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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONER--CHAIRMAN
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COMMISSIONER
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Arizona Corporation Commission

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IN THE MATTER OF THE COMPETITION) DOCKET NO. RE-00000C-94-0165
IN THE PROVISIONS OF ELECTRIC)
SERVICES THROUGHOUT THE STATE) **CITIZENS UTILITIES**
OF ARIZONA.) **COMPANY'S COMMENTS ON**
) **STAFF'S FIRST DRAFT OF**
) **RETAIL ELECTRIC**
) **COMPETITION RULES**

Citizens Utilities Company ("Citizens") submits its comments on the June 25, 1998, draft rules circulated by the Staff of the Arizona Corporation Commission. Citizens thanks the Staff for both the obvious hard work that went into compiling these draft rules and for the opportunity to comment. The rules address difficult issues that must be resolved before Arizona can move to electric competition. Citizens fully supports the January 1, 1999, implementation date, but also recognizes that difficult questions still must be resolved by that deadline. For the transition to be as smooth as possible, the stakeholders must still take the time needed to resolve these issues with as much consensus as possible.

Citizens received these draft rules on Friday, June 26; they were immediately circulated to all interested parties within Citizens' organization. With the July 4th Holiday being celebrated on Friday, July 3, Citizens has had only five working days to complete its review and draft these comments. Because of this limited time, these comments are necessarily preliminary.

Citizens notes that Staff has characterized its document as a 1st Draft. This implies that Staff will later circulate a second draft, which Citizens supports. Citizens respectfully suggests that Staff allow some minimal extra time, perhaps 10 working days total, for the next round of comments.

1 Although these comments reflect Citizens' best judgment at this time, Citizens
2 reserves the right upon further study and consideration to take different
3 positions in its second formal comments.

4 **CITIZENS GENERAL COMMENTS**

5 The responsibilities of Electric Service Providers, Load-serving Entities,
6 Affected Utilities and Utility Distribution Companies need to be clarified. The
7 rules appear to use them somewhat interchangeably. Perhaps all the terms
8 are not needed. Similarly there is some confusion concerning the terms "Meter
9 Service Provider," "Meter Reading Service Provider" and "Metering Service."

10 Throughout the document, defined terms are sometimes capitalized and
11 sometimes not. Citizens suggests capitalization throughout.

12 **CITIZENS' COMMENTS BY SECTION**

13 **R14-2-1601 Definitions**

14 Citizens suggests, for the reasons cited, the following changes to various
15 definitions.

16 5. "Competition Transition Charge" (CTC) is a means of recovering
17 Stranded Costs and other Commission-allowed costs attributable to the
18 introduction of competition from the customers of competitive services.
19 *[Reason: current definition would not allow for inclusion of new costs*
20 *(e.g. load profiling) in CTC.]*

21
22 7. "Current Transformer" (CT) is an electrical device used to provide a
23 measurement of ~~energy consumption~~ electric current for metering
24 purposes. *[Reason: more precise definition.]*

25
26 8. "Delinquent Accounts" means customer accounts with ~~outstanding~~
27 past due payment obligations. *[Reason: payment obligation technically*
28 *is "outstanding" when bill is rendered, but not "delinquent" until past*
29 *due.]*

1 13. "ESP Service Agreement" means a contract between an ESP and an
2 UDC ~~to deliver~~ governing the delivery, measurement, and billing of power
3 to retail end users. *[Reason: adds needed clarity.]*
4

5 18. "Meter Reading Service Provider." Suggest changing word
6 "validated" in two places it occurs to "billing-ready." *[Reason: avoids*
7 *circular definition and uses industry-accepted language.]*
8

9 19. "Meter Reading Service" means all functions related to the
10 collection, validation, and posting, and storage of consumption data.
11 *[Reason: more complete definition.]*
12

13 Citizens also suggests that definitions for the following be added: ISA,
14 ISO, Metering Committee, NERC/WSCC tags, Must-Run Units/Contracts, and
15 Control Area.

