the development and operation of a competitive electricity market in New Brunswick and serves as the Balancing Authority for the Maritimes Area.
- 1.36** Northern Maine is that portion of Aroostook, Washington and Penobscot Counties, Maine, that, as of the Effective Date of this Tariff, is served on a retail basis by EMEC, HWC, MPS and VBL&P, and which is not a part of ISO-NE.
- 1.37** NMAO is the Northern Maine Area Operator, which is (a) the ISA and the TSOs; or (b) the TSOs at any time when they are acting on behalf of the ISA pursuant to the terms of this Tariff.
- 1.38** Northern Maine Market is the market for all products and reliability-related services administered by the ISA under this Tariff.
- 1.39** Northern Maine Transmission System is the total of all transmission facilities located in Northern Maine and operated in accordance with the Commission’s Order No. 888, and the Commission’s subsequent orders and decisions with respect thereto.
- 1.40** OASIS means Open Access Same-Time Information System, an information system and standards of conduct implemented pursuant to the requirements of 18 C.F.R. § 37 of the Commission’s regulations.
- 1.41** Operating Plan is the plan for the daily scheduling and dispatch of Resources created in the manner described in Section 4 of this Tariff.

- 1.42** Operating Year means: (i) for the ISA’s first Operating Year, those consecutive calendar months beginning with the month in which the ISA first provides service under this Tariff and ending on December 31; and (ii) each calendar year thereafter.
- 1.43** Regional Transmission Group (RTG) is a group of utilities that are working together to coordinate various aspects of the operation, use and expansion of the Northern Maine Transmission System in their region and the connection with other regions.
- 1.44** Reliability Standards are the standards for reliability that are used in Northern Maine and are described in the Market Rules.
- 1.45** Resource is any source of electric capacity, energy, or ancillary services, firm or non-firm, including any electric generating unit, combination of generating units, Demand-Side Management, contractual right to purchase electric capacity, energy, or ancillary services, used to supply Load with energy and meet capacity obligations in the Northern Maine Market.
- 1.46** Retirement Applicant is an entity that wishes to retire a Generating Unit or group of Generating Units located in Northern Maine in accordance with the requirements of the Northern Maine Market Rules.
- 1.47** Tariff refers to this ISA Tariff.
- 1.48** T&D Utility means: (i) if stated as “a T&D Utility” a distribution utility providing retail electric service under the regulation of the
MPUC; and (ii) if stated as “the T&D Utility”, all or any of EMEC, HWC,
MPS and VBL&PD.
- 1.49** TO is a transmission owner, the owner of transmission level facilities in Northern Maine.

- 1.50** Transmission Customer is any entity receiving transmission service pursuant to a Transmission Tariff.
- 1.51** Transmission Service Access Fee is the fee for transmission access for any transmission service in the Northern Maine Market as prescribed in Section 6 of this Tariff.
- 1.52** Transmission Tariff is a standard set of rates, terms and conditions for the provision of transmission service that is in compliance with the requirements of the Commission's Order No. 888, and the Commission's subsequent orders and decisions with respect thereto.
- 1.53** Transmission System Operator (TSO) is any entity operating transmission facilities in Northern Maine pursuant to a Transmission Tariff. EMEC and MPS are the only TSOs in Northern Maine.
- 1.54** User is any entity that is not a Market Participant and that uses the Northern Maine Transmission System.
- 1.55** VBL&PD is the Van Buren Light and Power District, a municipally-owned electric utility operating in Northern Maine and performing the functions of a T&D Utility.

2. Purpose of this Tariff.

The purpose of this Tariff is to set forth the organization, governance, funding, responsibilities and authority of the ISA, and the corresponding responsibilities of the Market Participants in the Northern Maine Market. The State of Maine has mandated that all electricity consumers in the state must be afforded the opportunity to participate in a competitive retail market for electric service by March 1, 2000. In order to achieve this result, the Market Participants believe it is essential that the region's wholesale transmission and electric services markets be subject to monitoring and control independent of any Market Participant. The formation and operation of the ISA is required because the electric system in Northern Maine is not directly interconnected with any other domestic electric system and therefore is not subject to the control of ISO-NE or the operator of any other control area.

Northern Maine's electric load is very small (130 MW in 1998) relative to the load of other markets. As such, the ISA cannot be burdened with either the complexity or expense associated with larger system operators, such as ISO-NE. The ISA established by this Tariff nevertheless has the independence necessary to carry out the purposes of this Tariff.

Any ambiguity in any provision of this Tariff that relates to the independent functioning of the ISA shall be interpreted in a manner that ensures the ISA's independence.

3. Organization of the ISA.

3.1 ISA Board.

The activities of the ISA shall be managed by a Board of Directors. The Board shall consist of a minimum of four and a maximum of seven members, all of which shall serve concurrent terms and each of which shall represent one of the following classes of entities:

- (a) MPS
- (b) EMEC
- (c) HWC and VBL&PD
- (d) Large customers located in Northern Maine
- (e) The designee of the Maine Public Advocate, on behalf of all other customers located in Northern Maine
- (f) Generators located in Northern Maine
- (g) CEPs operating in Northern Maine, except that no Generator may qualify for membership in this class

Each Director and Alternate Director (other than those representing the Maine Public Advocate) must be an employee, officer or director of an entity within the class he or she represents.

3.2 Prohibition on Affiliate Representation in Other Classes and Class Voting Rights.

No Affiliate of any ISA Member of any of these specified classes may serve as the representative of any other class.

The only voting rights of each class shall be to choose its own Director and Alternate Director to serve on the ISA Board of Directors. Membership in a class is

based upon meeting the qualifications contained in the description of the class (see Definitions in Section 1).

3.3 Vote Required for Action.

No action may be taken by the Board except upon an affirmative vote by at least four members of the Board.

3.4 ISA Staff.

The ISA shall maintain a staff of employees sufficient in number, skill, training and knowledge to satisfy its obligations under this Tariff. The ISA shall not, however, be obligated to maintain all-hours staffing and may rely upon TSOs to perform certain of its functions at the times and in the manner contemplated in this Tariff.

3.5 Conflict of Interest Policy.

- (a) The ISA shall adopt and enforce a Conflict of Interest Policy that shall comply with all applicable requirements of FERC.
- (b) No person employed by the ISA shall have any financial interest in the economic performance of any Market Participant or any Affiliate of any Market Participant, nor shall it engage in any transactions, directly or indirectly, for its own account in the Northern Maine Market.
- (c) No person employed by the ISA shall have any financial interest in the economic performance of any Market Participant or any Affiliate of any Market Participant, nor shall it engage in any transactions, directly or indirectly, for its own account in the Northern Maine Market.

3.6 Non-Profit Corporation.

The ISA shall seek tax-exempt status under Section 501(c) of the United States Internal Revenue Code and status as a non-profit corporation in accordance with Title 13-B of the Maine Revised Statutes Annotated. The ISA shall not perform any services other than the services contemplated by this Tariff and related activities.

3.7 Meetings of the Board.

Regular meetings of the Board shall be held on such dates as may be fixed, from time to time, by the Board. Regular meetings of the Board may be held without notice if the time and the place of the meetings are fixed by resolution of the Board. Special meetings of the Board shall be held whenever called by the President, the Chairman of the Board, or by four members of the Board. Notice of the time and place of special meetings of the Board (i) shall be given to each Director and each Alternate Director at least five business days before the meeting by mailing it, postage prepaid, and addressing to him at his last known residential or business address, according to the records at the ISA, and by at least one electronic means, or (ii) if any Director or Alternate Director determines that a special meeting of the Board upon short notice is necessary such notice shall be given to each Director or Alternate Director at least two days before the meeting by delivering same to him personally, by telephone, or by electronic communication, or by leaving the notice at his residence or usual place of business. Notice of any meeting of the Board shall not have to be given to any Director or Alternate Director who attends such meeting or who, in writing executed and filed, with the records of such meeting either before or after the holding of such meeting, a waiver of such notice. No notice of adjourned meetings need be given, if the time and place to which it is adjourned are fixed and

announced at such meeting. All regular and special meetings shall be general meetings, that is to say, open for the transaction of any business within the powers of the ISA without special notice of such business. Public notice of all meetings of the Board shall be placed on the ISA web page.

At all meetings of the Board, four Directors then in office shall constitute a quorum for the transaction of business. A vote of no less than four Directors or the Alternate Directors present at any meeting of the Board at which a quorum is present shall constitute an act of the Board. In the absence of a quorum, the Directors present by majority vote may adjourn the meeting from time to time without notice other than by oral announcement at the meeting until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meetings originally notified.

No final action may be taken by the Board except in open meetings, provided, however, that the following may take place in Executive Session:

- (a) discussion of matters concerning the employment of any ISA employee;
- (b) discussions between the ISA Board and its attorney concerning any legal matter affecting the ISA where public disclosure of the discussions would prejudice the ISA;
- (c) the discussion of any matter that, if made public, would violate the confidentiality of any information obtained by the ISA from any ISA Member under this Tariff.

3.8 By-Laws.

The ISA Board shall adopt such by-laws as are necessary to implement the intent of this Section 3 and to fulfill the ISA's obligations under this Tariff.

4. Rights and Obligations of the ISA.

4.1 Right to Propose Changes to the ISA Tariff.

The ISA staff and any Market Participant shall have the right to propose to the ISA Board of Directors such changes to the ISA Tariff as it deems necessary and appropriate to the fair, efficient and reasonable operation of the Northern Maine Market. The ISA Board of Directors alone can authorize changes to the ISA Tariff. Nothing contained herein shall be construed to modify, impair or otherwise affect the exclusive right of the TOs to amend their Transmission Tariffs pursuant to Section 205 of the Federal Power Act or any successor thereto.

4.2 Market Rules.

- a. The ISA shall develop or cause to be developed, and shall interpret and enforce (subject to Section 9 of this Tariff) Market Rules covering all financial and technical aspects, respectively, of the Northern Maine Market. These rules and procedures will govern the ISA's and TSOs' implementation of the mechanics of the daily operation of the Northern Maine Market and, at a minimum, shall cover the following subjects:
 - (i) Determination of total transmission capacity, committed uses and available transmission capacity, including provisions giving the ISA dispute resolution authority over the determination of available transmission capacity and committed uses
 - (ii) Settlements and billing
 - (iii) Reservation, scheduling and dispatch of the Northern Maine Transmission System and Resources

- (iv) Demand forecasting
 - (v) Ancillary Services requirements, acquisition and use
 - (vi) Requirements for ISA Members to submit data to the ISA
 - (vii) Reservation, scheduling and dispatch of the transmission interfaces between the Northern Maine Transmission System and the transmission system of NB Power
 - (viii) Outage coordination
 - (ix) Loss administration
 - (x) Transmission and resource adequacy and reliability
 - (xi) Connection, retirement and modification of facilities and DSM programs
 - (xii) Monitoring, auditing, sanctions and penalties for non-compliance with this Tariff, any Market Rule, or ISA directions and/or order pursuant thereto;
 - (xiii) Generation capacity obligations.
- b. Such Market Rules as may be necessary for complete and efficient operation as prescribed under Section 4.4. shall be developed and implemented by the ISA; and
- c. The ISA Board of Directors shall have the authority to adopt additional Market Rules, or to amend, modify, or repeal any Market Rule, subject to the provisions of Section 11.

