

110 FERC ¶61,127
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Pinnacle West Capital Corporation	Docket Nos. ER00-2268-009 EL05-10-001
Arizona Public Service Company	ER99-4124-007 EL05-11-001
Pinnacle West Energy Corporation	ER00-3312-008 EL05-12-001
APS Energy Services Company, Inc.	ER99-4122-010 EL05-13-001

ORDER GRANTING CLARIFICATION

(Issued February 11, 2005)

1. In this order, the Commission grants the request for clarification filed by Pinnacle West Capital Corporation, Arizona Public Service Company (APS), Pinnacle West Energy Company, and APS Energy Services Company, Inc. (collectively, the Pinnacle West Companies) of the Commission's December 20, 2004 Order¹ on the Pinnacle West Companies' updated market power analysis, which, among other things, gave the Pinnacle West Companies the option to file a revised simultaneous transmission import capability study that complies with the requirements set forth in Appendix E of *AEP Power Marketing, Inc.*² The Pinnacle West Companies seek clarification of the

¹ *Pinnacle West Capital Corporation*, 109 FERC ¶ 61,295 (2004) (December 20 Order).

² 107 FERC ¶ 61,018 (April 14 Order), *order on reh'g*, 108 FERC ¶ 61,026 (2004) (July 8 Order).

appropriate methodology for determining simultaneous transmission import limits in the Western Interconnection. This order benefits customers by providing clarification of methods used to calculate simultaneous transmission import capability.

Background

2. On August 11, 2004, as amended, the Pinnacle West Companies submitted for filing an updated market power analysis in compliance with the Commission's order issued on May 13, 2004.³ The May 13 Order addressed the procedures for implementing the generation market power screens announced in the April 14 Order and clarified in the July 8 Order.

3. In the December 20 Order, the Commission found that the updated market power analysis submitted by the Pinnacle West Companies did not provide adequate information for the Commission to determine whether the Pinnacle West Companies pass the generation market power screens. As we stated in the December 20 Order, our analysis of the Pinnacle West Companies' simultaneous transmission import capability studies indicated that the studies did not comply with the requirements set forth in Appendix E of the April 14 Order (heretofore referred to as "Appendix E"). As a result, we determined that the Pinnacle West Companies' potentially overstated simultaneous transmission import capabilities could affect the results of the generation market power screens by inflating the amount of uncommitted capacity available from competitors in the relevant wholesale markets.

4. Because we were unable to validate the results of the Pinnacle West Companies' generation market power analysis, we instituted a proceeding pursuant to section 206 of the Federal Power Act (FPA)⁴ to determine whether the Pinnacle West Companies may continue to charge market-based rates. We also gave the Pinnacle West Companies several options, including the option to file, within 60 days from the date of issuance of the December 20 Order, *i.e.*, February 18, 2005, a revised simultaneous transmission import capability study for the APS control area, which complies with the requirements in Appendix E of the April 14 Order.

5. The Pinnacle West Companies filed a motion for expedited clarification, or in the alternative, rehearing of the December 20 Order. The Pinnacle West Companies ask that the Commission act on their request for clarification by February 11, 2005.

³ *Acadia Power Partners, LLC*, 107 FERC ¶ 61,168 (2004) (May 13 Order).

⁴ 16 U.S.C. § 824e (2000).

Discussion

6. The Pinnacle West Companies request clarification that any use of the methodology in Appendix E of the April 14 Order must account for how transmission is actually provided by the Pinnacle West Companies and, specifically, must account for the various Western Electricity Coordinating Council (WECC) path ratings into the APS control area. The Pinnacle West Companies also state that the Appendix E methodology should not limit the calculation of import capabilities to using proportional scaling of generation.⁵

7. The Pinnacle West Companies state that they typically use WECC-rated paths in providing transmission service under their Open Access Transmission Tariffs, and that they performed their simultaneous transmission import capability studies using, in part, WECC-approved path ratings. The Pinnacle West Companies state that WECC-approved path ratings take into account interactions with other paths and contingencies on monitored lines. In their request, the Pinnacle West Companies indicate that transfer limits for specific paths are established under WECC procedures outlined in the WECC publication “Determination of Available Transfer Capability Within the Western Interconnection.”⁶

8. The Commission grants the Pinnacle West Companies’ request for clarification that the simultaneous transmission import capability used in the market screens should account for how transmission is actually provided by the applicant. Appendix E is designed to calculate simultaneous transmission import capability that could have been utilized by remote resources during historic peaks, and is clear in directing that simultaneous transmission import capability calculations should be based on actual historic conditions.