16 **R14-2-1602 Filing of Tariff by Affected Utility**

17 No suggested changes.

18 **R14-1-1603 Certificates of Convenience and Necessity**

19 In paragraph A, Citizens suggests leaving in the last sentence, which was
20 stricken in the Staff's proposed changes, with the following revisions:

21 An Affected Utility does not need to apply for a Certificate of Convenience
22 and Necessity for Standard Offer service provided as of the date of
23 adoption of this article within its service territory. *[Reason: Standard*
24 *Offer service is not a competitive service and will only last during the*
25 *transition period. Affected Utilities will provide this service under existing*
26 *CC&Ns. There is no reason to burden the Commission, Staff and the*
27 *Affected Utilities with an additional filing requirement.]*
28

1 In paragraph G, subparagraph 8 should be numbered "7."

2 **R14-2-1604 Competitive Phases**

3 In paragraph C, subsection 5, in the first sentence, Citizens suggests, for
4 purposes of clarity, changing the words following "within 45 days" from "of the"
5 to "after."

6 Concerning subparagraph D, because of its status as predominately a
7 distribution utility, Citizens doubts that it will be able to offer rate reductions to
8 customers that cannot elect competitive services during the transition period.
9 Spelling out a particular target is likely to raise false hopes and potentially
10 create ill will toward the utility and the Commission.

11 **R14-2-1605 Competitive Services**

12 The Staff's May 29, 1998, position paper supported the provision of
13 metering services by Affected Utilities within their service areas. Citizens
14 continues to support that position and believes it should be extended to all
15 non-generation-related services. Accordingly, we suggest the following
16 addition to this section:

17 Affected Utilities may provide metering, meter reading, and billing and
18 collections services to support competitive energy sales within their
19 service territories at tariffed rates.

20 **R14-2-1606 Services Required to Be Made Available by**
21 **Affected Utilities**

22 Citizens suggests adding "Beginning January 1, 2001, and" to the
23 beginning of the first sentence in paragraph A and eliminating paragraph B.

24 **R14-2-1607 Recovery of Stranded Cost of Affected Utilities**

25 To conform the Rule with the Commissions' recent stranded cost order
26 (Decision No. 60977), Citizens suggests replacing paragraph D with the
27 following:

1 On or before August 24, 1998, Affected Utilities shall request Commission
2 approval of their choice of options for Stranded Cost recovery and an
3 implementation plan for the selected option.

4 **R14-2-1608 Systems Benefits Charges**

5 No suggested changes.

6 **R14-2-1609 Solar Portfolio Standard**

7 Paragraph C4 should be renumbered as Subparagraph C3e for clarity.
8 The rest of paragraph C should be renumbered accordingly.

9 The last sentence of paragraph should add the verb "shall" after the word
10 "Staff."

11 **R14-2-1610 Transmission and Distribution Access**

12 Citizens provided extensive comments to Staff's proposed changes to this
13 section of the Rule in response to a proposal handed out at the June 19, 1998,
14 meeting of the Electric System Reliability & Safety Working Group. It appears
15 that none of Citizens' (or any other party's) comments have been adopted in
16 the current proposal, as this section appears to be identical to the June 19
17 handout. Citizens strongly urges the Staff to consider adoption of Citizens'
18 prior comments, which are attached to this filing for your convenience.

19 **R14-2-1611 In-State Reciprocity**

20 Citizens has no specific comments here, but the Staff needs to be certain
21 that this section of the Rule conforms with the relevant portions of House Bill
22 2663.

23 **R14-2-1612 Rates**

24 No suggested changes.

25 **R14-2-1613 Service Quality, Consumer Protection, Safety,**
26 **and Billing Requirements**

27 Paragraph M of this section sets forth January 1, 1999, as the date for
28 unbundling billing elements for Standard Offer services. The Rule appears to
29 be confused about what is meant by "Standard Offer" service. In Citizens'

1 view, Standard Offer service is taken by customers eligible for open access who
2 "choose not to choose" a new supplier. During the phase-in period, many
3 customers will not be eligible for open access and will be taking service under
4 traditional bundled, regulated rates. Citizens understands the Commission's
5 intent to be that the service provided these customers will not be "Standard
6 Offer" until after January 1, 2001.

