

Section VI. OPERATIONAL FLOW ORDERS (OFOs)

A. Critical Periods

A Critical Period is a period of disruption to the physical integrity of the system or a force majeure event. A Critical Day exists when the Company declares an OFO. To improve all parties' understanding of roles during Critical Periods and to test communication procedures, the Company will conduct an annual critical day simulation exercise. The Company will determine the timing of this exercise with input from market participants.

B. Operational Flow Orders

A Critical Day occurs when the Company issues an Operational Flow Orders ("OFOs"). An OFO is issued at the sole discretion of the Company. An OFO is an action taken by the Company to alleviate particular conditions that threaten the physical integrity of the Company's system, prevent a short-term interruption and to maintain operations required to provide efficient and reliable firm service. OFOs are instituted when other actions have not eliminated reliability concerns. Economic considerations shall not be a basis for declaring an OFO. Other channels of communication are available for mitigating economic disparities. In maintaining system integrity, the Company shall first try to correct any problem through other options available to it.

Except in circumstances where an immediate response is needed, there will be at least 24-hours notice for an OFO. When an OFO is preceded by a SA, the 24-hour notice begins with the issuance of the SA; however, there should still be a minimum of 8 hours notice when a SA is changed to an OFO.

The Company will issue separate OFOs for over-deliveries and under-deliveries.

It is impossible to detail all the conditions under which the Company may find it necessary to initiate an OFO. The following rules apply to OFOs and OFO notification:

1. The OFO notice shall meet minimum time requirements to designated Marketer or Direct Customer personnel and shall provide as much advance notice as possible. The date and time of issuance, date and time the OFO takes effect, and the estimated duration shall be included in the OFO notice.
2. The OFO notice shall state whether the condition is related to over-deliveries or under-deliveries and if there are any specific parameters included.
3. The OFO notice should communicate clearly, to designated Marketer or Direct Customer personnel, the actions required, as well as the reason for the required actions, and provide periodic update to enable parties to continue their planning functions.
4. Actions required by the OFO should be limited both in duration and scope to meet the required objective.
 - (a) The required actions should be as localized as possible.
 - (b) The OFO should be applied on a nondiscriminatory basis to all similarly situated parties.
 - (c) The Company shall respond to reasonable requests for information by parties within a reasonable time after the OFO event.

- (d) The OFO shall not be used to mitigate economic disparities.
- (e) The Company shall notify the Director of the Office of Gas and Water of the Department of Public Service when an OFO is declared and when the situation returns to normal.

Failure of the Company to adhere to one or more of the above guidelines is not a basis for Marketers or Direct Customers not to comply with requirements of the OFO, but may provide the basis for a complaint to the Commission regarding the Company's behavior.

C. System Alerts

System Alerts ("SAs") are announcements of actual or pending events that, if unchecked, may result in an Operational Flow Order ("OFO") being issued. The SA advises Marketers/Direct Customers what actions are requested and what actions may be mandated if the voluntary response is not adequate. SA's may be directed to specific Marketers/Direct Customers, subject to the Company's obligation not to unduly discriminate, or to all Marketers/Direct Customers operating on the system. Marketers/Direct Customers are expected to respond to SAs as soon as practical, giving notice to the Company of their intended actions.

The Company is not obligated to issue a SA before an OFO, but will endeavor to do so and will be required to document why it was not able to do so.

SAs will be issued via e-mail to all Marketers/Direct Customers and posted to the Internet (TCIS).

D. Responsibilities of Marketers/Customers and LDCs During An OFO or SA

Some of the actions required by an OFO may include:

- Require Marketer to deliver gas to a specific point.
- Require Marketers to balance daily or to deliver a specified quantity of gas.
- Change daily nominations for customer groups being served with a flat monthly nomination.

Upon notice that an OFO will be issued, and for the duration of the OFO, the Company must make authorized personnel available on a 24-hours-a-day, 7-days-a-week basis to handle the submission and processing of evening cycle and intraday nominations to facilitate the Marketer's and Direct Customer's response to the OFO.

If during an OFO period the Company is aware of Marketers or Direct Customers that are not responding to the required actions, it should make all reasonable efforts to inform the non-responding Marketers and Direct Customers that required actions are not being taken. Lack of such notice shall not relieve any Marketer or Direct Customer of its obligations.

The Marketer, if necessary, should communicate with its customers to secure compliance with the conditions of a Company directed OFO. If the Marketer is aware of noncompliance of one or more of its customers, it shall notify the Company Gas Transportation Services and Planning at 212-227-9331) of the name(s), address and account number(s) of the end user(s) or by email at tcis@coned.com.

At the next meeting of the Company, Marketers, and Direct Customers, there should be a review of any OFOs that may have been declared by the Company. However, any party that has a grievance concerning the necessity for, or individual treatment during, an OFO,

may address those concerns immediately with the LDC. If after such discussions the party still is dissatisfied, it may bring its concerns to the attention of the staff of the Department of Public Service and, if necessary, to the Commission.

The Company shall provide, via e-mail, telephone, and posting to the Internet (TCIS), notice to all OFO recipients of upcoming events such as anticipated weather patterns and operational problems, which may necessitate the issuance of an OFO. The Company shall also notify the Director of the Office of Gas and Water of the Department of Public Service when an OFO is declared and when the situation returns to normal.

If a Marketer/Direct Customer fails to comply with an OFO issued by the Company, a penalty equal to the higher of \$4.50 per therm or 120% of the cost of gas plus \$1.00 per therm shall be assessed.