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Brookfield Renewable Energy Group

Focusing on Renewable Power Generation

Title: External CRIS Rights Rules Review
Date: October 1, 2012
Presenter: Frank Francis

History

- *On May 4, 2009, the NYISO and the NYTO's jointly filed compliance filing in response to the FERC January 15, 2009 Order addressing its concern regarding the ability of External Resources to supply capacity to the NYCA on a long term basis.*

- *On June 30, 2009 the Commission issued an order accepting in principle the External CRIS Rights proposal and requested that tariff revisions be implemented within 120 days*

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What are External CRIS Rights

- ***An External CRIS Right constitutes a commitment to supply capacity through a certified bilateral contract and/or Auction capacity.***

- ***Obligations of entities holding or seeking to obtain External CRIS Rights are set forth in Sections 25.7.11, 25.9.3, and 25.9.6 of the NYISO OATT Attachment S, and Section 5.12.2 of the NYISO Services Tariff.***

- ***Currently external CRIS rights are only allowed over the Hydro Quebec interface***

Supply Failure Observation

A review of the rules governing External CRIS Rights utilization on the HQ interface over the past two years led us to conclude that some rules may need to be revisited and be modified to achieve a more just and reasonable treatment to rights holders.

Supply Failure (aka: 4-strike Rule)

- ***Per Section 25.7.11.1.3.1 of Attachment S of the NYISO OATT, "For the first three instances of a supply failure, no additional actions will be taken. Upon the fourth instance within the award period or the fourth instance within a subsequent renewal period of a supply failure, the associated External CRIS right will be terminated in their entirety with no ability to renew."***

Onerous treatment considering:

- ***Already penalty provision in tariff to address failure to offer***
- ***Limited flexibility to transfer rights to hedge against transmission outage / force majeure***
- ***Strikes can be easily obtained if calculated offer is off by a decimal with no red flag to indicate incorrect offer.***

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Offer Cap Observations

Current rule per 4.10.7 of the NYISO Installed Capacity Manual "For External CRIS Rights sourced from a Control Area in Canada, the NYISO will use the higher of the most recent auction prices from PJM and ISO-NE."

<u>Non-Contract Commitment Offer Cap</u> –

- ***Most recent auction prices could be PJM's incremental or NE's reconfiguration with extremely low volumes and prices***
- ***May require holder to buy out of a more economical position***
- ***Sufficient capacity may not be available in incremental or reconfiguration auctions to allow holder to buy out of position***
- ***Potential to incur significant penalty in NY for failure to fulfill obligation***
- ***Does not allow holder to effectively arbitrage capacity prices in neighboring markets.***

Example of Offer Cap Issue

- NYISO Summer Capability Auction cleared $1.85 / KW-Month
- ISO-NE FCA cleared $2.95/ KW-Month
- Market Participant B sold into FCA as a result of the higher FCA price

ISO-NE

- FCA = $2.95 / KW-Month
- Reconfiguration = $0.55 / KW-Month

PJM

- BRA RTO =$0.50 / KW-Month

- Since current External CRIS offer cap rule requires market participant B to offer into the NYISO monthly spot auction at the higher of the two most recent auctions in ISO-NE and PJM:
- Market Participant B must offer into the NY spot auction @ $0.55
- Market Participant B clears in the spot auction
- Market Participant B must now exit its ISO-NE position to satisfy its NY obligation

Propose Changes to Supply Failure Rule

Currently, if 4 strikes are obtained an external CRIS rights holder loses all of its rights indefinitely. Instead of losing all of its rights, a more reasonable treatment would be to:

- ***Claw-back the average of all the supply failures***
- ***Allow the holder to regain claw-back after two consecutive capability period auctions of no mishaps***
- ***Allow claw-back to be available as import right on the HQ interface***
- ***Allow holder to transfer rights on a monthly basis to hedge against force majeure***

Propose change to the Offer Cap Rule

- ***Since the contract commitment is made in the initial auction we propose that the offer cap should reflect the highest of the relevant FCA, BRA or reconfiguration / incremental auction prices to the current commitment period auction year.***

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Question ?