

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

Order Instituting Rulemaking to Establish  
Policies, Processes, and Rules to Ensure  
Safe and Reliable Gas Systems in  
California and perform Long-Term Gas  
System Planning

Rulemaking 20-01-007  
(Filed January 16, 2020)

**COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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**I. Introduction**

Pursuant to the October 2, 2020 Assigned Administrative Law Judge’s Ruling Issuing Workshop Report and Staff Recommendations, Seeking Comment, and Modifying Proceeding Schedule (Ruling), the California Independent System Operator Corporation (CAISO) provides the following comments.

**II. Discussion**

The April 23, 2020 Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo) in this proceeding asked if the “Commission [should] consider whether potential fluctuations in natural gas demand combined with potentially insufficient firm interstate gas pipeline contracts held by California customers could pose risks to interstate pipeline capacity services?”<sup>1</sup> As related sub-issues, the Scoping Memo asked what measures the Commission could take to ensure (1) interstate pipeline transportation capacity reliability, (2) the ability to meet hourly and intraday gas needs for electric generators, and (3) the ability to meet gas needs for electric generators during multiple days of low renewable generation.<sup>2</sup>

Subsequently, the October 2, 2020 Ruling directs the CAISO to “submit a proposal that outlines a mechanism for determining the minimum amount of gas supply needed for electric reliability in California including how the CAISO would allocate that

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<sup>1</sup> Scoping Memo, p. 4.

<sup>2</sup> *Id.*, pp. 4-5.

gas to electric generators bidding into the market.”<sup>3</sup> The CAISO notes it is not a Commission-jurisdictional entity and cannot be directed to provide analysis or proposals. In the spirit of cooperation and a shared interest in maintaining reliability, the CAISO provides comments regarding the process for determining the expected and minimum gas supply in the operational and planning timeframes, respectively.

**A. The CAISO Currently Provides Expected Gas Supply Needs for Electric Generation in the Operational Timeframe.**

As stated above, the Ruling directs the CAISO to submit a proposal outlining a mechanism for determining the minimum amount of gas supply needed for electric reliability. The Ruling also asks the CAISO to indicate how it would allocate that gas to electric generators bidding in the CAISO’s electric markets.<sup>4</sup> The CAISO already provides expected gas supply needs to the gas company in the operational (*i.e.*, day-ahead and real-time) timeframe. At this time, the CAISO cannot provide a planning level mechanism for determining expected or minimum gas supply requirements, especially given the significant unanswered questions regarding long-term gas needs for electric generation, as the CAISO discusses in Section B.

The Ruling’s request for a minimum gas supply proposal appears to misconstrue the CAISO’s prior comments in this proceeding. In response to a question posed in the Scoping Memo, the CAISO indicated its support for modifying gas reliability standards to reclassify some noncore customers as core to provide them access to firm storage rights.<sup>5</sup> This was meant to underscore that access to firm storage rights would enhance reliability. The CAISO’s prior response also stated

rather than determining a subset of gas-fired electric generation units as core or noncore, the CAISO believes it is more useful to designate a minimum volumetric flow of gas needed to support electric reliability...The CAISO already coordinates and shares fuel burn information with the gas utilities, which can readily be used in gas system planning to manage pressure, line pack, storage withdrawals and potentially pricing.<sup>6</sup>

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<sup>3</sup> Ruling, p. 2.

<sup>4</sup> *Id.*, p. 2.

<sup>5</sup> CAISO, *Responses to Questions Set Forth in the Administrative Law Judge’s Ruling Seeking Comments*, August 14, 2020, p. 3.

<sup>6</sup> *Id.*, p. 3.

In other words, the CAISO already has a mechanism in the operational timeframe to communicate the amount of gas supply needed for electric reliability on a daily basis based on optimized electricity market results. These market results take into consideration marginal least cost (which includes the cost of fuel, delivery, and greenhouse gas emissions in California) bounded by the physical constraints of the generation and transmission system to serve load all hours of the day.

The market-based least cost dispatch avoids any need for the CAISO to “allocate” gas to specific generators. The Ruling suggests the CAISO should both establish a minimum gas requirement for electric generation and allocate the gas to specific generators. The CAISO does not have authority to allocate gas to specific generators under its tariff.

