

California Department of Water Resources State Water Project

California Department of Water Resources State Water Project Comments On CAISO's June 17, 2014 Commitment Costs Enhancements Revised Straw Proposal

July 1, 2014

On June 17, 2014, CAISO held a meeting to discuss the Revised Straw Proposal on Commitment Costs Enhancements. The initial Issue Paper and Straw Proposal were published by the CAISO on April 30, 2014. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to submit the following comments.

1. SWP is concerned that CAISO has not discussed more fully the proposed removal of the Registered Cost (RC) option and the potential impact on hydropower and non-gas Use-Limited Resources (ULRs) to appropriately reflect Start-up and Minimum Load costs. Additional testing of the proposed opportunity cost model should be completed and the results made available to stakeholders prior to considering further revisions. CAISO should consider including opportunity cost methodologies for all ULRs as part of this proposal.
2. It seems that the gas supply system is still highly flexible and the circumstances creating this volatility are rare. Are there times when intra-day gas prices decrease below day-ahead gas prices under similar circumstances and gas generators are well compensated? Are there additional methods to hedge this type of risk?
3. What other options have been considered to remove the intra-day gas volatility for generators, do some facilities have on site gas storage?
4. FERC's March 20, 2014 NOPR to address coordination and scheduling between the natural gas and electricity industry may need to be decided before changing CAISO's tariff prematurely. The six month timeline set by FERC and CAISO's August 2014 due date for Stakeholder comments prior to seeking BOG approval are mismatched.
5. If applied, the proposed 125% limit for the Proxy Cost (PC) option should be monitored and only applied to fuel related costs.
6. After-the-fact cost reimbursement should be avoided.