



**FERC Transmission Provider**  
**Standards of Conduct Compliance Procedures**  
**For Central Hudson Gas & Electric Corporation (“Central Hudson”)**

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## I. Introduction

On October 12, 2008, the Federal Energy Regulatory Commission (“FERC”) issued Order No. 717, a Final Rule revising the Standards of Conduct for Transmission Providers (“Standards of Conduct”). The Final Rule eliminates the concept of energy affiliates and the corporate separation approach and instead focuses on the functions of individual employees, with Transmission Function Employees directed to operate separately from Marketing Function Employees. Subsequent Order Nos. 717-A through 717-D were issued to make the Standards of Conduct clearer and to refocus the rules on the areas where there is the greatest potential for abuse. Additionally, FERC Order No. 787 provides authority to interstate natural gas pipelines and public utilities that own, operate, or control facilities used for the transmission of electric energy in interstate commerce (Transmission Providers) to share non-public, operational information with each other for the purpose of promoting reliable service or operational planning on either the public utility’s or pipeline’s system. Central Hudson’s Standards of Conduct Compliance Procedures (“Procedures”) are to be interpreted and applied according to the guidance provided by FERC in these Orders and other applicable FERC precedent.

FERC requires that gas and electric systems be operated in a manner that does not impede fair competition. As such, the Standards of Conduct are designed to prevent a Transmission Provider from giving its Marketing Function Employees preferential access to non-public Transmission Function Information. The three key components of the Standards of Conduct are as follows:

- The Independent Functioning Rule (18 C.F.R. § 358.5)
- The No-Conduit Rule (18 C.F.R. § 358.6)
- The Transparency Rule (18 C.F.R. § 358.7)

## II. Tariff Administration and OASIS

Central Hudson is a Market Participant of the New York Independent System Operator (“NYISO”) and a party to the NYISO-Transmission Owner (“TO”) Agreement. All transmission service in New York, including transmission service on Central Hudson’s transmission system, is provided pursuant to the NYISO Open Access Transmission Tariff (“OATT”). The NYISO also maintains an Open Access Same Time Information System (“OASIS”) on behalf of Central Hudson and the other New York TOs.

## III. Applicability (18 C.F.R. § 358.1)

The FERC Standards of Conduct apply to Central Hudson as a public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce (Transmission Provider) and conducts transmission transactions with an affiliate that engages in Marketing Functions. These Procedures to implement the Standards of Conduct are applicable as set forth below to: 1) Transmission Function Employees and 2) Marketing Function Employees. The Standards and Procedures also may apply to officers,

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members of the Board of Directors of Central Hudson, and any other employee who becomes privy to non-public Transmission Function Information.

#### IV. General Principals (18 C.F.R. § 358.2)

1. Central Hudson must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.
2. Central Hudson's Transmission Function Employees must function independently from its Marketing Function Employees, except as permitted in this part or otherwise permitted by Commission order.
3. Central Hudson's employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function Information to Central Hudson's Marketing Function Employees.
4. Central Hudson must provide equal access to non-public Transmission Function Information disclosed to its Marketing Function Employees to all its transmission customers, affiliated and non-affiliated, except as permitted by applicable FERC regulations or orders.

#### V. Definitions (18 C.F.R. § 358.3)

**Marketing Functions** - In the case of electric public utilities and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights, all as subject to an exclusion for bundled retail sales, including sales of electric energy made by providers of last resort ("POLRs") acting in their POLR capacity.

**Marketing Function Employee** - An employee, contractor, consultant, or agent of a Transmission Provider or of an affiliate of a Transmission Provider who actively and personally engages on a day-to-day basis in Marketing Functions. An employee who drafts or redrafts contracts associated with Marketing Functions without making business decisions is not a Marketing Function Employee. The employees in Energy Resources are the Marketing Function Employees at Central Hudson.

**Transmission Functions** - The planning, directing, organizing or carrying out of day-to-day transmission operations, including, but not limited to, the granting and denying of transmission service requests and the performance of system impact studies to determine

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whether the transmission system can support the requested transmission service. Long-range planning functions including system impact studies performed solely to determine the transmission system upgrades necessary to provide service are not Transmission Functions so long as they do not implicate the day-to-day operation of the transmission system.

**Transmission Function Employee** - An employee, contractor, consultant, or agent of Central Hudson who actively and personally engages on a day-to-day basis in Transmission Functions. The employees in System Operations are the Transmission Function Employees at Central Hudson.

**Transmission Function Information** - Information relating to Transmission Functions.

**Transmission Provider** - A Transmission Provider is any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce. Central Hudson is a Transmission Provider.

