

**Stakeholder Comments Template**  
**Subject: Aliso Canyon Gas-Electric Coordination**

Submitted by	Company	Date Submitted
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San Diego Gas & Electric (“SDG&E”) appreciates the opportunity to comment on the Aliso Canyon Gas Electric Coordination Straw Proposal (“Straw Proposal”) dated April 18, 2016. SDG&E offers the following comments on the straw proposal.

**The California Independent System Operator (“CAISO”) should clarify which, if any, of the market mechanisms proposed in the Straw Proposal will be implemented on a permanent basis.**

Although the purpose of the market mechanisms proposed in the Straw Proposal are to mitigate the risks to California’s gas and electric markets to avoid electric service interruptions to the extent possible due to the limited operability of the Aliso Canyon Natural Gas Storage Facility, it is not clear to SDG&E if some or all of the market mechanisms that CAISO proposes to implement will be in effect after Aliso Canyon is fully operational. SDG&E believes that CAISO should specify which of the proposed market mitigation measures will be implemented on a temporary or permanent basis and if the temporary changes would revert to previous methodologies upon the return of the Aliso Canyon Natural Gas Storage facility.

**Implementation of a Gas Availability Constraint and Gas Balancing Constraint in the Real-Time Markets**

CAISO is proposing to implement a gas availability and a gas balancing constraint in the Real-Time Markets. The gas availability constraint would limit the affected area gas burn to a maximum gas burn limitation communicated to the CAISO from the gas company. The affected area, or the set of generators included in the constraint, will be the gas fired generation within the SoCal Gas and SDG&E gas operating zone(s) identified by SoCal Gas or SDG&E as under the maximum gas burn limitation. The constraint would limit the maximum allowable gas burn over the day.

The gas balancing constraint proposed by CAISO would limit the re-optimization of the affected electric generation in a manner designed to support pipeline operations. The proposed gas balancing constraint would include the gas fired generation within the SoCal Gas and SDG&E gas operating zones. The constraint would limit the change in gas burn relative to day-ahead schedules’ burn to within a balancing range (e.g. 150 MMcf) over the day. If the constraint was violated, the price of the constraint would be reflected in market prices.

While SDG&E does not necessarily object to CAISO’s proposal to implement these market constraints to address the reliability concerns raised by the limited operation of the Aliso Canyon Natural Gas Storage facility, SDG&E is concerned about when and under what circumstances

CAISO proposes to use these constraints. To that end, CAISO needs to provide additional information detailing when it plans to exercise these constraints. Moreover, CAISO should clarify if it plans to use to these constraints on a daily basis and under what circumstances.

SDG&E does not believe that the proposed constraints would be needed every day and therefore recommends that CAISO consider limiting the use of these constraints to times when it is necessary. CAISO should develop a clearly defined trigger in order to initiate these constraints and clarify whether these mechanisms would be implemented on a temporary or permanent basis. SDG&E submits that these constraints should be temporary measures that are removed once Aliso Canyon returns to full operability.

### **Reducing the available transfer capability on Path 26**

The Straw Proposal states that CAISO is evaluating the impact reserving a portion of the transfer capability on Path 26 will have on congestion revenue right (“CRR”) revenue sufficiency.

SDG&E supports developing a method to establish the amount of transfer capability the CAISO would reserve each day based on:

- 1) anticipated gas conditions;
- 2) assuring there are enough deployable operating reserves even with stressed gas conditions in SP26;
- 3) limiting CRRs released in the monthly process to maintain CRR revenue sufficiency; and
- 4) implementing this method on a temporary basis until Aliso Canyon is returned.

CAISO should only reserve sufficient capacity to meet reliability needs to minimize the negative impact on market efficiency. The CAISO should present its modeling results and should expect to refine its process as more experience is gained.

### **Increase access to information prior to day-ahead**

Acknowledging stakeholder comments that increased access to information prior to the day-ahead would be helpful for planning gas purchases; CAISO has proposed providing advisory information to market participants on day-ahead market results prior to the close of the timely nomination cycle.

SDG&E supports this proposal, but questions the value in making such a proposal a priority in this stakeholder proceeding. The benefit from the 2 day day-ahead forecast is of limited value since the information provided would be for planning purposes only and would have less accuracy than shorter term forecast.

### **Proposal for increased efficiency of real-time re-dispatch through use of real-time gas price information**

CAISO is proposing to increase the accuracy of its cost estimates for commitment costs and incremental energy used in the real-time market to estimates based on a valuation of real-time

gas prices. Two potential options for estimating commitment and incremental energy costs based on a valuation of real-time gas prices include:

- Gas price submitted by generators reflecting marginal cost of gas
- Rolling volume weighted average price of exchange traded intraday and same day transactions for each commodity trading hub defined within a fuel region

### **Gas price quote submitted by generators**

SDG&E supports CAISO's proposal to allow market participants to submit gas commodity prices in Real-Time to more accurately reflect the marginal cost of procuring and shipping gas to meet ISO Real-Time dispatches. SDG&E would like more information on how often the gas price could be updated throughout the day.

If generators are given more flexibility to submit gas prices in real-time, it is imperative an audit system be put in place to help prevent potential gaming on the system and to make sure generators are not able to submit gas prices that are unjustified.

### **Volume weighted average price of exchange trades**

While a Volume Weighted Average Price ("VWAP") of exchange trades would be beneficial, SDG&E has concerns. Specifically, the intraday and same day gas markets the VWAP would be based on are, at times, very illiquid markets. Potentially a VWAP price could be based on one trade. This would open the door for market participants to potentially game the system as a few trades done could artificially influence the index price. SDG&E proposes that there be some minimum volume threshold needed to calculate the VWAP, and if not met the CaISO would have a separate VWAP formula that could be used as a substitute.

### **Proposal to routinely use improved day-ahead gas price index**

The CAISO proposes to implement a routine use of GD2 timely trading's price information as the basis for its cost estimates in the day-ahead. SDG&E is concerned about CAISO's proposal because of the illiquidity issues with the GD2 market. In light of this concern, CAISO needs to provide more detail on how it plans to implement this proposal.