

OPEN MEETING ITEM



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AZ CORP COMMISSION  
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TO: THE COMMISSION

FROM: Utilities Division

DATE: March 28, 2000

RE: IN THE MATTER OF ARIZONA ELECTRIC POWER COOPERATIVE -  
APPLICATION FOR APPROVAL OF A WAIVER OF CERTAIN REQUIREMENTS  
OF A.A.C. R14-2-1609 (DOCKET NO. RE-00000C-94-0165)

On December 17, 1999, Arizona Electric Power Cooperative ("AEPCO") filed an application for a waiver of certain requirements of A.A.C. R14-2-1609, a Commission rule that addresses access to transmission and distribution facilities. In particular, AEPCO requests a waiver of Subsection E, which requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within thirty days of the Commission's adoption of final Retail Electric Competition rules.

A.A.C. R14-2-1609.D requires Affected Utilities that own or operate Arizona transmission facilities to form the Arizona Independent Scheduling Administrator ("AISA"). The AISA was supposed to file for approval with the Federal Energy Regulatory Commission ("FERC") within 60 days of this Commission's adoption of final retail electric competition rules. The final rules were adopted on September 29, 1999, and R14-2-1609 required the AISA to file for FERC approval on or about November 30, 1999. The AISA has not made its FERC filing, nor has AEPCO filed its implementation plan with the Commission as required by R14-2-1609.E.

R14-2-1609.D states that an ISA is necessary in order to provide nondiscriminatory retail access and to facilitate a robust and efficient electricity market. AEPCO is currently working with other entities to form and implement the AISA. However, the members of the AISA have not been able to agree on a set of operational and administrative protocols to govern operations of the AISA. AEPCO has requested a waiver of R14-2-1609.E because it believes that it cannot adopt the AISA implementation plan on its own and, therefore, cannot comply with the requirements.

Staff recognizes that the Affected Utilities may be unable to force other AISA members to reach agreement. If the AISA members cannot agree on protocols to be used, then alternative measures need to be put in place. Staff recommends that the Commission order AEPCO to collaborate with the other major Arizona transmission line owners (TEP and APS) on a set of protocols and jointly submit those protocols within fifteen days of the date of this order to the Commission for review and approval. These protocols may then be used until AISA, Desert STAR, or some similar appropriate organization becomes operational. AEPCO should also be ordered to ask SRP to participate in the discussions with AEPCO, APS, and TEP.

THE COMMISSION

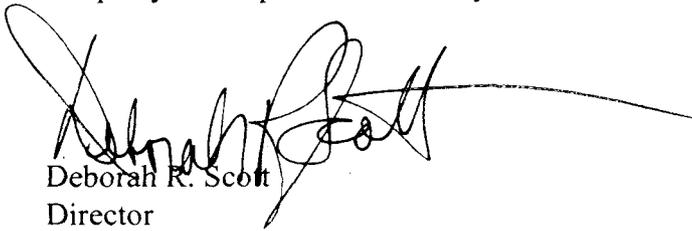
March 28, 2000

Page 2

The protocols should include, but not be limited to, the subjects of available transmission capacity calculation, transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, must-run generating units, energy imbalances, energy scheduling, dispute resolution, and transmission planning.

Staff believes that statewide procedures must be in place to provide nondiscriminatory retail access and to allow the competitive market to continue to develop. The alternative plan outlined above may not be an effective long-term substitute for the AISA. Without the participation of the Affected Utilities, the AISA is unlikely to be implemented. Granting AEPCO a waiver of R14-2-1609.E may eliminate AEPCO's incentive to continue to meaningfully participate in the development of the AISA protocols. Therefore, Staff recommends that AEPCO's application for a waiver of the requirements of R14-2-1609.E be denied.

Staff recommends, however, that the Commission grant AEPCO an extension of time in which to comply with R14-2-1609.E. Staff recommends that the Commission extend AEPCO's deadline for complying with R14-2-1609 to May 15, 2000. At that time, Staff can evaluate the adequacy of the protocols filed by the transmission providers as well as the status of AISA.



