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July 16, 2001

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RE: RELIANT'S COMMENTS ON THE ARIZONA CORPORATION COMMISSION STAFF'S PROPOSED ORDER AND ITS REVISED BIENNIAL TRANSMISSION ASSESSMENT 2000-2009, SUBMITTED TO PARTIES ON JULY 12, 2001 FOR CONSIDERATION AT THE COMMISSION'S JULY 23, 2001, SPECIAL OPEN MEETING

Attached is the original and 15 copies of Reliant's Comments in the Arizona Corporation Commission Docket No. E-00000A-01-0120, described above. Please stamp one copy and return it to Reliant in the stamped self-addressed envelope.

Respectfully,

Aldie Warnock
Vice President,
Regulatory Affairs

Arizona Corporation Commission
DOCKETED

JUL 16 2001

DOCKETED BY

cc: Arizona Corporation Commission
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Advisor to Commission Chairman, Hercules Dellas

Arizona Corporation Commission
Commissioner Jim Irvin
Advisor to Commissioner, Patrick Black

Arizona Corporation Commission
Commissioner Marc Spitzer
Advisor to Commissioner, Paul Walker

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 WILLIAM A. MUNDELL

4 Chairman

5 JIM IRVIN

6 Commissioner

7 MARC SPITZER

8 Commissioner

9
10
11 IN THE MATTER OF THE COMMISSION'S)
12 BIENNIAL ASSESSMENT, PURSUANT TO)
13 A.R.S. § 40-360.02.E, OF THE ADEQUACY)
14 OF EXISTING AND PLANNED TRANSMISSION) DOCKET NO. E-00000A-01-0120
15 FACILITIES TO MEET ARIZONA'S ENERGY)
16 NEEDS IN A RELIABLE MANNER)

17
18
19 **RELIANT'S COMMENTS ON THE ARIZONA CORPORATION COMMISSION**
20 **STAFF'S PROPOSED ORDER AND ITS REVISED BIENNIAL TRANSMISSION**
21 **ASSESSMENT 2000-2009, SUBMITTED TO PARTIES ON JULY 12, 2001**
22 **FOR CONSIDERATION AT THE COMMISSION'S JULY 23, 2001,**
23 **SPECIAL OPEN MEETING**

24
25 **PREAMBLE:**

26 On March 1, 2001, the Arizona Corporation Commission Staff completed and submitted
27 its first biennial assessment of existing and planned transmission facilities in Arizona in
28 compliance with A.R.S. § 40-360.02(E). At its Open Meeting on March 27, 2001, the
29 Commission reviewed and discussed Staff's Assessment. Subsequent to comments from
30 parties and the public the Commission directed Staff to convene workshops. Workshops
31 were conducted on May 10, 2001, and on June 22, 2001. On July 12, Staff mailed to
32 parties its Proposed Order and its Revised Biennial Transmission Assessment which are
33 to be taken up at the Commission's July 23, 2001, Special Open Meeting.

34
35 Reliant appreciates this opportunity to submit its comments on the Staff's
36 proposed order and Revised Biennial Transmission Assessment. Reliant takes this
37 opportunity to first commend the Commission's Staff for its considerable effort in
38 developing its assessment and incorporating into its revised assessment those reasoned
39 comments submitted by parties.

1 **INTRODUCTION:**

2 Appropriate transmission planning is key to providing consumers with access to
3 competitive power markets. System reliability has been, and continues to be, of
4 paramount importance in the planning process. Access to markets has not been a criteria
5 that transmission providers have historically used in their planning process, but it must be
6 a key criteria in a competitive market environment. Many of the issues discussed in the
7 Revised Biennial Transmission Assessment are not limited to reliability issues but are
8 also issues of access to markets. For example, the limited transmission capacity available
9 into and out of Arizona; the dependence on local generators by consumers in import
10 constrained areas; the need for access by consumers to additional generation being
11 constructed at Palo Verde, are all issues of access to the competitive market as well as
12 issues of reliability. Reliant applauds the Staff's Transmission Assessment for
13 recognizing that, in addition to reliability, access by consumers to competitive markets is
14 an important consideration in planning the transmission system. While we generally
15 agree with the purpose and conclusions of the Revised Biennial Transmission
16 Assessment, Reliant offers the following comments on specific elements of the report.

