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October 5, 2022

Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85004

RE: Docket No. E-01345A-19-0236

Dear Commissioners and Staff:

The attached email was sent to the APS AG-X team and select stakeholders on October 3, 2022.

Sincerely,

/s/ Court S. Rich
Court S. Rich

Attachment

ACC - Docket Control - Received 10/5/2022 8:56 AM
ACC - Docket Control - Docketed 10/5/2022 9:34 AM

Subject: Concerns on AG-X/Y Stakeholder Process

From: Olson, Scott
Sent: Monday, October 3, 2022 4:48 PM
To: Elisa.Malagon@aps.com; Todd.Komaromy@aps.com; Eugenia.Dodson@aps.com; Omayra.SotoRosario@aps.com; Ashley.Kelly@aps.com
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Subject: Concerns on AG-X/Y Stakeholder Process

Hi APS AG-X Team:

NRG is concerned by the approach that APS continues to take toward the AG-X/Y stakeholder meetings. Based on what we heard at the last workshop on September 19, there appears to be a number of items with regards to AG-X/Y program design/expansion where the concerns and proposals being put forth by stakeholders are not being taken into consideration by APS. Outlined below are the major topics where NRG finds a difference of opinion between APS and stakeholders and a potential resolution to each.

- "Cost Shift": APS has appeared to ignore or reject arguments brought up by stakeholders regarding how to better evaluate fair payments from AG-X customers for capacity, appearing to continue to promulgate the view that AG-X customers should pay bundled capacity charges. This ignores any value for capacity brought from GSP supply or value from the capacity/energy that is now freed up in the APS system.
    - Potential Resolution: Firm supply brought by GSPs should continue to be credited and not deemed to have zero value. This can be part of the new RA program where GSPs show firm capacity and/or WSPP Schedule C contracts from resources not used by any other balancing authority (more discussion below). Value of capacity/energy from the APS system that is freed up and now used for bundled customers or external sales should be credited to AG-X customers.
- RA Program: APS presenters at the September 19 workshop implied that stakeholders have not greatly contributed to the RA program design discussion. On the contrary, stakeholders have provided significant feedback on how an RA program should be structured, with detailed responses provided in survey feedback and a memo sent on July 12. As outlined in the memo, design and implementation of any RA program is a major endeavor, as rules would need to be developed for resource counting methodologies, bidding requirements, and dispatch selection that is applicable to APS owned and third-party resources, none of which APS has addressed. To date, the discussion has been largely one sided, with APS considering new rules for GSPs that do not appear to be applicable to APS. Rules initially proposed for GSPs contained requirements that were more strict than any RA proposal currently under consideration in the WECC, which could be interpreted as an effort to stifle competition and limit, not expand, participation in customer choice programs.
    - Potential Resolution: Abandon the resource specific RA requirements as impractical without an impartial RTO. Continue with the split option for providing RA, with energy imports from WSPP Schedule C contracts or resource specific units that show they are not counted in another BA's reliability showing sufficient for GSP RA. If a GSP chooses to take RA from APS, the cost differences between serving bundled and unbundled customers should be taken into account as outlined by stakeholders during discussions on this topic.

- Transmission: APS continues to not provide any evidence to support the claim made during the rate case that AG-X must be capped at 200 MW due to transmission availability.
  - Potential Resolution: This claim should be abandoned, with no limits on AG-X due to transmission until new studies and analysis can be provided by APS. Before delivery at other points in the APS system is allowed, APS must demonstrate feasibility and liquidity of being able to transact at hubs other than Palo Verde.
- Expansion: Desire of APS to not expand the AG-X program is expected, but does not demonstrate a good faith discussion regarding ways to expand the program as mandated by Commission Decision 77856. Changes to the program should not slow the expansion of AG-X into AG-Y; waiting to implement changes to the next rate case, then waiting again on expansion until the changes can be evaluated could be interpreted as a delay tactic.
  - Potential Resolution: Set a goal of expanding AG-X/AG-Y by 200 MW over 4 years, with 50 MW added per year, starting in 2023. APS should hold a new lottery to allow new customers access to the program, with marketing and outreach performed to all eligible rate classes. APS and stakeholders to hold annual evaluations of the impacts of the program's expansion, with modifications performed as needed. Minimum aggregated peak load should be 1 MW, not 5 MW as proposed by APS.
- Timing: The timeline presented by APS in the September 19 presentation to consider AG-X changes in the next rate case runs counter to Decision 78317 which stated "the record in this docket will remain open for 12 months to allow APS to submit such a proposal" for AG-X reform.
  - Potential Resolution: Proposed changes should be filed timely in the appropriate docket from the last rate case (E-01345A-19-0236) and not deferred to the next rate case.

We hope in the next stakeholder workshop that we can discuss each of these items further, along with a pathway to a potential timely resolution.

Other stakeholders copied here are aware of NRG's concerns and none have expressed any objections to the points outlined above. We also plan to file this note in the E-01345A-19-0236 docket to document our concerns.

Regards,

Scott

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