

CRIS Expiration Evaluation

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Agenda

- **Background and Recap**
- **3-Year CRIS Retention**
- **CRIS Transfers**
- **Partial CRIS Expiration**
- **Next Steps**
- **Appendix**

Background & Recap

2021 Approved Market Project

- The 2021 CRIS Expiration Evaluation project deliverable is a Q3 Market Design Concept Proposed
- 2021 Project Schedule Milestone Update
- 2021 Approved Market Projects Product and Project Management
 - See Project 8 (Pages 11-12 of 26)

Background

- **As a part of the CRIS Expiration project, NYISO has identified three potential sets of rule changes:**
 - Modifications to the 3-year retention of CRIS by certain Retired units (as described in project description)
 - Modifications to allow more flexibility with respect to CRIS Transfers
 - Rules to provide for partial CRIS Expiration

Recap

- **At the March 11th and April 29th ICAPWG meetings, the NYISO presented the current rulesets related to CRIS retention, expiration and transfer, as well as thoughts on proposals that could be evaluated as a part of this effort**
 - https://www.nyiso.com/documents/20142/19871290/CRIS%20Expiration_ICAPWG_03112021.pdf/df86f481-4985-7ca5-7377-1b6010817762
 - https://www.nyiso.com/documents/20142/21044421/CRIS%20Expiration%2004292021_v10.pdf/a207d9ce-2848-203b-d979-c42f847a7575
- **Based on recent discussion, the NYISO is proposing changes to three concepts: 3-year CRIS retention notification process, CRIS transfers, and partial CRIS expiration**

3-Year CRIS Retention

3-Year CRIS Retention Proposal

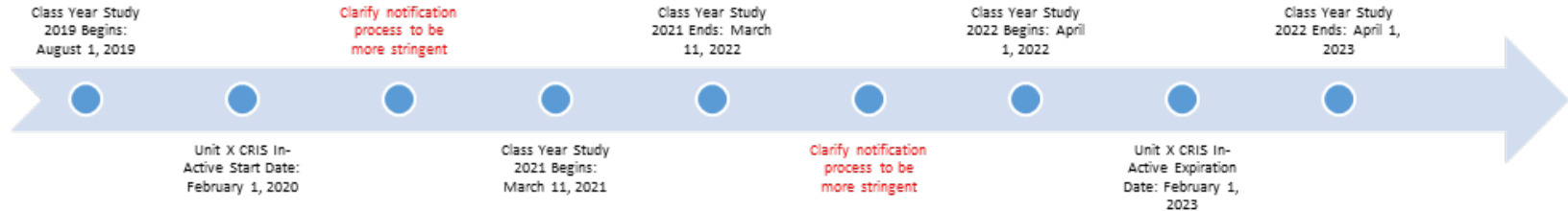
- **Based on stakeholder feedback we have received thus far and internal NYISO discussion, the NYISO sees value in exploring options for expanding on the notification requirement process for retired units**
 - Current rules state that for a different location CRIS transfer, the facility must notify the NYISO prior to the start of the Class Year Deliverability Study in which the transfer will be evaluated
 - There is currently no notice requirement for same location CRIS transfers in relation to the pending or upcoming Class Year Deliverability Study
 - The NYISO proposes to modify the rules to require retired units to demonstrate, prior to each deliverability study whether a transfer is anticipated and feasible before the CRIS expires
 - This could make resources seeking CRIS more likely to be deliverable (by removing the unused CRIS from the deliverability base case)

3-Year CRIS Retention Proposal

- **Examples of transfer scenarios that would be modeled in the upcoming deliverability study:**
 - Transfer is feasible and anticipated (e.g., CRIS expires in 6 months and there is a facility at the same location that will go in-service prior to that time, with which the developer is in transfer negotiations)
 - Transfer feasible but not yet anticipated (e.g., CRIS expires in 6 months and there is a facility at the same location coming in-service prior to that time, but with which there is not yet a transfer transaction in progress)
- **Examples of transfer scenarios that would expire the CRIS and not be modeled in the upcoming deliverability study:**
 - Transfer feasible but no intention of transfer (e.g., the developer indicates it has no intention to transfer or wishes to “return” its CRIS)
 - Transfer not feasible (e.g., CRIS expires in 6 months and there is no same location facility that can come into service before then and no different location facility with which a transfer transaction can be completed before then)
- **The notice of transfer feasibility and whether transfer is anticipated would be required for each retired facility before the start of each Class Year and Expedited Deliverability Study**

