

## Stakeholder Comments Template

### Subject: Aliso Canyon Gas-Electric Coordination

Submitted by	Company	Date Submitted
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#### Introduction:

SDG&E appreciates the opportunity to participate and comment on the Aliso Canyon Gas-Electric Coordination stakeholder initiative. SDG&E recognizes the electric and gas reliability concerns in southern California associated with the uncertainty around Aliso Canyon and urges the California Independent System Operator (“CAISO”) to ensure that any mitigation measures and market mechanisms implemented as a result of this stakeholder initiative are fair, just and reasonable. The market impacts from the expected change in dispatch order of all CAISO resources to support the Los Angeles Basin, and the consequential change in price and uplift costs should be modeled and communicated to market participants as part of the reliability assessment. Any market mechanisms the CAISO proposes needs to consider the impact to the entire system and all stakeholders. Close coordination and communication with SoCalGas and market participants is essential to any and all proposed solutions to guarantee the equitable management of costs.

In response to the Aliso Canyon Gas Electric Coordination Issue Paper posted on March 17, 2016 by CAISO, SDG&E offers the following recommendations.

#### Discussion:

#### **Issue: Timing Day Ahead Market (“DAM”) results relative to ID3 nominations for HE1-HE7 or evening nominations for HE8 – HE24.**

As SDG&E said in its FERC Order 809 stakeholder comments, “the gas procurement and market operations are most reliable and efficient with the current day-ahead schedule.” The Aliso Canyon situation and pending daily gas balancing does not alter SDG&E’s opinion on scheduling deadlines.

SDG&E recommends that no changes be made to the timing of the DAM.

#### **Issue: Real Time Market (“RTM”) commitments & dispatch might need to be constrained to reflect gas balancing limitations.**

RTM commitments & dispatch should use the most accurate information available at the time and provide advice as far into the future as possible; with changes in dispatch only when market efficiency is significantly impacted. In addition, SDG&E believes that binding dispatches should account for possible bid cost recovery (“BCR”). Redispatches that cost more in BCR than is saved in energy should be taken into consideration in the market optimization. The lowest total cost including all settlement factors should be the goal.

The intra-day gas trading and scheduling provides limited opportunities to adjust gas schedules to reflect gas volume changes resulting from RTM dispatches. In particular, dispatches received after 5:00 p.m. would be too late to for changes in the scheduled gas volumes.

SDG&E recommends that CAISO use a RTM advisory schedule that can look ahead through both morning and evening peaks would give generators a better indication of expected gas burns in time to allow adjustments to be made prior to intra-day gas scheduling deadlines.

**Issue: Commitment cost bid cap & mitigated energy bids may not reflect intraday gas prices**

Commitment costs should be rebid until an award is received. Real time unit commitments should be dispatched based on the most current information available and should not be capped or mitigated using old data. Rebidding should not be allowed after an award is received. Any market power mitigation (“MPM”) defined term should be based on the same timely data available at the time of the award. Certain times of day in the gas cycle have more price risk which must be used in evaluating the bids with a consistent risk premium for MPM, default energy bid (“DEB”) and BCR.

SDG&E recommends that CAISO permit rebidding of commitment costs until an award is received; once an award is received no rebidding should be allowed.

**Issue: Additional market changes for CAISO to consider**

During the Reliability Services Initiative Phase 1 (“RSI”), the ISO removed the Resource Adequacy Availability Incentive Mechanism (“RAAIM”) exemption for Fuel Insufficiency Nature of Work. Previously, when there was a lack of fuel on the gas transportation system that was outside of the control of the resource, scheduling coordinators were requested to use the nature of work (“NOW”) “ambient not due to temperature.” During RSI, ISO singled out lack of fuel and created a new “fuel insufficiency” NOW, that is not exempt from RAAIM charges. In comments submitted in the RSI stakeholder proceeding, SDG&E requested CAISO to exempt fuel insufficiency for causes that are outside of the resource’s control. CAISO disagreed with SDG&E’s recommendation; suggesting instead that resources build more storage.

Given the recent developments of Aliso Canyon, SDG&E renews its request and urges the CAISO to reconsider exempting resources from RAAIM for fuel issues that are outside the

control of the resource. For example, if a flexible resource has scheduled gas based on the day-ahead award and is concerned of ISO's re-optimization in real time, the resource should be allowed to self-schedule in the RTM in order to reflect gas constraints and not incur flexible RAAIM charges for self-scheduling.

SDG&E recommends that the CAISO reconsider its position and allow resources to self-schedule in the RTM in order to reflect gas constraints and not incur RAAIM charges for RA or Flex RA.