4.3 Reservation, Scheduling and Dispatch of the Northern Maine Transmission System.

- a. The ISA shall administer the reservation, scheduling and dispatch of the Northern Maine Transmission System. The ISA shall reserve and use the Northern Maine Transmission System in accordance with and subject to the provisions of the Transmission Tariffs of the TSOs. The ISA shall administer the TSO Transmission Tariffs, performing functions that include the acceptance and processing of all requests for reservation and/or scheduling of the Northern Maine Transmission System, including the use of interconnections with NB Power. The ISA's responsibilities shall include, but not be limited to, coordination of the Northern Maine Transmission System operation and of the implementation of any necessary control actions by the TSOs, and the issuance of such directions and instructions pursuant to this Tariff and any Market Rules enacted pursuant thereto as are necessary to discharge those responsibilities.
- b. The TSOs shall be responsible for the safety and reliable operation of the Northern Maine Transmission System, subject to such rules, directions and orders as the ISA may issue pursuant to this Tariff and the Market Rules and consistent with Section 4.9 of this Tariff.
- c. The ISA shall develop, maintain and operate a Northern Maine OASIS consistent with the requirements of all applicable laws and regulations. It may satisfy this obligation by augmenting any OASIS site operated by any Northern Maine TSO. The ISA may direct and require that its OASIS be updated and maintained by any Northern Maine TSO during these periods

when the ISA is not staffed.

- d. The ISA shall determine and administer the rights of all ISA Members across any constrained transmission interface within, or connected to, the Northern Maine Transmission System.

4.4 The Operation of the Northern Maine Market.

- a. The initial market structure to be operated by the ISA shall consist of bilateral transactions between and among wholesale purchasers and sellers, and between sellers and retail customers. Any necessary scheduling adjustments and reconciliations will be accomplished by the ISA through the use of Balancing Energy and Ancillary Services purchased from the Balancing Authority or from any other entity that the ISA determines is capable of providing, on a reliable basis, comparable and competitively priced services.
- b. The ISA shall have the authority to create markets for energy, including the establishment of an hourly price mechanism, Ancillary Services, Balancing Energy, or other products or services, when, in the ISA's judgment, market conditions and the projected benefits so warrant. Any such energy or other product or services markets will not be implemented prior to the receipt of such Commission approvals as are necessary.

4.5 Ancillary Services.

- a. The ISA shall determine the proper level of Ancillary Services in the Northern Maine Market and for each Market Participant.
- b. The ISA shall administer the market for all Ancillary Services for the

Market Participants and shall purchase and resell, at cost, all Ancillary Services in the Northern Maine Market.

- c. The ISA shall purchase all Ancillary Services necessary to the Northern Maine Market from the Balancing Authority or from any other entity that the ISA determines is capable of providing, on a reliable basis, comparable and competitively priced services.

4.6 Scheduling and Dispatch of Resources.

- a. The NMAO shall oversee the scheduling, dispatching and facilitating of all energy, capacity and Ancillary Services transactions in the Northern Maine Market, including self-scheduling and bilateral contracts, from all Resources. It will perform this function by means of the Operating Plan issued by it and by monitoring or auditing the scheduling and dispatching activities of the TSOs in the manner set forth in this Tariff.
- b. The Operating Plan issued by the ISA shall, at a minimum, specify the scheduled uses of transmission and generation resources, interchanges with the Balancing Authority, and the source, supply and amount of Ancillary Services. The NMAO shall have the right to make changes in the Operating Plan as circumstances warrant (e.g., unplanned Resources outages or changes in demand) and to include emergency or contingency directives as part of the Operating Plan.
- c. The ISA shall, in a timely manner, make available:
 - i the entire Operating Plan to the TSOs; and
 - ii to other ISA Members such portions of the Operating Plan the

disclosure of which does not violate the ISA's confidentiality procedures developed under Section 12 of this Tariff.

4.7 ISA Oversight of the Operating Plan.

- a. The Operating Plan shall, consistent with the Market Rules, reflect the schedules of all Resources, subject to such adjustments as circumstances warrant. The manner in which such changes may be made shall be addressed in the Market Rules.
- b. Whenever the ISA is staffed, it shall monitor the operations of the TSOs to ensure their compliance with the Operating Plan and the Market Rules. If the ISA determines that any TSO is out of compliance with the Operating Plan or Market Rules, or any directions issued by the ISA pursuant thereto, the ISA shall promptly take such corrective action as is necessary to return the TSO to compliance.
- c. Whenever the ISA is not staffed, the TSOs, as NMAO, shall conduct their operations, including the dispatch of Resources within their respective service territories, in accordance with the Operating Plan and Market Rules. The TSOs shall maintain a written operation log and such other data and records as the ISA shall prescribe, in the manner prescribed by the ISA, which shall be of sufficient detail to allow the ISA to monitor compliance with the Operating Plan and Market Rules. The ISA staff shall inspect and review these logs, data and other prescribed records at any time, but in no event less frequently than once every 72 hours. If the ISA determines that any TSO is out of compliance with the Operating

Plan, Market Rules, or any directions issued by the ISA pursuant thereto, the ISA shall promptly take such corrective action as is necessary to restore the TSO to compliance, including any appropriate action under Section 4.17 of this Tariff.

- d. The ISA shall develop standards that permit, and control the ability of, the TSOs to deviate from the Operating Plan in response to changes in operating conditions that:
 - i pose, or reasonably could pose, a threat to safety or short-term reliability; or
 - ii render the economic assumptions underlying the Operating Plan unreasonable.

- e. Any TSO ordered by the ISA to take corrective action pursuant to this section shall at the time it is so ordered have an opportunity to informally explain to the ISA why it believes its action conforms to the Operating Plan and Market Rules (including its right to make changes to the Plan under Section 4.7(d) above). The ISA shall immediately convey to the TSO its agreement or disagreement with the TSO's position. If the ISA disagrees with the TSO's explanation and orders compliance, the TSO shall immediately take the corrective action; provided that the TSO shall not be obligated to take the corrective action on any matter regarding the safety or the operating reliability of its Transmission System. Thereafter, either the ISA or the TSO shall have the right to submit the dispute to the ADR Procedures set forth in Section 9.

4.8 Monitoring Performance and Reliability.

The ISA staff shall have the authority to monitor the performance and reliability of all Resources used in the Northern Maine Market and to make such recommendations, or to propose such additional Market Rules, to the ISA Board of Directors as deemed necessary to promote reliability and efficiency.

4.9 Reliability Standards.

The ISA shall in the Market Rules prescribe Reliability Standards for the Northern Maine Transmission System consistent with the applicable standards set by the North American Electric Reliability Council and the Northeast Power Coordinating Council or any successor organizations. The ISA shall, through its oversight of the TOs and otherwise consistent with this Tariff and the Market Rules, monitor the reliability of the Northern Maine Transmission System to determine its consistency with such Reliability Standards. The ISA shall, to the extent authorized under this Tariff, ensure that the Northern Maine Transmission System has, at all times, adequate transmission and generation capacity to satisfy such Reliability Standards.

4.10 Settlements and Billing.

The ISA shall perform any financial settlement requirements associated with each CEP's Load obligation and generation delivery in the Markets in Northern Maine, in accordance with the appropriate Market Rules. In performing this function, the ISA shall use, for each CEP, the scheduled and actual hourly Load and generation provided by the T&D Utilities as calculated, with respect to Load, in accordance with Chapter 321 (or its successor) of the MPUC's Rules and Regulations.

4.11 Market Assessment.

- a. The ISA shall have the authority to independently assess the competitiveness and efficiency of the Northern Maine Market and shall convey its findings to all ISA Members. The ISA staff may propose to the Board of Directors such new Market Rules as it may deem necessary or desirable to implement any such recommendations, subject to and in accordance with the procedures set forth in Section 11; and
- b. The ISA shall have the right to initiate, intervene in and participate in as a party any proceeding before any local, State, Federal, or Canadian court, agency or other entity of competent jurisdiction if it concludes that such participation will advance the purposes contemplated by this Tariff.

4.12 Facilities and Equipment.

- a. The ISA shall have the right to purchase, lease or otherwise acquire all land, structures, fixtures, equipment and facilities, and all software and other intellectual property or rights to intellectual property in order to carry out its responsibilities under this Tariff. The ISA shall maintain, insure and pay any taxes with respect to such property.
- b. Upon termination, wind-up or dissolution of the ISA, the net assets shall be distributed to an organization qualified under Section 501(c)(3) of the Internal Revenue Code as designated by the ISA Board of Directors.
- c. Upon the payment of proper rent, the ISA may lease or use the property, real, personal or intellectual, of any ISA Member to carry out its responsibilities. The ISA shall not take any action that would create a

lien, security interest or encumbrance of any kind upon such property and shall, upon the request of the property's owner, provide a statement to that effect.

4.13 Transmission Service Access Fees.

The ISA shall monitor transactions between Loads and Resources located on both the MPS and EMEC Transmission Systems for the purpose of determining the Transmission Service Access Fee in accordance with the procedures and requirements set forth in Section 6 of this Tariff, and shall have the authority to implement all forms and procedures necessary to carry out the intent of that section.

4.14 Long-Term Transmission System Planning.

The ISA shall, in Market Rules, prescribe the procedures to be followed in the discharge of its responsibilities concerning long-term planning for the Northern Maine Transmission System including:

- (a) Annually the ISA shall prepare, in accordance with the Market Rules, a Base Case for the planned development of the Northern Maine Transmission System.
- (b) Where the Base Case identifies that action is or will be required to alleviate an existing or emerging transmission constraint, the ISA shall take the actions referred to in Section 4.19 when, in the ISA's independent judgment, no adequate proposal exists to address the problem.
- (c) Where the Base Case identifies a potential transmission constraint, the ISA shall identify one or more options that can alleviate the constraint

and the time frame for implementation of each such option.

Where the Base Case indicates that: (i) existing, emerging or potential congestion can be reduced; (ii) measures can be used to reasonably improve the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules; or (iii) the performance of the Northern Maine Market can be improved by a transmission investment, the ISA may quantify the benefits of such investment to the Northern Maine Market in terms of the impact of the investment on costs in the Northern Maine Market, including congestion costs. The ISA may also identify and assess or quantify such other benefits as it determines appropriate. The results of any such benefit quantification shall be published by the ISA.