3-Year CRIS Retention Timeline

- The timeline below denotes when in the process the notification requirement would be clarified:



- Formalizing the language for the notification process for both types of transfers and requiring such notice before the Class Year Start Date will help expedite finalization of deliverability base cases quicker

CRIS Transfers

Proposal for Same Location CRIS Transfers

- **The NYISO sees value in evaluating modifying the rules for same location CRIS transfers**
 - Current rules only transfer CRIS to another facility interconnecting at the same electrical location if the facility is deactivating, and the new unit will be online before the CRIS expires
 - Proposed modifications would permit “same-location” CRIS transfers even if the transferor unit is not deactivating, which could allow for more flexibility and potentially more deliverability for new resources (i.e., less likelihood of CRIS units requiring System Deliverability Upgrades)

Proposal for Same Location CRIS Transfers

- **Under the proposed changes:**
 - Units could transfer their CRIS while still in the process of shutting down
 - These units would still be able to receive energy payments through ERIS
 - Units can transfer unutilized CRIS while they're still active
- **The proposed changes would make the rules for same location CRIS transfers consistent with the rules for different location CRIS transfers with respect to deactivation requirements**

Partial CRIS Expiration

Proposed Changes for Partial CRIS

- **The NYISO currently sees value in limiting a portion of a unit's CRIS where its existing CRIS exceeds its utilization and capability**
- **Examples of when this could be possible:**
 - A facility requests CRIS at its full nameplate, but goes in-service at a lower MW level
 - The Net MW output can likely never reach full nameplate so the facility gets to hold onto more CRIS than it can ever use, absent an uprate or modification
 - Facility downsizes after the facility has obtained its CRIS
 - A facility only uses a percentage of its CRIS over time in the NYISO ICAP Market

Proposal for Partial CRIS

- **If the ratio of the two values consistently fall below the specified threshold, a portion of the CRIS could be expired, potentially increasing Deliverability headroom**
 - For example, if a unit is consistently testing below 90% of its CRIS value, CRIS could be expired
 - For this analysis, “consistently” means for a consecutive 3-year period to align with the 3-year process used today
- **For units that are in a ICAP Ineligible Forced Outage (IIFO) or Mothballed, the partial expiration rule would not be applicable, as they are have already began their 3-year clock and could return to the system at full capacity**
- **In the analysis summarized on the following slides, the NYISO evaluated NYCA units over the past 10 years, comparing Summer CRIS levels to Summer DMNC/offer levels**

