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MEMORANDUM

Docket #: RE-00000C-94-0165

TO: RAY WILLIAMSON
PAUL BULLIS
CHRIS KEMPLEY
JANICE ALWARD
JANET WAGNER
SHERYL HUBBARD
JOHN WALLACE
JIM FISHER
PREM BAHL
JACK ROSE
STEPHEN AHEARN
STEVE DICKERSON

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FROM: CYNTHIA MERCURIO-SANDOVAL
ASO II – MANAGER
UTILITIES DIVISION

DATE: MAY 21, 1998

RE: **COMMENTS** TO DRAFT STATEMENT OF POSITION OF ACC STAFF

Please find attached, comments received from Tom Delaney, Enron Corp., Director, Federal Regulatory Affairs.

Arizona Corporation Commission
DOCKETED
MAY 26 1998
DOCKETED BY

Let me make the following comments from my end knowing that Jim Tarpey might from his state ends as well.

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1. Under the heading of "affiliate rules"

   The statement of

   "The Affected Utility must offer the same terms and conditions of service to all competitors and their customers as it offers to any of its affiliates and their customers. An Affected Utility shall neither provide, nor represent that it will provide, preferential treatment to its affiliates or its customers as compared to nonaffiliated companies or their customers."

   Is a very important issue and this statement is greatly appreciated. Still, there has been a lot of discussion on who has what rights to the system. The utilities have been trying to argue that the transfer capability rights of the transmission and distribution (T&D) system goes with the existing generators and not the loads. Furthermore, they believe that in determining the committed use of the system that "native load" gets first cut. In their minds "native load" is the utility merchant function. Native load must be considered a wires, not merchant, function. By 1/1/99 all ESP's including Enron, affected utilities, and other aggregators will be serving native load. If native load is considered a "merchant" definition, then in determining committed usage of the system all those individuals leaving affected utilities to go to new ESP's will be on the margins and at risk.

   In truth, the embedded cost of T&D is being paid for by load. The utilities own the facilities, but load in paying for the embedded cost of the system gets the "rights" to the transfer capability of the system. Right now the "steward" of these rights for loads is the affected utilities. But when loads leave the effective utilities, they go and take their rights to the transfer capability of the system with them. The new steward of these rights are whom every they choose as a new ESP. Furthermore, the committed use determination of the system still follows such right-holders. Therefore, when 20 percent of the load is open for retail access in 1/1/99, at minimum a pro-rata share the T&D systems transfer capability of the system. It's very important to make it very clear that

   - the load has the "right" to the transfer capability of T&D and not generators,
   - native load is wires,

- committed use of the system is done independently and honestly,
- Not let the utility merchant function have the first cut leaving loads not served by utility merchant functions on the margins.

2. Under the heading of "transmission and dispatch."

   The goal statement of

   "To ensure fair and non-discriminatory retail access to the transmission ***and*** *distribution system "*

Is a very important and good statement. But if the distribution wires business is not separated from remaining utility business lines (and especially the business of serving bundled customers), the role of administering access to distribution systems cannot be left to the distribution wires' owners. This too must be administered under a strong and independent ISA. Transmission and distribution wires operation, and control area operation, must be performed by entities that are independent of generation and independent of responsibility for energy services provision (i.e., do not act as Load Serving Entities). A truly independent ISA can accomplish this until a regional ISO develops. When an ISO emerges the ISA must still administer

- the scheduling of and distribution wires
- Schedule (receive and coordinate) nominations for use of Distribution wires (day-ahead and hour-ahead)
- Develop and convey secure operating plan to CAOs (validate sufficiency of ancillary services, schedule "reliability must-run" resources, eliminate intra-zonal congestion, ensure coordinated maintenance plan for transmission)
- Make longer-term rights available to the marketplace (FTR auction)

The utilities in the ISA workshops have continually said that various items that the ISA will do will need to be "staged-in", and that full ISA independence can't be accomplished by 1/1/99. In my view this has been nothing but utility foot dragging as a means to scuttle the Independence of a good ISA and further put into the utilities hands an ability to discriminate. So, as an interim measure, the requisite staging can be done, provided that certain standards of independence are met, including separate staffing, a strong Code of Conduct, strong affiliate competition rules (which must also apply to and residual load-serving activities conducted by the utility), and an effective, independent dispute resolution process.

In the attached matrix you'll see that the language and function found in this matrix does not make the ISA truly independent. The ISA will require greater strength in the areas of oversight necessary to remove, (from wires businesses that are affiliated with generation, merchant or energy services businesses) decision-making regarding (i) transmission rights allocation and distribution rights allocation, (ii) curtailment, and (iii) dispatch of reliability must-run resources.

This language need to change for there to be an "I" in the word "independence" in all areas of access including committed usage of T&D, curtailment priorities through voluntary redispatch, curtailments in general, dispatch of must-run units, and ADR processes.

3. As a last item under the heading of "transmission and dispatch"

   The statement of;

   Affected Utilities must join an independent system operator whose activities include, but are not limited to, the following:

   3. *Managing congestion and establishing congestion pricing;*

Is a function of any regional ISO or ISA such as Desert Star. Desert Star (DS) is leaning toward allocating Firm Tradable Right (FTR's) up to the Total Transfer Capability (TTC) of commercially significant interfaces. DS is leaning toward a decentralized approach to congestion management, which means it will only accept schedule nominations up to the TTC level and no more. There will be no counter-scheduling through DS. If you need generation on the other side of the constraint then you'll have to go get it in the market place on your own, DS will not play this role. This is in fact a form of congestion management and its pricing on a day-a-head and an hour-a-head basis. DS still will perform congestion management in real time by utilization of voluntary redispatch before it resorts to involuntary remedies for emergency redispatch purposes.