7 If Staff's intent in this section is to provide ineligible customers with
8 information about the cost of the various elements that make up their bundled
9 services during the phase-in period, then Citizens suggests that the
10 introduction of paragraph M be changed as follows for clarity:

11 All customer bills, whether for unbundled rates for competitive electric
12 services or for bundled regulated rates, after January 1, 1999, will list, at
13 minimum, the following billing cost elements:

14 If Staff's intent is to show these billing elements only for unbundled rates
15 and for competitively-eligible customers, then Citizens suggests the following
16 changes to the introduction of paragraph M:

17 All customer bills under unbundled rates for competitive services after
18 January 1, 1999. and Standard Offer services after January 1, 2001, will
19 list, at a minimum, the following billing cost elements:

20 **R14-2-1614 Reporting Requirements**

21 Citizens questions whether the reference in paragraph A, subsection 1, to
22 3000 kW is still the relevant. Should this now be 1000 kW or some other level
23 related to the balance of the Rule?

24 If an Affected Utility is not also an ESP, why should it be required to
25 provide all this information? What is the purpose of item 8 and item 9? Many
26 of the ESP's will not own any generation, let alone Arizona generation.

27 Concerning item 10, how will the typical ESP, which will purchase power
28 in a pool on the basis of price, availability and transmission availability, even
29 know what the resource characteristics and mix associated with serving
30 Arizona electric customers?

1 **R14-2-1615 Administrative Requirements**

2 No suggested changes.

3 **R14-2-1616 Separation of Monopoly and Competitive**

4 **Generation Assets**

5 Citizens strongly suggests the Staff re-examine its position that "must-
6 run" units/contracts be either divested or transferred to a separate corporate
7 affiliate. These units have a must-run distinction largely because of their
8 physical location and will need to be available for operation to maintain the
9 reliability of the transmission and distribution system. Because they are
10 essentially an integral part of the transmission and distribution functions they
11 should remain with the rate-regulated LDC. Accordingly, Citizens suggests the
12 adding a new paragraph C:

- 13 C. Must-run generation assets are not considered to be generation
14 assets under this rule and an Affected Utility is not required to
15 divest itself of such assets.

16 **R14-2-1617 Electric Affiliate Transaction Rules**

17 It is clear from its actions that this Commission believes that robust
18 competition is in the public interest and is committed to facilitating the
19 development of a competitive retail electric generation market. To do so, the
20 Commission must foster a deregulatory policy framework, while developing
21 standards that protect the ratepayers of the regulated entity from bearing the
22 risks and costs of any non-regulated venture. The Commission must balance
23 the Affected Utilities' need for flexibility in the evolving marketplace with the
24 competitors' concerns about incentives for anti-competitive behavior of an
25 incumbent electric provider. Safeguards should narrowly tailored. The public
26 wants "one-stop shopping;" this Commission should allow providers flexibility
27 in structuring service offerings to respond to changing customer demand. If
28 this Commission imposes an unnecessary regulatory burden on any of the
29 parties, competition will be forestalled, and the public will not receive the

1 benefits of a robust competitive market.

2 Citizens has serious concerns about this proposed affiliate transaction
3 rule. Affiliate transactions involve complex issues, and rules addressing them
4 will have far-reaching effects on the competitive marketplace. Citizens
5 believes that as long as arms-length, cost-based or competitively-bid contracts
6 are in place to adequately assign costs and there are adequate protections to
7 protect customers' proprietary information, an Affected Utility should be
8 permitted to pay for and utilize certain assets, systems and services of its
9 affiliates. Citizens currently has business relationships with non-regulated
10 entities that utilize certain assets of the Company in providing services. The
11 costs are reflected in the pricing for these services or are explicitly paid by the
12 vendor. To prohibit the Affected Utilities from having similar relationships with
13 affiliate(s) is disparate treatment that affects their ability to compete in an
14 ever-evolving market. The Commission should not deny an Affected Utility the
15 benefits of its own efficiencies.

