

**UNITED STATES OF AMERICA  
BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION**

Arizona Public Service Company

Docket No. ER16-938-003

**COMMENTS OF THE WESTERN POWER TRADING FORUM ON THE ARIZONA  
PUBLIC SERVICE COMPANY COMPLIANCE FILING EIM OATT REVISIONS**

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.212 and the Commission’s Notice of Combined Filings dated May 27, 2016, the Western Power Trading Forum (“WPTF”)<sup>1</sup> submits these comments in protest of limited aspects of Arizona Public Service Company’s (“APS”) Compliance Filing in the above referenced proceeding.<sup>2</sup>

**I. BACKGROUND**

On February 12, 2016, APS submitted proposed revisions to its Open Access Transmission Tariff (“OATT”) to the Commission.<sup>3</sup> On April 29, 2016, the Commission issued its Order on APS’s Tariff Filing (“Order”).<sup>4</sup> The Order approved most of APS’s Tariff Filing, but directed certain modifications. Notably, the Commission required APS to clarify “*that a potential APS EIM Participating Resource is not required to enter into a commercial arrangement with APS in order to participate via dynamic scheduling.*”<sup>5</sup> On May 27, 2016, APS submitted its Compliance Filing in this proceeding and a concurrent Motion for Clarification or

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<sup>1</sup> WPTF previously filed a timely document-less intervention in this docket on February 17, 2016.

<sup>2</sup> *Arizona Public Service Company*, Compliance Filing EIM OATT Revisions, Docket No. ER16-938-003 (filed May 27, 2016) (“Compliance Filing”).

<sup>3</sup> *Arizona Public Service Company*, Tariff Filing per 35.13(a)(2)(iii): APS Energy Imbalance Market OATT Revisions, Docket No. ER16-938-000 (filed February 12, 2016) (“APS Tariff Filing”).

<sup>4</sup> *Federal Energy Regulatory Commission*, Order on Proposed Tariff Revisions, Docket No. ER16-938-001 (issued April 29, 2016), (“Order”).

<sup>5</sup> Order at P.83.

in the Alternative Rehearing<sup>6</sup> on the issues related to external resource participation in the EIM via dynamic scheduling.

In the following comments, WPTF explains why APS's Compliance Filing does not comply with FERC's directive, as the proposed language still requires a third-party resource to have an underlying commercial arrangement with APS in order to participate in the EIM via dynamic scheduling. APS's Compliance Filing would also require external resources participating in the EIM via dynamic scheduling to comply with unnecessary obligations associated with the Balancing Authority Area Resource ("BAAR") designation, a requirement that is not imposed on any other type of APS EIM Participating Resource. It is important to note that WPTF is not opposing APS's technical requirements for dynamic scheduling participation. Therefore, WPTF offers a suggested approach to ensure the technical requirements APS desires are met, while not requiring that external resources participating via dynamic scheduling be designated as BAARs.

## **II. COMMENTS**

### **A. Third-Party BAARs Inherently Require Commercial Arrangements; By Requiring a BAAR Designation, APS's Compliance Filing Still Requires a Commercial Arrangement with APS for Dynamic Schedule Participation**

APS's Compliance Filing, which leaves Section 3.2 of Attachment Q (addressing requirements for resource participation in the APS EIM) unchanged, would still require that an external resource be designated as a BAAR in order to qualify to participate in the EIM via dynamic scheduling. As described below, the nature of BAAR designation, including provisions for BAAR compensation would inherently require any third-party resource designated as a BAAR to enter into a commercial arrangement with APS. Therefore, APS's Compliance Filing

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<sup>6</sup> *Arizona Public Service Company*, Motion for Clarification or in the Alternative Rehearing, Docket No. ER16-938-003 (filed May 27, 2016) ("Motion for Clarification").

does not adhere to the Commission’s directive to clarify that “*a potential APS EIM Participating Resource is not required to enter into a commercial arrangement with APS in order to participate via dynamic scheduling.*”<sup>7</sup>

In the Order, the Commission also directed APS to make modifications to the definition of BAAR to ensure a third-party is not involuntarily counted as a BAAR.<sup>8</sup> The modified definition of BAAR included in APS’s Compliance Filing effectively, and appropriately, ensures that an affiliate relationship exists, or a third-party has an underlying, voluntary commercial arrangement with the APS EIM Entity, before a resource is designated as a BAAR. The view that BAAR designation for a third-party resource requires a commercial arrangement with APS is supported by a review of the Commission’s order that approved the CAISO’s implementation of the EIM Available Balancing Capacity solution.<sup>9</sup> In the Available Balancing Capacity Order, FERC made clear that “the compensation of these resources [BAARs] is a contractual matter between the resource and the EIM Entity.”<sup>10</sup> Therefore, in order to address BAAR compensation, a contractual, commercial arrangement must exist for third-party resource BAAR designation.

By continuing to require an external resource be designated as a BAAR to utilize dynamic scheduling for EIM participation, APS is not complying with the Commission’s directive and is, indirectly, continuing to require that a resource have an underlying commercial arrangement with APS to utilize this participation option. To remedy this issue, the Commission should direct APS to make an additional Compliance Filing that satisfies the Commission’s original directive and eliminates the requirement, either directly or indirectly, for a commercial

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<sup>7</sup> Order at P.83.

