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Chairwoman Márquez Peterson Alarmed by Federal Ruling Allowing California to Block Energy to Arizona

PHOENIX - Arizona Corporation Commission (“ACC”) Chairwoman Lea Márquez Peterson expressed alarm over a recent decision issued by the Federal Energy Regulatory Commission (“FERC”) that allows the California Independent System Operator (“CAISO”) to unfairly block energy flowing through the state and prioritize electric utilities in California over those in other states such as Arizona.

“This decision is problematic for many Western states, including Arizona,” said Chairwoman Márquez Peterson. “Our electric utilities did the right thing and planned ahead, securing pre-negotiated contracts with utilities in the Pacific Northwest to ensure that critical hydropower would be available to Arizonans when it would be needed the most which would be delivered across transmission line through the state of California.”

Background: As a result of short-sighted energy policies, poor long-term planning, and extensive rolling blackouts in 2020, CAISO petitioned FERC to make changes to its tariff related to transmission priority through California. As an “independent” entity, CAISO is supposed to ensure an “open” and “fair” wholesale market and access to electric transmission relying on California’s infrastructure. The ACC, along with public utility commissions and electric utilities in other states such as Nevada, New Mexico, and Oregon filed protests with FERC in opposition to the proposed tariff changes. FERC agreed with CAISO’s responses to these protests, ultimately holding that the tariff was not discriminatory, was consistent with open access principles, and effectively balanced competing interests.

How the Tariff Works: When utilities in California don’t have enough power to meet demand this summer, the approved tariff changes will effectively allow CAISO to cancel contracts and block energy at the border, which will allow CAISO to repurchase for itself power ultimately destined for Arizona. This may leave Arizona’s utilities scrambling to make up for power that they had already paid for and were expecting to rely on to protect the health and safety of customers during the hottest times of the month.

Why it matters: “For years, Arizonans have relied upon clean and reliable energy purchased from hydropower dams in Oregon, flowing through power lines in California, to cool our homes during the hot summer months. Despite overwhelming opposition from other states in the West, FERC sided with California and granted the change which will allow California to stop energy from flowing to Arizona, which could mean power shortages for Arizonans. Other states in the West may also suffer because of FERC’s decision.”

During rotating blackouts, small areas across the utilities’ territory would experience short power outages of 1-2 hours. While most households and businesses would continue to be served, affected areas would be rotated until the need for forced outages has ended.

“Our energy is threatened and could be held hostage this summer,” said Márquez Peterson. “As Arizonans we need to be prepared for the possibility that we may suffer from power shortages as a result. Arizonans may die or suffer heat-related illnesses as a result. FERC’s decision helps California at the expense of our own public health and safety.”

“While the ACC determines its next steps, the best thing we can do at this point is practice energy conservation and have a plan for ourselves and our loved ones, especially vulnerable members of our families and households. An outage of even an hour can create unsafe temperatures in our homes in Arizona’s summer heat.”

“Having a back-up plan such as going to a family member or friend’s home in an unaffected area or visiting an unaffected shopping center or movie theater during a blackout may help keep your family safe and cool this summer.”

“While I sympathize with those in California who experienced rolling blackouts last year, I stand firm with Arizonans first and believe that California’s manipulation of the market is unfair and unjust to Arizonans and other states in the West.”

“We need strong regulators who are willing to stand up for Arizona’s interests in the West. As a commissioner, I must question how potentially expanding our participation in the regional market will benefit Arizonans, if the energy market will not be governed fairly and independently.”

For a copy of FERC’s order see: 175 FERC ¶ 61,245; Docket No. ER21-1790-000 (<http://www.aiso.com/Documents/Jun25-2021-OrderAcceptingTariffRevisionsSubjecttoFurtherCompliance-SummerReadiness-ER21-1790.pdf>)

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