16 Citizens believes that these and similar issues must be carefully analyzed
17 and suggests that the Commission take a two-prong approach:

- 18 1) The Electric Competition Rules should reflect the same approach
19 mandated by this Commission in the Telephone Competitive Rules -
20 - a specific prohibition against cross-subsidization.¹ In addition, the
21 term "affiliate" should be replaced by the term "Affiliate ESP,"
22 which would be an affiliate that is also an ESP, as that term is
23 defined by the rules. The Commission already has in place
24 guidelines that govern affiliate transactions between traditional
25 utility affiliates. The suggested change would allow these time-

¹ The relevant rule, A.A.C. R14-2-1109 (C), provides:

No Cross-subsidization. A competitive telecommunications service shall not be subsidized by any rate or charge for any noncompetitive telecommunications services. To insure that no cross-subsidization exists, each competitive telecommunications service must provide revenues that equal or exceed the company's total service long-run incremental cost of providing the service.

1 tested guidelines to continue in effect. The only required new
2 rulemaking would be for relations between UDC's and Affiliate
3 ESPs.

- 4 2) The Commission should open a generic docket that addresses
5 affiliate interest concerns as they apply to all competitive utility
6 services: electric, gas, telephone and, perhaps, water. Through
7 this new docket the Commission could receive comments from
8 interested parties and determine whether more detailed provisions
9 should be promulgated. Another benefit is that the Commission
10 would issue an order that applied to all the competitive utility
11 services, thereby avoiding claims of discrimination.

12 The best way to flush out the relevant issues and their practical effect is
13 through the meaningful participation of interested parties. In addition, this
14 Commission can gain the benefit of the lessons learned in the
15 telecommunications industry, which has been moving towards a fully
16 competitive market for a number of years – from the divestiture of AT&T in the
17 early 1980's, to the promulgation of the wide sweeping federal
18 Telecommunications Act of 1996 ("1996 Act.")²

19 The proposed rule R14-2-1617 goes well beyond anti-trust or unfair
20 trade practice concerns. It is overly restrictive, and mandates actions that are
21 unnecessary to maintain adequate separations between an Affected Utility and
22 its affiliate(s). The proposed rule, as written, will act as a deterrent to
23 economic growth and innovation, as well as unnecessarily increase costs to

² For example, the FCC addressed the issue of structural separations in connection with its Computer Inquiries series. Although the FCC initially required structural separation, it later removed this requirement and instead required an accounting separation with respect to some services.

In addition, in the 1996 Act, Congress delineated the conditions under which the incumbent telephone companies would be permitted to offer various services. In some cases, separate affiliates are required. In other cases, integrated operation is permitted.

The 1996 Act also amended the Public Utility Holding Company Act of 1935 ("PUHCA"), which had been promulgated to prevent financial abuse among public utility holding companies and their affiliates. The 1996 Act modified PUHCA by allowing holding companies to enter the telecommunications industry without prior SEC approval under some circumstances.

1 customers.

2 As stated above, the single most important change the Staff can make is
3 the substitution of "Affiliate ESP" for "affiliate" throughout this section. This
4 change alone would preserve the benefits to customers of existing affiliate
5 transactions. Citizens also offers the following additional, specific comments:

- 6 • **R14-2-1617 (A)**: Citizens acknowledges that the Commission has
7 the authority to examine the books and records of an Affected Utility.
8 However, particularly in a competitive environment, the confidentiality
9 of certain information is crucial. Therefore, language should be added
10 that protects proprietary information from disclosure to the public.³
- 11 • **R14-2-1617 (A)(1)**: The proposed rule prohibits affiliates from
12 sharing office space, equipment, services and systems with affiliates.
13 This is both an unnecessary and an inefficient requirement. The
14 sharing of common facilities should be permitted when sound
15 economic efficiencies and effective cost accounting policies and
16 practices warrant it. Citizens suggests the following addition:

17 An Affected Utility shall not share office space, equipment,
18 services, and systems with its affiliates, nor shall an Affected
19 Utility and its affiliates access any computer or information
20 systems of one another without full compensation in accordance
21 with R14-2-1617 A(7), unless expressly provided for in these
22 rules.

