

Comments of Arizona Public Service Co.
Consolidated EIM Initiatives
Straw Proposal dated July 31, 2017

APS appreciates the opportunity to review the July 31, 2017 Straw Proposal which presents two Consolidated EIM Initiatives from 2017 Roadmap and five additional new EIM functionalities to support the implementation of Powerex.

1. Management of Bilateral Schedule Changes

This initiative seeks to address the exposure EIM entities OATT transmission service customers may be subject to in bilateral scheduling since the implementation of EIM. EIM entities that have OATT customers seeking to use their reserved transmission rights after the EIM base schedule submission deadline of T-57 are subject to real-time imbalance charges which are highly uncertain since the full cost is not known until after the fact.

APS believes that EIM entities should have the flexibility to take action to protect customers from these EIM charges. APS appreciates CAISO's consideration of the impact that the current scheduling deadlines of EIM are having on transmission customers. APS supports CAISO's proposal on the flexibility made available to each EIM entity to determine whether the impact on its individual transmission system merits taking steps to mitigate the exposure of EIM related charges to schedules submitted after the T-57 deadline. APS recognizes that the impact current scheduling deadlines of the EIM are having on transmission customers may vary across the EIM entities and may be an important issue for some EIM entities but not for others. The complexity and implementation costs of such a change to EIM entities bilateral schedule change settlement process should be determined by the EIM entities individually, as not all EIM entities have experienced material changes with their OATT customers and would not merit the capital investment required for such a change.

2. Equitable Sharing of Wheeling Benefits (formally known as Net Wheeling Charge)

This initiative seeks to compensate EIM entities that provide their transmission to accommodate the transfer of energy from one EIM entity to another without benefits to their own territory. APS recognizes that as the EIM area expands, certain EIM Entities' transmission systems will increasingly facilitate additional EIM transfers by wheeling generation from one EIM BAA to another EIM BAA. APS supports this initiative and the idea that an EIM BAA whose transmission system is being used to wheel generation from one EIM BAA to another EIM BAA should be compensated. APS would like to recognize that compensation for transmission system use by EIM transactions is an important consideration in the overall EIM design and if used should have a clear identifiable coding and should be set at the same level across entire EIM. APS supports an approach that should not result in a cost that is so high that it undermines the fundamental benefits for the EIM market.

APS supports CAISO's proposal to implement a hurdle rate that can be incorporated into the market. APS strongly believes that this rate should be such that it does not fundamentally alter the EIM flows and that the rate is a uniform nominal charge across the entire Western EIM versus one that is determined separately by each EIM BAA. APS supports this method as it will be a known element and factored into the economics of the transaction as opposed to a fee paid after the fact and potentially causing the transaction to be out of economics. APS does want to stress that there are accounting treatment and cost recovery mechanism differences between the options provided by CAISO and that the method and rate chosen must be easily identifiable and include the logic CAISO used to determine said rate. Additionally, APS encourages CAISO to ensure the credit or charge is readily identifiable in the monthly settlement process so that the EIM Entities can account for them properly.

3. New EIM Functionality

APS would like to ensure that the five proposed market design enhancements are not just for the benefit of Powerex's implementation into EIM but that they are integrated and made available system wide (to all participating EIM entities).