In addition to the Base Case, the ISA may prepare alternative analyses based on differing assumptions as to the likelihood of implementation of the connection of new or modified facilities to, or the deactivation, disconnection, retirement or removal of existing facilities from, the Northern Maine Transmission System.

4.15 Agent for T&D Utilities.

The ISA may act as agent for the T&D Utilities, at their joint request, in fulfilling their obligations under Federal or State law to the degree permitted by such law.

4.16 Relations with NB Power and the Balancing Authority.

- (a) Tie Line Interruption Service. The ISA is authorized to purchase such service from NB Power and to make it available, at cost, to any load serving entity supplying power from resources located south of the New Brunswick 345 kV interconnection(s) with New England.

The need for this service will be determined principally by an inadequate North-South flow between New Brunswick and New England which will not permit South-North service. When ISO-NE informs the Balancing Authority of the operating condition, this service will be made available to the ISA.

The ISA will have the option of refusing such service from NB Power in advance of its being provided, if it has been given at least one hour's advance notice by the Balancing Authority of the service condition requiring it. If, however, it has not done so, or if it does not respond to a request from the Balancing Authority to determine if such service is to be provided, the default service will be provided. Such service will not be provided in case of unavailability of generation or physical interruption of transmission.

If an entity wishes to obtain this as firm service, as defined by NB Power, through the ISA, it must give seven (7) months notice to the ISA. The ISA may waive all or part of the seven month notice requirement. The firm service must be purchased for whole months and for not less than one month.

The ISA may purchase and sell this service at a monthly fixed rate for non-firm service and the entity purchasing the service from the ISA will be required to take or pay for such service during the month. The ISA may purchase and sell such service only when needed and will pay for its costs based on an after-the-fact determination.

- (b) Operating Rules and Procedures. The ISA may establish Operating Rules and Procedures with the Balancing Authority to implement the Products and Services Agreement (PSA) between the T&D Utilities and NB Power.
- (c) Payments. Payments from the ISA to the Balancing Authority for services obtained from the Balancing Authority and resold by the ISA at cost may be made directly by Market Participants to the Balancing Authority provided they are properly identified to the ISA.
- (d) Dispute Resolution. When any affected party which is not a party to the PSA has a complaint against NB Power concerning the PSA or its adherence to the Operating Rules and Procedures, it may submit such complaint to the ISA. The ISA may file such a complaint with NB Power and make use of the dispute resolution procedures of the PSA. If the ISA does not take such action, the affected party may use the dispute resolution procedures of this ISA Tariff as between itself and the ISA.

4.17 Sanctions and Penalties.

The ISA shall develop rules and procedures for imposing sanctions and penalties, monetary and otherwise, on entities which violate their obligations under this Tariff.

4.18 Authority to Suspend the Market.

- (a) The ISA has the authority to suspend all, or any part of, the Northern Maine Market, for so long as it deems necessary, if it determines that equipment failure or other physical occurrence will prevent the Northern Maine Market from functioning in a reasonable manner as designed, or that the continued operation of the Northern Maine Market as prescribed

in the Operating Plan would impair the reliable operation of the Northern Maine Transmission System and Resources or provision of electric service within Northern Maine.

- (b) In the event of market suspension, the ISA has the authority to take such actions with respect to existing transactions, schedules, and other matters under its authority and responsibility as it deems reasonable and necessary.
- (c) The ISA shall be obligated to lift the suspension of the market and reinstate market operations as soon as reasonably practicable, and to take such actions as are reasonable and necessary to reconstitute the Northern Maine Market and cure any economic dislocation caused by the market suspension.
- (d) Any dispute arising with respect to any actions taken by the ISA relating to the suspension of the market, including any actions described or set forth above, shall be submitted to ADR process set forth in Section 9 of this Tariff.

4.19 Authority in Circumstances in which Transmission Constraints or Reliability Concerns Exist for which There Is No Remedial Proposal

- (a) Where the ISA has identified a need to alleviate an existing or emerging transmission constraint or reasonably improve the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules and, in the ISA's independent judgment, there exists no adequate proposal to address the problem, the ISA shall:

- (i) develop, in consultation with the Market Participants as appropriate, technically feasible options for alleviating the transmission constraint or improving the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules; and
 - (ii) commence a process to satisfy that need by issuing a request for proposals to implement one or more technically feasible options for alleviating the existing or emerging constraint or to reasonably improve the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in Market Rules or address projected problems with reliability.
- (b) Upon completion of the request for proposal process provided for in subpart (a)(ii), the ISA shall identify a preferred proposal to address the problem. Such preferred proposal shall comprise the proposal or combination of proposals received from bidders and/or options identified by the ISA under subpart (a)(i) that are best designed to address such problem.
- (c) Any preferred proposal identified pursuant to subpart (b) shall be implemented pursuant to the Market Rules.
- (d) Any request for proposals pursuant to subpart (a)(ii) shall be filed with the Commission for approval at least 60 days prior to the issuance of the request for proposals. The filing shall include the terms and conditions of the request for proposals and an explanation why the ISA was unable to

solicit a market response in the absence of the request for proposals.

4.20 Authority to Address Short-Term Reliability Problems.

The ISA is authorized to take such actions as, in its independent judgment, are reasonable and necessary to address short-term or imminent reliability problems on the Northern Maine Transmission System, or the adequacy, availability or reliability of Resources connected, directly or indirectly, to the Northern Maine Transmission System, including, but not limited to, the purchase of Resources and the execution of contract(s) to ensure the continued availability of a Resource. This authority is in addition to the authority otherwise granted the ISA under this Tariff and the ISA Market Rules.

4.21 Connection of New Facilities.

- (a) No entity shall connect any new facility to the Northern Maine Transmission System if such action is disapproved by the ISA.
- (b) For purposes of this section, the connection of a new facility consists of any of the following actions:
 - (i) the connection of a new Generating Unit;
 - (ii) the connection and/or reactivation of an existing mothballed Generating Unit proposing to come back into service;
 - (iii) the addition or removal of any transmission facility located in Northern Maine and rated 69 kV or above, whether or not the transmission facility is or will be part of the Northern Maine Transmission System; or
 - (iv) the establishment of connections with a transmission system outside of the Northern Maine Transmission System.

- (c) The ISA shall prescribe in the Market Rules the timing for and manner of application with respect to a proposed connection of a new facility to the Northern Maine Transmission System.
- (d) The ISA shall evaluate each proposed connection of a new facility to determine whether it would adversely affect the Northern Maine Transmission System and whether it would provide reliability benefits thereto. The ISA may, as prescribed in the Market Rules, conduct a cost-benefit analysis with respect to the reliability determination. The ISA may disapprove a proposed connection of a new facility if the ISA determines:
 - (i) that such connection would adversely affect the Northern Maine Transmission System; or
 - (ii) that the proponent of such connection has not provided the information required by the Market Rules on a timely basis.
- (e) The ISA shall prescribe in the Market Rules the requirements with respect to (i) the timing and implementation of connections, including allocation of costs thereof, and (ii) the cost of connection assessments.
- (f) Nothing in this section shall be construed as modifying or affecting the obligation of any entity seeking to interconnect with facilities of a TSO from complying fully with the Transmission Tariff of the TSO.

4.22 Modified Facilities.

- (a) No entity shall connect any modified facility to the Northern Maine Transmission System if such connection is disapproved by the ISA.
- (b) For purposes of this section, the connection of a modified facility consists of any of the following actions:

- (i) the connection of a modified Generating Unit, including any change in the Generating Unit's electrical characteristics;
 - (ii) the connection of any modified transmission facility located in Northern Maine and rated 69 kV or above, whether or not the transmission facility is or will be part of the Northern Maine Transmission System, including any upgrade; or
 - (iii) a change in system configuration.
- (c) The ISA shall prescribe in the Market Rules the timing for and manner of application with respect to a proposed connection of a modified facility to the Northern Maine Transmission System. The ISA may disapprove a proposed connection if the ISA determines: (i) that such modification would have a negative impact on the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules; or (ii) that the proponent of such modification has not provided the information required by the Market Rules on a timely basis.

4.23 Demand-Side Management Programs.

No Market Participant directly connected to the Northern Maine Transmission System shall institute or materially change a Demand-Side Management program on the Northern Maine Transmission System if such program is disapproved by the ISA. The ISA shall prescribe in the Market Rules the timing for and manner of notice with respect to a proposed Demand-Side Management program. The ISA shall not disapprove a Demand-Side Management program notice unless the ISA determines that such program would

clearly have an adverse impact on the ability of the ISA to meet the Reliability Standards contained in the Market Rules.

4.24 Retirement of Generation

- (a) No entity may retire a Generating Unit or group of Generating Units located in Northern Maine without the prior written approval of the ISA if such Generating Unit or group of Generating Units constitutes more than ten percent (10%) of the total generating capacity in Northern Maine.
- (b) The ISA shall prescribe in the Market Rules the timing for and manner of application for the approval described in subpart (a). The ISA shall conduct an assessment of any such application to determine whether the proposed retirement would adversely affect the Northern Maine Transmission System. The ISA may disapprove the proposed retirement if the ISA determines: (i) that the proposed retirement would have an adverse impact on the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules; or (ii) that the proponent of the proposed retirement has not provided the information required by the Market Rules on a timely basis.
- (c) Where the ISA concludes after the assessment set forth in subpart (b) that the proposed retirement would have an adverse impact on the ability of the Northern Maine Transmission System to meet the Reliability Standards contained in the Market Rules, the ISA shall:
 - (i) disapprove the retirement until the ISA and affected TO(s) have had time to develop alternatives to preserve the reliability of the Northern

Maine Transmission System; and (ii) negotiate contractual arrangements with the Retirement Applicant to secure continued operation of the Generating Unit or group of Generating Units. When negotiating such a contract, the ISA shall return to the ISA Board of Directors for guidance and approval if: (i) the term of the contract exceeds nine (9) months; or (ii) the rate being paid under the contract is not cost-based. No contractual arrangement reached under this subpart may be extended, renewed or rolled-over without approval of the ISA Board of Directors.

5. Rights and Obligations of ISA Members and Users.

5.1 Membership Obligations.

Any entity that meets the requirements of Section 7 of this Tariff and that performs any of the functions of either a Market Participant or a User in Northern Maine shall be required to execute a Service Agreement in the form set forth in Attachment A to this Tariff, shall be subject to the ISA, this Tariff and any Market Rules adopted pursuant thereto, and shall be an ISA Member.