Last, as a point, uniform statewide tariffs, applicable to all wires owners, should cover:

- Transmission access
- Distribution access

- Ancillary Services
- Imbalance Energy
- Load Profiling
- Appeal of all grievances to an independent body
- Other terms and conditions of retail access

Transmission services: if provided under a state-wide modified FERC 888 tariff: some of the modifications include:

1. No "native load" preference in scheduling or other areas (all parties take services on an equal basis), the right of the system goes with load, not generators.
2. Change scheduling deadlines, ancillary services and losses obligations to meet new requirements
3. Eliminate ability to withhold capacity (transmission rights become "use-or-lose")
4. Commitment to make rights available for FTR creation and auction (if necessary on interim basis)
5. Possible changes to address efficient allocation of transmission uses and/or to address Pancaking (Note: there is probably no need to convert from RSP rights to zonal model, at this stage.)

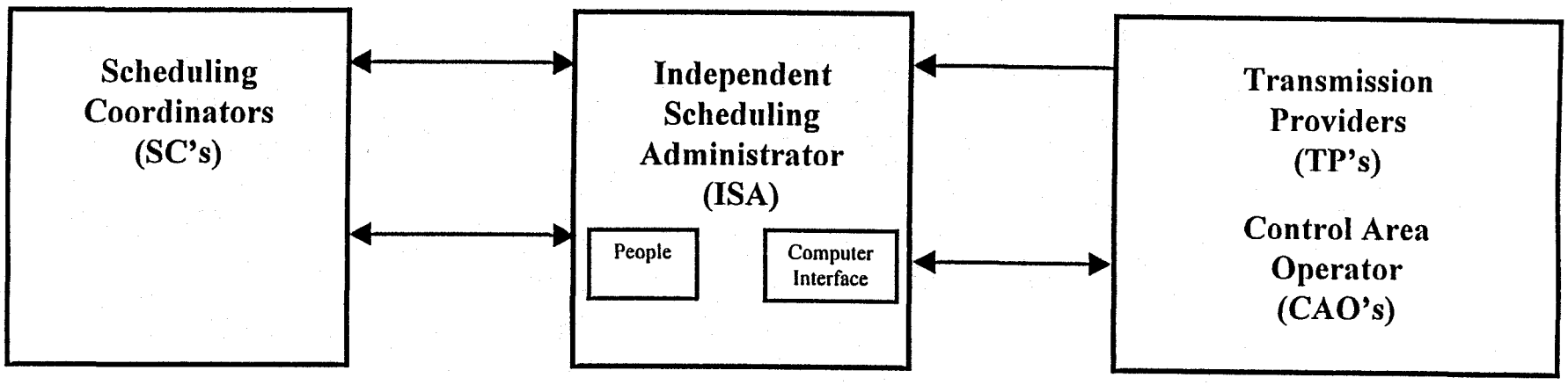
Distribution services: if provided under state-wide distribution tariff: must include functional unbundling/strict separation of wires from all other activities, retail access rules, settlements, independent administration of access and dispute, code of conduct, affiliate standards…

Ancillary services under state-wide tariff: must include obligation to make them available, modified imbalance energy provisions to accommodate direct access…

Ray, thank you for letting me comment on this very good piece of work done.'
I'm hoping my point with strengthen the process. Please feel free to contact me at any time.

Tom Delaney – Enron Corp.
Director, Federal Regulatory Affairs

SC/ISA/TP/CAO FUNCTIONS
For 1/1/99 Implementation



	SC's	ISA	TP's & CAO's
Future		1. Participate in the processes of: ▪ Operating Studies used to determine TTC from 1/1/99 until such time as expertise/funding allows for independent calculation of TTC ▪ Maintenance schedules of Transmission ▪ Control Area Operator TTC determination	1. Production of: ▪ Operating studies for TTC determined ▪ Determine TTC and allocate to path owners ▪ Publish Transmission maintenance schedules
Day Ahead	1. Forecast load requirements for day-ahead 2. Acquires necessary transmission and distribution 3. Arranges for appropriate ancillary services 4. Submits balanced schedules (load + loss = gen) to ISA & CAO simultaneously and provides necessary NERC/WSCC tags	1. Responsible for calculation of ATC 2. Operate over arching state-wide OASIS ▪ All ATC posted here ▪ All loads scheduled here ▪ All Xmiss reservations requests made here ▪ Ancillary Services posted here ▪ Secondary transmission posted here 3. Receives copy of transmission schedule and update ATC after receipt of confirmed schedule 4. Receives additional requests for transmission and update ATC	1. Process, review SC's schedules, submit existing contract schedules to ISA, submit generation participants schedules to ISA 2. Posts ancillary services to ISA's OASIS 3. Processes additional schedules from transmission reservation updates 4. Participates in activities for checkout/settlement process for previous day 5. Publish next day operating plan to ISA
Current Day	1. Additional schedules submitted to ISA & CAO with tags 2. Responds to contingencies and curtailments as directed by control areas (7 X 24 ops)	1. Receives and posts curtailment information 2. Provides appeals process for transmission use denials on day ahead process	1. Manage Real-time operations and specify curtailment and contingency actions 2. Processes additional schedules from transmission reservation updates
After the Fact	1. Participates in checkout/settlement process and provide metering information	1. Facilitate ADR process	1. Participates in the checkout/settlement process