

What is Energy East?

Energy East is a respected super-regional energy services and delivery company that includes New York State Electric & Gas Corporation, Central Maine Power Company, Connecticut Natural Gas Company, Southern Connecticut Gas Company, Berkshire Gas Company, and Rochester Gas & Electric Corporation. Energy East serves nearly 3 million customers, and is active in the New York, New England, and PJM ISO markets.

A Good CRR design incorporates the following guiding principles:

1. Provides efficient price signals.
2. Facilitates more competitive and liquid markets.
3. Honors the Commission's Golden Rule – cost allocation must follow cost causation.
4. Honors existing contractual commitments.

New York has transitioned to a CRR design that incorporates most of these principles.

10 fundamentals of a transition to a good CRR design:

10. Flexibility should exist for CRR options or obligations. New York utilizes obligations.
9. Regional flexibility should exist for either CRR point-to-point or flow gate, but it is not practical to mix the two in the same market.
8. CRRs should be financially based on LMP and not tied to physical rights. CRRs should not confer curtailment or scheduling priority.
7. CRR shortfalls must be dealt with in an equitable manner. The owner of the facility that is experiencing the outage should be responsible for any CRR shortfall. This creates an incentive for shorter outages.
6. To ensure revenue adequacy (minimize shortfalls), the CRR auction must start with a feasible representation of available transmission capacity, taking into account historical outages.
5. All CRRs (including reconfigured CRRs), excluding grandfathered, obtained from the Independent Transmission Provider (ITP) must be through the CRR auction process. Providing CRRs outside of the auction process will result in CRRs that are not feasible and will create shortfalls.
4. The ITP should not allocate CRRs to customers paying embedded costs, with the exception of grandfathered contracts. Pricing CRRs by auction allows LMP price signals and market forces to maximize CRR revenues to lower customer rates.
3. FERC should accommodate regional flexibility for allocation of CRR revenue. Crediting mechanisms with respect to both wholesale and retail rates should exist.
2. Grandfathered contracts can be successfully adapted to an SMD environment. Grandfathered customers should receive CRRs as a hedge and then should settle congestion with the ITP. Grandfathered contracts should be allowed to continue until the contract expiration date, after which time the customer takes service under the ITP Tariff and purchases CRRs in the auction.
1. Each ITP, including the independent market monitor, should be required to coordinate CRR design with all neighboring markets to avoid interregional transaction impediments.