5.2 Provision of Information.

The Market Participants or Users shall provide the ISA with any and all information within their custody or control that the ISA deems necessary or desirable to perform its obligations under this Tariff, subject to the confidentiality limitations set forth in Section 12.

5.3 Market Rules.

The ISA Members shall conduct themselves in accordance with and subject to the Market Rules and all other rules duly issued by the ISA. Subject to the ADR Procedures of Section 9 of this Tariff, all ISA Members shall follow the directions of the ISA in administering such rules and procedures.

5.4 TSO Transmission Tariffs.

Any TSO operating in the Northern Maine Market subject to Commission jurisdiction as a public utility shall seek to conform its Transmission Tariff to this ISA Tariff through an appropriate filing with the Commission subject to Commission acceptance of such filing. Any TSO not subject to Commission jurisdiction as a public utility shall ensure that its Transmission Tariff filed with the ISA acting as a Regional Transmission Group

conforms to and is consistent with the provisions of this Tariff in a manner comparable to that of the other TSO's Transmission Tariff. Any TSO shall otherwise continue to have primary responsibility for the operation of all transmission property subject to its Transmission Tariff.

A TSO that is subject to Commission jurisdiction as a public utility shall have the exclusive right to seek to change its Transmission Tariff through a voluntary filing pursuant to Section 205 of the Federal Power Act; the ISA shall have no authority to make a filing pursuant to Section 205 of the Federal Power Act to change a Transmission Tariff filed with the Commission.

Nothing herein shall be construed to limit, waive, impair, or affect in any way the rights of the ISA or any Market Participant pursuant to Section 206 or other provisions of the Federal Power Act, or the Commission's regulations promulgated thereunder.

Any TSO not subject to Commission jurisdiction as a public utility shall have the exclusive right to voluntarily change its Transmission Tariff.

5.5 General Dispatch and Scheduling.

Each ISA Member shall subject all Resources owned or controlled by it to the scheduling arranged by the ISA; provided that each ISA Member shall at all times be the sole judge as to whether and to what extent, consistent with Good Utility Practices, that safety and reliability concerns require that at any time any of such Resources be operated at less than full capacity or not at all.

5.6 Maintenance and Repair.

Each ISA Member owning or controlling any Resources shall provide the ISA with operation and maintenance schedules for those Resources in accordance with the Market

Rules, and shall, to the fullest extent practicable, accelerate or delay maintenance or repair at the reasonable request of the ISA.

5.7 Ancillary Services.

All Ancillary Services shall be purchased from NBSO under the terms of the NBSO transmission tariff or from any other entity that the ISA determines is capable of providing, on a reliable basis, comparable and competitively priced services.

5.8 Connections, Retirements and Demand-Side Management Programs

- (a) No entity shall connect any new or modified facility to the Northern Maine Transmission System if such action is disapproved by the ISA pursuant to Section 4.21 or 4.22.
- (b) No Market Participant directly connected to the Northern Maine Transmission System shall institute or materially change a Demand-Side Management program on the Northern Maine Transmission System if such program is disapproved by the ISA pursuant to Section 4.23.
- (c) No entity shall retire a Generating Unit or group of Generating Units located in Northern Maine if such Generating Unit or group of Generating Units constitutes more than ten percent (10%) of the total generating capacity in Northern Maine without the prior approval in writing of the ISA pursuant to Section 4.24.

6. Transmission Service Access Fees.

6.1 Determination of Transmission Service Fees.

Access fees for any transmission service in the Northern Maine Market shall be determined in accordance with the terms of the appropriate TSO's Transmission Tariff and shall be charged by the TSO pursuant to the terms of its Transmission Tariff.

6.2 Transmission Fee Assessment.

- (a) As of the Effective Date, EMEC and MPS are the only TSOs in the Northern Maine Market. All Load served from MPS's Transmission System shall pay for Network or Point-to-Point transmission service across the Northern Maine Transmission System in accordance with the charges set forth in MPS's Transmission Tariff, as approved by this Commission, and all Load served from EMEC's Transmission System shall pay for Network or Point-to-Point transmission service across the Northern Maine Transmission System in accordance with the charges set forth in EMEC's Transmission Tariff unless the ISA makes the determinations set forth in the following section.
- (b) The ISA will monitor the Northern Maine Market for the following two occurrences:
 - (i) At least 35% of the energy requirements of the Load served from EMEC's transmission system are supplied by Resources connected to MPS's Transmission System or at least 35% of the energy requirements of the Load served from MPS's Transmission System

are supplied by Resources connected to EMEC's Transmission System; and

- (ii) Either of these circumstances have occurred for at least six consecutive months.

If the ISA determines that the circumstances described in both (i) and (ii) of this Section 6.2(b) have occurred, then the rate for Network and firm Point-to-Point transmission services to be charged for Load served from either MPS's or EMEC's transmission systems shall be a composite of the rates set forth in the MPS and EMEC Transmission Tariffs. The composite rate for these transmission services shall be expressed in dollars per KW, which shall be determined by dividing the sum of MPS's and EMEC's total combined revenue requirements under their respective transmission Tariffs by the total demand requirements, expressed in KW, of the Load served by both MPS's and EMEC's transmission systems during the sixth consecutive month referred in (b) above.

Revenues from firm transmission service provided at the composite rate shall be credited against the individual TSO's transmission revenue requirement. Firm transmission service load shall not be included in the denominator of the TSO's transmission rate.

The composite rate shall not become effective except pursuant to appropriate amendments to the MPS and EMEC Transmission Tariff rates and receipt of the necessary Commission approval.

- (c) Non-firm Point-to-Point transmission service will not be subject to the composite rate described in Section 6.2(b).
- (d) Except as provided in the following paragraph, this composite rate can be changed only to reflect Commission-approved changes in the rates for MPS's transmission services, and EMEC's rates for transmission services, as set forth in their respective Transmission Tariffs.
- (e) If the ISA determines that:
 - (i) less than 35% of the energy requirements of the Load served from EMEC's Transmission System are supplied by Resources connected to MPS's Transmission System and less than 35% of the energy requirements of the Load served from MPS's Transmission System are supplied by Resources connected to EMEC's Transmission System and
 - (ii) both of these circumstances has occurred for at least six consecutive months.

then it shall seek to terminate the composite rate described in the preceding paragraph and both MPS and EMEC shall charge for transmission service only those rates set forth in their respective Transmission Tariffs.

6.3 Composite Rate Revenue Reconciliation.

Upon notification by the ISA of the existence of the conditions requisite for the institution of the composite rate as set forth in the preceding Section 6.2, MPS and EMEC shall enter into negotiations providing for the reasonable and proper allocation of

revenues as between them to ensure no undue or unreasonable cost shifting occurs as a result of institution of the composite rate and to ensure that each, to the maximum extent possible consistent with its other obligations under this Tariff, recovers its costs of providing transmission service as defined in its Transmission Tariff. Such agreement shall be filed by MPS with the Commission. In the event that MPS and EMEC are unable to reach agreement on such revenue reconciliation within a reasonable time as determined by the ISA Board, MPS shall file an unexecuted agreement with the Commission, and EMEC, the ISA and all Market Participants shall have their full rights available to them under the Federal Power Act, and the regulations promulgated thereunder, with respect to such filing.

7. Qualifications for ISA Membership.

7.1 ISA Membership.

Any entity that meets the qualifications of this Section 7 and that meets the requirements of Section 5 of this Tariff shall be an ISA Member.

7.2 Application for ISA Membership.

The ISA shall provide to all entities requesting it:

- (a) an application form prepared by the ISA soliciting such information as the ISA shall conclude is reasonably intended to advance the purposes of this Section 7;
- (b) a copy of this Tariff;
- (c) a copy of Market Rules and Operating Procedures, together with all other rules and procedures duly issued by the ISA;
- (d) a copy of an agreement by which the entity certifies that it shall, upon becoming a Market Participant, abide by all applicable requirements, practices, rules and procedures;
- (e) such other information as the ISA may deem necessary or desirable. No application for membership may be accepted by the ISA unless it is complete and is accompanied by the agreement described in item (d) of the preceding sentence and an application fee of \$100.00.

7.3 ISA Membership.

If the ISA Board determines that the applicant complies with the requirements of this Section 7, it shall accept its application for membership in the ISA.

7.4 Technical Capability Requirements.

No Generator or interconnected CEP may use any services of the ISA under this Tariff until it has:

- (a) completed the installation of all equipment specified by the Operating Procedures, the Transmission Tariffs of any TSO to which it may be connected, and any other requirements of Good Utility Practice;
- (b) entered into any necessary interconnection agreements or other contracts with any of MPS, EMEC, HWC, VBL&PD, NB Power or the Balancing Authority; and
- (c) complied with such other technical requirements as the ISA shall determine reasonable and necessary.

7.5 Financial Capability Requirements.

No entity may use any services of the ISA under this Tariff unless it is a regulated public utility as defined in Title 35 of the Maine Revised Statutes Annotated or satisfies the following financial capability or security requirements:

- (a) proof of its financial viability in the form of either:
 - (i) a current investment grade rating by any commonly recognized rating agency; or
 - (ii) a cash deposit equal to twice the entity's expected monthly charge under Section 8 of this Tariff as determined by ISA; or
 - (iii) an irrevocable and unconditional letter of credit for no less than the sum described in (a) (ii); and

- (iv) an irrevocable and unconditional corporate guarantee from any entity that satisfies the standards of (a) (i) for all sums that the ISA Member may owe the ISA under Section 8 of this Tariff; and
 - (v) such other requirements or guarantees as may be required to insure that the ISA is not exposed to liability on behalf of a third party in its transactions with NB Power or the Balancing Authority.
- (b) The ISA can demand reasonable financial assurances from any entity subject to this Section 7.5 at any time the ISA deems necessary.
 - (c) If the ISA is required to draw down the letter of credit or cash deposit specified above, the ISA Participant must immediately replenish the letter of credit or deposit or the ISA may initiate termination proceedings against it under Section 10 of this Tariff.
 - (d) Any CEP that is licensed by the MPUC pursuant to Chapter 305 (or its successor) of the MPUC's Rules and Regulations shall be deemed to satisfy the requirements of this Section 7.5.
 - (e) The financial capability requirements of this Section 7.5 do not override or affect in any way the financial responsibility requirements that may be demanded by MPS of a customer under its Transmission Tariff pursuant to the terms of that Transmission Tariff.

7.6 Status of Entities Under Common Control.

All entities that are controlled by a single person (such as a corporation or business tract) that owns at least 75% of the voting shares of, or equity interest in, each of them shall be treated as a single ISA Member if they elect to do so.