Deborah R. Scott  
Director  
Utilities Division

DRS:RTW\van\CCK\JFWJMA

ORIGINATOR: Ray Williamson

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

CARL J. KUNASEK  
Chairman  
JIM IRVIN  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner

IN THE MATTER OF ARIZONA ELECTRIC )  
POWER COOPERATIVE - APPLICATION FOR )  
APPROVAL OF A WAIVER OF CERTAIN )  
REQUIREMENTS OF A.A.C. R14-2-1609 )  
\_\_\_\_\_ )

DOCKET NO. RE-00000C-94-0165  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
April 11 and 12, 2000  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative ("AEPCO") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On December 17, 1999, AEPCO filed an application for a waiver of certain requirements of A.A.C. R14-2-1609, a Commission rule that addresses access to transmission and distribution facilities. In particular, AEPCO requested a waiver of Subsection E, which requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within thirty days of the Commission's adoption of final Retail Electric Competition rules.

3. A.A.C. R14-2-1609.D requires Affected Utilities that own or operate Arizona transmission facilities to form the Arizona Independent Scheduling Administrator ("AISA"). The AISA was supposed to file for approval with the Federal Energy Regulatory Commission ("FERC") within 60 days of this Commission's adoption of final retail electric competition rules. The final rules were adopted on September 29, 1999, and R14-2-1609 required the AISA to file for FERC approval on or about November 30, 1999. The AISA has not made its FERC filing, nor has AEPCO filed its implementation plan with the Commission as required by R14-2-1609.E.

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1           4.       R14-2-1609.D states that an ISA is necessary in order to provide nondiscriminatory  
2 retail access and to facilitate a robust and efficient electricity market. AEPCO is currently working  
3 with other entities to form and implement the AISA. However, the members of the AISA have not  
4 been able to agree on a set of operational and administrative protocols to govern operations of the  
5 AISA. AEPCO has requested a waiver of R14-2-1609.E because it believes that it cannot adopt the  
6 AISA implementation plan on its own and, therefore, cannot comply with the requirements.

7           5.       Staff recognizes that the Affected Utilities may be unable to force other AISA  
8 members to reach agreement. If the AISA members cannot agree on protocols to be used, then  
9 alternative measures need to be put in place. Staff recommends that the Commission order AEPCO  
10 to collaborate with the other major Arizona transmission line owners (TEP and APS) on a set of  
11 protocols and jointly submit those protocols within fifteen days of the date of this order to the  
12 Commission for review and approval. These protocols may then be used until AISA, Desert STAR,  
13 or some similar appropriate organization becomes operational. AEPCO should also be ordered to  
14 ask SRP to participate in the discussions with AEPCO, APS, and TEP.

15           6.       The protocols should include, but not be limited to, the subjects of available  
16 transmission capacity calculation, transmission system transfer capabilities, committed uses of the  
17 transmission system, available transfer capabilities, must-run generating units, energy imbalances,  
18 energy scheduling, dispute resolution, and transmission planning.

19           7.       Staff believes that statewide procedures must be in place to provide nondiscriminatory  
20 retail access and to allow the competitive market to continue to develop. The alternative plan  
21 outlined above may not be an effective long-term substitute for the AISA. Without the participation  
22 of the Affected Utilities, the AISA is unlikely to be implemented. Granting AEPCO a waiver of  
23 R14-2-1609.E may eliminate AEPCO's incentive to continue to meaningfully participate in the  
24 development of the AISA protocols. Therefore, Staff recommends that AEPCO's application for  
25 a waiver of the requirements of R14-2-1609.E be denied.

26           8.       To the extent that AEPCO's application may be construed as seeking waivers of other  
27 portions of R14-2-1609, Staff recommends that those requests be denied.

28 . . . .



1 IT IS FURTHER ORDERED that AEPCO shall ask SRP to participate in the discussions  
2 with AEPCO, TEP, and APS.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

5  
6 CHAIRMAN COMMISSIONER COMMISSIONER

7 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
8 Executive Secretary of the Arizona Corporation  
9 Commission, have hereunto, set my hand and caused the  
10 official seal of this Commission to be affixed at the Capitol,  
11 in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

12 \_\_\_\_\_  
13 BRIAN C. McNEIL  
14 Executive Secretary

15 DISSENT: \_\_\_\_\_

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