<sup>8</sup> Order P.135.

<sup>9</sup> *Federal Energy Regulatory Commission*, Order on Compliance Filing, Docket No. ER15-861-006 (issued December 17, 2015), (“Available Balancing Capacity Order”).

<sup>10</sup> Available Balancing Capacity Order at P. 67.

arrangement to exist for an external resource to participate in the APS EIM via dynamic scheduling.

**B. APS's Compliance Filing Requires External Resource using Dynamic Scheduling to Comply with Unnecessary BAAR Responsibilities**

In addition to WPTF's concern that APS's Compliance Filing continues to require a commercial arrangement with APS for EIM participation via dynamic scheduling, APS's proposal also subjects external resources participating via dynamic scheduling to a number of BAAR provisions which are wholly unnecessary for traditional EIM participation. The BAAR definition was created in order to implement the EIM's Available Balancing Capacity solution to price spikes. As part of that solution, BAARs can be dispatched by the EIM even when the resource does not submit a bid into the EIM. Available Balancing Capacity from BAARs will be bid into the EIM at the resource's Default Energy Bid ("DEB") when a power balance constraint exists in the EIM. This means that BAARs may be dispatched at a market price driven by the resource's DEB, which may be different than what the resource would have bid into the EIM. The obligation to be dispatched at DEB-driven market clearing prices is unnecessary for traditional EIM participation and is only intended for resources that are part of the Available Balancing Capacity solution to EIM price spikes.

Not only are the obligations associated with BAAR designation wholly separate from EIM participation and an unnecessary imposition on a resource, but APS's proposal would treat external resources using dynamic scheduling in an unduly discriminatory manner. APS does not require internal resources, nor external resources participating using a pseudo-tie, to be designated as BAARs to participate in the EIM (not that such a requirement would be appropriate for these resources either). Requiring BAAR designation for external resources wishing to participate via dynamic scheduling is discriminatory because it places unnecessary obligations on a certain subset of potential APS EIM Participating Resources, without technical

justification. APS should be required to treat all potential EIM Participating Resources in a comparable manner. Therefore, APS should be directed make a subsequent Compliance Filing to remedy this inequitable treatment and remove the requirement for external resources seeking to participate in the EIM via dynamic scheduling to be designated as BAARs.

**C. An Alternative Approach Can Address APS's Concerns while Still Complying with the Commission's Directive**

APS's Motion for Clarification states that APS has proposed this approach because "*the definition of a BAAR contains specific operational characteristics that a resource needs to meet and sustain to participate in the EIM via a dynamic schedule.*"<sup>11</sup> WPTF respectfully submits that APS's proposed approach does not comply with the Commission's directives for the reasons discussed above. However, WPTF understands that APS seeks to add additional technical requirements, beyond those currently contained in Section 3.2.3 of Attachment Q of its OATT. Specifically, APS desires to ensure that resources participating via dynamic scheduling are unit specific and capable of providing regulation and load following to APS. APS contends that these requirements will help APS distinguish between bidding at the interties, which it has opted not to enable at this time, from external resource participation using dynamic scheduling.

While WPTF strongly supports intertie bidding, it is not seeking to use this proceeding as a vehicle to enable bidding at APS's EIM interties. Therefore, WPTF does not object to the requirements that APS contends are necessary to differentiate external resource participation via dynamic scheduling from intertie bidding. WPTF only opposes language that continues to require a resource have a commercial arrangement with APS in order to utilize dynamic scheduling and continues to unnecessarily require external resources participating via dynamic scheduling to be designated as BAARs.

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<sup>11</sup> Motion for Clarification at P5.

However, APS's desired technical criteria can be accommodated while alleviating WPTF's concerns and complying with FERC's directive on this issue. WPTF recommends that APS add the desired technical specifications, that a resource is unit specific and capable of providing regulation and load-following service, to Section 3.2.3 of Attachment Q. This would eliminate the need for external resources participating via dynamic scheduling to be designated as BAARs, but would address APS's desire to differentiate external resource participation from intertie bidding.

### **III. CONCLUSION**

WPTF supports the development of the EIM, the expansion of the EIM to APS, and the continued expansion of the EIM in the Western Interconnection. However, EIM implementation must be done in a manner that is just, reasonable, and not unduly discriminatory. As described in these comments, APS's Compliance Filing does not comply with the Commission's directives and is unduly discriminatory towards external resources that wish to participate in the EIM via dynamic scheduling. To address these concerns, WPTF urges the Commission to require APS to make another Compliance Filing that remedies these concerns and adopts the simple solution discussed above.

Respectfully submitted,



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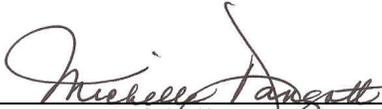
Attorney for the  
**WESTERN POWER TRADING FORUM**

June 17, 2016

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the *Comments of the Western Power Trading Forum on the Arizona Public Service Company Compliance Filing EIM OATT Revisions* on all parties of record in proceeding **ER16-938-003** by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on June 17, 2016, at Calabasas, California.

  
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Michelle Dangott

**SERVICE LIST ER16-938-003**

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