8. ISA Rates and Charges.

8.1 Rates for Ancillary and Other Services Purchased by the ISA and Resold at Cost.

Ancillary Services, tie line interruption service, and other products and services purchased by the ISA for resale to Market Participants shall be sold at cost to such Market Participants pursuant to the terms of the rate schedules attached to this Tariff.

8.2 ISA Budget.

At least 60 days before the beginning of every Operating Year, the ISA staff shall prepare and submit to the ISA Board for approval its budget for each month of the Operating Year. The budget shall consist of all operating expenses, capital expenses and extraordinary expenses as are necessary for the ISA to carry out its functions under this Tariff. To the extent any of the items in the budget involve commitments beyond the next Operating Year, the budget shall include projected carrying charges.

8.3 Changes to Budget.

The ISA shall have the right at any time during the Operating Year to adjust its budget to include costs incurred in providing any of the services under this tariff.

8.4 Effect of Approval.

Once approved by the ISA Board, the budget, as well as any adjustments thereto under Section 8.3 above, shall be binding on all ISA Members and Users.

8.5 Allocation of ISA Budget.

The ISA shall collect the revenues necessary to fund its budget for each Operating Year in the manner set forth in this Section. For each calendar month, the ISA monthly budget shall be allocated among the following: (1) all retail customers, whose payments shall be

collected by means of an appropriate charge by the T&D Utility serving them and paid to the ISA by such T&D Utility; (2) Generators that transmit any energy or capacity within, through, or out of the Northern Maine Market in that month (not including energy delivered to CEPs at a Generating Unit); and (3) CEPs the transactions of which require the transmission of capacity or energy within, though or out of the Northern Maine Market in that month.

Each of these entities shall be responsible for its proportionate share of the ISA monthly budget calculated in the following manner:

$$A \quad \times \quad \frac{B_1 \text{ or } B_2 \text{ or } B_3}{C} \quad = \quad D$$

Where:

A = ISA monthly budget

B₁ = For retail customers, the total energy (in MWh) delivered to each T&D Utility for the benefit of end-use customers on each system in the calendar month

B₂ = For a Generator, its total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month

B₃ = For a CEP, its total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month

C = $\Sigma B_1 + \Sigma B_2 + \Sigma B_3$, i.e., the sum of the total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month

D = Allocated share of the ISA's monthly budget

8.6 Billing.

The ISA will not bill for transmission service provided under the TSOs' Transmission Tariffs. The TSOs will bill transmission service customers directly.

The ISA, no later than the 10th day of every month, shall present to each Generator, T&D Utility and CEP using the ISA and any of its services during the previous month, as appropriate, an invoice for:

- (a) that entity's share of the monthly budget for the previous month allocated as set forth in Section 8.5 above (the allocation shall be determined using the relevant energy requirements in that previous month); and
- (b) all Ancillary Services, tie line interruption service, and other services and products purchased by the ISA and resold to the entity during the month.

All such invoices shall be due and payable 15 days after presentment. Where bills are rendered on the basis of estimates, projections, or other any basis other than actual data, the ISA shall reconcile the initial bill to the actual data and issue a second bill, or credit as appropriate, within sixty (60) days of the issuance of the initial bill.

8.7 Billing Disputes.

If any Generator, T&D Utility or CEP disagrees with any amount set forth in an invoice from the ISA, that entity shall so notify the ISA within three days after presentment and the parties shall attempt to resolve the disagreement. If they cannot, either party may submit the dispute to resolution under the ADR Procedures set forth in Section 9; provided however that any such dispute that is not submitted to the ADR Procedure within 15 days after presentment of the invoice shall be deemed waived or abandoned. Notwithstanding the disagreement, the Generator, T&D Utility or CEP shall (i) pay when

due all amounts not in dispute and (ii) pay into an independent escrow account the portion of the invoice in dispute, pending resolution of the dispute.

8.8 Failure to Pay.

If any Generator, T&D Utility or CEP fails to pay any undisputed amount when due, in addition to the ISA's other remedies there shall be added to that amount a late payment charge on the monthly unpaid balance of the percentage prescribed in 18 C.F.R. § 35.19(a). The ISA may make such pro rata adjustments to the invoices of the other Generators, T&D Utilities and CEPs as may be required to hold the ISA harmless from the effects of such nonpayment.

8.9 Organization Costs.

The costs of organizing the ISA, including, but not limited to (i) legal and consulting costs related to the formation of the ISA and the proceeding before the Commission for approval of this Tariff and any other necessary legal proceedings and (ii) any software development, hardware and system software costs for the implementation of this Tariff and the new market system, have been funded by the T&D Utilities and may be recovered from the ISA through its budget and refunded to the T&D Utilities.

8.10 Rate Changes.

Nothing contained herein shall be construed as affecting in any way the right of the party furnishing service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

9. Alternative Dispute Resolution Procedures.

9.1 Dispute Resolution Procedures.

- (a) Applicability. Any dispute between any ISA Member and the ISA (“Party” or “Parties”) involving any provisions of this Tariff (excluding applications for rate changes or other changes to this Tariff, or to any Service Agreement entered into under this Tariff, which shall be presented directly to the Commission for resolution) shall be referred to a designated representative of the ISA Member and a representative of the ISA for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within 30 days or such other period as the Parties may fix by mutual agreement, the Party may (with the agreement of the other Party) submit such dispute to arbitration for resolution in accordance with the procedures set forth below. The arbitration procedure shall not exceed 90 calendar days from the date of the notice by the Party invoking arbitration (the "Aggrieved Party") to the arbitrator's decision unless the Parties agree upon a longer or shorter time.
- (b) Non-Applicability to Transmission Disputes. The provisions of this Section 9 shall not apply to disputes between any TSO and its transmission service customer concerning transmission service provided under the TSO’s Transmission Tariff. Such disputes between a TSO and

its transmission service customer shall be addressed pursuant to the terms of the TSO's Transmission Tariff.

9.2 Selection of Arbitrator.

The Parties shall attempt to choose by mutual agreement a single neutral arbitrator to hear the dispute. If the Parties fail to agree upon a single arbitrator within 10 calendar days of receipt of the notice of arbitration, the American Arbitration Association shall be asked to appoint an arbitrator. In either case, the arbitrator shall be knowledgeable in matters involving the electric power industry, including the operation of control areas and bulk power systems, and shall not have any substantial business or financial relationships with either of the Parties (other than previous experience as an arbitrator) unless otherwise mutually agreed.

9.3 Costs.

Each Party shall be responsible for the following arbitration costs, if applicable:

- (a) its own costs incurred during the arbitration process; plus
- (b) one half of the common costs of the arbitration including, but not limited to, the arbitrator's fee and expenses, the rental charge for a hearing room and, if both Parties agree to the necessity therefor, the cost of a court reporter and transcript.

9.4 Hearing Location.

Unless otherwise mutually agreed, the site for all arbitration hearings shall be at the ISA's principal office.

9.5 Rules and Procedures.

- (a) Procedure and Discovery: The procedural rules (if any), the conduct of the arbitration and the availability, extent and duration of pre-hearing discovery (if any), which shall be limited to the minimum necessary to resolve the matters in dispute, shall be determined by the arbitrator in his/her sole discretion at or prior to the initial hearing. The arbitrator shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. In addition, each Party shall designate one or more individuals to be available to answer questions the arbitrator may have on the documents or other materials submitted by that Party. The answers to all such questions shall be reduced to writing by the Party providing the answer and a copy shall be furnished to the other Party.
- (b) Pre-hearing Submissions: The Aggrieved Party shall provide the arbitrator with a brief written statement of its complaint and a statement of the remedy or remedies it seeks, accompanied by copies of any documents or other materials it wishes the arbitrator to review.
- (c) Initial Hearing: An initial hearing will be held no later than 10 days after the selection of the arbitrator and shall be limited to issues raised in the pre-hearing filings. The scheduling of further hearings at the request of either Party or on the arbitrator's own motion shall be within the sole discretion of the arbitrator.

- (d) Decision: The arbitrator's decision shall be due, unless the deadline is extended by mutual agreement of the Parties, within 30 days of the initial hearing or within 90 days of the Aggrieved Party's initiation of arbitration, whichever occurs first. The arbitrator shall be authorized only to interpret and apply the provisions of this Tariff, Market Rules or Operating Procedures thereunder and the arbitrator shall have no power to modify or change this Tariff, Market Rules or Operating Procedures thereunder, in any manner. The arbitrator's decision shall be in writing and shall state the basis for the decision.
- (e) Effect of Arbitration Decision: The decision of the arbitrator will be conclusive in a subsequent regulatory or legal proceeding as to the facts determined by the arbitrator but will not be conclusive as to the law or constitute precedent on issues of law in any subsequent regulatory or legal proceedings.

9.6 Appeal.

An Aggrieved Party may initiate an action before a court of competent jurisdiction or before the Commission with respect to the arbitration or arbitrator's decision only:

- (a) if the arbitration process does not result in a decision within the time period specified and the proceeding is initiated within 30 days after the expiration of such time period; or
- (b) on the grounds specified in Sections 10 and 11 of Title 9 of the United States Code for judicial vacation or modification of an arbitration award

and the proceeding is initiated within 30 days of the issuance of the arbitrator's decision.

10. Termination of ISA Membership.

10.1 Voluntary Termination.

Any ISA Member shall have the right to terminate its status as an ISA Member upon no less than one year's prior written notice to the ISA, subject, as necessary, to Commission approval.

10.2 Involuntary Termination.

- (a) The ISA, upon 5 days written notice to the ISA Member may terminate that ISA Member's status as an ISA Member for the following reasons: A receiver or a trustee of the ISA Member is appointed or the ISA Member is adjudged as bankrupt, or an order for relief against the ISA Member is ordered under the Federal Bankruptcy Code or there shall be filed against the ISA Member (pursuant to the Federal Bankruptcy Code or any statute of Canada or any state or province) a petition in bankruptcy or insolvency or for reorganization or for appointment of a receiver or trustee of all or a portion of the ISA Member's property, and within 90 days after the filing of such a petition against the ISA Member, the ISA Member shall fail to secure a discharge thereof, or if any ISA Member shall file petition in voluntary bankruptcy or seeking relief under any provision or insolvency law or shall make an assignment for the benefit of creditors;
- (b) If the ISA Member fails to pay any undisputed cost invoiced to it by the ISA or fails to pay into an independent escrow account the amount of the invoice in dispute pending resolution of the dispute, or if the ISA Member fails to perform any other obligation under this Tariff, the ISA shall give

the ISA Member 30 days written notice to cure the default. If the ISA Member fails to cure the default within such 30-day period, the ISA may initiate a proceeding before the Commission to terminate ISA Member's status as a ISA Member.

