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**COLORADO RIVER COMMISSION
OF NEVADA**

June 7, 2023

Ms. Rebecca Johnson
Transmission and Power Markets Advisor
Western Area Power Administration
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Dear Ms. Johnson:

Comments of the Colorado River Commission of Nevada Concerning Recommendation for the Western Area Power Administration's Rocky Mountain Region and Colorado River Storage Project Management Center to Pursue Final Negotiations Regarding Membership in the Southwest Power Pool Regional Transmission Organization, and for the Upper Great Plains Region to Expand its Participation

Role of the Colorado River Commission of Nevada ("CRCNV")

The CRCNV purchases power from three hydropower projects on the Colorado River including the Boulder Canyon Project (Hoover), the Parker-Davis Generation Project, and the Salt Lake City Area Integrated Projects (SLCAIP). The CRCNV provides the hydropower it purchases to 23 contractors in Southern Nevada including electric utilities (investor owned and public), municipalities, educational institutions, NV state agencies, and companies that produce goods and services. During Federal Fiscal Year 2022, the CRCNV received approximately 1,046,000 MWh of hydropower generation from these three projects. Approximately 63,000 MWh was from SLCAIP hydropower generation and another 22,000 MWh was purchased from the market by WAPA-CRSP as Western Replacement Firming (WRF) and/or Western Replacement Power (WRP) pursuant to the CRCNV's SLCAIP Contract with WAPA-CRSP.

The CRCNV generally supports WAPA's participation in the Southwest Power Pool ("SPP")

The CRCNV generally supports WAPA-CRSP's entry into SPP and understands the potential risks to participation. We also understand that WAPA-CRSP's participation in SPP stands to benefit some of its largest customers, particularly those that are within the SPP footprint. It is unclear whether, and to what extent, WAPA-CRSP's customers that are outside of the SPP footprint will derive any benefit from WAPA-CRSP's participation. The CRCNV generally supports WAPA's entry into the market, but has two main concerns about WAPA-CRSP's participation. First, WAPA-CRSP must be able to meet its contractual commitments to provide the firm energy and capacity available from CRSP to its customers regardless of their location. Second, market participation should not degrade the value of the CRSP resource for any of WAPA's customers.

The CRCNV's customers must be able to rely on CRSP to meet their resource adequacy ("RA") requirements

WAPA-CRSP, in its supporting document entitled "Recommendation Regarding Membership in the Southwest Power Pool Regional Transmission Organization", states that the California Independent System Operator (CAISO) is "confined to California." It is, in fact, not confined to California. The CRCNV has one customer, Valley Electric Association (VEA), that is also in the *full* CAISO market and must abide by the requirements of that market even though their service territory is located almost entirely in Nevada. As a CAISO market participant, VEA relies on its CRSP resources to meet the resource adequacy requirements of the CAISO. To preserve the value of the CRSP resource for VEA, the CRCNV needs assurance from WAPA-CRSP that VEA will be able to continue to rely on the CRSP resource, particularly its capacity and associated firm transmission, to meet its RA requirements after WAPA-CRSP joins the SPP market. WAPA itself has cited increasing RA challenges as being one of the drivers for joining the SPP market in the first place. We agree with WAPA's assessment and have reviewed draft proposals set forth by the CAISO that indicate that the requirements for qualifying a resource as an RA resources in that market may become more and more difficult in the future.

As the markets evolve, the CRCNV believes that a technical solution may become necessary to protect lower basin customers outside of the SPP footprint and WAPA's move to the SPP should, in no way, restrict WAPA's ability to implement such a solution. If WAPA-CRSP cannot assure its customers in the lower basin that they will be able to utilize their resources in substantially the same way they do today and receive similar benefits from the resource, then WAPA-CRSP should commit to implementing a technical solution prior to their entry into the SPP market or, at the very least commit to implementing one in the future if market rules erode the value of the CRSP resource.

A technical solution has already been developed

A technical solution involving bifurcating CRSP resource deliveries through the use of a Dynamic Transfer Signal has already been developed and presented to WAPA. The proposed technical solution, which would split/bifurcate CRSP resource deliveries between the WACM and WALC BAs, would ensure lower basin resource deliveries

without affecting WAPA's operational control of the CRSP generators in any way. This technical solution was developed with the support of WAPA's administrator, Tracey LeBeau. In a letter dated February 28, 2023, from Ms. LeBeau to Mr. Patrick Ledger, CEO of the Arizona Electric Power Cooperative, Inc., Ms. LeBeau states:

"I am writing to assure you of our commitment to our organizations working together to identify possible technical solutions to meet your identified business needs. Jack Murray, Senior Vice President and Desert Southwest Regional Manager, and Rodney Bailey, Senior Vice President and Colorado River Storage Project Manager will co-sponsor this technical evaluation."

Although numerous discussions on this topic have occurred and a technical solution has been developed, there is no discussion of potential delivery risks to lower basin customers in either the FRN or WAPA's supporting documents. Nor is there any discussion concerning the potential need to implement the technical solution that was developed. It is not acceptable for WAPA to simply dismiss the extensive dialogue that has occurred.

Ideally, the CRCNV would like WAPA-CRSP to move forward with the proposed technical solution in accordance with an agreed upon timeline that will not delay CRSP's entry into the SPP market. In the alternative, the post-2024 CRSP contract contemplates that WAPA-CRSP and its contractors will execute a set of Scheduling and Billing Procedures (SABPs) prior to October 1, 2024. We believe that it would be appropriate for WAPA to insert explicit language into the SABPs stating that WAPA will implement a Dynamic Transfer Signal if, in the future, it is required to meet the RA requirement of a regional transmission organization (RTO), independent system operator (ISO), or other organized marketplace *or* WAPA and its contractors deem it mutually beneficial to make such a change in order to preserve the value of the CRSP resource or resolve a seams issue. We believe the insertion of such language will protect lower basin customers and preserve our right to make a change in the future in response to the evolving marketplace.

If you have any questions, please contact Gail Bates at 702-496-3162 or email gbates@crc.nv.gov.

Sincerely,



Gail A. Bates
Assistant Director, Hydropower

Cc: Eric Witkoski, ewitkoski@crc.nv.gov