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RE: 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 ("Recommendation")

The Salt River Project (SRP) is a community based, not for profit organization, providing affordable, reliable water and power to more than two million people in Arizona. SRP holds a Firm Electric Service (FES) agreement with Western Area Power Administration (WAPA) and a unique long-term Grand Fathered Agreement relying on generation at Glen Canyon Dam (GCD) and WAPA transmission resources. For this reason, SRP has an interest in Colorado River Storage Project (CRSP) operations that may impact capacity, energy, or transmission system operations required for WAPA to meet existing obligations.

Recognizing the challenges of a diminishing pool of capacity resources, as described in the recommendation report, and the impact extended drought has had on CRSP hydropower operations, SRP understands WAPA's exploration and negotiation regarding potential participation in the Southwest Power Pool Regional Transmission Organization (SPP RTO), and respectfully submits the following comments and concerns to the above referenced recommendation published in the Federal Register (88 FR 26298) on April 28, 2023.

SRP is encouraged at the recommendation that the SPP tariff will continue the Federal Service Exemption (FSE) provision to CRSP FES Contractors, providing exemptions from the marginal congestion and marginal loss cost components for federal energy deliveries and exemption from regional transmission cost allocation charges (pg. 23). WAPA CRSP contractors must maintain the same preference power benefits as the CRSP resource provides today.

While SPP RTO participants (including a subset of WAPA CRSP contractors) may have access to lower-priced resources, SRP load is not within the proposed SPP RTO and SRP does not expect to receive the same offsetting benefits as the market participants. The CRSP entrance into the SPP RTO should not create benefits for any subset of WAPA customers at the expense of other WAPA customers, including SRP.

WAPA's entrance of the CRSP resource into the SPP RTO has potential to uniquely impact SRP for the remaining years of a long standing WAPA-SRP Energy Exchange agreement. The exchange agreement between WAPA and SRP has served to benefit reliability and affordability for both SRP and WAPA customers by avoiding significant transmission requirements. The nature of this long-term partnership includes two components: an exchange whereby outputs from SRP generation assets in Colorado and New Mexico is exchanged with WAPA energy from CRSP, and utilization of WAPA transmission for any remaining SRP generation that is not exchanged. A decision by WAPA to join SPP should not obligate the introduction of SRP's share of the exchange agreement resources into the centralized dispatch for SPP RTO.

The recommendation report cites centralized dispatch, centralized transmission planning, and balancing authority consolidation as a benefit to WAPA (pg. 15). The report identifies the centralization as a move away from "each utility dispatching its own limited set of generation resources through contract path transmission arrangements" and into a "transmission flow arrangement" where the market operator will manage congestion on the system using market price signals.

With SRP's load outside of the RTO, the dispatch decisions of the market operator may not provide SRP the benefit of dispatching to market price signals. Nomination of SRP transmission to serve SRP reliability needs may not be fully awarded and creates concern regarding the transmission priority of the exchange agreement within the SPP RTO. SRP would expect the exchange agreement to be held harmless on priority of flow and be held harmless to congestion and other potential price and delivery risks for the dispatch of SRP resources. Similarly, any deviations in SRP's controlled asset generation at any time should not be subject to imbalance, penalties, or any other RTO based fee.

Additionally, other SPP RTO participants could create congestion on the transmission lines that SRP has utilized for decades, and SRP would be subject to SPP RTO's calculation of the congestion costs. Should SRP be required to register as a scheduling entity and designate the exchange agreement resources as self-scheduled/non-dispatchable, this could also generate risk on both clearing costs and congestion, and SRP would expect to receive neutrality to both of these risks by WAPA.

SRP believes there are solutions for the identified concerns, and requests that SPP RTO and WAPA work with SRP (and other WAPA customers) to provide an acceptable solution to all parties that facilitates entrance of the CRSP resource into the SPP RTO without disparate impacts on WAPA customers outside of the SPP RTO footprint. SRP relies on CRSP hydropower and other resources in its portfolio to provide reliable electric service to over 2 million customers in the Phoenix area. It will be important and necessary to continue to engage in collaborative discussions to implement solutions to ensure that SRP's utilization of the CRSP resource can continue with the same benefits received today.

Sincerely,

B. Olsen

Bobby Olsen
Associate General Manager & Chief Planning, Strategy, and Sustainability Executive