**VI. Non-Discrimination Requirements (18 C.F.R. § 358.4)**

1. Transmission Function Employees of Central Hudson shall strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service whenever these provisions do not provide for the use of discretion.
2. Transmission Function Employees of Central Hudson shall apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all customers (including Central Hudson and any of its affiliates) in a not unduly discriminatory manner whenever these provisions involve discretion.
3. Central Hudson shall maintain a log, available for FERC audit, detailing the circumstances and manner in which it exercised its discretion under any terms of the open access transmission tariff. The information contained in this log shall be posted on the NYISO OASIS as provided in 18 C.F.R. § 37.6(g)(4) of FERC’s regulations within 24 hours of the time when Central Hudson exercises such discretion.
4. Central Hudson shall not, through tariffs or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including issues of price, curtailments, scheduling, priority, ancillary services, balancing, or other terms or conditions of service).
5. Central Hudson shall process all similar requests for transmission service in the same manner and within the same period of time.

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## **VII. Independent Functioning Rule (18 C.F.R. § 358.5)**

1. Except as permitted in this part or otherwise permitted by FERC order, Transmission Function Employees shall function independently of Marketing Function Employees.
2. Marketing Function Employees shall be prohibited from: (a) conducting Transmission Functions; and (b) having access to the system control center or similar facilities used for Transmission Functions that differs in any way from the access available to other open access transmission customers.
3. Transmission Function Employees shall be prohibited from conducting Marketing Functions.
4. Transmission Function Employees and Marketing Function Employees shall not share building facilities and shall work in physically separate areas located in different buildings. Access by Marketing Function Employees to Transmission Function Employee work areas shall be physically restricted using appropriate measures such as authorized key card access control. Transmission Function Employees shall restrict access to Transmission Function Information using appropriate measures, such as authorized key card access control and password protection for computer files.
5. Notwithstanding any other provisions in these Standards, in emergency circumstances affecting system reliability, Central Hudson shall take whatever steps are necessary to keep its transmission system operational. Central Hudson shall make and retain a contemporaneous record of all exchanges of non-public Transmission Function Information to its Marketing Function Employees performed in emergency circumstances on the NYISO OASIS within 24 hours, or as soon as practicable after the fact, of such deviation. Central Hudson shall make and retain a record of all exchanges of non-public Transmission Function Information between its Transmission Function Employees and Marketing Function Employees for five years and make the record available to FERC upon request.

## **VIII. No Conduit Rule (18 C.F.R. § 358.6)**

Central Hudson is prohibited from using anyone as a conduit for the disclosure of non-public Transmission Function Information to its Marketing Function Employees. Any employee, contractor, consultant or agent of Central Hudson or its affiliates is prohibited from disclosing non-public Transmission Function Information to any Marketing Function Employee of Central Hudson or its affiliates.

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## IX. Transparency Rule (18 C.F.R. § 358.7)

1. Except as noted in paragraph IX.2 below, Marketing Function Employees shall have access only to that Transmission Function Information available to NYISO transmission customers (i.e., the information posted on the NYISO OASIS), and shall not have preferential access to any information about the transmission system that is not available to all users of the NYISO OASIS or that is not otherwise also available to the general public without restriction.
2. Transmission Function Employees and Marketing Function Employees may exchange the following non-public information (a) information pertaining to compliance with Reliability Standards approved by the Commission, and (b) information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generation units. While the information identified in (a) and (b) in this paragraph is not non-public Transmission Function Information, if any inadvertent disclosure of non-public Transmission Function Information by a Transmission Function Employee to a Marketing Function Employee during these exchanges occurs, Central Hudson shall make a contemporaneous record of all such exchanges (notes, emails, text messages, recorded telephone exchanges, and the like) for five years. If such information is disclosed in emergency circumstances, Central Hudson shall make a record of the exchange as soon as practicable after the fact. In both cases, Central Hudson shall retain the record for a period of five years.
3. Transmission Function Employees shall not disclose to (1) Marketing Function Employees of Central Hudson or its affiliates or 2) non-employees (except Transmission Function Employees of the NYISO, neighboring ISOs/RTOs or interconnected utilities) any information concerning the transmission system (including, but not limited to, information about current status of lines, scheduling of outages, available transmission capability, price, curtailments, ancillary services, etc.) through non-public communications conducted off the NYISO OASIS, through access to information not posted on the NYISO OASIS that is not at the same time available to the general public without restriction, or through information on the NYISO OASIS that is not at the same time publicly available to all NYISO OASIS users. (Note: The NYISO OASIS provides for posting of information relating to all bulk power system facilities and key underlying system facilities. For the remaining lower voltage facilities not posted on the NYISO OASIS, where local area generation is impacted, the “same information, same time” principle is accomplished by providing notification to all local generators via e-mail or conference call in a simultaneous manner).
4. If a Transmission Functioning Employee discloses information not posted on the NYISO OASIS in a manner contrary to the requirements of these Procedures or the Standards of Conduct, Central Hudson shall immediately post such information on the NYISO OASIS. If any such disclosed information is information that FERC by law has determined is to be subject to limited dissemination (such as critical energy infrastructure information), Central Hudson shall immediately post that the information was disclosed.