10.3 Effect of Termination.

- (a) No termination of ISA Member status may become effective prior to Commission acceptance of an appropriate filing to effect termination. If the ISA Member's status as a ISA Member is terminated pursuant to this Section 10, such former ISA Member's generation and transmission facilities shall continue to be subject to such requirements of this Tariff and the Market Rules and Operating Procedures relating to reliability as the Commission may approve in ruling on the termination, for so long as the Commission may direct. If any of such former ISA Member's transmission facilities are required in order to permit transactions among any of the remaining ISA Members pursuant to this Tariff, all pending requests for transmission under the Tariff relating to such ISA Member's facilities shall be followed to completion under the ISA Member's own Tariff and all existing service over the ISA Member's facilities shall continue for so long as the Commission may direct.
- (b) No such termination of an ISA Member's status as an ISA Member shall affect any obligation of, or to, such former ISA Member arising prior to the date of termination. In the event of termination of ISA Member status,

a TSO will continue to be compensated for the services that it provides after termination.

11. Adoption of or Amendment to Market Rules and Operating Procedures.

11.1 ISA Authority.

The ISA shall have the authority, with ISA Board approval, to issue and adopt, amend, modify or repeal, from time to time, all Market Rules and Operating Procedures necessary or desirable to carry out its functions under this Tariff, under its own authority or upon the suggestion of any ISA Member. No new Market Rule or Operating Procedure, or any proposed change, including repeal, may be adopted by the ISA until the same has been sent to all ISA Members and a period for comment of at least 10 days is available to all ISA Members. The ISA shall consider all ISA Member comments prior to finally promulgating any Market Rule or Operating Procedure. The ISA shall be authorized to delegate new or amended rules or procedures for consideration and study by committees composed of representatives of the ISA Members selected by the ISA.

11.2 Emergency Rules.

If the ISA determines in good faith that failure (i) to immediately implement a new Market Rule or Operating Procedure or (ii) to amend or repeal an existing Market Rule or Operating Procedure would substantially and adversely affect the reliability, effectiveness or security of the Northern Maine Market, it may provisionally promulgate such new or amended Market Rule or Operating Procedure immediately upon a written notice to the ISA Members. If at least 10% of all ISA Members do not object to the Market Rule or Operating Procedure within 30 days of such notice, it will be deemed finally adopted upon the expiration of the 30-day period.

11.3 Exclusive Authority.

The ISA shall have sole authority to interpret and implement all Market Rules and Operating Procedures adopted under this Section 11 as it performs its responsibilities under this Tariff.

12. Confidentiality.

All information received by the ISA in performance of its duties under this Tariff shall be deemed confidential and no information provided the ISA by any ISA Member shall be released to any person without the permission of the ISA Member supplying the information, unless the release is necessary to further the purposes of the Market Rules and Operating Procedures.

Nothing in the preceding sentence shall prevent the ISA from releasing any such information to the Commission, or any other agency or court of competent jurisdiction, upon the Commission's (or other agency's or court's) order that it do so; provided that the ISA shall notify every ISA Member who has provided information in advance of releasing that information so that such ISA Member can seek the necessary protective orders or other protection. The ISA shall develop rules and procedures to implement the requirements of this Section.

13. Force Majeure.

If the ISA or any ISA Member is unable to perform its obligations under this Tariff, on any implementing rules or procedures, because of a Force Majeure event, that party will be excused from whatever performance is affected by the Force Majeure event, to the extent so affected, and provided that:

- (a) the non-performing party, as soon as possible after the occurrence of the Force Majeure event, gives the other party written notice describing the particulars of the Force Majeure event;
- (b) the suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure event;
- (c) no obligations that arose before the occurrence causing the suspension of performance shall be excused as a result of the occurrence, and, except as provided in this Section 13, a Force Majeure event shall not excuse a party's obligations or limit a party's rights under this Tariff;
- (d) the non-performing party uses its best efforts to remedy its inability to perform;
- (e) the non-performing party gives written notice of its intent to cure within 15 days after performance was first suspended and, as soon thereafter as reasonably possible, describes to the other party in writing its plans for cure in detail, and commences any repairs or other necessary efforts to cure the suspension of performance; provided that this Section 13 shall not

require any party to settle any strike, work stoppage or other labor disturbance.

The occurrence of a Force Majeure event shall not affect the obligation of either party to make any payments due hereunder.

14. Waiver of Defaults.

No waiver of the performance by an ISA Member of any obligation under this Tariff or with respect to any default or any other matter arising in connection with this Agreement shall be effective unless given by the ISA. Any such waiver by the ISA in any particular instance shall not be deemed a waiver with respect to any subsequent performance, default or matter.

15. Other Contracts.

No ISA Member shall be a party to any other agreement which in any manner is inconsistent with its obligations under this Tariff.

16. Liability and Indemnification.

The ISA shall not be liable, whether based on contract, indemnification, warranty, tort, strict liability or otherwise, to an ISA Member, Market Participant, third party, or any or other person or entity for any damages whatsoever, including, without limitation, direct, incidental, consequential, punitive, special exemplary, or indirect damages arising or resulting from any act or omission in any way associated with the performance by the ISA of its duties under this Tariff or any Service Agreement hereunder, including but not limited to any act or omission that may result in the interruption, deficiency, or imperfection of any transmission, reliability, or market function with respect to which the ISA has responsibility under this Tariff, except to the extent that the damages are direct damages that arise or result from the gross negligence or intentional misconduct of the ISA.

The ISA Members shall indemnify, defend and save harmless the ISA and its directors, officers, employees, members and agents from any and all costs, demands, losses, claims and liabilities by or to third parties arising out of or resulting from the performance by the ISA of its duties under this Tariff or the actions or omissions of the ISA Members in connection with this Tariff, except in cases of gross negligence or willful misconduct by the ISA or its directors, officers, members, employees or agents.

The amount of any indemnity payment under the provisions of this Section 16 shall be reduced by any insurance proceeds, actually recovered by the ISA in respect of the indemnified action, claim, demand, cost, damage or liability.

17. Insurance.

The ISA Board shall procure or cause to be procured and shall maintain in full force and effect at all times, all insurance required by applicable laws or regulations and customary in the electric utility industry through insurance policies with responsible insurance services in such amounts and for such coverages and upon such terms as agreed to through the process of approving the ISA's budget.

18. Construction.

- (a) The Table of Contents contained in this Tariff and the headings of the Sections of this Agreement are intended for convenience only and shall not be deemed to be part of this Tariff or considered in construing it.
- (b) This Tariff shall be interpreted, construed and governed in accordance with the laws of the State of Maine.

19. Amendment.

The ISA, with approval from the Board, may from time to time amend this Tariff by filing such amendment with the Commission pursuant to Section 205 of the Federal Power Act and the regulations promulgated thereunder. Any amendment to this Tariff shall become effective on the date specified in the amendment, subject to acceptance or approval by the Commission, whether or not all ISA Members agree, provided that all ISA Members shall have been given written notice of such amendment on or prior to the date that such amendment is filed with the Commission. Any ISA Member that objects to such amendment shall be entitled, consistent with the terms of Section 10 of this Tariff, to terminate its status as a ISA Member. Nothing herein shall be construed to prevent any ISA Member from challenging any proposed amendment before a court or regulatory agency on the ground that the proposed amendment or its application to the Market Participant is in violation of law. Nothing in this Tariff shall be construed to limit, impair or affect in any way the rights of any Market Participant under Section 206 or any other applicable provision of the Federal Power Act or the regulations promulgated thereunder.

20. Notices.

- (a) Any notice, demand, request or other communication required or authorized by this Tariff to be given to any ISA Member shall be in writing, and shall be mailed, postage prepaid, to the ISA Member at the address set forth in its ISA Membership Application and either
 - (i) sent by facsimile (“faxed”) to the ISA Member at the fax number set forth in its ISA Membership Application; or
 - (ii) delivered electronically to the ISA Member at the electronic mail address set forth in its ISA Membership Application. The designation of any such address may be changed at any time by written notice delivered to the ISA, who shall cause a record to be made at such change.
- (b) Any notice, demand, request or other communication required or authorized by this Tariff to be given to the ISA shall be in writing, and shall be mailed, postage prepaid, to the Secretary, Clerk or other designated agent of the ISA at the ISA’s business address, or such other address as the ISA designates for such service, and either sent by facsimile (“faxed”) to the Secretary, Clerk or other designated agent of the ISA at the fax number set forth designated by the ISA for such service; or
 - (i) delivered electronically to the Secretary, Clerk or other designated agent of the ISA at the electronic mail address specified by the ISA. The designation of any such address may be changed at any time by written notice delivered by the ISA to all ISA Members.
- (c) Any such notice, demand or request so addressed and mailed by registered or certified mail shall be deemed to be given when so mailed. Any such notice,

demand, request or other communication sent by regular mail or by facsimile (“faxed”) or delivered electronically shall be deemed given when received by the ISA Member or by the ISA agent, whichever is applicable.

SCHEDULE 1

ISA Budget Assessment

For each calendar month, the ISA monthly budget, determined pursuant to Section 8.2 of the Tariff, will be allocated among the following: (1) all retail customers, whose payments shall be collected by means of an appropriate charge by the T&D Utility serving them and paid to the ISA by such T&D Utility; (2) Generators that transmit any energy or capacity within, through, or out of the Northern Maine Market in that month (not including energy delivered to CEPs at a Generating Unit); and (3) CEPs the transactions of which require the transmission of capacity or energy within, though or out of the Northern Maine Market in that month. Each of these entities shall be responsible for its proportionate share of the ISA monthly budget calculated in the following manner:

$$A \quad \times \quad \frac{B_1 \text{ or } B_2 \text{ or } B_3}{C} \quad = \quad D$$

Where:

- A = ISA monthly budget determined pursuant to Section 8.2
- B₁ = For retail customers, the total energy (in MWh) delivered to each T&D Utility for the benefit of end-use customers on each system in the calendar month
- B₂ = For a Generator, its total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month
- B₃ = For a CEP, its total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month

C = ΣB_1 + ΣB_2 + ΣB_3 , i.e., the sum of the total energy (in MWh) transmitted within, through or out of the Northern Maine Market in the calendar month

D = Allocated share of the ISA's monthly budget

All such invoices shall be due and payable 15 days after presentment. Where bills are rendered on the basis of estimates, projections, or other any basis other than actual data, the ISA shall reconcile the initial bill to the actual data and issue a second bill, or credit as appropriate, within 60 days of the issuance of the initial bill.