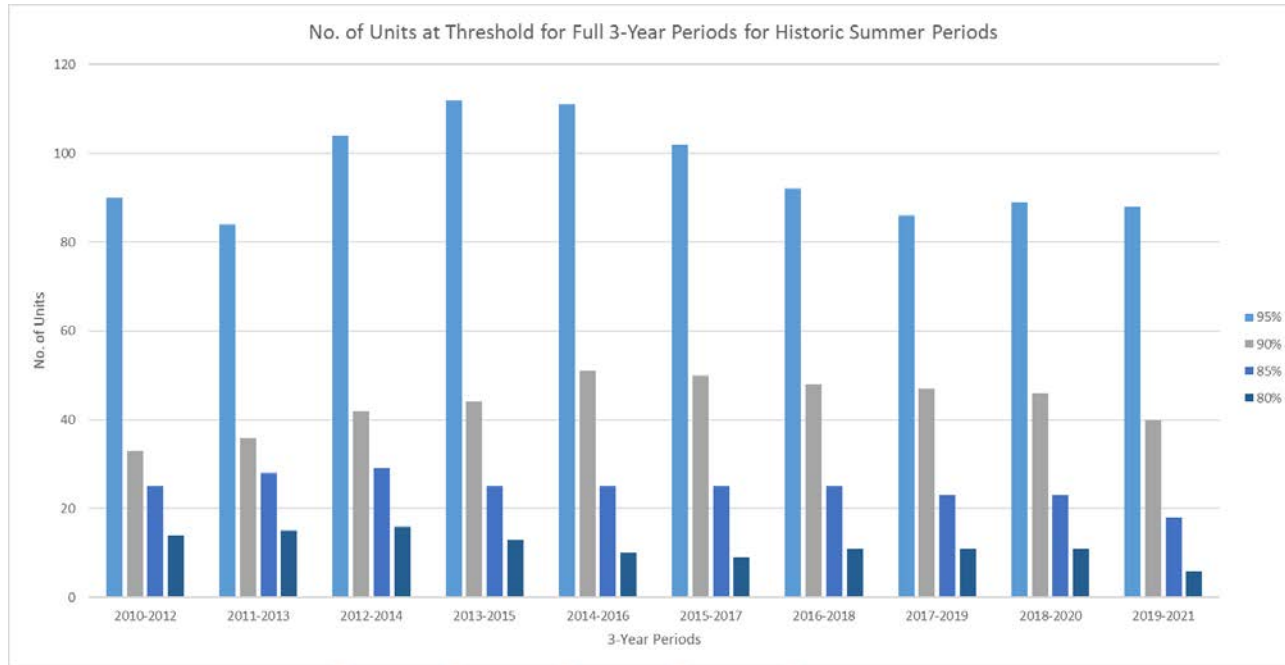
Proposal for Partial CRIS

- **For the threshold level, the NYISO currently proposes to set it to 90%**
 - The 90% threshold is established in an effort to remain consistent with trends of historic degradation levels
 - A range of different threshold levels from the NYISO's analysis are visually depicted on the following slides
- **If a unit falls at or below the threshold, the unit's CRIS level would be reset to the max test/offer value within the 3-year period plus 5% of the unit's original CRIS**
 - A 5% reset value intends to allow units to have flexibility for recoverable losses and maintenance repairs
 - All units that are consistently operating at or above the 90% threshold will remain unchanged
- **For the purposes of the initial analysis, only generators are included**
 - In the future, this mechanism would be applied to generators as well as controllable lines

