NYISO Capacity Resource Interconnection Service (CRIS) Expiration Evaluation Project

Partial CRIS Expiration (Traditional Generator versus Unforced Deliverability Rights (UDRs))

As part of the 2019 Class Year/Interconnection Queue Redesign Initiative, the NYISO identified proposals providing for more stringent CRIS expiration rules. Some of those were implemented as part of that initiative, while others were ultimately deferred for later consideration. For example, rules that were accepted by FERC as part of the 2019 initiative did not address partial CRIS utilization or the retention of CRIS by certain retired facilities. As part of the 2021 NYISO budget, stakeholders approved funding to develop a market design concept around CRIS expiration rules. On January 21, 2021, the NYISO presented an overview of 2021 market projects, including a CRIS Expiration Evaluation Project, followed by subsequent discussions in working groups.

NYISO's main goal for the CRIS Expiration Evaluation Project is to investigate opportunities to revise CRIS retention rules to free up unused deliverability headroom, lessening the need for deliverability upgrades. This may, as a result, lower the cost of market entry for future facilities. As part of this project, NYISO will investigate the extent to which facilities can retain their CRIS beyond the effective date of their retirement and the extent which facilities using only part of their CRIS can retain unused CRIS.

At the March 11, 2021, ICAP meeting, NYISO requested stakeholder feedback on three potential rule changes along with initial thoughts on proposals that could be evaluated as part of this effort:

1. Modifications to the 3 year retention of CRIS by certain retired units
2. Rules to provide for partial CRIS Expiration
3. Modification to allow more flexibility with respect to CRIS transfers

On April 22nd, LIPA/PSEG Long Island submitted comments with NYISO with respect to these proposed rule changes and associated impacts on the Long Island Transmission District and LIPA's ratepayers. LIPA/PSEG Long Island's comments supported the NYISO's consideration of adjusting CRIS Rights if a unit fails to meet the performance as required.

NYISO has continued this discussion during its working group meetings to seek stakeholder feedback on its deliverable of completing the Market Design Concept proposal in Q3 of 2021. During its July 27th ICAP Working Group meeting, NYISO presented an initial Market Design Concept Proposal for this project and recommended for 2022 Project Prioritization. The final list of projects recommended by NYISO is scheduled to be presented on August 27th at the BPWG meeting. If prioritized, NYISO and stakeholders will work towards completing the Market Design in 2022.

NYISO sees value in limiting a portion of a unit's CRIS where its existing CRIS exceeds its utilization and capability. NYISO proposes to compare the ratio between the unit's CRIS level and actual capacity and/or utilization over a three-year period. If the ratio consistently (i.e. for a consecutive 3-year period) falls below 90% of the unit's CRIS value, the unit's CRIS level would be reset to the max test/offer value observed within the 3-year period plus 5% of the unit's original CRIS. All units that are consistently operating at or above the 90% threshold will remain unchanged. During the July 27th meeting, NYISO proposed that these changes would be effective on a rolling 3-year moving forward basis and would be applicable to all generators as well as controllable lines with UDRs.

LIPA/PSEG- Long Island strongly disagree with NYISO's recent proposal that the 90% threshold should apply to controllable lines with UDRs for the reasons stated below:

- Unlike traditional generation where capacity is certified on a monthly basis, UDRs are elected on an annual basis. Monthly capacity certification can address any seasonal variability and/or unit failures on a monthly basis, whereas an annual election of UDRs prohibits interim adjustments in response to such variations. Continuing to ratchet down to the maximum use over a historic period will result in CRIS UDRs declining based on variations in need for and economics of capacity imports.
- Differences in capacity prices fluctuate between regions over time. In efficient markets, participants would respond to changing price signals. By ratcheting down partially used CRIS rights associated with UDRs after three years, the NYISO is proposing to limit the ability of New York State market participants to leverage external tie lines to respond to regional differences between capacity prices over time.
- UDRs allow for capacity to be procured faster than the timeframe to site and build new capacity in New York providing for increased responsiveness to changing resource needs and can help to avoid gaps in resource sufficiency. The ratcheting of CRIS rights for UDRs can prevent this responsiveness from being applied when needed.
- CRIS rights associated with controllable transmission facilities with UDRs represent significant investments not just in the external resource but also in the cables themselves. Moreover, Long Island ratepayers have funded the investments necessary to interconnect controllable cables to the Long Island grid. Ratcheting down partially used CRIS rights prematurely would present an additional cost burden on ratepayers should market conditions warrant reacquiring deliverability rights for external ties.
- With increasing penetration of renewables on the grid, diversity both geographically and within the resource mix will grow in importance for maintaining reliability. External ties promote geographic diversity, allowing exposure to differing weather conditions, whereby renewable resources based in different localities will differ in their periods of intermittency. External ties also promote diversity of resources by allowing access to renewable resources that may not be present in a given locality. Market rules should promote taking advantage of these opportunities to enhance reliability when available and economic and should not restrict flexibility to use external capacity deliverability rights. Capacity market rules should provide incentives rather than disincentives for construction of new ties and maintenance of existing ties.

For the above-stated reasons, LIPA/PSEG Long Island recommends that the NYISO exclude UDRs from the proposed rule to partially expire CRIS based on low utilization.