Environmental Defense Fund

ARIZONA HAS A CHOICE: JOIN A CONNECTED GRID OR BECOME AN ENERGY ISLAND

HOW A WEST-WIDE ELECTRICITY MARKET WILL BENEFIT ARIZONA

Electricity markets are powerful tools for cutting electric bills and improving efficiency, but the choice of market matters. A Western electricity market is the best choice for Arizonans because it will bring more clean energy onto the grid, reduce costs and increase reliability.

"We're seeing massive cost increases in our power bills with APS. We have to pass those increased costs on to our customers who are already operating on tight margins. It's really threatening a lot of the small businesses that we serve every day."

—

Aureliano Dominguez,
President of Union Pochteca, a local Arizona business that supports food trucks and other small businesses in the region

Rising energy costs are straining Arizonans' budgets. Two of the state's largest utilities, Arizona Public Service and Tucson Electric Power, are asking the Arizona Corporation Commission to approve 14% rate increases. And those cost pressures are only expected to grow, as extreme summer heat strains the electric grid and power demand from data centers surges.

To lower costs, Arizona should not only build more clean energy — **it can also unlock cheaper power by sharing energy more efficiently with neighboring states**.

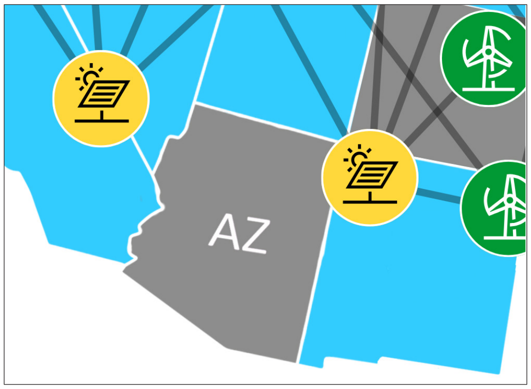
Western electricity

Sharing electricity in the West has been like the *Wild West.* It's one of the few regions in the U.S. without a coordinated system to buy and sell power from utilities across the region a day in advance.

Instead, 38 local grid managers have relied on a patchwork of agreements and intrastate transmission lines — a fragmented approach that makes it hard to move power efficiently from where it's generated to where it's needed.

A new electricity market, called the **Extended Day-Ahead Market**, began operations on May 1, 2026. This market will allow utilities to share low-cost, clean power across the West, unlocking more affordable clean energy and reducing reliance on costlier, polluting fossil fuel power plants.

While Arizona's neighbors integrate their grids with this new market, Arizona's utilities are committing to a competing market based out of Arkansas called Markets+, **a move that threatens to isolate the state as an energy island and leave nearly $115 million in annual savings for ratepayers on the table**.



Visual of Arizona as an energy island under Markets+.

Cutting electricity costs

A Western market leverages the region's abundant clean energy resources and existing generation. By lowering barriers to trading, utilities are better able to access and share power across the region. This sharing allows utilities to buy cheap power from neighbors when it's most abundant, reducing the need to run more expensive, local power plants when electricity demand is high.

Greater sharing of electric power across the West also means that utilities don't need to overbuild energy infrastructure in the future, which yields more savings for families and businesses.

Unlocking more clean energy

The West is rich in renewable energy resources. Wind and solar are booming as costs to build these technologies are **cheaper than ever**. But to make the most of these resources, the electricity they generate needs to be delivered where it's needed — otherwise that affordable clean power can go to waste.

By enabling Arizona to access low-cost wind and solar from neighboring utilities in New Mexico, Nevada, Utah and California, a Western market will make the most of the West's resources and bring more clean energy onto the grid.

However, Arizona utilities' current plan to opt out of a Western electricity market would make it harder to share power with neighboring states and cut Arizona off from the cheapest regional power sources.

Solar photovoltaic installer examining racking for a PV array.

OVER $100 MILLION IN SAVINGS

Analysis from Aurora Energy Research shows that working with other states in one large market generates the most savings for families and businesses. If all Arizona utilities joined a Western market, they would **save nearly $115 million for ratepayers statewide**.

Supporting reliable power during extreme weather

A Western market would create an electric grid that's bigger than the weather. When the Arizona grid becomes strained during extreme weather events like heatwaves, the market will allow the state to easily access cheap, clean energy from its neighbors.

With Arizona's grid expected to handle 40% more power demand than it does today, in the coming years, a widespread day-ahead market is critical for routing power to areas at risk of outages before shortages occur.

Looking ahead

Arizona's top energy regulator — the Arizona Corporation Commission — has a responsibility to ensure utilities are not adding unnecessary costs to customers. Utilities in the state have not been transparent about the cost-benefits of their market choice and have moved forward with little to no oversight or public consultation. The ACC should make Arizona's utilities re-consider their decision to forego a West-wide market.

At the very least, the ACC should require additional review and disclosure about utilities' market decision and have them "show their work" on why they think one market is more beneficial than the alternative.

At a time when so many Arizona families and businesses are grappling with energy costs, Arizona leaders and utilities should be doing everything they can to lower bills and keep the lights on by meeting growing demand for power.

What you can do

Urge the Arizona Corporation Commission to lower energy costs and strengthen our grid by pushing utilities to join the Western market.

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