Comments of Pacific Gas & Electric Company

Aliso Canyon Phase 5 Draft Tariff Language

Submitted by	Company	Date Submitted
Todd Ryan (415-223-7002) Jared Rist (415-973-3764)	Pacific Gas & Electric	10/17/2019

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Aliso Canyon Phase 5.

PG&E appreciates the CAISO's continued effort to improve the reliability tools to deal with the gas constraints in Southern California through four phases. Phase five is particularly important as CAISO is proposing to make these tariff provisions permanent. While these tools likely have been beneficial to California, PG&E has consistently raised concerns with the implementation, cost, and cost allocation of these tools. CAISO promised FERC and stakeholders that it would address these concerns[1] in a stakeholder process before making them permanent.[2] Now CAISO is proceeding to tariff language having not met that promise. PG&E asks that the CAISO address our questions, concerns, and provide the requested analysis before proceeding further towards making these provisions permanent.

PG&E's comments can be summarized as follows:

1. PG&E believes it is premature to make these provisions permanent. CAISO has not yet fulfilled its obligation to address stakeholders' key concerns.

2. PG&E would like the CAISO to provide a clear analysis from days when the Max Gas Burn Constraint was used both when it binded and did not bind.

3. Cost allocation needs to be discussed with stakeholders prior to making these rules permanent.

[1] CAISO's *Motion for leave to file answer and answer of the CAISO to comments and protests*, November 5, 2018 Accessible here: http://www.caiso.com/Documents/Nov5-2018-Motion-Leave-FileAnswer-Answer-Comments-Protests-AlisoCanyonGas-ElectricCoordinationPhase4-ER18-2520.pdf

"*Furthermore, the CAISO will be conducting a stakeholder process next year to consider the use of the constraint on a permanent basis and will discuss performance of the constraint further during those meetings*." Pg. 17

[2] "*... the CAISO has already indicated in its Aliso September 28 Tariff Amendment that it intends to conduct a stakeholder process to evaluate whether to propose the ability to use the gas constraint on a permanent basis...*" *See* pg. 13 of *supra n.1.*

1. It is premature to make these provisions permanent. CAISO committed to addressing these issues in a stakeholder process prior to making them permanent.

When CAISO last visited this issue with FERC in Phase 4, it repeatedly promised that it would revisit the Aliso tools in a stakeholder process before making these tariff provisions permanent.

> "*... the CAISO has already indicated in its Aliso September 28 Tariff Amendment that it intends to conduct a stakeholder process to evaluate whether to propose the ability to use the gas constraint on a permanent basis...*"[3]
>
> *"Furthermore, the CAISO will be conducting a stakeholder process next year to consider the use of the constraint on a permanent basis and will discuss performance of the constraint further during those meetings*."[4]

In accepting CAISO's proposal, FERC recognized this commitment in its Order[5]

> *"CAISO also states that it will be conducting a stakeholder process next year to consider the use of the temporary tariff provision on a permanent basis and will discuss performance of the constraint further during those meetings*"[6]

CAISO has not met this commitment.

- No significant analysis or information was presented to stakeholders nor was there a stakeholder initiative to discuss the merits of making these provisions permanent.
- To date, CAISO has held one web-based stakeholder meeting to discuss tariff revisions, but that meeting was predicated on the basis that CAISO was going to file to make these tariff provisions permanent.

Additionally, the final fate of Aliso Canyon is unknown; it may return to full service or it may be retired. If retirement were certain, then expedited permanent rules might be justified. However, the CPUC is moving the opposite direction by expanding Aliso Canyon Withdrawal Protocols to allow the use of Aliso Canyon in more cases. This greatly reduces the need and urgency of permanent rules and leads us to believe that this process for deciding to file tariff language for permanent extension has been rushed.

