

**FERC STANDARDS OF CONDUCT COMPLIANCE
PROCEDURES FOR CONSOLIDATED EDISON, INC.'S
TRANSMISSION PROVIDERS**

1.0 PURPOSE --

- 1.1** To set forth the Consolidated Edison, Inc. ("CEI") commitment to comply with the provisions of the Federal Energy Regulatory Commission ("FERC") Standards of Conduct that are intended to ensure that companies that provide gas or electric transmission service or that own or operate transmission facilities ("Transmission Providers") do not grant any undue preference to their own marketing and sales operations or to those of an affiliated company. These Standards of Conduct Compliance Procedures ("Procedures") reflect revisions to the Standards of Conduct made by FERC in Order 717 and replace the CEI Standards of Conduct compliance procedures issued pursuant to Order 2004 and previously set forth in this Corporate Policy Statement.
- 1.2** In addition to complying with FERC's Standards of Conduct, Consolidated Edison Company of New York, Inc. ("CECONY"), Orange and Rockland Utilities, Inc. ("O&R"), and Rockland Electric Company ("RECO") are subject to restrictions respecting their interactions with the CEI affiliated companies prescribed by FERC and the New York Public Service Commission (the "Affiliate Rules").¹ For this reason, certain provisions in these Procedures prohibit activities that might be permissible under FERC's Standards of Conduct.

2.0 APPLICATION --

- 2.1** This Policy Statement applies to:
- a. The CEI subsidiaries that own or operate electric transmission facilities, *i.e.*, CECONY, O&R, and RECO (collectively the "CEI Transmission Providers"); and
 - b. The CEI subsidiaries that have marketing functions, *i.e.*, Consolidated Edison Solutions, Inc. ("CES"), Consolidated Edison Energy, Inc. ("CEE"), and Consolidated Edison Development, Inc. ("CED").
- 2.2** All references in this Policy Statement to transmission mean electric transmission, unless otherwise specified.
- a. Although CECONY and O&R have some gas facilities that are considered gas transmission facilities, for purposes of the FERC

¹ See FERC's Code of Conduct regulations, 18 C.F.R. § 35.39, and the CEI Affiliate Transactions Policy, CEI-404.

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Standards of Conduct, CECONY and O&R are considered local gas distribution companies and not gas Transmission Providers. Therefore, CECONY and O&R do not have any employees that engage in gas marketing functions for purposes of the FERC Standards of Conduct.

- b. No offer of service under CECONY's blanket certificate, granted pursuant to Part 284 of FERC's regulations, should be made prior to consultation with the Chief Compliance Officer ("CCO") (see paragraph 4.2) since providing such service could broaden the applicability of these Procedures with respect to gas matters.

2.3 The Affiliate Rules apply to:

- a. The CEI Transmission Providers' relationships with all employees of CEE, CES, and CED, including those employees who do not engage in Marketing Functions, and
- b. All non-public *electric or gas* delivery system, customer, or marketer information.

3.0 **DEFINITIONS** -- There are several key terms which are essential to understanding and implementing FERC's Standards of Conduct.

- 3.1** **Transmission Function Employee** – An employee, contractor, consultant, or agent of a Transmission Provider who actively and personally engages in day-to-day Transmission Functions.
- 3.2** **Transmission Functions** – The planning, directing, organizing, or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests. Transmission Functions for CECONY are performed by System Operations within CECONY System and Transmission Operations, and Transmission Functions for O&R and RECO are performed by O&R System Operations. Both of these groups are referred to herein as System Control Centers.
- 3.3** **Transmission Customer** – Any eligible customer that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.
- 3.4** **Transmission Function Information** – Any information relating to the day-to-day operation of the transmission system and/or the granting of transmission service requests. Examples of transmission function information include: available transmission capability; price; curtailments; and balancing. Transmission Function Information also includes any information acquired

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from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the Open Access Same-Time Information System ("OASIS") or Internet Web site, except to the limited extent information is required to be posted on the OASIS or Internet Web site in response to a request for transmission service or ancillary services.

