

**BEFORE THE
ARIZONA CORPORATION COMMISSION**

Docket No. E-00000A-21-0271

IN THE MATTER OF DOCKET NO. E-00000A-21-0271 THE COMMISSION'S INVESTIGATION INTO REGIONAL PLANNING, MARKETS, AND COLLABORATION AMONG LOAD-SERVING ENTITIES IN THE WESTERN INTERCONNECTION; INVESTIGATION INTO THE QUESTION OF MANDATORY OR VOLUNTARY PARTICIPATION IN REGIONAL TRANSMISSION ORGANIZATIONS, ENERGY IMBALANCE MARKETS, EXTENDED DAY-AHEAD MARKETS, AND OTHER ORGANIZED WHOLESALE ENERGY MARKETS BY ARIZONA'S LOAD-SERVING ENTITIES; CONSIDERATION OF THE COST AND RELIABILITY IMPACTS AND BENEFITS OF PARTICIPATION TO THE GRID, ARIZONA RATEPAYERS, UTILITY SHAREHOLDERS, AND THE STATE OF ARIZONA; CONSIDERATION OF THE NEEDS, GOALS, OBJECTIVES, AND PURPOSES OF PARTICIPATION; AND CONSIDERATION OF THE ISSUES OF COST ALLOCATION, RESOURCE ADEQUACY, AND GOVERNANCE ASSOCIATED WITH PARTICIPATION, AS WELL AS ANY OTHER ISSUE THE COMMISSION MAY DEEM RELEVANT TO ITS INVESTIGATION.

1. INTRODUCTION

The Clean Energy Buyers Association (CEBA) is a national association of large-scale energy buyers seeking to procure renewable energy across the U.S. With nearly 300 members from across the commercial and industrial sectors, non-profit organizations, as well as energy providers and service providers, CEBA's members are actively working toward the creation of a resilient, zero-carbon energy system. In 2020 alone, our members contracted over 10 GW in renewable energy projects and have been involved in 95 percent of all large-scale US corporate renewable energy deals to date. The voluntary market is a significant driver of clean energy development with

voluntary buyer purchases accounting for nearly 35 percent of 2020 wind and solar generation in the U.S.¹

While CEBA members utilize a variety of purchasing mechanisms to advance clean energy goals, over 80 percent of the 35 GW of new wind and solar contracted by corporate buyers from 2008 to present has occurred in organized wholesale markets. CEBA supports the expansion of wholesale markets in the West because of the significant efficiency improvements, generation competition, robust facilitation of power purchase agreements, and their ability to drive greater clean energy integration. These benefits translate into more options to meet customers' preference for clean energy to meet climate goals, while providing significant savings.

When businesses and consumers can procure more cost-effective, cleaner energy through competitive markets it has a ripple effect on the regional and local economy. CEBA members drive economic development in Arizona, where they operate dozens of facilities and employ over 190,000 people. CEBA members are also some of the largest utility customers. In both the Tucson Electric Power (TEP) and Arizona Public Service (APS) territories, 6 of the top 20 customers are CEBA Members. Our members have collectively invested in over 5,000 MW of renewable energy projects, which represents 87% of deals in the Western United States and in Arizona alone they have procured over 500 MW of generation. In 2021, clean energy investments in Arizona generated over \$28 million in government revenue via property, state and local taxes.² Clean energy deployment also provided private landowners with over \$18 million in drought-proof lease payments.³ With such a presence, CEBA's membership has been actively engaged in dialogues

¹ National Renewable Energy Laboratory, *Status and Trends in the Voluntary Market (2020 Data)*, Sept. 2021. <https://www.nrel.gov/docs/fy22osti/81141.pdf>

² American Clean Power Association, *Clean Power Arizona Factsheet* (2021). https://cleanpower.org/wp-content/uploads/2021/10/Arizona_clean_energy_factsheet.pdf

³ *Id.*

exploring market development and expansion opportunities to find solutions that maximize benefits to all utility customers.

