

Market Formation Efforts: Past, Present and Future
Markets in the West Workshop
By Senior Vice President and Desert Southwest Regional Manager Ron Moulton
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Good afternoon and welcome, everyone. My name is Ron Moulton and I am the senior vice president and regional manager here in WAPA's Desert Southwest region. Welcome to Phoenix. If over the course of the next two days you need anything or we can be of any assistance in any way, please be certain to let me or any of the WAPA folks in the room know and we'll do our best to help you.

I was asked to say a few words this afternoon regarding the state of the DSW region's markets efforts and the answer is, "it's still a bit early, we've only been doing this for about 23 years now, but we continue to work on it."

Like many of you, we've been working various market formation efforts since FERC issued Orders 888 and 889 in April 1996. In fact, the position I was hired for when I first came to the DSW region in 2000 was Industry Restructuring Program manager, having just cut my teeth on the INDEGO Independent Grid Operator formation effort as the transmission manager working in WAPA's CRSP Management Center in Salt Lake City, Utah.

In the late 90s and early 2000s, we worked on several ISO/RTO formation efforts within the Western Interconnection, Desert STAR here in the Southwest, RTO West in the Northwest, Crescent Moon and TransConnect—anybody remember where these two were located?—and various revisions and iterations of the CAISO following the market's failure and resulting California energy crisis of 2000 and 2001.

Our primary focus here in Desert Southwest was Desert STAR, in response to a December 1996 ruling by the Arizona Corporation Commission to phase in retail electric competition in Arizona by January 1999. Of course, just like today, an ISO/RTO for Arizona alone back then was not cost-effective, so we ultimately had entities from Arizona, New Mexico, Nevada, Utah, Colorado, Texas and California working together to evaluate the potential formation of an ISO/RTO in the broader Desert Southwest.

In mid-2001, the not-for-profit Desert STAR was replaced with the for-profit WestConnect RTO by the filing entities, and a few months later, in October 2001, the WestConnect RTO Tariff was filed with FERC. A year later, in October 2002, FERC issued an Order approving many elements of the WestConnect Tariff filing, and provided guidance to WestConnect on other elements of the filing that could, with some modification, meet the requirements of Order 2000. At the same time, FERC issued a Notice of Proposed Rulemaking around Standard Market Design to address emerging seams issues between the RTOs forming in the West. Representatives from WestConnect, RTO West and the CAISO were involved in the Seams Steering Group of the Western Interconnection, known as SSG-WI, working to address the seams issues created by the various emerging market designs.

I believe if Pat Wood, the then chairman of FERC, had held off on Standard Market Design, accepted WestConnect's filing, ultimately creating a FERC jurisdictional RTO, that much of the SouthWest would be in an RTO today. However, with FERC's ruling on WestConnect's RTO filing, the emergence of SMD to address potential seams issues and the various cost-benefit studies that were performed at the time

(even one by DOE as I recall), projecting the cost of WestConnect to outweigh the benefits, the momentum for RTO formation in the SouthWest diminished and the entities within WestConnect backed away from full RTO formation in favor of a phased approach to Markets.

In 2013, nearly 10 years after the WestConnect RTO filing, following a WestConnect Steering Committee meeting, Ron Steinbach and MaryAnn Zerr from TSGT; Joe Taylor from XCEL; Charlie Reinhold; and I met and agreed that it was time to give markets another try and kicked off what we called a common or joint tariff effort known as the Mountain West Tariff Group. This effort succeeded discussions, known as the Joint Economic Dispatch Initiative, that were occurring between various entities in the Mountain West to address emerging operational issues resulting from large penetrations of variable energy resources in our respective balancing areas, very much like the CAISO's energy imbalance market formation discussions that were going on at the time.

Over time, this effort evolved and moved away from an incremental effort to establish a joint or common tariff to become a full RTO formation effort known as the Mountain West Transmission Group with the Southwest Power Pool selected to be the market operator.

At the same time, the various entities here in the Desert Southwest had formed what is called the Southwest Markets Alternative Group and were evaluating various options for dealing with variable energy resource integration, including potential market options like the CAISO EIM and the MWTG.

Ultimately, APS joined the CAISO EIM in October 2016 with SRP announcing later that they would follow and also join the CAISO EIM in April 2020. Many of the rest of us continued to evaluate these market options and closely watched the MWTG effort, including efforts to evaluate a potential MWTG Phase 2 effort to expand MWTG beyond the Mountain West and into the Desert Southwest. Of course we all know how this story ended, about this time last year, with the Mountain West Transmission Group losing the support of Xcel Energy in April 2018, leaving insufficient critical mass to continue to move the effort forward.

Over the last year, as RC transition has grabbed our attention and we've worked through the disappointments of the failed MWTG efforts, it's once again time to give markets another look. The CAISO continues to attract new participants to its EIM offerings and SPP just announced its interest in expanding the energy imbalance service it began providing its members in 2007, here in the West.

So this meeting is very timely and your active participation today, tomorrow and beyond is critical to our collectively and successfully moving forward. We are very interested in understanding your perspectives on markets; what opportunities and risks you see for markets going forward; what you believe to be the key roles for each of us with respect to a market formation effort; whether you believe we have all the right people participating in the discussion; what other ideas you might have for shaping the future that we need to get on the table and begin thinking about; and, lastly, what you believe to be the next steps we all should be taking to create a sustainable, successful, collective future together.

Thanks for your time and attention. Have a great couple days here at the DSW region.