3.5 Marketing Function Employee – An employee, contractor, consultant, or agent of a Transmission Provider or an affiliated CEI company who actively and personally engages in day-to-day Marketing Functions.

3.6 Marketing Functions – Wholesale sales (including sales into markets administered by an ISO or an RTO) of electric energy, capacity, demand response, virtual transactions, or financial or physical transmission rights. Marketing Functions are conducted by certain employees within CECONY Electricity Supply, Energy Management, and by certain employees within CEE, CES, and CED.

4.0 GENERAL PROVISIONS -- Principles of the FERC Standards of Conduct and the relevant Affiliate Rules are described in this section.

4.1 Purposes of Procedures –

- a. CEI has developed these Procedures to ensure that pursuant to FERC's Standards of Conduct:
 - (1) All Transmission Function Employees operate independently from all Marketing Function Employees.
 - (2) Marketing Function Employees may not conduct Transmission Functions or have access to a System Control Center or similar facilities used for transmission operations or reliability functions, or access to non-public Transmission Function Information that differs in any way from the access available to other Open Access Transmission Customers.
 - (3) Transmission Function Employees may not conduct Marketing Functions.
 - (4) Transmission Function Employees must treat all Open Access Transmission Customers equally and not provide preferential treatment to Marketing Function Employees.

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- (5) No employee, contractor, consultant, or agent of a CEI Company may pass on non-public Transmission Function Information to a Marketing Function Employee (the "No Conduit Rule") (see paragraph 4.3 d).
 - (6) All information required to be posted by the FERC Standards of Conduct is publicly posted on the Transmission Providers' Internet Web sites in a timely manner. Compliance with these Procedures is of the utmost importance to all officers, directors, and employees. There are severe consequences for non-compliance. FERC could impose substantial penalties for violations of the FERC Standards of Conduct. These penalties could include the loss of a Transmission Provider's authority to make sales at market-based rates and also civil, or even criminal, penalties.
- b. CEI has also developed these Procedures to require that employees of CECONY and O&R comply with the Affiliate Rules, which apply to more than Transmission Function information and to all employees of CEE, CES, and CED, including those employees who do not engage in Marketing Functions. As such, employees of CECONY and O&R:
- (1) May not share any non-public *electric or gas* delivery system, customer, or marketer information with *any* employee of CEE, CES, or CED;
 - (2) May not permit access by *any* employee of CEE, CES, or CED to a CECONY or O&R System Control Center or other area known to contain non-public *electric or gas* delivery system, customer, or marketer information.
 - (3) May not promote or provide sales leads to *any* employee of CEE, CES, or CED; and
 - (4) May not prefer CES, CEE, or CED in terms of providing utility services.

4.2 The Chief Compliance Officer – CEI's CCO is the Vice President and General Auditor, who can be contacted at (212) 460-3296. The CCO is responsible for ensuring that the FERC Standards of Conduct are successfully implemented and adhered to. Questions relating to FERC's Standards of Conduct or these Compliance Procedures should be addressed to the CCO or his or her designee.

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- a. The CCO's designee for CECONY matters is the Section Manager of FERC Compliance and Training in Auditing, who may be contacted at (212) 460-3674.
- b. The CCO's designee for O&R and RECO matters is the Ethics Officer-O&R, who may be contacted at (845) 577-2943.

4.3 Safeguarding Non-Public Transmission Function Information –

- a. The FERC Standards of Conduct require that each CEI Transmission Provider treat its Marketing Function Employees the same as it treats its Open Access Transmission Customers regarding the dissemination of non-public Transmission Function Information.
- b. Marketing Function Employees and employees of CEE, CES, and CED must not have Preferential Access to non-public Transmission Function Information. With respect to non-public Transmission Function Information, Marketing Function Employees and employees of CEE, CES, and CED shall have access only to that information that is available to the Transmission Provider's Open Access Transmission Customers through OASIS or the Transmission Provider's Internet Web site.
- c. Although non-public information regarding plans to construct transmission facilities is not Transmission Function Information under the FERC Standards of Conduct, the disclosure of such information to a Marketing Function Employee or any employee of CEE, CES, and CED is prohibited.
- d. The "No Conduit Rule."
 - (1) No employee who has access to non-public Transmission Function Information may disclose such transmission information to a Marketing Function Employee or any employee of CEE, CES, and CED. Since employees of other market participants do not have access to such information unless it is posted on OASIS or the Internet, Marketing Function Employees and employees of CEE, CES, and CED must not have preferential access to such information.
 - (2) This prohibition from disclosing non-public Transmission Function Information to a Marketing Function Employee and the employees of CEE, CES, and CED is referred to as the "No Conduit Rule." For example, while an employee of CECONY,

