

# **NYISO CRPP PROCESS RELIABILITY COST ALLOCATION PROPOSAL**

**NYPSC Case 07-E-1507**

**All Parties Meeting**

**Albany, NY**

**January 30, 2008**

# Background

- NYISO's existing CRPP contains the basic principles governing cost allocation for regulated reliability projects (NYISO OATT: Attachment Y, Section 10)
- Primary principle: "beneficiaries pay"
- The NYISO and its stakeholders have spent the past several years developing a cost allocation methodology to implement these principles
- During 2007, general consensus was achieved at ESPWG on a cost allocation methodology
- This methodology was included in NYISO's 9/14/07 posting for FERC's Order 890 Boston Tech Conference
  - *Referenced in Footnote 34 of the PSC's December 24<sup>th</sup> Order*
  - *See Appendix A of DPS Staff Straw Options, dated 1/25/08*
- Not included in NYISO's 12/7/08 Order 890 Compliance Filing
  - *FERC granted an extension to 6/4/08 to resolve the "state issues"*

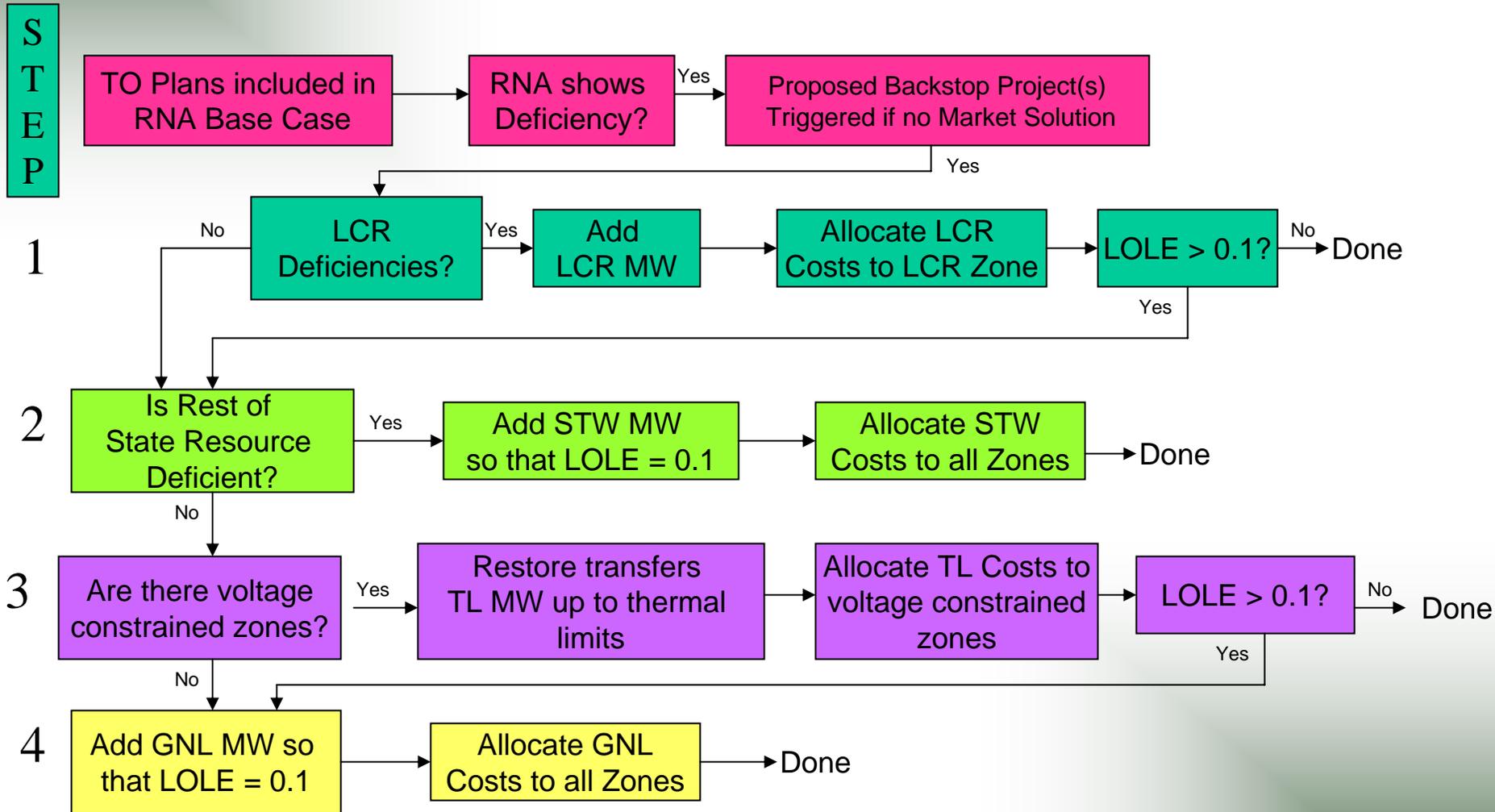
# FERC Order 890: Cost Allocation Principle

- Order 890 did not designate a specific cost allocation methodology
- FERC acknowledged that cost allocation is not an 'exact science'
- "Beneficiaries should pay"
- Allows for regional flexibility
- FERC provided guidance for the process:
  - *Simple, fair, and direct*
  - *Transparent and reproducible*
  - *Avoid constant litigation*
  - *Support from stakeholders and state authorities*

# Primary Characteristics of Reliability Cost Allocation Methodology

- Sequential, 4-Step process
- **Step 1:** First, address and assign locational capacity deficiencies to the respective locational zone(-s) (i.e. – Zones J or K)
- Remaining deficiencies are assigned to those zones contributing to the reliability violation
  - *Step 2: If resource deficiencies still exist, all zones are designated*
  - *Step 3: Otherwise only isolated zones are designated*
  - *Step 4: If returning interfaces to thermal levels is insufficient, then all zones are designated for any remaining deficiency*
- Project costs are net of any market revenues (eg. – ICAP, TCCs)
- Methodology applies to all resource types

# Proposed Reliability Cost Allocation Process



# Allocating the Costs to Zones

- Methodology distributes costs to zones where reliability violations exist
- Costs of solutions are assigned on a coincident peak load share basis
  - *LCR needs are assigned wholly to the respective LCR zone only*
  - *Zones with LCR requirements contribute to statewide needs taking into account their locational requirements*
  - *Solutions that satisfy multiple needs are allocated proportionally based on the type of need*
- Consistent with the “beneficiaries pay” principle