### **B. Planning Timeframe Minimum Gas Burn Analyses Should Be Addressed in Track 2.**

The planning timeframe minimum gas burn analyses requested in the Energy Division Staff Recommendation can be extremely complex, will invariably rely on some level of scenario analysis, and will require more involved modeling from various parties. As the Scoping Memo notes, many emerging gas/electric scenarios have not been well studied. Examples include scenarios with (1) multiple days of cloud cover that reduces solar generation, (2) evolving storage and significant increase in electric vehicle charging needs;<sup>7</sup> (3) increased building electrification, and (4) increased gas to electric fuel switching. The compressed time of need for gas-fired electric generation (*i.e.*, 4 p.m. to 9 p.m. on most days) may require more sophisticated hydraulic modeling to fully understand the impact to the gas system. Simply reviewing historical gas usage will likely be insufficient for projecting future needs because of expected changing use patterns and generation fleet, though it can be a reasonable benchmark. In addition, understanding “electric reliability in California” will require collaboration and coordination with other California electric reliability balancing authorities in addition to the CAISO. Such an extensive analysis requires careful and comprehensive planning and

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<sup>7</sup> Governor Newsom issued an executive order requiring sales of all new passenger vehicles to be zero-emission by 2035. See: <https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-dramatically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/>

execution that is more appropriately addressed in Track 2, which will develop the long-term planning strategy.

Any future gas burn analysis is highly sensitive to capacity and use limitations imposed on the Aliso Canyon and other storage facilities and retention or replacement of natural gas-fired resources, which is under discussion in the integrated resource plan (IRP) proceeding. As noted throughout the July workshops, the outcome of the Aliso Canyon proceeding will significantly affect the future capacity and capability of the gas system, particularly in Southern California.<sup>8</sup> This will also have electricity market and reliability impacts.

The IRP proceeding will presumably provide insight and direction regarding whether the existing natural gas fleet will be retained or retired. All of these factors will impact the use of the natural gas system and factor into a minimum gas burn analysis.<sup>9</sup> The September 24, 2020 Assigned Commissioner’s Scoping Memo and Ruling in the IRP proceeding noted that recent electric outages in mid-August 2020, which were due in part to inadequate supply, have led to a re-evaluation of “the urgency of conducting analysis around potential retirement of additional natural gas capacity.”<sup>10</sup> Instead, the IRP proceeding will focus on procurement analysis.<sup>11</sup> This does not mean gas use for electric generation will remain constant. For instance, adding more electric storage resources may mean that gas-fired generators operate more often—either to charge the storage resources or replace the energy used to charge these new resources.

Moreover, the Commission’s own electric reliability planning standards are evolving. Specifically, the preliminary root cause analysis of the August 2020 outage and heat storm recognizes current planning standards need to be revised in light of

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<sup>8</sup> For example, *see* pages 9, 17, 18, 21, 27, 29, 30, etc. in Ruling, *Attachment 1: Track 1A: Reliability Standards and Track 1B: Market Structure and Regulations - Workshop Report and Staff Recommendations*.

<sup>9</sup> Though the CAISO notes, as did Cal Advocates, that the IRP does not address local area needs, which may be important in a discussion of minimum gas burn. *See: Public Advocates Office (Cal Advocates) Comments in Response to Assigned Administrative Law Judge’s Ruling Seeking Comments*, August 14, 2020, p. 5.

<sup>10</sup> Scoping Memo, p. 5.

<sup>11</sup> *Id.*, p. 5.

climate change and changes in the hours of grid need.<sup>12</sup> Consequently, any analyses of minimum gas burn is more appropriately addressed in Track 2, long-term planning.

### **III. Conclusion**

The CAISO looks forward to working with the Commission and parties to determine how to operate the gas system to reliability meet electric generation needs.

Respectfully submitted,

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<sup>12</sup> CAISO, California Public Utilities Commission, California Energy Commission, *Preliminary Root Cause Analysis: Mid-August 2020 Heat Storm, October 6, 2020*. See Section 6: Preliminary Recommendations.