

Business Practice

Designation of Network Resources

1. General

- 1.1 “Primary” Network Service is a long-term firm service and should only be used by Network Customers when reserving and scheduling delivery of energy from Designated Network Resources (DNRs).
- 1.2 Resources must meet certain FERC specified requirements in order to qualify as Designated Network Resources.
- 1.3 DNRs may include all generation owned, purchased or leased by the Network Customer designated to serve network load, subject to FERC specified requirements.
- 1.4 Network Customers must make a request for resources to be granted “designated resource” status.

2. FERC Qualifications for Designated Network Resources

- 2.1 Network Customers are responsible for ensuring that their DNRs meet the qualifications specified by FERC. The DNR requirements specified by FERC can be complicated and Network Customers should fully understand those requirements prior to requesting DNR status for a resource. APS believes the following information is consistent with the FERC requirements; however, the Network Customer is responsible for understanding the requirements and ensuring that their proposed DNRs meet the requirements.
 - 2.1.1 DNRs may be generating resources owned or leased by the Network Customer or purchases of non-interruptible power under executed contracts that require the Network Customer to pay for the purchase.
 - 2.1.2 Network Customers may designate resources from system purchases not linked to a specific generating unit, provided the purchase power agreement is interruptible only for reliability reasons, does not allow the seller to fail to perform under the contract for economic reasons and the executed contract requires the Network Customer to pay for the purchase (a “firm” purchase).
 - 2.1.3 If a power purchase contract has a liquidated damages (LD) clause, the contract may be designated only if the clause requires the seller to make the buyer whole for a curtailment. If the LD clause simply requires the payment of a pre-determined penalty, the contract may not be designated (for example, a contract with an LD that is fixed or capped does not qualify as a DNR). FERC grandfathered the DNR status of non-make whole contracts that were in place as DNRs prior to February 16, 2007.

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- 2.1.4 The definition of firm includes a standard transaction under Schedule C of the Western Systems Power Pool ("WSPP") Agreement that reflects the changes to Schedule C that were filed by the WSPP at FERC on March 9, 2007 in Docket No. ER07-624-000, and accepted by FERC to be effective as of May 8, 2007.
- 2.1.5 The definition of firm includes a purchase under a contract comparable to Schedule C of WSPP under which the contract does not permit the seller to interrupt deliveries to the Network Customer except for reliability reasons and, to the extent that the contract requires the seller to pay liquidated damages to the Network Customer for interruptions, those liquidated damages are "make whole" liquidated damages.
- 2.1.6 The Network Customer is required to obtain firm transmission service to transmit power from the point at which the Network Customer takes delivery under the contract to the APS transmission system to the extent transmission is necessary.
- 2.1.7 A purchase contract may qualify as a DNR even if energy deliveries are not around-the-clock (for example, peak energy products may qualify as DNRs).

3. Reserve Sharing Arrangements

- 3.1 Supplying power under a FERC-approved reserve sharing program (e.g., SRSG) is an appropriate use of DNRs. Providing power under a FERC-approved reserve sharing program does not trigger un-designation or re-designation requirements.
- 3.2 APS will treat any receipt of reserve power under its existing reserve sharing arrangement as a reliability product for the Balancing Authority, not as a resource for any particular Network Customer.
- 3.3 The procedures for completing and submitting e-tags when supplying or receiving power under a reserve sharing agreement are included in the Reserving and Scheduling Transmission Service Business Practice.

4. "Bookouts"

- 4.1 The APS OATT permits bookouts of DNRs without un-designation of the booked out DNR or designation of substitute products.
- 4.2 The procedures for completing and submitting e-tags when scheduling an un-designated product as a substitute for a booked out DNR over the primary network transmission assigned to the booked out DNR is included in the Reserving and Scheduling Transmission Service Business Practice.
- 4.3 APS reserves the right to conduct periodic audits of a Network Customer to ensure compliance with this requirement.

