Arizona G&T Cooperatives
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July 11, 2023

VIA EMAIL TO SPP-COMMENTS@WAPA.GOV

Ms. Rebecca Johnson
Advisor
Transmission and Power Markets Advisor
Western Area Power Administration,
12155 West Alameda Parkway
Lakewood, CO 80228–8213.

RE: Supplemental Comments of Arizona Electric Power Cooperative on Western Area Power Administration Federal Register Notice on Whether to Enter Final Negotiations with Southwest Power Pool

Dear Ms. Johnson:

On behalf of Arizona Electric Power Cooperative (AEPCO), I am offering additional comments in response to the Western Area Power Administration's (WAPA) Federal Register notice on pursuing final negotiations with the Southwest Power Pool (SPP) for membership for the Rocky Mountain Region (RMR) and Colorado River Storage Project (CRSP).[1] These comments are provided following the letter from Administrator LeBeau on June 14, 2023, which extended the comment period to July 11, 2023.[2]

AEPCO greatly appreciates the extension of the deadline and the opportunity to review concepts which may address concerns which AEPCO and many other Southern Division customers share over the value of the CRSP resource if CRSP becomes part of SPP. In reviewing the CRSP Crosswalk of the Pseudo-Tie Proposal (Crosswalk) made available to customers on June 23, AEPCO notes that WAPA has begun consideration of a pseudo-tie arrangement to ensure Contract Rate of Delivery (CROD) capacity.[3] As depicted in the Crosswalk document, WAPA describes the pseudo-tie arrangement with the following criteria:

- Move the existing CRSP hydropower deliveries of the CRSP Southern Division Customers into the Western Area Lower Colorado (WALC) balancing authority (BA) via a pseudo-tie per the North American Electric Reliability Corporation's (NERC) definition.
- CRSP generation would reside in the SPP footprint, but a portion of CRSP generation would be pseudo-tied into WALC.
- WALC would be responsible for bidding and settling per Energy Imbalance Market (EIM) requirements.

[1] Federal Register, Volume 88, Number 82 at 26298, published April 28, 2023.
[2] All comments contained herein are supplemental. In submitting this letter, AEPCO does not waive any rights or arguments raised in correspondence filed on June 12, 2023.
[3] WAPA website on SPP membership reflects an updated version of the Crosswalk dated June 29.

- The CRSP generation in the SPP RTO would be included in the SPP RTO Reserve Sharing Group and the portion of CRSP pseudo-tied would be included in WALC's Reserve Sharing Group, for the purpose of generation reserve responsibility.[4]

Importantly, WAPA acknowledges that the pseudo-tie arrangement "[p]rovides customer reassurance to protect CRSP deliveries."[5] Here, WAPA has recognized the concerns of many Southern Division customers including AEPCO on the need to deliver the contractual entitlement to capacity and energy associated with the CRSP resource outside the anticipated SPP footprint. This statement by WAPA demonstrates to AEPCO that WAPA is willing to make the commitment to honor the contractual obligations to preference customers regardless of whether the customer resides inside or outside of the expected SPP footprint. As depicted by WAPA in the Crosswalk, AEPCO supports the pseudo-tie proposal and recommends that this commitment should be carried through in the decisional document and in any final negotiations with SPP.

AEPCO does note that WAPA explains that "[c]ustomer needs (c) and (d) in column 1 cannot be met within existing marketing plan/contracts, regardless of RTO participation."[6] This is a substantive operational change for CRSP to set up with the WALC BA and would require additional discussions with SPP.[7] However, this adverse impact is not confined to a proposal to implement a pseudo-tie; WAPA also lists this as a "con" in describing scenario two which does not feature a pseudo-tie solution. In other words, the "cons" under scenarios two and three are identical, suggesting that there is no additional burden for WAPA to address customer concerns noted in subsections (c) and (d) of Column One of the Crosswalk.[8]

In reviewing the high-level implementation requirements, AEPCO notes that increased coordination is merited with the Desert Southwest (DSW) region.[9] Many of the high-level implementation activities appear beyond the scope of the activities that CRSP personnel have

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[4] Crosswalk at 3.
[5] *Id.*
[6] *Id.*
[7] *Id.* (As explained on page 2 of the Crosswalk Document "c. Resource capacity attributes (limited by generation resource templates) to meet additional ancillary obligation requirements in an RTO. d. Opportunity to optimize transmission congestion revenue rights for the project – to help support congestion spreads between the load and generation."
[8] *Id*. Both scenarios two and three anticipate 2-2.5 years to address these issues.
[9] *Id.* at 3. High-level Implementation requirements of Scenario 3 include:
• Develop CRSP Implementation Plan in coordination with other WAPA regions, SPP, and other RTO West participants.
• Update energy accounting procedures between CRSP and WAPA's Desert Southwest (DSW) region. CRSP hourly scheduling rules would still apply.
• CRSP EMMO would create a daily pseudo-tie tag to DSW EMMO, and WALC would be the source for daily tag for CRSP Southern Division customers for participation in the California Independent System Operator (CAISO) EIM.
• Complete new EIM Resource Implementation Process. A Full Network Model will need to be modified for EIM and SPP.
• CRSP, RM, and DSW software will be modified to add/remove resources to include new allocation calculations, new Supervisory Control and Data Acquisition (SCADA) nodes, settlement locations, and testing.
• DSW and RM settlements would require a process to capture the financial gains and losses from the markets. There would be a marginal increase to the ongoing markets software cost.
• WAPA would strive to follow cost causation principles and minimize cost shifts for this implementation.