For these reasons, we offer the following comments in response to the utility filings addressing questions posed by Chairwoman Marquez Peterson and Utilities Division Director Abinah, as well as to provide the Commission with a customer perspective on the benefits of enhancing regional coordination and collaboration among utilities. CEBA members support pathways to establish a full Regional Transmission Organization (RTO) model⁴ to maximize customer benefits but stress the importance of maintaining transparency through a public stakeholder process around utility efforts to weigh different market design options and market development pathways.

2. BENEFITS OF ORGANIZED WHOLESALE MARKETS

CEBA's support for well-designed and well-implemented organized wholesale markets is backed by a strong record of studies that have estimated the potential benefits of expanded market constructs in the West or directly measured the benefits of existing markets and found them to be in the billions of dollars. The most recent studies focused on Western market expansion have not only found that a full RTO model would maximize cost savings across the West but that those benefits would also far outweigh the costs.

Most recently, the "State-Led Study" developed by the Utah Governor's Office of Energy Development in partnership with State Energy Offices of Idaho, Colorado, and Montana, performed a two-year long assessment of organized market options. The assessment found that a full RTO model covering a wide footprint would provide more benefits than real time markets or day ahead markets alone.⁵ Additionally, a West-wide RTO would produce \$2 billion dollars in

⁴ An organized market that facilitated by a Regional Transmission Operator and includes BA consolidation, functional control of transmission by the RTO entity, and regional transmission planning.

⁵ Energy Strategies, *State Led Market Study Technical Report* at pg. 39 and 49 (July 2021).

benefits per year in 2030 while supporting renewable energy development across the region and increasing reliability.⁶ The study highlighted how a “a full RTO would provide additional reliability benefits by, offering more generation into the market, consolidating operational responsibilities, and consolidate balancing authority to resolve imbalances, increase automation, meet reserve requirements, and support resource integration over a larger footprint⁷,” which can help Western states meet reliability needs during extreme weather events. The study estimated benefits in terms of production cost savings⁸ and capacity savings from resource diversity but also noted there were additional market efficiency benefits tied to transparency, independence, and transmission planning savings that the study did not quantify. The recently completed state-level study, *The Colorado Transmission Coordination Act Evaluation of Market Alternatives* echoes these findings and found market benefits of \$2.2 billion through 2040.⁹ Finally, it’s worth noting that a recent analysis of potential market development in the Southeast highlights the economic benefits tied to well-designed wholesale markets. The study found that establishment of a competitive wholesale energy market could generate \$384 billion in savings as well as create at least an additional 285,000 new jobs by 2040.¹⁰

In addition, benefit estimates from existing RTO markets across the U.S. have consistently found savings to be in the billions. A recent estimate from MISO, for example, found \$3.5 billion in benefits annually. These benefits came from a reduced need for additional assets (\$2.47-\$3.22

⁶ Energy Strategies, *State Led Market Study Technical Report* pg. 49 (July 2021).

⁷ Energy Strategies, *State Led Study Report Market and Regulatory Review Report* pg. 32 (July 2021).

⁸ Production cost savings stem from more efficient trade due to reduced transmission wheeling, optimized unit commitment and dispatch, reduced operating and flexibility reserves and reduced curtailment.

⁹ Colorado Public Utilities Commission, *Colorado Transmission Coordination Act: Investigation of Wholesale Market Alternatives for the State of Colorado*. (Dec. 2021). <https://www.ourenergypolicy.org/resources/colorado-transmission-coordination-act-investigation-of-wholesale-market-alternatives-for-the-state-of-colorado/>

¹⁰ Energy Innovation, *Summary Report: Economic and Clean Energy Benefits of Establishing A Southeast U.S. Competitive Wholesale Electricity Market*. (Aug. 2020). https://energyinnovation.org/wp-content/uploads/2020/08/Economic-And-Clean-Energy-Benefits-Of-Establishing-A-Southeast-U.S.-Competitive-Wholesale-Electricity-Market_FINAL.pdf

billion), more efficient use of existing assets (\$517-572 million), improved reliability (\$288-313 million), and compliance with standards set by the North American Electric Reliability Corporation (NERC) or Federal Energy Regulatory Commission (FERC) (\$96-134 million).¹¹

