

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

3-Year CRIS Retention

Market Design Concept Proposal for 3-Year CRIS Retention

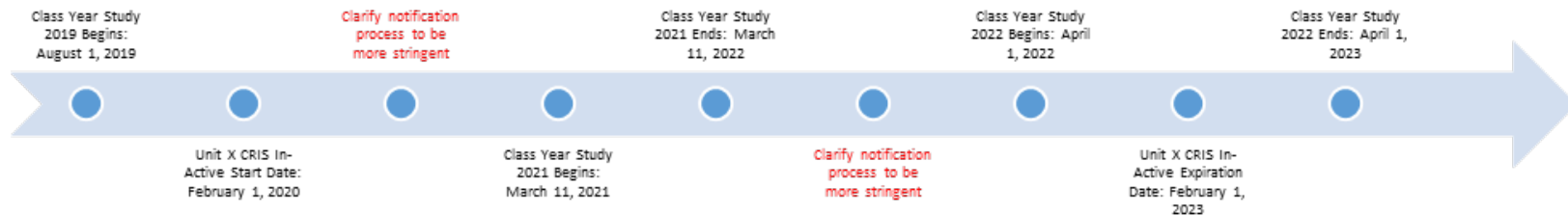
- **Based on stakeholder feedback we have received thus far and internal NYISO discussion, the NYISO sees value in exploring options for expanding on the notification requirement process for retired units**
 - Current rules state that for a different location CRIS transfer, the facility must notify the 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)

Market Design Concept Proposal for 3-Year CRIS Retention

- **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**

Timeline for Market Design Concept Proposal of 3-Year CRIS Retention

- 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

Feedback Received

- **At the working group on June 25th, there was a stakeholder response to the NYISO's proposal to further revise CRIS retention rules for retiring units**
 - The proposal brought forth by stakeholders would expire CRIS rights immediately upon retirement if the resource obtains CRIS in or after Class Year 2019 and obtained such CRIS without investing in deliverability upgrades (i.e., did not pay for SDUs or headroom on SDUs)
 - The NYISO currently does not support adding this proposal to the set of reforms proposed by the NYISO as part of this project
 - This would create different classes of CRIS rather than treating all CRIS equally
 - This could also result in undue discrimination among resources based on when and how they obtained CRIS
 - Unclear how to treat CRIS transfers of CRIS obtained without SDU investment
 - The current construct was designed to facilitate efficient retirements and repowering
 - Limiting a developer's ability to sell their CRIS rights may have the reverse effect by incentivizing resources to defer their retirement to retain their CRIS rights for longer and stay in service when a new entry would be economic
 - This flexibility is important whether or not the unit paid for an SDU

Feedback Received

- Stakeholders requested information regarding extent to which a new unit can retain CRIS before going in-service
- For new projects that are awarded CRIS through the Class Year Study, they are given 4 years from the end of the CY Study (or, if Small Gens, 4 years after tender of its interconnection agreement) to go into service or make reasonable progress toward development of the project (OATT Attachment X, Section 30.4.4.5.1 and OATT Attachment Z, Section 32.1.3.2)
 - Specifically, the developer must demonstrate that it has made reasonable progress against milestones set forth in the Interconnection Agreement (e.g., completion of engineering design, major equipment orders, commencement and continuation of construction of the and associated System Upgrade Facilities)
 - Failure to meet this requirement results in withdrawal from the Interconnection Queue
 - Upon withdrawal of a project from the Interconnection Queue, its CRIS terminates (OATT Attachment S, 25.5.9.1)

CRIS Transfers

Market Design Concept 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)

Market Design Concept Proposal for Same Location CRIS Transfers

- **Under the proposed changes:**
 - Units could transfer their CRIS while still in the process of shutting down or elect to continue operating as ERIS only
 - 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**
- **Example 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