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O&R, or RECO may have access to non-public Transmission Function Information, he or she may not serve as a conduit to pass that information to a Marketing Function Employee or any employee of CEE, CES, or CED.

- e. No employee may advise a Marketing Function Employee or an employee of CEE, CES, or CED to access OASIS or the Transmission Provider's Web site for the purpose of making the employee aware of information that will be posted (the "no tip-off" rule).
- f. A Transmission Provider must not disclose non-public customer specific transmission-related information (e.g., plant outage information) to a Marketing Function Employee, or any employee of CEE, CES and CED without written permission from the customer. Verbal authorization from the customer is not sufficient for this purpose. If the Transmission Customer authorizes the Transmission Provider to disclose its information to a Marketing Function Employee, the Transmission Provider must post notice on its Internet Web site of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent. See paragraph 4.7 (f).

4.4 Improper Disclosures of Non-Public Transmission Function Information –

- a. "Disclose" means to provide or transmit information to a Marketing Function Employee. Information is deemed to be disclosed if it is made available, even if it is not actually viewed. For example, information is regarded as disclosed if it is contained in an e-mail, or an attachment to an e-mail, that is sent but not opened by the recipient.
- b. If a Transmission Function Employee discloses non-public Transmission Function Information to a Marketing Function Employee, the employees involved shall, upon learning of the prohibited disclosure, immediately notify their supervisors and the CCO and take steps to prevent any further disclosure of that Transmission Function Information to other employees. If the disclosed Information is a written or electronic document, the receiving employee shall send it to the CCO together with any other documentation relating to the disclosure.
- c. The CCO shall review the disclosed information to confirm that it is in fact non-public Transmission Function Information and that the disclosure was prohibited under the Standards of Conduct.

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- d. If the CCO concludes that the disclosure was prohibited and that there are no countervailing considerations, he or she shall immediately instruct the responsible department or person (CECONY's Public Affairs Department or O&R's Corporate Communications Department) to post the Transmission Function Information on the Transmission Providers' Internet website without delay. If countervailing considerations exist, e.g., the disclosed information is critical energy infrastructure information ("CEII") as defined in section 388.113(c)(1) of FERC's regulations, the disclosed proprietary customer information would cause competitive injury to a customer if further disclosed, the CCO shall consult the Associate General Counsel of Utility Affairs, Regulatory Services, regarding the appropriate course of action.
- e. The posting shall remain on the Transmission Provider's Internet Web site for 90 days. The CCO shall retain all documentation relating to the disclosure and posting for three years.
- f. CECONY's Webmaster is the Senior Specialist in Public Affairs, who can be reached at 212-460-4061. O&R's and RECO's Webmaster is the Specialist – Corporate Communications, who can be reached at 845-577-2451.

4.5 The CEI Transmission Providers have established measures to ensure the security of Transmission Function Information. To maintain the security of Transmission Function Information, the CEI Transmission Providers have undertaken and implemented the following security measures.

- a. CECONY, O&R, and RECO have installed secure electronic pass card type entries on all entrances to their System Control Centers. Only authorized Transmission Function Employees have such access to the System Control Centers. Other employees may be granted access to the control rooms upon request when dictated by legitimate Company business purposes. Marketing Function Employees and all employees of CEE, CES, and CED will be granted access to the System Control Centers only to the extent that the Transmission Provider grants such access to other Open Access Transmission Customers.
- b. The CEI Transmission Providers use a computer "firewall" to restrict access to Transmission Function Information, including transmission operating information and transmission outage scheduling. Marketing Function Employees and all employees of CEE, CES, and CED do not have access to the transmission part of the computer systems. The Transmission Function Employees who have access to the transmission

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part of the computer systems have a computer sign-on with screen saver password for their computers.

