

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise their Curtailment Procedures.

Application 15-06-020
(Filed June 26, 2015)

**RESPONSE OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO THE
MOTION OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO
GAS & ELECTRIC COMPANY FOR AN INTERIM ORDER ESTABLISHING
TEMPORARY DAILY BALANCING REQUIREMENTS**

I. Introduction

Pursuant to Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission, the California Independent System Operator Corporation (CAISO) submits this response to the Motion of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) for an interim order establishing temporary daily balancing requirements. SoCalGas may not inject new gas from the Aliso Canyon natural gas storage facility until the completion of inspections by the Division of Oil, Gas, and Geothermal Resources of California's Department of Conservation.¹ In addition, SoCalGas has limited capability to withdraw natural gas from the

¹ See California Department of Conservation, Division of Oil, Gas, and Geothermal Resources, Requirements of Comprehensive Safety Review of the Aliso Canyon Natural Gas Storage Facility
<http://www.conservation.ca.gov/index/Documents/Comprehensive%20Safety%20Review%20Aliso%20Canyon.pdf>

storage facility. The storage facility is unavailable to absorb natural gas on a daily basis to help gas customers meet existing monthly balancing rules. The gas storage constraints at Aliso Canyon have created the risk of serious reliability issues for gas customers of SoCalGas and SDG&E, especially gas-fired electric generation that are the first customers to face curtailments in the event of a natural gas shortage. As a result, electricity customers in Southern California are also at risk. These reliability issues merit extraordinary action.

II. The CAISO supports adoption of daily balancing requirements to help mitigate reliability issues associated with Aliso Canyon

The CAISO is working with the state policy makers, municipal and investor owned utilities, and electric generators to understand the risks associated with the constraints at Aliso Canyon and identify mitigation measures necessary to ensure both electric and gas system reliability this summer and next winter in light of the gas storage constraints at Aliso Canyon. The CAISO expects any mitigation measures will be developed through a process that allows for public input, such as this proceeding, to ensure the measures developed address the needs of both gas and electricity customers.

To mitigate for the risk of increased gas curtailments due to constraints at the Aliso Canyon storage facility, SoCalGas and SDG&E request that the Commission issue an interim order by May 1, 2016 to allow them to implement daily balancing for one year. SoCalGas and SDG&E propose to adopt a 5% daily balancing requirement under which gas customers deliver (using a combination of flowing supply, storage withdrawal, and storage injection) at least 95% and no more than 105% of their usage each day. Customers would face a

daily tolerance charge for quantities not in compliance with these delivery requirements.

Daily balancing requirements are one mitigation measure that may help to ensure reliable operation of the gas system, which serves all gas customers, including electric generators and combined heat and power resources, which in turn, help to support the reliable operation of the electricity grid. Without commenting on the specific elements of a daily balancing requirement program, the CAISO understands that SoCalGas and SDG&E's proposal will result in fewer gas curtailments on the gas systems. If this is so, and the proposal is not otherwise unjust and unreasonable, the CAISO supports the Commission's acceptance of the proposal because reductions in curtailment on the gas system will reduce the potential for emergency situations involving the loss of or limitations on gas-fired electric generation on the CAISO grid.

Although the CAISO supports adoption of a daily balancing requirement, the tolerance band proposed by SoCalGas and SDG&E will create a significant operating constraint for gas-fired electric generation on the CAISO system. In connection with SoCalGas and SDG&E's proposal, the CAISO plans to initiate a stakeholder process to discuss what measures it should pursue to mitigate the impacts on gas-fired electric generation subject to daily balancing requirements. The CAISO will also explore what additional measures the CAISO can implement to help ensure safe and reliable natural gas and electricity service.

III. Conclusion

In light of the constraints at the Aliso Canyon natural gas storage facility, it is necessary to take steps to mitigate risk to both natural gas and electric reliability. The CAISO urges the Commission to adopt daily balancing requirements to reduce the potential for gas curtailments on the SoCalGas and SDG&E system.

Respectfully submitted,

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