SCHEDULE 2

Ancillary Services

The ISA will determine the proper level of Ancillary Services in the Northern Maine Market and for each Market Participant. The ISA will administer the market for all Ancillary Services for the Market Participants and will purchase from the Balancing Authority or from any other entity that the ISA determines is capable of providing on a reliable basis comparable and competitively priced services, and resell, at cost, all Ancillary Services in the Northern Maine Market. Ancillary Services are (1) Scheduling, System Control and Dispatch Service; (2) Reactive Supply and Voltage Control from Generation Sources Service; (3) Regulation and Frequency Response Service; (4) Energy Imbalance Service; (5) Operating Reserve - Spinning Reserve Service (Ten-Minute Spinning Reserve (TMSR) service and Ten-Minute Non-Spinning Reserve (TMNSR) service); and (6) Operating Reserve - Supplemental Reserve Service (including Thirty-Minute Operating Reserve (TMOR) service). In addition to these Ancillary Services, the ISA, or the Transmission Owners (TOs) on behalf of the ISA, may, as necessary, contract for Regulation in the form of Automatic Generation Control (AGC), for voltage support in the form of reactive power and for black start capability.

Monthly Charge for Ancillary Services

The Monthly Charge for Ancillary Services will be the actual costs incurred by the ISA to purchase the Ancillary Services from the Balancing Authority or from any other entity that the ISA determines is capable of providing on a reliable basis comparable and competitively priced service allocated in the following manner:

1. Energy Costs. The actual energy cost will be established at the time of use and will be recovered at a uniform rate applied to all use by all CEPs that are serving Northern Maine customers at the time bases upon each CEP's allocated responsibility for Ancillary Services.

2. CEP Responsibility for Ancillary Services. Each hour each CEP will be obligated to purchase from the ISA its pro-rata share of the hourly Northern Maine Market requirement for Ancillary Services. The CEP's pro-rata share shall be determined by the ratio of the CEP's hourly Non-Coincident Peak (NCP) demand to the sum of all of the Northern Maine CEP NCP demands in that hour.

A CEP will be obligated, each hour, to purchase from the ISA all Ancillary Services.

NOTE: Outside of any possible contracts for voltage support, there will not be any reactive power "market." Instead, Generating Units will be required to meet specific technical power factor requirements to participate in the Northern Maine Market.

SCHEDULE 3

Balancing Energy

Separate Regional Balancing Energy Settlements

The Balancing Energy Market will be settled separately for the Maine Public Service Company (MPS) and Eastern Maine Electric Cooperative (EMEC) regions on an hourly basis.

Balancing Energy

Balancing Energy is the quantity of energy the Competitive Electricity Provider (CEP) inadvertently supplied or consumed in the hour in each region and is calculated as the difference between its actual Demand and its share of the actual deliveries of the CEP's Resources in the region (actual generation within the applicable Northern Maine region and deemed actual imports into the region).

Hourly Balancing Energy Settlements

A Balancing Energy settlement will be calculated for each hour based upon the CEP's Billable Quantities of Balancing Energy and the Balancing Energy Clearing Price (BECP) for the hour.

1. Billable Quantities. Billable Quantities are determined for each settlement period and represent the quantity of Balancing Energy a CEP is deemed to have bought from or sold into the Balancing Energy market. As a separate BECP will be calculated for each of the MPS and EMEC regions, separate Billable Quantities will be determined for each region.

The ISA will determine a CEP's Billable Quantities for each hour for each region based on three quantities: (i) the CEP's actual Demand in the applicable Northern Maine region;

(ii) the CEP's share of actual generation in the applicable Northern Maine region; and (iii) the CEP's pro rata share of the actual imports into the applicable Northern Maine region after adjusting for the impact of the actual output of exporting generating units adjusted for losses within Northern Maine.

A CEP's Billable Quantity for the hour in each Northern Maine region will be calculated as its actual Demand less its share of actual generation less its share of actual imports for that region. A positive value indicates that the CEP was a buyer of Balancing Energy in the hour.

2. Balancing Energy Clearing Price. If the net flow of Balancing Energy is into Northern Maine on an interface, the BECP in that region shall be the total cost of Balancing Energy procured from the Balancing Authority in the hour at the interface divided by the total megawatt hours (MWh) of Balancing Energy which flowed on the interface. If the net flow of Balancing Energy is out of the Northern Maine region on an interface, the BECP in that region will be the total price paid for Balancing Energy by the Balancing Authority in the hour at the interface divided by the total MWh of Balancing Energy which flowed on the interface.

SCHEDULE 4

Tie Line Interruption Service

Tie Line Interruption Service is a replacement energy service sold by NB Power under the PSA whenever, and only for so long as, ISO-NE determines that a contracted south to north energy delivery to Northern Maine cannot, due to minimum tie line flow constraints, be scheduled on the Maine Electric Power Company (MEPCO) transmission line, either by direct flow or displacement. Tie Line Interruption Service is not available when either the MEPCO transmission line is out of service or any other technical contingency, such as a loss of supply, prevents a flow of energy to Northern Maine.

Tie Line Interruption Service maybe purchased on a firm or non-firm basis.

Availability

Tie Line Interruption Service is available to any entity serving Load in Northern Maine with power from resources located south of the New Brunswick interconnection with New England through the MEPCO line.

Procedures

The ISA will purchase Tie Line Interruption Service from NB Power in the quantity and for the time period and duration requested by an entity qualified to purchase this service (“Customer”) and sell that service to the Customer at the cost charged the ISA by NB Power for the service.

1. Firm Tie Line Interruption Service:

Prior notice: Any entity wishing to purchase firm Tie Line Interruption Service must give the ISA notice of the request to purchase such service no less than seven (7) months prior to the month in which the firm Tie Line Interruption service is to commence, *provided* the ISA may, under appropriate circumstances, waive all or part of the seven (7) month notice requirement.

Minimum term: Firm Tie Line Interruption Service must be purchased for a period no less than one (1) month in duration and may only be purchased for whole months.

Rate: Firm Tie Line Interruption Service will be sold by the ISA to the Customer at the cost incurred by the ISA in purchasing the service from NB Power.

Energy: The NB Power rate for energy delivered under such service will be based on the Actual Incremental Cost to provide such service, plus a mark-up. Incremental cost is any cost incurred by NB Power to supply energy or any other product or service to the delivery point, including losses, which otherwise would not be incurred if the Transaction did not take place. Actual Incremental Cost is the lowest cost for available energy adequate to meet the requirements of this service. The mark-up will be limited to a reasonable contribution to the fixed costs of NB Power and will not include transmission costs.

Capacity: The NB Power rate for capacity associated with firm service will be based on the actual cost of capacity to provide such service plus a mark-up mark-up limited to a reasonable contribution to the fixed costs of NB Power.

2. Non-firm Tie Line Interruption Service:

Prior notice: Unless the ISA prescribes otherwise, notice for non-firm service shall be such time as is reasonable to permit the ISA to purchase the non-firm Tie Line Interruption Service.

Minimum term: Non-firm Tie Line Interruption Service may be purchased hourly.

Rate: Non-firm Tie Line Interruption Service will be sold by the ISA to the Customer at the cost incurred by the ISA in purchasing the service from NB Power.

Energy: The NB Power a rate for energy delivered under such service will be based on the Actual Incremental Cost to provide such service, plus a mark-up. Incremental cost is any cost incurred by NB Power to supply energy or any other product or service to the delivery point, including losses, which otherwise would not be incurred if the Transaction did not take place. Actual Incremental Cost is the lowest cost for available energy adequate to meet the requirements of this service. The mark-up shall be limited to a reasonable contribution to the fixed costs of NB Power.

ATTACHMENT A
FORM OF SERVICE AGREEMENT
FOR THE
NORTHERN MAINE INDEPENDENT SYSTEM ADMINISTRATOR

This Agreement is entered into as of ____, ____, by and between the Northern Maine Independent System Administrator, Inc. (“ISA” and _____ (“Customer”).

- 1.0 The Northern Maine Independent System Administrator Tariff (“ISA Tariff”) sets forth the rights and responsibilities of the ISA with respect to the operation of the Northern Maine Transmission System and the Northern Maine Market and the rights and responsibilities of those qualified entities that become Market Participants.
- 2.0 Customer wishes to become a Market Participant and the ISA has determined that Customer is qualified to become a Market Participant.
- 3.0 As evidenced by the execution of this Agreement, Customer agrees to be bound by the terms of the ISA Tariff, and to abide by and to follow the Market Rules and Operating Procedures in effect as of the date of execution of this Agreement, and such other new or amended Market Rules and Operating Procedures as the ISA may issue and implement in the future, and any directions or orders made by the ISA pursuant thereto its authority under the ISA Tariff, Market Rules and Operating Procedures.
- 4.0 Customer agrees to pay those fees and charges assessed by the ISA pursuant to, and consistent with, the terms of the ISA Tariff.

5.0 Any notice or request made by or to either party regarding this Agreement shall be made to the representative of the other party identified below:

Northern Maine ISA

Northern Maine ISA

Customer

6.0 The ISA Tariff is incorporated in this Agreement and made a part hereof.

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives.

Northern Maine ISA

By: _____

Title: _____

Date: _____

Customer

By: _____

Title: _____

Date: _____

ATTACHMENT B

CONFLICT OF INTEREST POLICY AND STANDARDS OF CONDUCT

I. Background.

A. It is the policy of the Northern Maine Independent System Administrator, Inc. (“Northern Maine ISA”) to operate in a fair and non discriminatory manner and to implement such rules and regulations in the governance of the organization as necessary to prevent control, or the appearance of control, of the decision making process by any Transmission Owner, ISA Member, Market Participant, or User of the Transmission System; and

It is the policy of the Northern Maine ISA to direct the operation of, and to plan, the Transmission System without adverse distinction or preference to any Transmission Owner, ISA Member, Market Participant, or User of the Transmission System; and

It is the policy of the Northern Maine ISA that the agents, Officers, and employees of the organization shall not have a direct financial interest in, or a conflict of interest with, any Transmission Owner, ISA Member, Market Participant, or User of the Transmission System.

Nothing in this Conflict of Interest Policy and Standards of Conduct (“Standards of Conduct”) is intended to restrict or expand any rights that any federal or state regulatory authorities may have to receive or have access to any information.

