

of market mechanisms to bring the ISO Controlled Grid during peak periods into compliance with the Applicable Reliability Criteria (or such more stringent criteria as the ISO may impose pursuant to Section 2.3.1.3.2). The ISO shall solicit bids for Replacement Reserves in the form of Ancillary Services, short-term Generation supply contracts of up to one (1) year with Generators, and Load curtailment contracts giving the ISO the right to reduce the Loads of those parties that win the contracts when there is insufficient Generation capacity to satisfy those Loads in addition to all other Loads. The curtailment contracts shall provide that the ISO's curtailment rights can only be exercised after all available Generation capacity has been fully utilized unless the exercise of such rights would allow the ISO to satisfy the Applicable Reliability Criteria at lower cost, and the curtailment rights shall not be exercised to stabilize or otherwise influence prices for power in the Energy markets.

**2.3.5.1.4** If Replacement Reserves, short-term Generation supply contracts or curtailment contracts are required to meet Applicable Reliability Criteria, the ISO shall select the bids that permit the satisfaction of those Applicable Reliability Criteria at the lowest cost.

**2.3.5.1.5** Notwithstanding the foregoing, if the ISO concludes that it may be unable to comply with the Applicable Reliability Criteria, the ISO shall, acting in accordance with Good Utility Practice, take such steps as it considers to be necessary to ensure compliance, including the negotiation of contracts through processes other than competitive solicitations.

**2.3.5.1.6** The ISO may, in addition to the required annual forecast, publish a forecast of the peak loads and Generation resources for two or more additional years.

This forecast would be for information purposes to allow Market Participants to take appropriate steps to satisfy the Applicable Reliability Criteria, and would not be used by the ISO to determine whether additional resources are necessary.

**2.3.5.1.7** In fulfilling its requirement to ensure that the applicable Generation planning reserve criteria are satisfied, the ISO shall rely to the maximum extent possible on market forces.

**2.3.5.1.8** Except where and to the extent that such costs are recovered from Scheduling Coordinators pursuant to Section 2.5, and except as provided in 2.3.5.1.9, all costs incurred by the ISO in any hour pursuant to any contract entered into under this Section 2.3.5.1 shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's metered hourly Demand (including exports) bears to the total metered hourly Demand (including exports) served in that hour.

**2.3.5.1.9** Costs incurred by the ISO pursuant to any contract entered into under this Section 2.3.5.1 for resources to meet any portion of the anticipated difference between forward schedules and the real-time deviations from those schedules shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's obligation for deviation Replacement Reserve in the hour, determined in accordance with Section 2.5.28.4 bears to the total deviation Replacement Reserve in that hour.

**2.4** [Not Used]

**2.4.1** [Not Used]

**2.4.1.1** [Not Used]

**2.4.2 [Not Used]**

**2.4.2.1 [Not Used]**

**2.4.2.2 [Not Used]**

**2.4.3 Existing Contracts for Transmission Service.**

**2.4.3.1** In accordance with Section 2.4.4 each Participating TO and holder of transmission rights under an Existing Contract will work with the ISO to develop operational protocols (which shall be based on existing protocols and procedures to the extent possible) which allow existing contractual rights to be exercised in accordance with Section 2.4.4 in a way that: (i) maintains the existing scheduling and curtailment priorities under the Existing Contract; (ii) is minimally burdensome to the ISO (i.e., creates the least impact on the ISO's preferred operational protocols, rules and procedures); (iii) to the extent possible, imposes no additional financial burden on either the Participating TO or the contract rights holder (beyond that in the Existing Contract); (iv) consistent with the terms of the Existing Contracts, makes as