- 23
- 24 • **R14-2-1617 (A)((5)**: The prohibitions against joint marketing and
25 joint sales are broad, burdensome, and unnecessary if adequate
26 controls are in place. Such ventures are allowed under anti-trust and
27 fair trade statutes. Citizens asserts that such joint ventures should be
28 permissible, so long as there is an arms-length, cost-based or
29 competitively-bid contract. Citizens suggest the following revision:

30

³ The Commission has similar language related to the filing of contracts in the Competitive Telecommunication Services Rules, R14-2-115(C)(4).

1 An Affected Utility shall not participate in joint advertising,
2 marketing or sales with its affiliates, or cause any joint
3 communication and correspondence with any existing or
4 potential customer, unless such activities are services governed
5 by a contract resulting from an open competitive bidding
6 process.
7

- 8 • **R14-2-1617 (A)(6)**: This provision prohibits an officer or director of
9 one company from serving in a similar capacity with an affiliate. This
10 provision infringes on shareholders rights; the shareholders of both
11 entities are entitled to vote for the same person to serve as an officer
12 or director. The Commission can not insert itself into corporate
13 governance concerns.
- 14 • **R14-2-1617 (A)(7)**: This provision places pricing restrictions on the
15 transfer of goods and services between an Affected Utility and its
16 affiliates. Citizens believes that when an affiliate is established that
17 can provide services to its "corporate family" to take advantage of
18 economies of scale and scope, the benefits of such economies are
19 ultimately transferred to ratepayers. Restrictions on these
20 transactions will increase the cost to ratepayers.

21 In addition, there is no basis for adding a five-percent premium
22 to billings for certain goods and services sold by the utility to an
23 affiliate. If its purpose is to collect a royalty in recognition of the
24 "goodwill" associated with the utility's name, it is patently unfair,
25 because "goodwill" has never been allowed as a cost of doing
26 business.

- 27 • **R14-2-1617(C)**: This provision requires an annual compliance
28 audit, with costs to be borne by the shareholders. A general
29 principle of regulation is that all reasonable costs incurred by a
30 regulated utility can be recovered in rates. There is no justification
31 for assigning the full cost of such an audit solely to the shareholders.
32 At the very least, some portion should be allocated to regulated

1 customers.⁴ In addition, the proposal is unclear as to the scope of
2 the audit and the degree of responsibility required to be taken by the
3 auditor.

4 The structural separations that protect ratepayers also make it more
5 difficult for a utility to capture the economies of scope that benefit both the
6 regulated and non-regulated service subscribers. The Commission must find a
7 way to balance these competing interests. An appropriate and equitable
8 approach, with a judicious mix of structural and non-structural safeguards
9 intended to protect ratepayers, consumers, and competitors against potential
10 cost misallocation and discrimination, while fostering the development of
11 robust competition, should be the result of the Commission's rulemaking.
12 Citizens urges the Commission to take the time necessary to address affiliate
13 transactions across all competitive utility services. For the purpose of this
14 rulemaking, Citizens urges the Commission to mirror the concise approach of
15 the Telephone Competition Rules by simply prohibiting cross-subsidization.

16 **R14-2-1618 Information Disclosure Label**

17 In the cover letter accompanying Staff's proposed changes to the rules, it
18 states that wording addressing labeling and billing information has been added
19 to make the rule more consistent with HB 2663. A review of HB 2663 reveals
20 certain provisions addressing consumer outreach and education and
21 requirements for minimum standards of disclosure and complaint procedures.
22 In its proposed Information Disclosure Label, the Staff has, in Citizens view, far
23 exceeded the intent of the legislation and created an onerous and expensive
24 procedure. This expense would ultimately be borne by the customers.