B. In light of the nature and magnitude of the Northern Maine Market, the Northern Maine ISA will not maintain all-hours staffing. Instead, the Northern Maine ISA staff and the Transmission System Operators (“TSO”) (MPS and EMEC) when

the Northern Maine ISA is staffed, or the TSOs subject to Northern Maine ISA staff auditing when the Northern Maine ISA is not staffed, act as the Northern Maine Area Operator (“NMAO”). The Northern Maine ISA, therefore, may rely upon the TSOs to perform certain of its functions at the times and in the manner contemplated in the Northern Maine Independent System Administrator Tariff (“Northern Maine ISA Tariff”). At such times as the Northern Maine ISA is relying upon the TSOs, or at such times as the TSOs are acting on behalf of, or fulfilling the duties of, the Northern Maine ISA, the TSOs and certain employees of the TSOs and of their affiliates are acting as agent of the Northern Maine ISA and are subject to all of the requirements of the Standards of Conduct except Section II.E. Accordingly, no TSO shall permit any individual to perform any of the functions of the Northern Maine ISA or NMAO unless such individual, as well as his or her immediate supervisor, (i) is directly employed by such TSO or by an affiliate of such TSO that is a FERC-jurisdictional transmission provider, (ii) is not a marketing function employee (as defined by FERC regulations) for any entity and is not involved in the planning, scheduling, coordination or operation of generation resources for any entity, and (iii) has executed the Compliance Statement attached hereto. Each individual who meets the criteria of the immediately preceding sentence is referred to in these Standards of Conduct as a “Designated Employee.” The standards of Sections II.D and II.E do not apply to members of the Board of Directors of the Northern Maine ISA.

II. Standards.

In furtherance of the above policies, the Standards of Conduct for the Northern Maine ISA shall include, but not be limited to, the following Standards:

- A. The Northern Maine ISA, its agents, Officers, and employees shall direct the operation of, and plan, the Transmission System without adverse distinction or preference to any Transmission Owner, ISA Member, Market Participant or User of the Transmission System. In addition, the Transmission Owner Transmission Tariffs shall be applied to any Transmission Owner, ISA Member, Market Participant or User of the Transmission System without adverse distinction or preference to any of the Transmission Owner, ISA Member, Market Participant or User of the Transmission System.
- B. The operation of the Northern Maine ISA shall be independent of the operations of the Transmission Owner, ISA Member, Market Participant or User of the Transmission System.
- C. The Northern Maine ISA, in operating its business, shall require any consultant, contractor, and/or subcontractor of the Northern Maine ISA to disclose to the Northern Maine ISA all financial affiliations, financial interests, business dealings, contractual relationships, and actual and potential conflicts of interest with Transmission Owners, ISA Members, Market Participants or Users of the Transmission System. The Northern Maine ISA shall have the discretion to determine if the contents of such disclosure warrant disqualification of such consultant, contractor, and/or subcontractor.

- D. No Northern Maine ISA agent, Officer, or employee shall have any involvement in the sale of electric energy at wholesale or retail except as required or allowed by the Northern Maine ISA Tariff or the Transmission Owner Transmission Tariff.
- E. The agents, Officers, and employees of the Northern Maine ISA shall not have a direct financial interest in, or stand to be financially benefited by, any transaction with any of the Transmission Owners, ISA Members, Market Participants or Users of the Transmission System. Each agent, Officer, and employee of the Northern Maine ISA in a decision making position shall certify in writing that he does not have a direct financial interest in any Transmission Owners, ISA Members, Market Participants or Users of the Transmission System and that a conflict of interest does not exist. To that end, no Northern Maine ISA agent, Officer, or employee may directly own securities issued by any Transmission Owners, ISA Members, Market Participants or Users of the Transmission System, except under the following circumstances:
1. Each Northern Maine ISA agent, Officer, or employee shall dispose of those securities within six (6) months of the time of his affiliation or employment with the Northern Maine ISA.
 2. Each Northern Maine ISA agent, Officer, or employee shall dispose of those securities within six (6) months of the time a new Transmission Owner or ISA Member is added, or a new Market Participant or User of the Transmission System begins taking service under the Transmission Owner Transmission Tariffs, where the Northern Maine ISA agent,

Officer, or employee owns securities of such Transmission Owner, ISA Member, Market Participant or User of the Transmission System.

3. If a Northern Maine ISA agent, Officer, or employee receives a gift or inheritance of those securities, he must dispose of such securities within six (6) months of the date of receipt.
 4. Nothing in this Paragraph E shall be interpreted to preclude an agent, Officer, or employee of the Northern Maine ISA from indirectly owning securities issued by a Transmission Owner, ISA Member, Market Participant or User of the Transmission System through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards the electric industry or the electric utility industry, or any segments thereof) under which the agent, Officer, or employee does not control the purchase or sale of such securities.
 5. Participation in a pension plan of a Transmission Owner, ISA Member, Market Participant or User of the Transmission System shall not be deemed to be a direct financial benefit if the financial performance of the Transmission Owner, ISA Member, Market Participant or User of the Transmission System financial performance has no material effect on such pension plan.
- F. The Northern Maine ISA agents, Officers and employees shall not provide non-public transmission or reliability (hereinafter "T/R") information (including T/R information obtained from the Transmission Owners, ISA Members, Market Participants or Users of the Northern Maine Transmission System in the normal

course of Northern Maine ISA business) to anyone outside the Northern Maine ISA, except for disclosure of such information to transmission function employees of transmission providers (as determined under the applicable standards of the FERC) to the extent necessary to transact Northern Maine ISA business. Those transmission function employees, in turn, are governed by the FERC Standards of Conduct for Transmission Providers, 18 C.F.R. Part 358, or any successor thereto.

- G. The Northern Maine ISA agents, Officers, and employees shall treat as confidential and not disclose to anyone outside the Northern Maine ISA any of the following information, except as otherwise provided in this Paragraph G: (i) information exchanged in connection with Northern Maine ISA scheduling, dispatch, coordination and monitoring operations (including but not limited to information exchanged pursuant to Northern Maine Market Rules 2 and 6); (ii) information provided to or by the NMAO in connection with the NMAO's obligations under this Tariff and the Northern Maine Market Rules; (iii) market information obtained from merchant employees of any Market Participant or User of the Northern Maine Transmission System or other entity; and (iv) information derived from any of the foregoing. Notwithstanding the restrictions of the immediately preceding sentence, any such information may be disclosed: (i) to a Designated Employee who actively and personally on a day-to-day basis performs functions of the Northern Maine ISA or NMAO pursuant to this Tariff and who requires such information for such purposes; (ii) to the immediate supervisor of an individual described in the immediately preceding clause, provided that such

supervisor is directly employed by the same entity as such Designated Employee; (iii) to the extent such disclosure is expressly permitted or required by this Tariff or the Northern Maine Market Rules; (iv) to the extent such disclosure is required by applicable law, provided that reasonable steps are taken to ensure confidentiality of the information, including, as appropriate, requiring the execution of a confidentiality agreement by any non-governmental third party to which such information is to be disclosed; or (v) to the extent the information is otherwise publicly available. To be clear, no employee of a TSO or TSO affiliate shall have access to any of the foregoing information unless such employee meets the standards of clause (i) or (ii) of the immediately preceding sentence or the information meets the standards of clause (iii), (iv) or (v) of the immediately preceding sentence.

- H. Northern Maine ISA agents, Officers, and employees shall not give preferential access to information to any third party.
- I. In the event that any information is disclosed in violation of Paragraph F, G or H of Section II of these Standards, the fact of such disclosure shall be posted on the Northern Maine ISA OASIS (without further disclosing the confidential information). Any disclosure of information in violation of Paragraph F, G, or H of Section II of these Standards by an employee of a TSO or of an affiliate of a TSO, either direct or indirect through a conduit, shall constitute a violation of this Tariff by such TSO, regardless of whether such disclosure is intentional or inadvertent. Notwithstanding the provisions of Paragraphs F, G, and H of Section II of these Standards, Northern Maine ISA agents, Officers, and employees may

provide any information (i) to outside counsel as is necessary for purposes of seeking legal advice, provided that such outside counsel does not convey such information in a manner which, if undertaken by a Northern Maine ISA agent, Officer, or employee directly would be in violation of Paragraph F, G, or H and (ii) to a Designated Employee who, on a temporary basis, is performing functions of the Northern Maine ISA or NMAO pursuant to this Tariff and who requires such information for such purposes, provided that (a) the temporary performance of such functions by the individual is necessary due to a labor strike or other exigent circumstance that results in a reduction of personnel who normally perform such functions, (b) the Northern Maine ISA is notified in advance of any such provision of information, or, if advance notification is not feasible, then at the earliest possible time, and (c) such individual does not act as a conduit for the disclosure of information otherwise inconsistent with these Standards.

- J. Agents, Officers, and employees of the Northern Maine ISA shall strictly enforce all Transmission Owner Transmission Tariff provisions and Northern Maine ISA Tariff provisions. In the event any agent, Officer, or employee of the Northern Maine ISA may exercise his discretion, or is allowed by the Transmission Owner Transmission Tariff or the Northern Maine ISA Tariff to exercise his discretion, with respect to transactions or actions covered by either tariff, then such discretion shall be exercised fairly and impartially, and such event shall be logged and available for FERC audit.
- K. No employee, agent, or contractor of any entity engaged in wholesale or retail sales of electric energy shall have access to, or participate in, the operations of the

Northern Maine ISA coordination center(s), except for educational tours approved by the Northern Maine ISA where notification of such tours is posted on the Northern Maine ISA OASIS.

- L. Notices shall be posted on the Northern Maine ISA OASIS of any employee engaged in transmission and/or reliability functions who is terminated or transferred from the Northern Maine ISA. The posted information shall include the name of the employee, the title of the employee while performing service for the Northern Maine ISA, and the effective date of the transfer or termination.
- M. The Northern Maine ISA shall maintain its books and records separately from those of any Transmission Owner, ISA Member, Market Participant or User of the Transmission System.
- N. The Northern Maine ISA shall establish and file with the Board of Directors a complaint procedure for alleged violations of any of these Standards of Conduct. The complaint procedure shall provide for the opportunity of alternative dispute resolution, as set forth in the Northern Maine ISA Tariff.
- O. The Northern Maine ISA shall inform and train Northern Maine ISA agents, Officers, and employees with regard to these Standards of Conduct. The Northern Maine ISA shall distribute copies of these Standards of Conduct to each Northern Maine ISA agent, Officer, and employee, and require that each such agent, Officer and employee execute the attached compliance statement. The Northern Maine ISA shall monitor compliance with these Standards of Conduct. Any agent, Officer, or employee of the Northern Maine ISA failing to comply with these Standards of Conduct may be subject to disciplinary action. Such

disciplinary action may be taken against an individual and/or an entity and may take the form of reprimand, suspension without pay, limitation in the scope of responsibilities, monetary fines/sanctions in the amount of up to \$10,000 per event per day of a violation for the duration of a failure to comply, and/or termination of employment or agency (as applicable). Such discipline shall be within the discretion of the Northern Maine ISA. The NMISA may periodically audit each TSO that acts as agent for the NMISA and that employs or is affiliated with an entity that employs one or more marketing function employees (as defined by FERC regulations) in order to assess the extent to which such TSO has complied or failed to comply with these Standards of Conduct. The costs that the NMISA incurs to conduct any such audit shall be recovered exclusively from the TSO that is the subject of the audit.

