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OPEN MEETING ITEM

Arizona Corporation Commission

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TO: THE COMMISSION

FROM: Utilities Division

DATE: March 29, 2000

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

On January 4, 2000, Tucson Electric Power Company ("TEP") 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, TEP requests a waiver of Subsections D, E, and part of I.

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.

R14-2-1609.E requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within 30 days of the Commission's adoption of final Retail Electric Competition rules. TEP has not filed its implementation plan with the Commission as required by R14-2-1609.E.

Part of R14-2-1609.I requires Affected Utilities and other stakeholders, under AISA auspices, to develop statewide protocols for pricing and availability of services from Must-Run Generating Units. These protocols are to be presented to the Commission for review and, when appropriate, approval prior to being filed with FERC in conjunction with the AISA tariff filing.

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. TEP is currently working with other entities to form and implement an 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. TEP has requested the waiver because it believes that it can neither comply with the requirements of Subsections D, E, and part of I, nor compel AISA to comply with the requirements.

THE COMMISSION

March 29, 2000

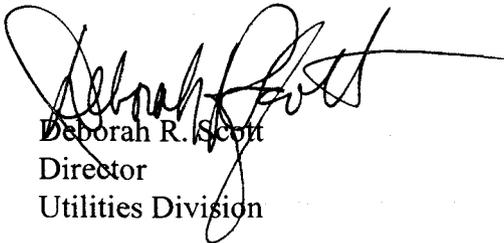
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Staff recognizes that the Affected Utilities may be unable to force other AISA members to reach agreement. If the AISA members cannot agree on protocols to be used, then alternative measures need to be put in place. Staff recommends that the Commission order TEP to collaborate with the other major Arizona transmission line owners (AEPCO 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. TEP should also be ordered to ask SRP to participate in the discussions with APS, TEP, and AEPCO.

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 TEP a waiver of R14-2-1609 may eliminate TEP's incentive to continue to meaningfully participate in the development of the AISA protocols. Therefore, Staff recommends that TEP's application for a waiver of the requirements of R14-2-1609 be denied.

Staff recommends, however, that the Commission grant TEP an extension of time in which to comply with R14-2-1609. Staff recommends that the Commission extend TEP'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:sjs\JFW

ORIGINATOR: Ray T. 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 TUCSON ELECTRIC)
POWER COMPANY - 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. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On January 4, 2000, TEP 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, TEP requested a waiver of Subsections D, E, and part of I.
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.
4. R14-2-1609.E requires Affected Utilities that own or operate Arizona transmission facilities to file a proposed AISA implementation plan with the Commission within 30 days of the Commission's adoption of final Retail Electric Competition rules. TEP has not filed its implementation plan with the Commission as required by R14-2-1609.E.

1 5. Part of R14-2-1609.I requires Affected Utilities and other stakeholders, under AISA
2 auspices, to develop statewide protocols for pricing and availability of services from Must-Run
3 Generating Units. These protocols are to be presented to the Commission for review and, when
4 appropriate, approval prior to being filed with FERC in conjunction with the AISA tariff filing.

5 6. R14-2-1609.D states that an ISA is necessary in order to provide nondiscriminatory
6 retail access and to facilitate a robust and efficient electricity market. TEP is currently working with
7 other entities to form and implement an AISA. However, the members of the AISA have not been
8 able to agree on a set of operational and administrative protocols to govern operations of the AISA.
9 TEP has requested the waiver because it believes that it can neither comply with the requirements
10 of Subsections D, E, and part of I, nor compel AISA to comply with the requirements.

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

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

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ORDER

THEREFORE, IT IS ORDERED that the application for a waiver of portions of A.A.C. R14-2-1609 is hereby denied.

IT IS FURTHER ORDERED that TEP's deadline for complying with R14-2-1609 is extended to May 15, 2000.

IT IS FURTHER ORDERED that TEP collaborate with the other major Arizona transmission line owners (APS and AEPCO) on a set of protocols and jointly submit those protocols within 15 days from the date of this decision for Commission review and approval.

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

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

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

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS:RTW:sjs\JFW