

**IRRIGATION & ELECTRICAL DISTRICTS ASSOCIATION OF ARIZONA  
SUPPLEMENTAL COMMENTS WITH RESPECT TO  
WESTERN AREA POWER ADMINISTRATION  
NOTICE OF RECOMMENDATION TO JOIN SOUTHWEST POWER POOL  
REGIONAL TRANSMISSION ORGANIZATION**

Concerns with SPP Market decision on WECC and WECC SLCA/IP Contractors: WAPA's determination to place its transmission and generation resources under the operational control of the SPP does not appear to address numerous market entry issues or analyses needed to make such determination. Normally grandfathered deliveries from generation, and commercial agreements with other utilities are identified and attempts made to mitigate or grandfather as many of those commercial practices and agreements before entry into an RTO. This is especially true when entities begin to alter the electrical commercial paths, boundaries, regulations, tariffs, and dispatch. WAPA's determination to pursue full SPP membership poses substantial economic and operational change and thereby risks to its Arizona-based SLCA/IP customers that necessitate comment under the WAPA process.

The SPP's large-scale, bid-based wholesale electricity pricing markets and tariffs are fiscally problematic to entities outside of the RTO footprint. In its SPP RTO deliberations, WAPA has not identified the benefits or cost impacts on the Arizona-based SLCA/IP contractors. By contrast, the AEPCO-CAWCD-SPPA-WAPA DSW Market Study did focus on the desert southwest region. This study found significantly more benefits to joining the California Independent System Operator's Western Energy Imbalance Market (WEIM) versus the Southwest Power Pool's Western Energy Imbalance Service (WEIS). Even WAPA DSW has now joined the WEIM, "which now represents nearly 80% of the demand for electricity in the Western interconnection."<sup>1</sup> It is reasonable to conclude that the Arizona-based SLCA/IP contractors, especially those residing in western BAs including APS, SRP, TEP, and WALC that have already joined the WEIM will be adversely served by placing all of SLCA/IP in the SPP RTO. We believe the estimated \$500,000 of annual benefit to WAPA SLCA/IP Project will pale in comparison to the foregone benefits available in WECC and potential negative impacts or costs upon WECC affected systems, WECC commerce, WECC related contracts, and WECC commercial paths.

While WAPA's April 17, 2023 "Recommendation" acknowledges that SPP's zonal transmission rate structure is unworkable for SLCA/IP, its solution seems directed at protecting WAPA SLCA/IP's interests and not the interests of the SLCA/IP contractors. "SLCA/IP [would] recover its transmission costs by buying Point-to-Point Transmission Service across its system to serve its obligations to deliver to federal transfer points." In other words, the Arizona-based SLCA/IP contractors, whose transmission needs will not change, would be subjected to purchased transmission rate increases that meet the expanding needs of the Rocky Mountain region. It is unclear exactly how the zonal structure of SPP's Highway/Byway approach will be implemented, especially since SPP's current RTO in the east required a very complex phase-in arrangement that was implemented over many years. However, what is clear is that any new "Highway" facilities that result in region-wide ("postage stamp") costs paid by all will not benefit Arizona-based SLCA/IP contractors. WAPA SLCA/IP does not have to do these analyses with its current WECC footprint and markets, however, if WAPA SLCA/IP is electrically moved, then these impacts must be determined before any decision to join that RTO or entry into it to protect all WAPA's commercial obligations.

---

<sup>1</sup> See [California Independent System Operator Corporation - New entities expand WEIM's reach to a total of 11 Western states - WAPA Desert Southwest region, El Paso Electric & AVANGRID join the market \(electricenergyonline.com\)](#).

There is a potential that the Arizona-based SLCA/IP contractors could face a competitive disadvantage at the retail level by physically residing amid one LMP market (WEIM) while being forced to participate in a remote SPP RTO West LMP market. Since the loads, resources and transmission topology used to calculate LMPs in each market are significantly different, the resulting LMPs will be different as well. It is also concerning that market seams in the US markets are typically more problematic, than beneficial. Without an analysis, for all WAPA's customers no one can predict the benefits of having two markets and LMPs versus the costs of two markets and related seams on resource planning, transmission planning, and expanded markets and resources. Simply put, this decision if nothing else will shrink the WECC BA's footprint if it proceeds and the benefits or costs to either society or WAPA's contractors are unknown

Finally, there are many intangibles associated with relationships among entities that share responsibility for grid reliability within a given region (e.g., reserve sharing, control area performance, unscheduled flow mitigation, etc.). Arizona, California, Nevada, and the desert southwest are one such region where numerous jointly owned transmission projects and generation projects were planned and developed by the Arizona utilities including the WAPA Parker Davis, Intertie, and SLCA/IP transmission systems. Some of WAPA's transmission lines were the very first interstate power lines in the west and many things were planned upon those lines like Los Angeles, Phoenix, and Las Vegas. Our region has transmission interties with over 11,000 MW's between BA's and only 690 MW through Shiprock 230kV which is controlled by phase shifters for decades to limit inadvertent WECC loop flows. Severing or disturbing these relationships could have consequences of the type that cannot be easily analyzed. Recent reports to Congress on the US electrical grid reliability only heighten our concern of potential impacts upon the reliability of our region. We have not seen any studies of the reconfigured BAA's and impacts on regional reliability.

We have attached below a table from page the NERC 2023 Summer Reliability Assessment. The load serving entities in WECC, and the SLCA/IP are concerned if the current decision to move WAPA's generation and facilities to the SPP RTO will affect any of the critical reserve margins of WECC reflected below in any way in the future or any critical transmission flows.

Assessment Area	Anticipated Reserve Margin	Anticipated Reserve Margin with Typical Outages	Anticipated Reserve Margin with Higher Demand, Outages, Derates in Extreme Conditions
MISO	23.0%	4.3%	-6.9%
MRO-Manitoba	29.1%	25.6%	13.1%
MRO-SaskPower	29.1%	12.8%	-1.9%
NPCC-Maritimes	49.7%	39.3%	20.2%
NPCC-New England	17.7%	7.0%	-3.9%
NPCC-New York	30.3%	17.0%	9.9%
NPCC-Ontario	14.0%	14.0%	8.6%
NPCC-Québec	37.1%	37.1%	37.1%
PJM	31.9%	23.4%	8.4%
SERC-Central	18.0%	9.6%	6.4%
SERC-East	19.1%	16.0%	9.0%
SERC-Florida Peninsula	26.6%	19.9%	12.8%
SERC-Southeast	39.6%	36.4%	33.8%
SPP	24.6%	14.3%	-4.0%
Texas RE-ERCOT	23.0%	16.5%	-1.6%
WECC-AB	24.8%	21.9%	8.1%
WECC-BC	28.9%	28.8%	-5.4%
WECC-CA/MX	35.0%	29.0%	-11.9%
WECC-NW	28.5%	22.5%	-12.9%
WECC-SW	19.5%	15.8%	-6.8%