- c. Marketing Function Employees and all employees of CEE, CES, and CED are denied access to materials and data related to the wholesale use of the CEI Transmission Providers' transmission systems, including those related to transmission planning. Employees in possession of such information must take steps necessary to secure such materials and data when they are not in the office. Transmission Function Employees are separated from Marketing Function Employees and all employees of CEE, CES, and CED by being located either in different buildings or on different floors in the same building.

4.6 Permissible Exchanges of Information and Recording Obligation –

- a. Transmission Function and Marketing Function Employees are permitted to exchange certain non-public Transmission Function Information in two circumstances only. This information is:
 - (1) Information pertaining to compliance with Reliability Standards approved by FERC; and
 - (2) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generation units.
- b. If an exchange of non-public Transmission Function Information described in this section is made, the System Control Center within the Transmission Provider engaged in the information exchange must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The Transmission Provider shall make the record available to FERC upon request. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained by the System Control Center for a period of five years.
- c. In very limited circumstances, Transmission Function Employees and Marketing Function Employees may attend a meeting where transmission or transmission customer matters are to be discussed (“Joint Meetings”), such as a specific request by a Marketing Function Employee for transmission service as is permissible under section

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358.7(b) of FERC's regulations.² If such a meeting is planned, the organization or department organizing the meeting must prepare in advance and circulate to the invitees a written agenda for the meeting, clearly stating the date and purpose for the meeting, the areas to be discussed, which shall *not* include non-public Transmission Information, and containing the following notice:

This meeting will be conducted consistent with the requirements of FERC's Standards of Conduct. The participants at this meeting will not discuss any non-public Transmission Function Information and will adhere to CEI's FERC Standards of Conduct Compliance Procedures. Attendance will be taken and minutes of the meeting will be kept.

- d. The individual organizing the meeting should restate the prohibition on the disclosure of non-public Transmission Function Information at the inception of the meeting. A designated meeting attendee should prepare (i) a written list of the meeting attendees and their representative organizations or departments and (ii) make a record of the discussion. The organization or department initiating the meeting should maintain all documentation regarding the meeting and, within seven days after the meeting, electronically complete and submit to the CCO the "FERC Meeting Minutes" form, which can be found on Outlook (Outlook/Tools/Forms/Choose Form/Organizational Forms Library) or on the Company intranet at <http://ceintranet/Forms/Pages/default.aspx>.
- e. If a need arises in the course of a Joint Meeting to discuss non-public Transmission Function Information, the Marketing Function Employees in attendance must exit the meeting for the duration of that discussion. Any disclosure of Transmission Function Information to a Marketing Function Employee during a Joint Meeting must be handled in accordance with paragraph 4.4 of these Compliance Procedures.

4.7 Types of Information to be Posted – FERC requires that the CEI Transmission Providers maintain certain information on their Internet Web sites. A Transmission Provider may also post this information on its OASIS but is not required to do so. All posted information must be updated within

² A Joint Meeting does not include a meeting involving other than transmission or transmission customer matters. If it is unclear whether a meeting of Transmission Function and Marketing Function Employees is permissible, contact the CCO.

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seven business days of any change. Updates must include the date on which the information was changed.