⁵ Scaling of generation is a modeling method that changes the dispatch of the system in order to determine additional transfer capability into the relevant market that could have been available during the study period. Proportional scaling up of generation in an exporting area consists of increasing all generation in a pro rata manner based on each generator’s undischarged capacity. Proportional scaling down of generation in the import area consists of reducing all generation in a pro rata manner based on each generator’s unit dispatch.

⁶ See Western Electricity Coordinating Council, *Determination of Available Transfer Capability Within the Western Interconnection*, (visited February 2, 2005) <<http://www.wecc.biz/documents/library/procedures/ATC-apprdec01.pdf>> (WECC publication).

9. Regarding the WECC path ratings, the Commission notes that the referenced WECC publication discusses that Total Transfer Capability (TTC) of a path, which represents the reliability limit of a transmission path at a specified point in time and which cannot exceed the path rating, is a variable quantity which depends on operating conditions. In that publication, WECC further states that the TTC of a path may require adjustment to maintain system reliability due to specific operating conditions (system topology, load/generation patterns, simultaneous path loadings, and facility outages).⁷ In addition, WECC states that in instances where the simultaneous transfer capabilities of paths are limited by interactions between paths, the transmission provider should make this known on its open access same-time information system (OASIS).⁸

10. In light of this guidance in the WECC publication, the Commission finds that WECC path ratings alone, while perhaps developed to include expected internal and external contingency facilities and monitored and limiting facilities and interactions between paths as the Pinnacle West Companies state, may not reflect all actual operating conditions that existed at the time of the four seasonal peaks used in the screen analysis and, thus, may not represent the actual import capability available to suppliers at those times. Therefore, the Commission clarifies further that an Appendix E simultaneous transmission import capability analysis which uses WECC path ratings should be based on the effective TTC of paths, as discussed in P 9 above, reflective of the actual historic operating conditions that existed at the time of the seasonal peaks used in the screen, and correspondingly, the simultaneous transmission import capability analyses. In other words, the path TTC should reflect simultaneous transmission import capability that actually existed. This analysis must include documentation and supporting data that demonstrate that the WECC path TTCs used in the simultaneous transmission import capability analyses reflect the actual use and provision of transmission service on the Pinnacle West Companies' system during the historic peaks used in the screen analysis. This support should include OASIS postings showing path TTCs and available transmission capacity during these peaks, and any adjustments to path TTCs made by the Pinnacle West Companies to reflect all actual operating conditions during the specific time of each seasonal peak. Simultaneous import capability analyses must account for, as Appendix E requires, all reliability margins such as TRM, CBM, counter flow, and

⁷ *See Id.* at 6.

⁸ *See Id.*

operating reserves, all firm/network reservations held by applicant/affiliated resources, generator operating limits imposed on all resources, and any other limits/constraints imposed by the transmission provider during each seasonal peak.⁹

11. With respect to scaling of generation, the Commission notes that Appendix E instructs applicants to scale up available generation in the exporting (aggregated first tier) areas and scale down the study area resources according to the same methods used historically in assessing available transmission for non-affiliate resources.¹⁰ Appendix E does not specify that proportional scaling of generation must be used. Accordingly, the Commission clarifies that proportional scaling is not required to be used.

The Commission orders:

The Pinnacle West Companies' request for clarification is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

⁹ While Appendix E does not specifically mention that transmission path interdependencies must be accounted for, the Commission clarifies that any interdependencies between WECC paths must be accounted for in the simultaneous transmission import capability analyses.

¹⁰ The scaling analysis should reflect the applicant's dispatch ordering used in conducting regional transfer studies to economically and reliably meet demand requirements.