5. System Emergencies

- 5.1 A DNR may be used to supply power to a third party on a firm basis to address or forestall an Emergency without a corresponding undesignation of that DNR.
 - 5.1.1 The supply of such power from the DNR may not last for more than two consecutive hours.
 - 5.1.2 Within one (1) Working Day of the last delivery of such Emergency power, the Network Customer is required to provide a notice to APS containing the details of such supply. The notice should be sent via e-mail to oasisadm@apsc.com and the subject line of the e-mail should contain "Emergency". The notice should be contained in the body of the e-mail and should not be an attachment to the e-mail.
 - 5.1.3 Within one (1) Working Day of receipt of such notice from the Network Customer, APS will post the notice on the OASIS.
- 5.2 In an Emergency, APS, in its capacity as a Balancing Authority may take whatever actions are necessary and may direct a Network Customer to take whatever actions are necessary to keep the system in operation.
- 5.3 The procedures for completing and submitting e-tags when scheduling an Emergency purchase or sale are included in a Reserving and Scheduling Transmission Service Business Practice.

6. Restrictions on Use

- 6.1 Network Service may not be used for sales to non-designated loads or direct or indirect provision of transmission service to third parties.
- 6.2 A DNR must be terminated or "undesignated" (temporarily or permanently) in order to be used to make firm off-system sales. Network Customers should use the Business Practice Undesignation of Network Resources to undesignate a resource when the Network Customer desires to use the resource to sell to someone other than a Designated Network Load.
- 6.3 Network Customers should use Point-To-Point Transmission Service under Part II of the APS OATT for any third-party sale which requires use of the APS transmission system.
- 6.4 A Network Customer that engages in an unreserved use of the APS transmission system (for example, inappropriate use of Network Service to make a third-party sale) will be charged for that unreserved use based on the rate for Firm Point-to-Point service, and in accordance with the requirements of Scheduled 7, Section 7 of the APS OATT (entitled Overrun of Reserved Transmission Capacity).

7. Information required when making a request to designate a new Network Resource

- 7.1 Network Customers may request to designate new Network Resources.

- 7.2 Requests to designate a Network Resource should be submitted via OASIS and include the information required under Section 29.2 of APS's OATT.
- 7.2.3 Because APS is required, when processing a request for designation of a new off-system Network Resource, to verify the firmness of any necessary third party transmission arrangements acquired by the Network Customer itself to transmit power from the point of purchase to the APS transmission system, the Network Customer is also required to provide the following information:
 - 7.2.3.1 Whether transmission on a non-APS transmission system will be required to schedule power from the point at which the customer takes delivery of the power to the boundary of the APS transmission system;
 - 7.2.3.2 If so, the transmission provider(s) on whose system(s) the transmission arrangements will be required; and
 - 7.2.3.3 All appropriate reference numbers (such as the OASIS AREF number) for any third party transmission arrangements so that APS can confirm that those transmission arrangements are firm.
 - 7.2.3.4 Granting a request for DNR status does not guarantee additional transmission availability. APS may allow the designation of more Network Resource capacity than transmission capability. In such instances, APS will limit the scheduling of DNRs to the amount of transmission capacity reserved for the Network Customer.

8. Timeline for Submitting Requests for Designation of New Network Resources

- 8.1 Requests for designation of a new Network Resource must be made with as much advance notice as practicable.
- 8.2 Long Term Resources
 - 8.2.1 Planned new Network Resources which may require the construction of additional transmission capacity should be included in the 10-year forecasts so that APS may adequately plan for the new resource. Inclusion in the 10-year forecast should be as specific as possible, but at a minimum should provide a general electrical location for the planned resource. Network Customers may provide updated information on forecasted resources throughout the year. The forecast and update to the forecast will be included in the transmission planning process outlined in Attachment E, Transmission Planning Process of the APS OATT.
 - 8.2.2 Additional Total Transfer Capability (TTC) will be allocated to the Network Customer consistent with the quantities and locations of loads and resources forecast by the Network Customer in its 10-year forecast (and any updates to that forecast).