- a. CEI Companies - The names and addresses of the CEI Companies that employ or retain Marketing Function Employees are posted on the CEI Transmission Providers' Internet Web sites.
- b. Employee Information - The job titles and job descriptions of the Transmission Providers' Transmission Function Employees.
- c. Employee Transfers - Transmission Function Employees and Marketing Function Employees of the CEI Transmission Providers and affiliated CEI Companies may transfer between the Transmission and Marketing Functions. Notices of transfers of a Transmission Function Employee to a position as a Marketing Function Employee, or any transfer of a Marketing Function Employee to a position as a Transmission Function Employee, are posted on the Internet Web site by the Webmaster within seven days of the transfer, as coordinated by Human Resources. The organizations that have been identified to date as containing these employees are listed in the FERC compliance manual. Other organizations must notify the CCO if they determine later that an employee may be defined within the transmission or marketing functions. The notice includes the name of the transferring employee, the employee's titles before and after the transfer, and the effective date of the transfer. For CECONY and O&R, this notice shall remain posted on their Internet Web sites, which are linked to the New York Independent System Operator (NYISO) OASIS, for 90 days.
- d. Mergers - The Transmission Providers will post information concerning potential merger partners as affiliates that may employ or retain Marketing Function Employees within seven days after any merger is announced.
- e. Shared Facilities - A complete list of any facilities, including their type and address, shared by Transmission Function and Marketing Function Employees, except for physical facilities that do not contain any employees, is posted on the Transmission Providers' Internet Web sites.
- f. Voluntary Consents – If a Transmission Customer authorizes the Transmission Provider to disclose non-public customer information to a Marketing Function Employee, the Transmission Provider must post notice on its Internet Web site of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

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- g. Interconnection Services - FERC's regulations also require a posting for those instances where a CEI Transmission Provider is providing interconnection services for CEE, CES, or CED or a client of CEE or CED. Specifically, FERC requires that the CEI Transmission Provider:
 - (1) Post an advance notice to the public on its OASIS of its intent to conduct a Scoping Meeting with CEE, CES, or CED.
 - (2) Transcribe the meeting in its entirety.
 - (3) Retain the transcript for three years. This posting requirement shall be accomplished by the responsible manager contacting the Webmaster, who will ensure that the information is posted.
- h. Non-public Transmission Function Information - Non-public Transmission Function Information disclosed to a Marketing Function Employee must be posted on the CEI Transmission Provider's Internet Web site immediately, as explained in paragraph 4.4.
- i. Written Implementation Procedures - These written procedures implementing the FERC Standards of Conduct must be posted on the Transmission Provider's Internet Web site.
- j. Name and Contact Information for the CEI Transmission Provider's Chief Compliance Officer - The name and contact information of the CEI Transmission Provider's CCO, as explained in paragraph 4.2, must be posted on the Transmission Provider's Internet Web site.
- k. Notices of Waiver/Discretionary Acts - Notice of each waiver of a tariff provision that a CEI Transmission Provider grants in favor of an affiliate, unless the waiver has been approved by the Commission. The posting must be made within one business day of the act of waiver. The Transmission Provider must maintain a log of the act of waiver and must make the log available to the Commission upon request. Records of the waiver must be kept for five (5) years from the date of each act of waiver. Exercises of discretion that are within the scope of a tariff provision need not be posted, unless in any given instance such posting is required under any other FERC regulation.

4.8 Information Required to be Posted on the Internet and OASIS –

- a. CECONY and O&R post and maintain required information on their Internet Web sites. NYISO maintains an OASIS System at <http://www.nyiso.com>. CECONY and O&R materials posted on their

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Internet Web sites can be accessed from the NYISO OASIS by selecting the "Transmission Owners" link and then selecting the appropriate company. CECONY materials can be found by selecting "FERC regulatory documents" under "quicklinks," and O&R materials can be found by selecting "Tariffs and Regulatory Documents" under menu choice "About O&R" and then selecting "Federal." Such information may also be access directly on the CECONY and O&R Web sites using the following links:

(1) CECONY: <http://www.coned.com/ferc/>

(2) O&R:

<http://www.oru.com/aboutoru/tariffsandregulatorydocuments/federal/>

(3) RECO posts and maintains its information on the O&R Internet Web site. RECO materials can be accessed from the NYISO OASIS (at <http://www.nyiso.com>) and the OASIS System maintained by the PJM Interconnection ("PJM"), since RECO participates in both the NYISO and PJM control areas. The PJM OASIS can be accessed at <http://www.pjm.com/markets-and-operations/etools/oasis.aspx>.