---

[3] *Supra* n.2

[4] *Supra n.1*

[5] 165 FERC ¶61,161 *Order on Tariff Revisions*, Docket No. ER18-25-20-000. Accessible here: https://www.ferc.gov/CalendarFiles/20181126162048-ER18-2520-000.pdf

[6] *Id.*at paragraph 40.

PG&E cannot support permanently codifying these tools at this moment.

2. PG&E continues to encourage CAISO to refine the max gas burn constraint and provide analysis on how exactly the constraint has been used both before and after the proposed refinements.

FERC approved the max gas burn constraint to be "just and reasonable as a temporary measure" and encouraged "*CAISO to work towards additional refinement of the software and operational process through which the maximum gas burn constrain is implemented.*"[7]

Before filing to make this constraint permanent, CAISO needs to address the call from PG&E, DMM, and other stakeholders to reshape the constraint to reflect hourly gas burn rather than ISO load. The DMM's recent comments[8] clearly demonstrate how the constraint, *as currently formulated*, can result in artificial binding due to the fact that the gas system's limitation is inherently a daily consumption constraint.[9] There are hours where the hourly "*gas budget*" was not consumed and that excess gas should be counted towards the hourly "*gas budget*" in other hours. Artificial binding of the constraint causes artificial costs with no reliability benefit. PG&E understands that the CAISO is attempting to resolve these issues in implementation of the gas burn constraint, but we think these changes should be evaluated to make sure they are working correctly before permanent implementation of the tariff.

PG&E would like the CAISO to provide a clear analysis from days when the max gas burn constraint was used both when it binded and did not bind. We would want to go through a timeline of what exactly happened.

a. When did SoCalGas establish the constraint? Was there an OFO called in concert with the gas constraint? Why were the price of gas and the price of gas generator bids not enough to reflect scarcity in the area?

b. How did the nomogram change dispatch in the area?

c. How exactly were the costs of the binding nomogram spread to customers and in what buckets?

3. Cost allocation needs to be discussed prior to making these rules permanent.

PG&E would like to reiterate that all of these concerns have been previously expressed and that CAISO has previously committed to addressing these concerns in a stakeholder process.

[7] *Supra* n.5 at paragraph 52

[8] CAISO's Department of Market Monitoring (DMM)'s October 4th (2019) comments on the Phase 5 Aliso Canyon Draft Tariff Language. Accessible here: http://www.caiso.com/Documents/DMMComments-AlisoCanyonGas-ElectricCoordinationPhase5-DraftTariffLanguage.pdf

[9] *See* Figure 2: Gas burn constraint and modeled gas usage in day-ahead market (March 3, 2018)

> *"[if] …the CAISO determines it is necessary to have the gas constraint on a permanent basis, the CAISO will also consider whether it is necessary to adopt a different cost allocation based on the historical cost impacts of the use of the constraint*."[10]

Use of the gas nomogram results in uplift cost in real time energy offsets that get peanut buttered to CAISO customers and hit PG&E electric customers. PG&E does not believe that such a cost allocation methodology assigns costs to the beneficiaries in all instances, and requests CAISO analyze the cost allocation impacts.

Without the use of this max gas burn constraint, the CAISO relies more on Exceptional Dispatch of generators to solve the local gas shortage issues. Exceptional dispatch costs are allocated to the PTOs in the corresponding service territory in which the cost was incurred. This cost allocation is much more in line with how PG&E thinks gas constraints in Southern California should be allocated.

The CAISO has not demonstrated the need for the gas nomogram to be permanent at this time and combined with the fact that the nomogram increases costs to our customers, PG&E has significant concerns and does not support permanent extension without further analysis. We hope to see an analysis done similar to the one described in Section 2 to help us better understand the use and impacts of this nomogram and to help inform our opinions going forward. PG&E believes that the CAISO should consider revising how real time energy offsets are allocated if it sees the need to have this gas constraint ongoing in the market. We believe a cost allocation in line with where the costs occurred would be more appropriate.

[10] *Supra n.1* pg. 13