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- 8.2.3 The request for designation of a new Network Resource should be submitted as soon as the Network Customer has sufficient details about the resource to supply the information required to be included in the request.

8.3 Resources with a Term Greater than or Equal to One Month

- 8.3.1 Network Customers may submit and APS will process requests for designation of new Network Resources with terms greater than or equal to one month by 1100 MST on the last pre-schedule day before service commences for the DNR.
- 8.3.2 At 1600 MST on the 5th business day prior to the first day of each calendar month for that calendar month, OASIS will automatically begin calculating the ETC (along with the associated release of firm ATC) using approved DNRs (rather than using the information provided in the 10-year forecast).
- 8.3.3 Network Customers are strongly encouraged to submit requests for designation of new Network Resources in sufficient time for APS to process the request such that the DNR is approved prior to 1600 MST on the 5th business day prior to the first day of the calendar month.
- 8.3.4 When Firm ATC is available on OASIS and the Network Customer desires to increase their network scheduling rights, the Network Customer should indicate in its DNR request that the customer is also requesting scheduling rights for the requested DNR.

8.4 Resources with a Term Less than One Month

- 8.4.1 Network Customers may submit and APS will process requests for designation of Network Resources of less than one month.
- 8.4.2 When Firm ATC is available on OASIS and the Network Customer desires to increase their network scheduling rights, the Network Customer should indicate in its DNR request that the customer is also requesting scheduling rights for the requested DNR.
- 8.4.3 If the Network Customer intends to replace an existing DNR temporarily or permanently with a new DNR, a request for termination should be submitted concomitantly with the request for the replacement DNR.
- 8.4.4 Such DNR requests may be submitted up to 1100 MST of the last pre-schedule day before service commences for the requested DNR.

8.5 “Grandfathered” (Pre-Order No. 890) DNRs

- 8.5.1 Purchased power agreements and power plants which were already submitted as DNRs prior to implementation of Order 890 (July 13, 2007) will retain their DNR status.
- 8.5.2 Network Customers should not resubmit requests for designation for these resources unless the Network Customer has undesignated the resource.

9. Process for Submitting Requests for Designation of New Network Resources

9.1 Network Customers should submit their requests via OASIS unless it is unavailable. In the event of the unavailability of OASIS, requests should be submitted via e-mail to oasisadm@apsc.com.

The subject line of the e-mail should contain “DNR”. In the event of failure of the e-mail system, Network Customers should submit their requests via fax to the Transmission Services Trading Section Leader at (602) 250-1155.

10. Timing and Response by APS to Network Customers’ Request for Designation

- 10.1 Unless APS and the Network Customer agree to a different time frame, APS must respond to requests in accordance with the Network Integration Transmission Service Business Practice.

11. Deficient Requests

- 11.1 Please refer to the Network Integration Transmission Service Business Practice for information on resolving deficiencies with Network Integration Transmission Service-related requests.

12. Arizona Independent Scheduling Administrator and Part IV of the APS OATT

- 12.1 The APS OATT contains Part IV. Retail Network Integration Transmission Service (RNITS) and Attachment L, the Arizona Independent System Administrator (AzISA) Protocols Manual (PM).
- 12.2 The AzISA is implementing the PM in a phased process, and many of the provisions of the PM are not currently in effect. The following requirements of the PM are in effect and apply to Scheduling Coordinators (SCs) taking Retail Network Transmission Service:
 - 12.2.1 The SC must request service under Part IV of the APS OATT.
 - 12.2.2 The SC must enter into a Service Agreement for Retail Network Integration Transmission Service (Attachment J to the APS OATT) and Standard Form of Retail Network Operating Agreement (Attachment K to the APS OATT). This will allow APS to charge for transmission service using the rates designed specifically for service to retail loads.

