

November 15, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **Arizona Independent Scheduling Administrator Association
Filing of Revision to Modify Protocols Manual,
Docket No. ER02-____-000**

Dear Mr. Boergers:

Pursuant to Section 205 of the Federal Power Act, the Arizona Independent Scheduling Administrator Association ("Az ISA"), hereby submits a revision to its Protocols Manual ("PM") to extend the commitment of the Standard Offer Scheduling Coordinators ("SC") to the mechanism whereby Standard Offer SCs exchange an amount, in MW, of Allocated Retail Network Transmission ("ARNT") to SCs serving competitive retail access customers. Additionally, for informational purposes, the Az ISA is submitting a recently revised version of its Bylaws.

I. List of Documents Submitted

The Az ISA submits the following documents:

1. This transmittal letter;
2. A clean version of the modification to the PM (Attachment I);
3. A redlined version of the modification to the PM (Attachment II);
4. A clean version of the Az ISA Bylaws (Attachment III);
5. A redlined version of the modifications to the Az ISA Bylaws (Attachment IV); and
6. A form of *Federal Register* Notice (Attachment V).

II. Correspondence and Communications

All correspondence and communications concerning this filing should be made to:

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III. Description of and Purpose for Revision to the PM

Section 4.3.4.2 of the PM currently calls for the Az ISA to reevaluate whether an extension of the Standard Offer SC's commitment to the mechanism specified in PM Section 4.3.4.1 can be arranged in the event that the Az ISA's ARNT auction and trading mechanism is not in place by September 1, 2001. Section 4.3.4.1 of the PM is an interim arrangement whereby Standard Offer SCs provide an amount, in MW, of ARNT to SCs serving competitive retail access customers in exchange for an equal amount of ARNT on other ARNT paths to the same load zone. Section 4.3.4.1 of the PM lists the MW amounts that each Transmission Provider¹ has agreed to exchange. The purpose behind the mechanism is to alleviate any burden created by a strict *pro rata* allocation of rights on all ARNT paths. Moreover, as the Federal Energy Regulatory Commission ("Commission") noted in its order approving the arrangement, this mechanism allows SCs serving competitive retail access customers "to aggregate meaningful amounts of capacity over certain transmission paths to facilitate access to energy trading hubs to serve native load."² SCs serving competitive retail access customers are benefited by the mechanism because many such SCs have limited mechanisms to access liquid energy trading hubs for retail network resources to serve their retail network loads.

In its order approving the interim ARNT allocation mechanism, the Commission noted that this interim arrangement was intended to be superseded by the earlier of a

¹ The PM defines Transmission Provider as "An entity (or its designated agent) that owns, controls or operates facilities used for the transmission of electric energy in interstate commerce."

² *Arizona Independent Scheduling Administrator Association, et al.*, 93 FERC ¶ 61,231, at 61,760 (2000) ("November 30 Order").

Desert Star RTO becoming operational or the implementation of Phase II³ of the PM.⁴ In the November 30 Order, the Commission anticipated that the Desert Star RTO would become operational by December 15, 2001, and therefore permitted this interim ARNT allocation mechanism, described above, only through that date.

At the time of this filing, the Desert Star RTO initiative is in the process of disbanding and the Az ISA has not yet initiated Phase II operations. Furthermore, it does not appear that any RTO will be providing service in Arizona prior to 2004. The Az ISA nonetheless wishes to continue the existing interim ARNT allocation mechanism to improve prospects for retail competition in Arizona. For this reason, the Az ISA proposes to continue the exchange allocation mechanism until the earlier of: (i) the termination of services under the Az ISA tariff; or (ii) the operational date of an RTO that serves the retail load located in the service territories to which these Protocols apply.

IV. Proposed Effective Date

The Az ISA respectfully submits that good cause exists for waiving the usual sixty-day notice period and requests an effective date of December 15, 2001. By allowing this revision to the PM on the requested date, the existing interim ARNT allocation mechanism will continue uninterrupted and thereby further retail competition in Arizona.

V. Revisions to Az ISA Bylaws

For informational purposes, the Az ISA is including a clean and redlined version of the Az ISA Bylaws. Recent revisions provide clarification or make minor changes to the Az ISA Board of Directors' composition (Section 4.3) and organization, meetings and decision process (Section 4.5).

³ Under Phase II of the PM, ARNT would be awarded to customers based on bids submitted in an auction procedure. Phase II would also permit SCs to trade their ARNT allocations amongst one another, among other things.

⁴ 93 FERC ¶ 61,231, at 61,761.

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VI. *Federal Register* Notice

A form of *Federal Register* Notice is provided. A diskette of the Notice is also provided in WordPerfect format.

Respectfully submitted,

ARIZONA INDEPENDENT
SCHEDULING ADMINISTRATOR
ASSOCIATION

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Attachments