undertaken to date and would require additional understanding of how the Energy Imbalance Market (EIM) operates within DSW. Accordingly, WAPA should ensure that final negotiations include members of the WAPA DSW team who can address the implementation of the pseudo-tie proposal for the Southern Division customers.

The Crosswalk appropriately acknowledges that CRSP customers desire assurances for resource capacity attributes to meet resource sufficiency requirements in an imbalance market (e.g., EIM, EDAM). During the June 27 online seminar, WAPA personnel observed that Southern Division customers see the need to assure capacity attributes because of the EIM and potentially, EDAM requirements. Although some questions have been raised regarding the need to address this concern in the final negotiations, AEPCO notes that the following current CAISO tariff contains provisions which reflect that the CAISO will treat resources which do not have a pseudo-tie differently:

> ***Section 40.8.1.12 System Resources and Pseudo-Ties***
>
> ***40.8.1.12.1 Dynamic System Resources and Pseudo-Ties***
>
> *Dynamic System Resources and Pseudo-Ties of Generating Units to the CAISO Balancing Authority Area* ***shall be treated similar*** *to resources* ***within*** *the CAISO Balancing Authority Area except with respect to the deliverability screen under Section 40.4.6.1 and with respect to the limitation on the Qualifying Capacity of wind and solar resources set forth in Section 40.8.1.6. However, eligibility as a Resource Adequacy Resource is contingent upon a showing by the Scheduling Coordinator that the Dynamic System Resource or Pseudo-Tie of a Generating Unit to the CAISO Balancing Authority Area has secured transmission through any intervening Balancing Authority Areas for the Operating Hours that cannot be curtailed for economic reasons or bumped by higher priority transmission and that the Load Serving Entity for which the Scheduling Coordinator is submitting Demand Bids has an allocation of import capacity at the import Scheduling Point under Section 40.4.6.2 that is not less than the Resource Adequacy Capacity provided by the Dynamic System Resource or Pseudo-Tie of a Generating Unit to the CAISO Balancing Authority Area.*[10]

Importantly, this section must be read in conjunction with tariff provisions which disqualify a resource from providing resource assurance. Here, AEPCO notes that the following tariff language excludes resources for certain resource adequacy categories:

> ***40.10.3.6 Non-Eligible Resources***
> *Intertie resources and imports,* ***other than*** *Pseudo-Ties and Dynamic Scheduled resources, and Proxy Demand Resources that have elected, per Section 4.13.3, to*

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[10] California Independent System Operator Corporation Fifth Replacement Electronic Tariff Section 40, accessed at https://www.caiso.com/Documents/Section40-RADemonstration-for-SchedulingCoordinatorsintheCAISOBalancingAuthorityArea-asof-May28-2023.pdf (emphasis added)

> *bid and be dispatched in the Real-Time Market in Hourly Blocks or fifteen (15) minute intervals,* ***are not eligible*** *to provide Flexible RA Capacity.*[11]

Ultimately, the CAISO tariff provisions underscore that Southern Division customers operating in the CAISO or EIM need WAPA to develop and arrange a pseudo-tie for the resources to which a customer is entitled under an FES contract.[12] These arrangements must be in place on day one if CRSP becomes a member of SPP in order to maintain equitable treatment between Northern and Southern Division customers, since Northern Division customers are receiving the equivalent benefits of a pseudo-tie by being within the SPP footprint. The analysis that WAPA has conducted to date provides sufficient grounds to insist that a pseudo-tie should be an identified prerequisite in the decisional document that WAPA will issue upon the review of all comments provided in response to the Federal Register notice.

As offered in our opening comments in response to the Federal Register notice, we remain available to assist WAPA in post decisional discussions. As other Southern Division customers offer definitive principles to give a road map for WAPA to follow, we encourage WAPA to give due consideration to appropriate principles and the recommended structure that definitive principles may offer. In the meantime, we thank WAPA for the extension of the deadline to submit comments and the additional diligence in developing the Crosswalk. This is the type of dialogue that feeds the strong partnerships that WAPA enjoys with its customers.

Sincerely,

Patrick F. Ledger

Patrick Ledger
Executive VP & Chief Executive Officer

[11] *Id.* (emphasis added)
[12] To be clear, AEPCO is not asking for a Flexible RA product from WAPA. The CAISO tariff provisions illustrate how a resource external to CAISO will not be afforded the appropriate recognition without a pseudo-tie or dynamic signal back to the generation resource located in another balancing area.