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- 12.2.3 The SC must enter into an “Agreement By and Among Arizona Independent Scheduling Administrator Association, Scheduling Coordinators and Transmission Providers”.
 - 12.2.4 APS will abide by the dispute resolution procedures contained in Section 6 of the AzISA By-Laws.
 - 12.2.5 APS will abide by Section 4.3.4.1 of the PM which is the provision that allows SCs serving competitive retail access customer in the APS service territory to use, in aggregate for all SCs, up to 200 MW of transmission capacity from Palo Verde to the APS Load Zones previously held by APS for service to standard offer retail customers.
- 12.3 Otherwise, RNITS will be governed by the procedures specified in the APS Business Practices and Business Practices related to Network Service until such time as the AzISA implements additional provisions of the PM.

These Business Practices describe general conditions and practices. There may be specific circumstances that require some variation from or are not addressed by these Business Practices. Nothing in these Business Practices guarantees that a request to designate a particular Network Resource will be granted.

**Network Transmission Customer Attestation and
Request for Designation of a New Network Resource:
On-System Resource**

Date: _____

Customer Name: Scheduling _____

Entity Name: Designation Start _____

Date and Time: Designation End _____

Date and Time: Unit size (MW): _____

Capacity to be designated (MW): _____

VAR capability

 Leading: _____

 Lagging: _____

Operating restrictions

Any periods of restricted
operations throughout the year: _____

Maintenance schedules: _____

Minimum loading level of unit: _____

Normal operating level of unit: _____

Any must-run designations required for
system reliability or contract reasons: _____

Approximate variable generating cost
(\$/MWh) for redispatch computations: _____

Network transmission to be used (check one): ☐ Existing Reservation; ☐ ATC (if checked,
include TSR # _____); ☐ Request new study (if checked, include TSR # _____)

Arrangements governing sale and delivery of power to third parties from generating facilities
located in the Transmission Provider Control Area, where only a portion of the unit output is
designated as a Network Resource: _____

Customer Statement:

 (Network Customer Name) hereby attests that the above specified generation resources
satisfy the following conditions:

- 1) The Network Customer owns the resource, has committed to purchase generation
pursuant to an executed contract, or has committed to purchase generation where
execution of a contract is contingent upon the availability of network transmission service
under the OATT; and
- 2) The Network Resources do not include any resources, or any portion thereof, that are
committed for sale to non-designated third-party load or otherwise cannot be called upon
to meet the Network Customer's Network Load on a non-interruptible basis.

(Name of Person Making Attestation)

**Network Transmission Customer Attestation and
Request for Designation of a New Network Resource:
Off-System Contract Resource**

Date: _____

Customer Name: _____

Scheduling Entity Name: _____

Contract ID: _____

Designation Start Date and Time: _____

Designation End Date and Time: _____

Identification of the Network resource as an off-system resource - Is this an off-system resource (check one)? Yes _____ No _____ (If No, use On-System Resource Form.)

Amount of power to which the customer has rights (the MW quantities may be profiled; for example, a purchased power contract may have different MW quantities in the on-peak hours than in the off-peak hours, if so please attach an hourly profile):

_____ Contract Quantity _____ Designated Quantity

Delivery point(s) on the APS transmission system: _____

Point at which Customer takes delivery under the purchase agreement: _____

Transmission arrangements on **external** transmission system(s) including any applicable OASIS reservation number: _____

Network transmission to be used (check one): _____ Existing Reservation; _____ ATC (if checked, include TSR # _____); _____ Request new study (if checked, include TSR # _____)

Operating restrictions, if any

Any periods of restricted operations throughout the year: _____

Maintenance schedules: _____

Minimum loading level of unit: _____

Normal operating level of unit: _____

Any must-run designations required for system reliability or contract reasons: _____

Approximate variable generating cost (\$/MWh) for redispatch computations: _____

Customer Statement:

_____ hereby attests that the above specified generation resources satisfy the following conditions:

- 1) The Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of network transmission service under the OATT; and
- 2) The Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third-party load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.

(Name of Person Making Attestation)