25 In particular the requirements pertaining to reporting fuel and emissions
26 characteristics are extremely burdensome and may prove impossible to comply
27 with. A large ESP, continually buying and selling power in an open market,

⁴ For example, the FCC requires annual compliance audits of Part 64 cost allocation procedures. The costs relating to these audits are shared between regulated and non-regulated business, on the basis of relative costs allocated to the two entities under such accounting procedures.

1 may be unable to keep track – on a minute-by-minute basis – of the fuel and
2 emissions characteristics of its portfolio. Further, Citizens questions the value
3 of this information to the ultimate consumer. Certainly, there may be
4 companies that wish to market themselves as selling “green energy” or some
5 other mix, but this should be voluntary and market-driven. Finally, if a
6 customer changes ESPs during the year, would each ESP have to provide the
7 annual data?

8 **R14-2-210 Billing and Collection**

9 The rule confuses the reader as to who is responsible for the bill, who
10 tests the meter, who owns the meter, who reads the meter and who is
11 ultimately responsible for the reading, billing and collection process. The
12 language switches between utility, MSP and Company, without clear distinction
13 between them.

14 Citizens also offers the following specific comments:

15 **Paragraph A, subsection 1:**

16 The rules should allow flexibility for customers who may want to be
17 billed on shorter intervals. Accordingly, references to “not less than 25
18 days” should be removed.

19 **Paragraph E, subsections 1 & 3:**

20 The asymmetrical treatment of customers versus the utilities for
21 under/over billing is unnecessarily punitive and should be stricken from
22 these subsections. This treatment is counter to established policy which
23 does not distinguish between over- and under- billing situations.

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RESPECTFULLY SUBMITTED this 6th day of July, 1998.



Craig A. Marks
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Original and ten copies of the foregoing
filed this 6th day of July, 1998, with:

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All Parties indicated on Service List

By



Joann Zychlewicz

CITIZENS

UTILITIES

FAX TRANSMITTAL

Arizona Electric Division
 420 N. San Francisco St.
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To: Prem Bahl		From : Resal Craven
Fax Number : 1-602-542-2129		Company : Citizens Utilities Company
Date : 6/26/98	Time : 8:03:56	For Information Call: 520-774-4592 Ext 222
Subject : Staff's Proposed Changes to R14-2-1610		Fax Number : 520-779-7031 (modem) 520-779-5338 if no answer

Prem,

Attached are Citizens' suggested changes to the proposal you handed out at the Electric System Reliability & Safety Working Group Meeting on Friday June 19, 1998. I believe the changes are self-explanatory; However, if you have questions please give me a call.

Thanks for the opportunity to comment.



copies to: Craig Marks 602-265-3415
Sean Breen

functionality; contingency plans to ensure that critical functionality is in place by January 1, 1999; and any other significant issues related to the timely and successful implementation of the ISA.

E
F
relevant assets

Each Affected Utility shall make good faith efforts to develop a regional, multi-state Independent System Operator (ISO), to which the ISA ~~should~~ ^{will} transfer its functions ^{and} as the ISO becomes able to carry out those functions.

F
G

It is the intent of the Commission that prudently-incurred costs incurred by the Affected Utilities in the establishment and operation of the ISA, and subsequently the ISO, should be recovered from customers using the transmission system, including the transmission owner's customers, through FERC-regulated prices which shall be set on a non-discriminatory basis. Proposed rates for the recovery of such costs shall be filed with the FERC and the Commission.

SEE Attachment (A)

G
H

The Commission supports the use of "Scheduling Coordinators" to provide aggregation ^{ed} of customers' schedules to the ISA and the respective Control Area Operators simultaneously until the implementation of a regional ISO, ~~at which time the schedules will be submitted to the ISO.~~ The primary duties of Scheduling Coordinators are to:

1. Forecast their customers' load requirements
2. Submit balanced schedules (i.e., schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission losses) and NERC/WSCC tags
3. Arrange for the acquisition of the necessary transmission and ancillary services
4. Respond to contingencies and curtailments as directed by the Control Area Operators, ~~ISA or ISO~~
5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, ~~ISA or ISO~~

I. ~~The Commission may support the development of a spot market and a possible interconnection between the regional ISO and the spot market.~~

J. ~~The Commission shall determine which generation units are must-run units for distribution reliability and mitigation of market power, and will regulate the price of power from these units. The terms of the must-run contracts will be finalized prior to the divestiture of the must-run units.~~

Delete paragraph "I". It provides no useful guidance to readers of the "rule".

