Cost Allocation Under the NYISO CRPP

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Cost Allocation Process

- The cost allocation process should reflect how reliability violations are traditionally identified and addressed in planning and operating studies.
- Cost allocation for backstop reliability projects should be determined separately for:
  - Voltage violations;
  - Thermal violations, and,
  - Capacity deficiencies.

Order of Allocation

- Cost allocation should be first determined to eliminate voltage and thermal violations and restore system transfer limits to their accepted pre-CRPP RNA levels.
- Once cost allocation to restore the system limits to their pre-RNA levels has been completed, costs to resolve capacity deficiencies may be calculated.
- The total cost allocation to an entity will be the cost allocated to address each category of violation.

Order Does Matter

- The order in which reliability violations are looked at is critical to assure proper allocation, especially since the RNA translates all violations into capacity deficiencies, which may not properly indicate the initial cause of the violation.
- By first determining the cause of a voltage violation, a capacity deficiency could be affected.
- Allocation of Capacity Deficiency Costs before Voltage or Thermal Violation costs:
  - Masks the true costs to resolve the root cause of the reliability violation.
  - Transforms the cost allocation for all reliability violations into the sole method used to allocate capacity deficiency costs.

Cost Allocation Method: Thermal/Voltage Violations

- Allocated on an impact basis to account for both load share and the location of the load.
- The impact would be determined by evaluating the contribution a reduction in load (based on MVA: MW and MVAR) has on eliminating the reliability criteria violation that caused the need for the regulated solution.

Cost Allocation Method: Capacity Deficiencies

- Calculate a forecast state-wide reserve margin then determine the respective forecast locational requirements for the two Localities.
- Calculation is the same as the calculation presently conducted by the NYSRC and NYISO in determining the yearly IRM and LCR requirements.
- Resource adequacy in the Localities is then evaluated with respect to the locational requirements and a surplus/deficiency can be calculated for each locality.

Cost Allocation Method: Capacity Deficiencies

- ***LICAP Deficiency in a Locality*** - loads within the deficient Transmission District(s) would be allocated the costs for a regulated reliability solution based upon a load ratio share of coincident peak loads forecast for the year in which the reliability deficiency is expected to first occur.
- ***ICAP Deficiency in NYCA*** - all loads within the NYCA would be allocated the costs for a regulated reliability solution based upon a load ratio share of coincident peak loads forecast for the year in which the reliability deficiency is expected to first occur for each load within the NYCA. The load ratio share calculation would account for resources in a Locality toward that Locality's LSEs load ratio share.