



Decision: Congestion revenue rights enhancements phase 1

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Management proposes to expand the ISO's congestion revenue rights modeling capabilities to improve revenue adequacy in the CRR market

- New authority for the ISO to model loop flows in the annual congestion revenue rights (CRR) process.
- This measure is phase 1 of a multi-phase approach to CRR market enhancement.

The CRR enhancements initiative continues previous work on improving the CRR market

- In 2018, the ISO adopted CRR policy changes and committed to evaluate whether further changes were necessary.
- The CRR Enhancements initiative began in November 2024 to fulfill this commitment.
- The scoping phase of the initiative found that resource adequacy, auction efficiency, and product definition were the priority areas for further reform.

A phased approach to design development balances urgency and complexity

- This Phase 1 proposal is an incremental revenue adequacy improvement to be implemented for the 2027 annual CRR process.
- Phase 2 will continue discussions on auction efficiency, product definition, and additional revenue adequacy measures in Q3 2026.

Management proposes to grant the ISO authority to conduct loop flow modeling in the annual CRR process

- Grant the ISO authority to consider the effects of loops flows when determining the seasonal available CRR capacity.
- This will allow the ISO to improve the accuracy of the CRR model, improving alignment with power flows observed in the day-ahead market and minimizing revenue inadequacy.

The proposed changes address a major cause of revenue inadequacy

- The ISO conducted a root cause analysis that identified the top three causes of ongoing CRR market revenue inadequacy:
 - 1) The effects of missing power flow contributions from injections below the 2% shift factor threshold used in the day-ahead market.
 - 2) The effects of loop flows not represented in the CRR model consuming transmission capacity without contributing to congestion rent collection.
 - 3) Divergence between the CRR network model and the day-ahead market.

Stakeholders support Management's proposal

- Stakeholders support the proposed expansion of ISO authority.
- Stakeholders requested additional detail on the loop flow modeling approach.
 - This will be provided through the annual CRR process.
- Stakeholders supported building on this proposal in phase 2
 - Phase 2 will consider additional measures to improve revenue adequacy.
- Stakeholders recommended moving consideration of an auction floor to phase 2.

Management recommends approval of congestion revenue rights enhancements phase 1 final proposal

- Supports improved revenue adequacy by improving the ISO's CRR modeling capabilities in the annual process.
- Achieves incremental improvement in revenue adequacy while considering broader reforms in phase 2.