Delete paragraph "J" IT IS NOT PART of an ISA function and should be covered in other Commission rules.

Add DEFINITIONS section - see General Comment - Attachment (A).

RI4-2-1610. ~~Spot Markets and Independent System Operation Transmission and Distribution Access and Control.~~

SEE Attachment A

~~A. The Commission shall conduct an inquiry into spot market development and independent system operation for the transmission system.~~

A. The Affected Utilities shall provide non-discriminatory open access to transmission and distribution facilities to serve all customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's standard offer or in the competitive market.

~~B. The Commission may support development of a spot market or independent system operator(s) for the transmission system.~~

B. The Commission supports the development of an Independent System Operator (ISO) or, absent an ISO, an Independent Scheduling Administrator.

~~C. The Commission may work with other entities to help establish spot markets and independent system operators.~~

C. ^(ACC) The Commission believes that an Independent Scheduling Administrator (ISA) is necessary in order to provide non-discriminatory retail access and to facilitate a robust and efficient electricity market. Therefore, the Affected Utilities shall file with FERC for approval of an ISA having the following characteristics:
Coordinate the Calculation of Available Transmission Capacity

1. The ISA shall ~~calculate~~ ^(ATC) for Arizona transmission facilities that belong to the Affected Utilities or other ISA participants, and shall develop and operate ~~an~~ ^a ~~overarching~~ statewide OASIS. *Similar to that provided for UNDER FERC ORDERS 889 and 889A for Wholesale Transactions.*

2. The ISA shall implement and oversee the non-discriminatory application of protocols to ensure statewide consistency for transmission access. These protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, and available transfer capabilities.

3. The ISA shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use and curtailment of transmission services.

^{4.} ~~D.~~ All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other ISA participants shall be made to, or through, the ISA using a single, standardized procedure.

^D ~~E.~~ ^{ACC} The Affected Utilities shall ^{submit} ~~file~~ a proposed ISA implementation plan ^{for review and concurrence by} with the Commission by September 1, 1998. The implementation plan shall address ISA governance, incorporation, financing and staffing; the acquisition of physical facilities and staff by the ISA; the schedule for the phased development of ISA

Attachment (A)

Citizens Utilities Company
Comments on Staff's proposed changes to R14-2-1610

Title and Paragraph A - Distribution

The purpose of this part of the Competition rules is to address the operation and control of the transmission system. The mention of access to distribution is not appropriate here. Citizens' suggestion is to change the title to "Transmission Access and Control," and to remove the reference to distribution in paragraph A.

Paragraph A - Access Priority

Citizens believes that customers who remain part of Affected Utilities' standard offer load and take service under regulated rates should be given priority access to transmission capacity. Our suggested re-write of paragraph A is:

- A. The Affected Utilities shall provide non-discriminatory open access to transmission facilities to serve all customers. No preference or priority access to transmission shall be given to any distribution customer electing to purchase power in the competitive market. However, as long as Affected Utilities retain a residual duty to serve standard offer customers, the load of these customers shall be given priority access to transmission.

Paragraph G (revised label F)

The last sentence should be replaced with the following:

Proposed rates for the recovery of such costs shall be filed with the FERC. Affected Utilities shall file with the Commission for recovery through a competitive transition charge of additional ISA/ISO costs for serving the loads of standard offer customers.

Overall Comment - Definitions

Throughout the proposed rule changes there are references to industry terms, such as OASIS, NERC/WSCC tags, etc. that should be defined. Citizens suggests that a definition section be added to the front of this part of the rules to add specificity to these terms.