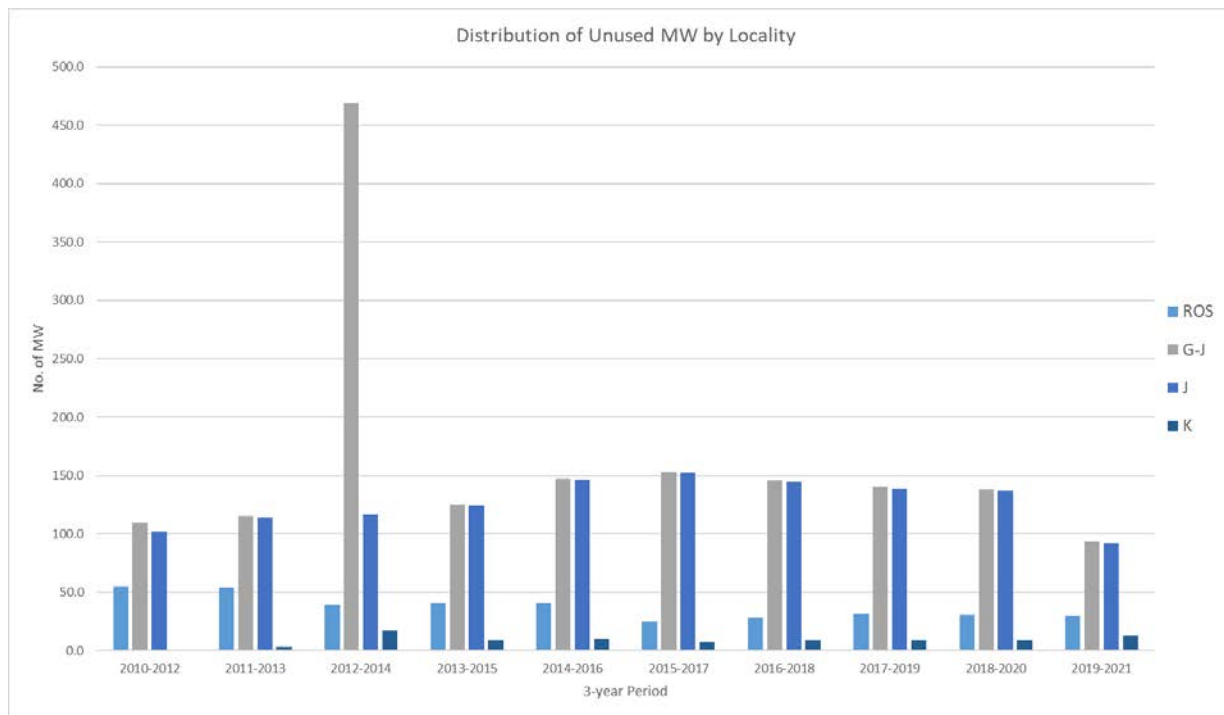
Market Design Concept Proposal for Partial CRIS

- **If the ratio of the units CRIS and utilization or capability 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 proposal, “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 previously presented to stakeholders, the NYISO evaluated NYCA units over the past 10 years, comparing Summer CRIS levels to Summer DMNC/offer levels (see Appendix)**

Market Design Concept 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
- **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% value gives units flexibility for recoverable losses and maintenance repairs
- **The proposed changes would be effective on a rolling 3-year moving forward basis, using the max test and/or offer value within that 3-year period, and would be applicable to all generators as well as controllable lines**

Distribution of Unutilized MW by Locality



Next Steps

Next Steps

- **The deliverable for this project is a Q3 MDCP**
 - See Appendix for Charter and Project Description
- **If prioritized, the NYISO would work toward a goal of Market Design Complete (MDC) in 2022**

Appendix

Project Charter

■ Project Objective and Anticipated Deliverable

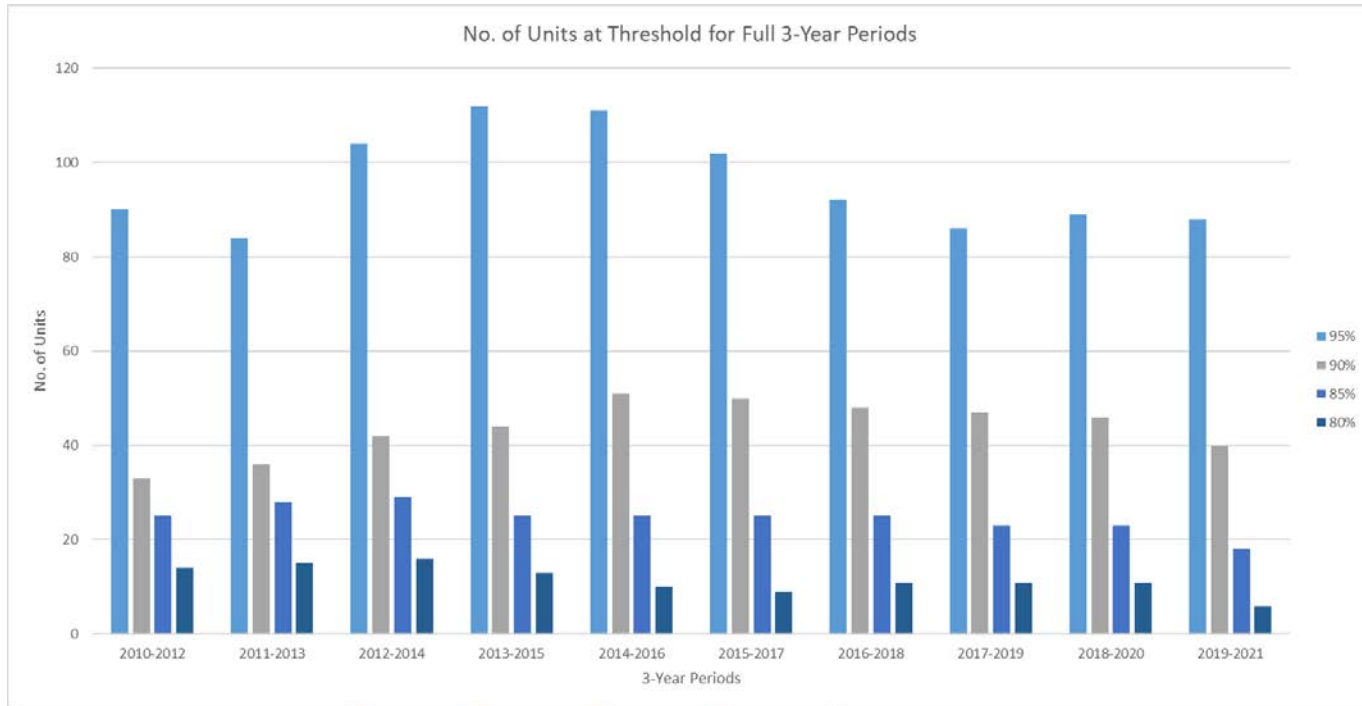
- The objective of this project is to investigate opportunities to make the rules addressing CRIS retention more stringent where CRIS is not fully utilized and propose changes to the rules where necessary. This could include changes to the rules addressing CRIS retention within the three year period after retirement, or partial CRIS utilization with respect to resources that have minimal participation in the ICAP market. This work should build on the work initiated as a part of the 2019 Class Year Redesign project and will consider various circumstances in which CRIS has been granted and/or awarded.
- The deliverable for this project is a 2021 Market Design Concept Proposed.