17
18 **ISSUES:**

19 • **Number of Lines from Power Plant Sites** - The transmission lines currently
20 connected to power plant switchyards may have been added at different times through the
21 history of the power system and were likely connected at that location due to a variety of
22 reasons. Therefore, existing interconnections are not an appropriate measure for
23 interconnection requirements. The appropriate way to determine the number of lines
24 necessary to interconnect a power plant includes but is not limited to looking at the size
25 of the unit, the thermal limits of the lines, the stability and other technical studies, and the
26 availability required by the generator.

27
28 • **Deliverability of Generation to Markets** – The Transmission Assessment report
29 asserts that all new generation must have sufficient transmission to deliver its power to
30 market, referencing the significant amount of generating capacity which is being
31 interconnected at Palo Verde that cannot be to be scheduled out of Palo Verde

1 simultaneously. Reliant agrees that interconnecting generators should have deliverability
2 to market, but note that the Palo Verde market hub is one of the most significant in the
3 United States. It may be appropriate to construct additional transmission capability out of
4 Palo Verde, or from other significant generating facilities, over what is required to
5 reliably interconnect the units proposed for that location. Reliant suggests that market
6 forces determine whether generators request and pay for constructing the transmission
7 capacity necessary to move their generating capacity to the ultimate load, or whether
8 loads request and pay for the transmission capacity necessary to take advantage of lower
9 cost generating capacity available in the market.

10
11 • **Transmission Import Limited Areas** – The report suggests that additional
12 transmission be constructed into areas in which the import capacity is insufficient to
13 serve the load without running the local generation. Reliant agrees with other
14 commentors who suggest that the cost of increased transmission should be compared
15 against the costs of continuing to operate so-called “must-run” units in import-limited
16 areas. However, environmental impacts, market power, access to markets and similar
17 policy considerations should also be included in that comparison. Reliant encourages the
18 increase of net import capacity into these import-limited areas in order to increase the
19 access that the consumers in these areas have to the competitive electric market, where
20 providing that increased access is found to be in the public interest.

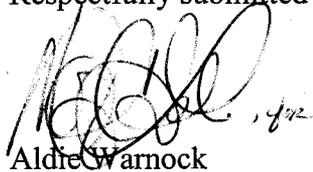
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22 • **RTO Development** – In general, Reliant believes that many of the issues
23 highlighted in the Revised Biennial Transmission Assessment can best be addressed by
24 an appropriately functioning Regional Transmission Organization (RTO). An
25 appropriately functioning RTO will: ensure that appropriate transmission is planned and
26 constructed; focus on truly regional solutions to transmission needs; consider all
27 alternative solutions that are technically capable of meeting the needs of the system and
28 choose the most economically efficient solution in an unbiased manner; and, use a
29 congestion management system to manage use of the existing transmission system as
30 efficiently as possible. Reliant hopes that the Commission will continue to encourage its
31 jurisdictional electric utilities to develop and join an appropriately functioning RTO as

1 quickly as practical. Reliant notes that Desert Star RTO was ready to file for approval
2 with the FERC when the participating transmission owners significantly delayed the
3 implementation to consider an alternate governance and to modify the market rules that
4 had been developed through the stakeholder process. As proposed prior to this setback,
5 Desert Star could have met the criteria for an appropriately functioning RTO that could
6 have been implemented relatively soon. Reliant urges the Commission to encourage its
7 jurisdictional utilities to get back on track with RTO implementation.

8
9 **CONCLUSION:**

10 Reliant agrees with Staff's recommendation that the Arizona Commission should
11 continue to participate in industry review of new reliability criteria, particularly to meet a
12 restructured electric industries' needs. Reliant looks forward to the opportunity to work
13 with the Arizona Commission and its Staff on these issues and others in the future.

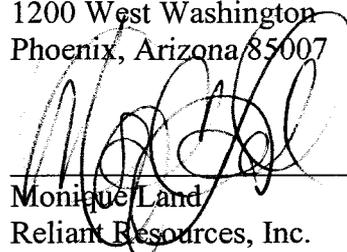
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15 Respectfully submitted this 16th day of July 2001.

16
17 

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Original and 15 copies of the foregoing were
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