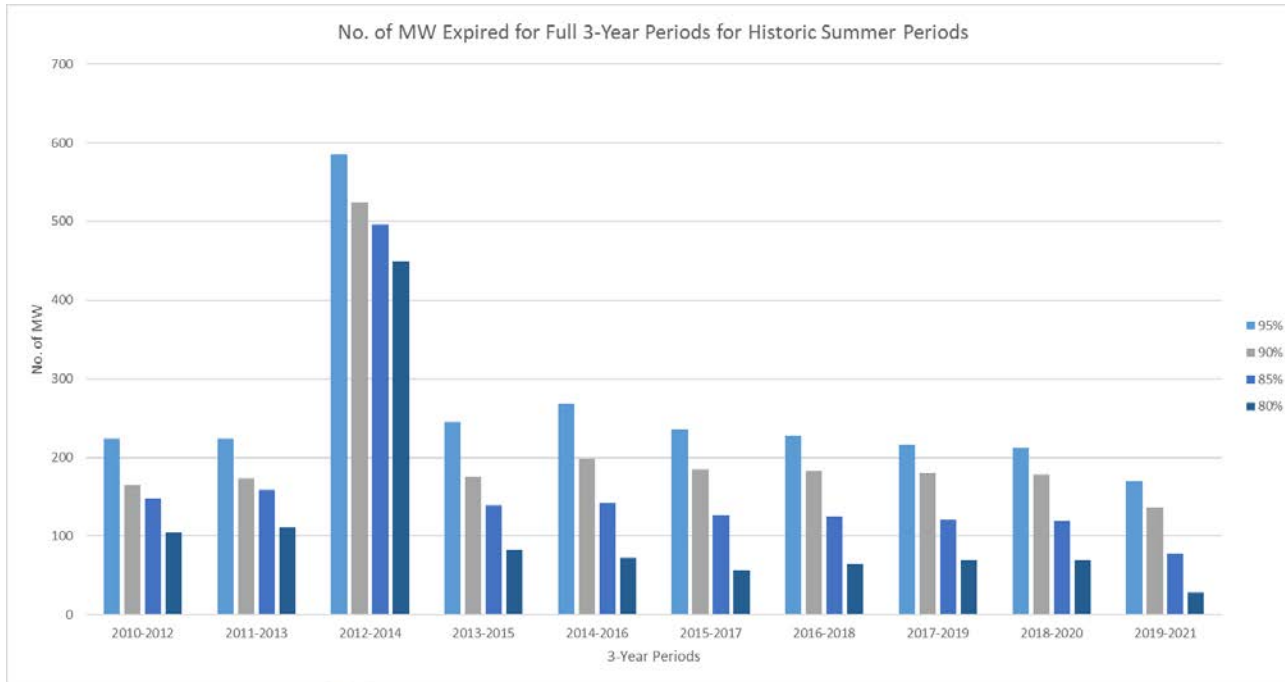
Proposal for Partial CRIS

- **The proposed changes would be effective on a rolling 3-year moving forward basis, using the max test and/or offer value of each generator or controllable line within that 3-year period**
 - For example, if this change was put into place today, the NYISO would begin evaluating units' CRIS in 2024

No. of Units not Utilizing Full CRIS



No. of MW Available for Expiration



Example Calculation of Proposal

■ For example:

- A 100 CRIS MW unit with a max test and/or offers of 90 MW within three consecutive years
 - The ratio between the CRIS level and actual capability and/or utilization is 90%
- If using 90% as the specified threshold:
 - Because the unit falls at or below the threshold level, 5% of it's CRIS would be expired and added back to the system
 - For this example, 5 MW would be expired and added back to the system

Next Steps

Next Steps

- **The NYISO is seeking stakeholder feedback on today's presentation, and will return to a later working group meeting to continue discussion**

Appendix

Current Rules

- **Once a facility begins operation, if it is CRIS-inactive for 3 years, its CRIS will expire unless transferred prior to its expiration**
 - Current rules allow a facility to retain its full CRIS for 3 years after becoming Retired
 - Current rules also allow a facility to retain its full CRIS regardless of how much of that CRIS it is using. As a result, a facility that offers only 0.1 MW into the capacity market once in a 3 year period may maintain its full MW level of CRIS
- **It is important to note that a CRIS-inactive unit's CRIS is not necessarily modeled in the Class Year or Expedited Deliverability Study for 3 full years**
 - CRIS is not modeled if it will “expire prior to the scheduled completion of the applicable Class Year study or the CRIS is associated with a Retired facility that cannot transfer such rights prior to CRIS expiration.”

Current Rules

■ CRIS Transfers

- Currently facilities can only transfer CRIS to another facility interconnecting at the same electrical location if:
 - The facility is deactivating, and
 - The new unit will be online before the CRIS expires.
- Currently, facilities can transfer CRIS to a facility at a different electrical location without deactivating the transferring facility
- Same location CRIS transfers are not subject to a Class Year Deliverability Study but different location CRIS transfers are
- Both types of transfer are subject to BSM evaluations

Property Rights Question

- **FERC has not indicated that interconnection rights are property rights**
 - When this issue has come up at FERC, FERC has rejected requests to weigh in regarding whether interconnection rights are property rights
 - This was most recently addressed in the 2015 NYISO Outage States Order in which the property rights question focused on contractual rights to a Point of Interconnection, stating, “we make no finding here on whether a generator’s interconnection rights under an interconnection agreement are property rights under the “Takings Clause.” (See 2015 Outage States Order at n. 108)
- **Even if CRIS rights were property rights, tariff rules expiring or limiting those rights would not be an unconstitutional taking under the 5th Amendment to the U.S. Constitution**
 - FERC has held that a just and reasonable tariff change, cannot by definition, constitute a Fifth Amendment taking. (See, e.g., the 2015 Outage States Order at P 63)
 - The 2015 Outage States Order found that even if the contractual rights there rose to the level of a property right, that the proposed tariff changes were not an unconstitutional “taking”
 - FERC found that parties that have signed NYISO’s pro forma interconnection agreement have agreed to accept the terms and conditions of service established by the NYISO tariffs as they change over time; thus there can be no “taking” of interconnection service under those agreements when tariffs change

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- Planning the power system for the future
- Providing factual information to policymakers, stakeholders and investors in the power system