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5. Central Hudson shall not share any market information acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary services on the NYISO OASIS with its own Marketing Function Employees (or those of an affiliate), except to the limited extent that information is required to be posted on the NYISO OASIS in response to a request for transmission service or ancillary services; provided, however, that Central Hudson may share a transmission customer's non-public information with its Marketing Function Employees only if the transmission customer voluntarily consents, in writing, to such disclosure. Central Hudson shall post on the NYISO OASIS notice of the transmission customer's consent along with a statement that Central Hudson did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.
6. Central Hudson Transmission Function Employees and Marketing Function Employees are permitted to attend joint meetings as long as the meetings do not relate to Transmission Functions or Marketing Functions. For instance, Transmission Function Employees and Marketing Function Employees may attend joint meetings associated with NERC Reliability Standards, provided, however that non-public Transmission Function Information shall not be disclosed. In all cases, the No Conduit Rule shall apply to these meetings.
7. Central Hudson shall post and maintain on the NYISO OASIS a copy of these Standards of Conduct Compliance Procedures. Central Hudson shall post on the NYISO OASIS all information required to be posted pursuant to these Procedures and the Standards of Conduct. All postings to NYISO OASIS referenced in these Procedures shall be on a publicly accessible portion of the OASIS that can be reached from a link on Central Hudson's internet website.
8. Central Hudson shall post the names and addresses of all its affiliates that employ or retain Marketing Function Employees. Any changes shall be posted on the NYISO OASIS within seven business days of the change.
9. Central Hudson shall post a complete list of the employee-staffed facilities shared by any of its Transmission Function Employees and Marketing Function Employees including the types and addresses of the shared facilities.
10. Central Hudson shall post the information concerning potential merger partners as affiliates that may employ or retain Marketing Function Employees.
11. Central Hudson shall post on the NYISO OASIS the job titles and job descriptions of its Transmission Function Employees.
12. Transmission Function Employees and Marketing Function Employees may transfer between such functions so long as such transfer is not used as a means to circumvent these Standards of Conduct. Notice of any such transfer shall be posted on the NYISO OASIS within seven business days of the change. Such information shall include: the

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name of the transferring employee, the respective titles held while performing each function including those of a Central Hudson affiliate if applicable, and the effective date of the transfer. This information shall remain on the NYISO OASIS for 90 days.

13. Central Hudson shall post notice of each waiver of a tariff provision that it grants in favor of an affiliate, unless such waiver has been approved by FERC.
14. Transmission service over Central Hudson’s transmission facilities is currently offered exclusively through an open access transmission tariff that is administered by the NYISO. Nevertheless, to the extent Central Hudson provides such service, any offers to discount transmission service will be announced to all potential customers solely by posting the offer on the NYISO OASIS.

**X. Implementation Requirements (18 C.F.R. § 358.8)**

1. Training and Procedures

Training is provided annually and is mandatory for: a) Transmission Function Employees; b) Marketing Function Employees; c) officers, directors, supervisory employees; and d) any other employee likely to become privy to non-public Transmission Function Information. Any new employee identified above, officer or director will be provided training within 30 days of joining Central Hudson.

- i) Transmission Function Employees, Marketing Function Employees, officers, supervisory employees, and any other employee likely to become privy to non-public Transmission Function Information receive training electronically through an on-line module. These employees must certify electronically with a Record of Completion certificate that they have completed the training. Copies of these Standards of Conduct Procedures are distributed to these employees as an attachment to the training announcement email.
- ii) The Board of Directors receives face-to-face training on these Procedures and the Standards of Conduct. These Procedures are distributed to the Board of Directors as hardcopies at the face-to face training sessions. The Board of Directors must certify in writing with a signed affidavit that they received training on the Standards of Conduct and these Procedures.

2. Chief Compliance Officer

Central Hudson shall designate a Chief Compliance Officer. The name and contact information for the designee will be posted on the NYISO OASIS. The Chief Compliance Officer shall be responsible for employee training, answering employee questions regarding these Standards, coordinating audits with FERC staff, and taking all steps necessary to ensure compliance with these Standards, including initiating self-audits.

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3. Books and Records

Central Hudson shall maintain its books of accounts and records (as prescribed under Parts 101 and 125 of FERC’s regulations) separately from those of its affiliates with Marketing Function Employees and shall make these available to FERC for inspection.

**XI. Communication and Information Sharing with Natural Gas Pipelines (18 C.F.R. § 38.2)**

Central Hudson as a Transmission Provider is authorized to share non-public operational information with a natural gas pipeline or another Transmission Provider for the purposes of promoting reliable service or operational planning. However, Central Hudson employees, contractors, consultants, and agents shall not disclose, or use anyone as a conduit for the disclosure of, non-public operational information received from a natural gas pipeline to a third party or to its Marketing Function Employees.

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