The utility responses in this docket¹² also acknowledge the numerous benefits organized wholesale markets provide including price transparency, centralized dispatch to better integrate renewable resources, de-pancaked transmission rates, broadening access to the transmission system, better utilization of existing generation and transmission, reduced renewable curtailment, lower planning reserve margins, and an opportunity for more optimal investment in new generation assets.

In their filings, utilities noted the importance of market design and pointed to areas of uncertainty such as governance, future resource adequacy constructs, carbon/GHG accounting, and price formation.¹³ These topics are important to market development but far from insurmountable. Stakeholders in the West are actively engaged on and making progress on these design issues. CEBA acknowledges that market pathways and design options are important to achieving the full benefits of markets. However, viewing these areas of innovation as a reason to settle for a partial market construct would be shortsighted and fail to deliver the full range of benefits to customers in Arizona that could be achieved with an RTO.

CEBA believes that coordinated planning to optimize existing transmission and more efficiently develop new transmission is one of the major benefits a full RTO model could provide over incremental, partial market structures. The coordinated, regional, and sub-regional planning

¹¹ Midcontinent System Operator, MISO Value Proposition 2020 One-Pager (2020).

<https://cdn.misoenergy.org/2020%20MISO%20Value%20Proposition%20Flyer%20One%20Pager521883.pdf>

¹² See Arizona Electric Power Cooperative Comments at page 3, Morenci Water and Electric Comments at page 2, Ajo Improvement Company Comments at page 2, and Salt River Project Comments at page 2.

¹³ See Arizona Electric Power Cooperative Comments at page 4, Tucson Electric Power Company Comments at page 2, Salt River Project Comments at 2-4, and Arizona Public Service Company Comments at page 2.

function found within an RTO/ISO enables transmission planning that identifies economies of scale and provides efficient planning over a broader geographic region, incorporating factors such as the generator interconnection queue and state renewable portfolio standards. The FERC's Advanced Notice of Proposed Rulemaking, Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection¹⁴ and future reforms will further strengthen the ability of system planners in RTO/ISO areas to support future generation mix, expand interregional planning, and establish cost allocation that considers the broad array of benefits transmission provides to consumers.

3. RECOMMENDATIONS

CEBA encourages the Commission and western utilities to examine the full suite of benefits that could be actualized by moving to a full RTO model and emphasizes the value of transparency around these efforts. As other states in the Western interconnection explore market expansion in coming years, Arizona should maintain a leadership position by continuing to work proactively on market design pathways. Western utilities are already working to examine long term markets solutions through the Western Market Exploratory Group (WMEG), which includes Salt River Project, Arizona Public Service Company, and Tucson Electric Power Company.¹⁵ However, this effort is opaque and highly uncertain as to its direction and timeliness.

At the same time, we recommend the Commission prioritize transparency across efforts to examine market expansion. Transparency will maximize the ability of involved stakeholders to identify market designs and pathways that maximize benefit for all customers and support the public interest. The Commission can foster regional conversations that include utilities, corporate energy users, NGOS, generators, developers, consumer advocate groups and

¹⁴ Docket No. RM21-17-000

¹⁵ Business Wire, [Several Western Power Providers Announce Plans to Explore Market Options](#), October 5, 2021.

other interested parties. CEBA respectfully requests that the Commission consider our recommendations herein and CEBA supports the recommendation by The Interwest Energy Alliance that the Commission convene a stakeholder group and support coordination with neighboring states.¹⁶ We also thank the Commission for opening this docket and making it a goal for the proceeding to facilitate a robust discussion that ensures all voices have an opportunity to be heard.

Respectfully Submitted,

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¹⁶ See Comments of Interwest Energy Alliance.