Project Description

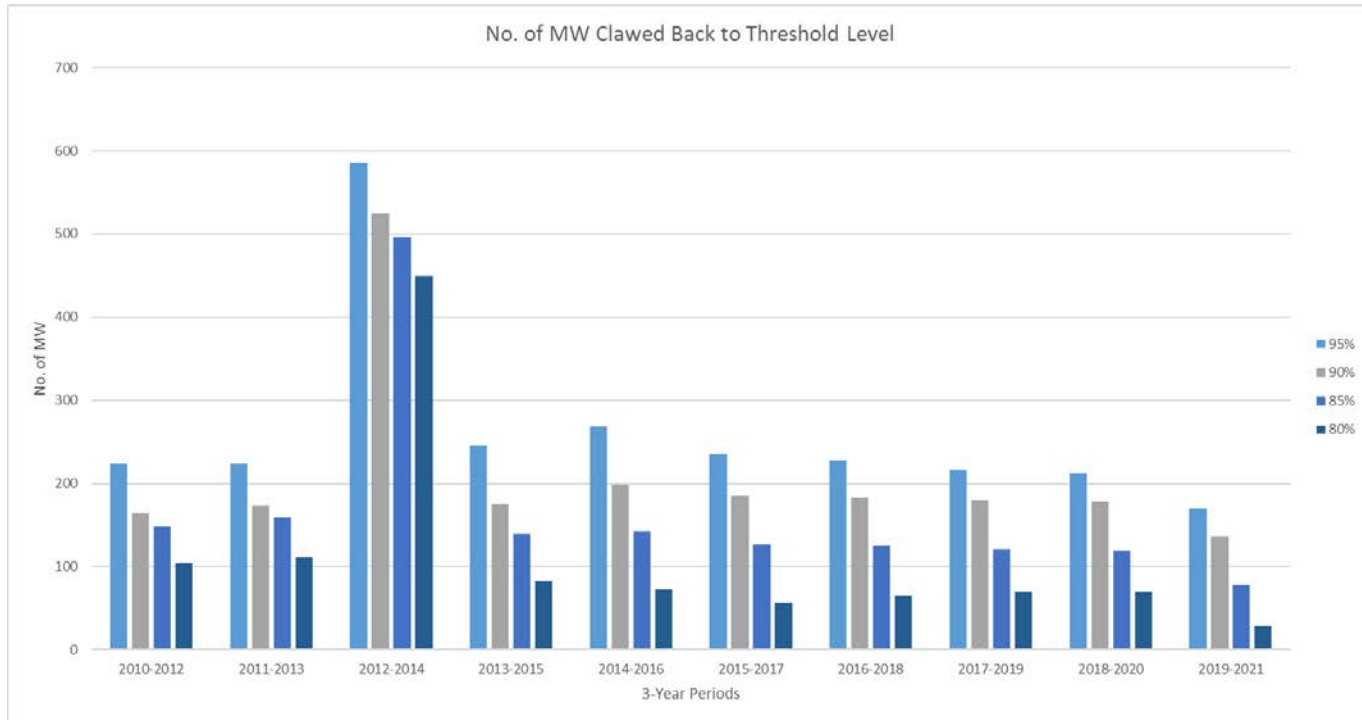
■ Project Objective and Anticipated Deliverable

- Investigate opportunities to make the rules addressing CRIS retention more stringent in cases where CRIS is not fully utilized and propose corresponding modifications to the CRIS retention rules. This investigation should build on the work initiated as part of the Class Year Redesign Project and should consider various circumstances in which CRIS has been granted and/or awarded.
- The milestone for 2021 is a Market Design Concept Proposed. Implementation consistent with approved modifications to the CRIS expiration rules would be considered depending on the timing of the approval.

No. of Units not Utilizing Full CRIS



No. of MW Available for Expiration



Example of Partial CRIS

■ 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

Our mission, in collaboration with our stakeholders, is to serve the public interest and provide benefit to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policymakers, stakeholders and investors in the power system