- 4.9 Training in FERC's Standards of Conduct** – All Transmission Function and Marketing Function Employees and their supervisors, officers, directors, and any other employees likely to become privy to Transmission Function Information receive initial and annual training thereafter in FERC's Standards of Conduct. The employee will certify the completion of this training either electronically (e.g., eLearning training system record) or in writing (e.g., On the Job Training [OJT]). In addition, all new management hires require the training as part of their orientation; as well as all GOLD and TEAM program participants. At present, employees are being trained using the training module developed by the Edison Electric Institute ("EEI"), and Board members may also be trained by an in-person presentation or an outline of the EEI materials (e.g., FERC highlights letter). Each new employee in the categories listed in this section will also complete the Standards of Conduct training module within the first 30 days of employment and certify the completion of such training either electronically or in writing. Further targeted training may also be required for specific functions and/or organizations, as determined jointly by Auditing and those organizations.

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4.10 Department-Specific Responsibilities –

- a. The following departments take various steps to ensure compliance with the Standards of Conduct.
 - (1) Departments with employees that possess Transmission Function Information or transmission planning information must take steps to ensure that this information is not shared with any Marketing Function Employee or any employee of CEE, CES, or CED. Only authorized employees have routine access to the System Control Centers. Such departments must protect from disclosure any documents or other records containing non-public Transmission Function Information. In addition, Transmission Planning must maintain the records required and ensure the posting of:
 - (a) Scoping Meetings with CEE, CES, or CED related to interconnections, as described in paragraph 4.7.g (1).
 - (2) Departments that include Transmission Function Employees or Marketing Function Employees take steps to ensure that when an employee transfers from a job where they engage in Transmission Functions to a job where they will engage in Marketing Functions or no longer engage in Transmission Functions, that all necessary steps are taken to eliminate pass codes and other means of access to transmission information and transmission facilities, like the System Control Centers.
 - (3) Information Resources, among other departments, takes steps to ensure that only authorized employees have access to computerized databases containing non-public Transmission Function Information, including confidential information obtained from Open Access Transmission Customers.
 - (4) The Human Resources Department of each CEI Transmission Provider takes steps to ensure:
 - (a) The updating of job titles and job descriptions that are posted on the Transmission Provider's Internet Web sites.
 - (b) Tracking and posting the transfer of employees between Transmission and Marketing Functions.

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- (c) Such employee information is updated by the Human Resources Department within seven business days of any change, and the date of such updating posted on the Transmission Providers' Internet Web site. Superseded job titles and position descriptions are retained for three years and are available for FERC review.

- (5) The Auditing Department takes steps to ensure that:
 - (a) All employees designated in paragraph 4.9 of this Policy are trained in the Standards of Conduct.
 - (b) A copy of these Procedures is made available to those employees designated herein.
 - (c) The CEI Transmission Providers are complying with these Procedures by conducting audits.

4.11 The CEI Transmission Providers must Properly Maintain their Books and Records –

- a. The CEI Transmission Providers' books of account and records (as prescribed under Parts 101, 125, 201, and 225 of FERC's rules) are maintained separately from those of affiliated CEI Companies and available for Commission inspections.
- b. The CEI Transmission Providers maintain their books and records pursuant to the requirements of the Federal Energy Regulatory Commission and the Public Service Commission, April 2003.

4.12 Wholesale Transmission Tariffs –

- a. NYISO maintains and administers the state-wide tariff for wholesale transmission service in New York State. As such, transmission access to CECONY's and O&R's transmission systems is provided solely by NYISO.
- b. PJM maintains and administers the region-wide tariff for wholesale transmission service in PJM's control area. As such, transmission access to RECO's transmission systems is provided solely by PJM.

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4.13 Compliance Procedures –

- a. A copy of these Procedures will be distributed to all Transmission Function and Marketing Function Employees and their supervisors, officers, directors, and any other employees likely to become privy to Transmission Function Information.
- b. A copy of these Procedures is distributed to all new employees within their first 30 days of employment.
- c. A copy of these Procedures is posted on the CEI Transmission Providers' Internet Web sites.
- d. These Procedures may be updated from time to time. New copies of these procedures will not be disseminated to all employees each time a change is made. If there is a material change to the procedures, all affected employees will be notified of the change.

5.0 ADVICE AND COUNSEL -- The Vice President and General Auditor will provide advice and counsel on these Procedures.