



**SALT RIVER PROJECT**  
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January 4, 2001

Office of Policy,  
Office of Economic, Electricity and Natural Gas Analysis,  
PO-21  
Attention: Electric Reliability Comments  
U.S. Department of Energy  
Forrestal Building, Room 7H-034  
1000 Independence Avenue S.W.  
Washington D.C. 20585

Salt River Project Agricultural Improvement and Power District (SRP) appreciates the opportunity to submit comments in response to the Department of Energy's Interstate Electric Transmission System; Electric Reliability Issues; Notice of Inquiry, published in the Federal Register on November 20, 2000.

SRP is a political subdivision of the State of Arizona,<sup>1</sup> having its principal place of business in Maricopa County, Arizona. SRP's exact name and business address is: Salt River Project Agricultural Improvement and Power District, Post Office Box 52025, Phoenix, Arizona 85-72-2025.

SRP was created to operate the Salt River Project, a federal reclamation project authorized under the Federal Reclamation Act of 1902. In addition to its water operations, SRP owns and operates electric power generation, transmission and distribution facilities. SRP provides electric service to more than 700,000 residential, commercial, industrial, mining and agricultural power users in a 2,900 square mile territory in parts of Maricopa, Gila and Pinal Counties in Arizona.

SRP is not a "public utility," within the meaning of the Federal Power Act,<sup>2</sup> and is not regulated by the Federal Energy Regulatory Commission ("FERC" or "Commission"). However, in FERC Order No. 888, the Commission established a safe harbor procedure whereby any non-public utility, which desires to offer comparable transmission service to other public utilities, can voluntarily file an Open Access

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<sup>1</sup> See Arizona Constitution Article 13, Section 7 and A.R.S. Section 48-2303. See also Letter Order, *New West Energy Corporation*, FERC Docket No. ER98-540-000 (issued Dec. 30, 1997) and *New West Energy Corporation*, 83 FERC 61,004 (1998).

<sup>2</sup> 16 U.S.C. 824(e), 824(f).

Transmission Tariff ("OATT") with the Commission.<sup>3</sup> In 1998, SRP voluntarily filed an OATT that was approved by the Commission, as an appropriate reciprocity tariff, in orders issued on June 11 and September 8, 1998.<sup>4</sup>

SRP operates a Control Area as a member of the Western System Coordinating Council ("WSCC"). Over the last two decades, SRP has been very involved in many aspects of the formation of both wholesale and retail competitive energy markets and the application of Reliability to the operation of the transmission grid in these open, competitive market environments. Examples of SRP's involvement include:

1. Interchange Authority of the Palo Verde Market Hub as Operator of the Palo Verde switchyard.
2. Balancing Authority for 5000MW of load and generation Interconnected Operations Services (IOS).
3. Reserve Sharing Group Administrator for SRSG (Southwest Reserve Sharing Group).
4. OASIS node administrator for SWOASIS (Southwest OASIS).
5. Compliance of FERC 888 separation of Merchant and Reliability functions.
6. Implementation of Arizona Legislative Retail Open Access House Bill #2663
7. Control Area Operator signatory to the FERC approved WSCC Reliability Management System (RMS) contract.
8. Direct transmission interconnector (@Palo Verde) to the formation and operation of the California ISO, whose slogan is "Reliability though Markets"
9. Continued involvement of the formation of DSTAR (Desert Southwest Transmission And Reliability operator) RTO.

It is based on these continued experiences, that SRP believes that there should be national mandatory reliability standards. These standards could be modeled after the WSCC RMS program. While the standards should be uniform in nature and have single national oversight (NERC), they must also allow for regional operational differences, such as application of NERC policy through WSCC. National standards should also provide for the appropriate deference to state and local governing entities to reflect their authority siting and retail open access programs.

As recently as 5 years ago, the NERC definition of "Reliability" included two components: a) adequacy of supply and b) transmission security. SRP has been concerned that the industry's recent focus on reliability standards has de-emphasized the "adequacy of supply" component of "reliability". "Adequacy of supply" is an important facet of "reliability" for SRP's customers and the general public. Recent

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<sup>3</sup> Order No. 888, at 31,761.

<sup>4</sup> See *Salt River Project Agricultural Improvement and Power District*, 83 FERC 61,280 (1998). Tariff revisions required by the Commission were subsequently approved in a letter order, issued on September 8, 1998, in Docket No. NJ98-3-001.

experience in the California markets emphasizes what happens when Adequacy of Supply is not factored in as part of "Reliability".

Finally, given the multitude of designs and the various levels of operating authority of proposed Regional Transmission Organizations and Independent System Operators, SRP believes that reliability authority should remain with the National Electric Reliability Council and its regional reliability organizations such as Western System Coordinating Council ("WSCC"). This belief is supported by the recent transition work being undertaken by the WSCC to convert to the Western Interconnection Organization ("WIO"). The WIO is expected to perform many of the functions currently being performed by the WSCC and Regional Transmission Associations. The mission of the WIO is to maintain a reliable electric power system in the Western Interconnection that supports efficient competitive markets. In the area of reliability, one of the primary authorities the WIO will have is setting planning and operating reliability standards. SRP believes that this is the appropriate place for these functions.

SRP appreciates the opportunity to file these comments.

Respectfully submitted,

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