

**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 ON PROPOSED DECISION IMPLEMENTING SOUTHERN
CALIFORNIA GAS COMPANY RULE 30 OPERATIONAL FLOW ORDER WINTER
NONCOMPLIANCE PENALTY STRUCTURE YEAR-ROUND**

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Dated: April 7, 2022

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- The CAISO provides no recommended changes, and supports extending the Southern California Gas Company winter Operational Flow Order penalty structure year-round and applying it to the Pacific Gas & Electric and San Diego Gas & Electric service territories.

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I. Introduction

Pursuant to Rule 14.3 of the California Public Utility Commission's (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits opening comments on the proposed *Decision Implementing Southern California Gas Company Rule 30 Operational Flow Order Winter Noncompliance Penalty Structure Year-Round for Southern California Gas Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company* (Proposed Decision) of Administrative Law Judge Goldberg and Administrative Law Judge Bemederfer.

The CAISO supports the Proposed Decision's extension of the Southern California Gas Company (SoCalGas) winter Operational Flow Order (OFO) penalty structure year-round and application of the same structure to the Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) service territories.

II. Discussion

A. The CAISO supports the Proposed Decision's extension of the SoCalGas winter OFO year-round and application of the structure to PG&E and SDG&E.

The Proposed Decision extends the winter noncompliance penalty structure, adopted in Decision (D.)19-05-030 and extended by D.21-11-021, year-round and applies it uniformly to SoCal Gas, SDG&E, and PG&E.¹ The CAISO supports these proposals.

The CAISO previously supported the extension of the SoCalGas winter OFO penalty structure adopted on a temporary basis in D.19-05-030.² Specifically, the CAISO supported the Commission extending SoCalGas' winter OFO penalty structure, which reduced caps on the \$25/dth component of Stage 4 and Stage 5 OFO noncompliance penalties to \$5/dth. As the CAISO noted then, experience from 2018 showed that the previous OFO noncompliance penalties increased electricity market prices, but it is unclear whether those higher prices provided any commensurate reliability benefit for the gas system.³ The CAISO thus supported -- and it continues to support -- a graduated penalty structure to provide a smoother transition between prices at each penalty stage.

The CAISO also supports applying the noncompliance penalty structure adopted in D.19-05-030 to SDG&E and PG&E service territories. The CAISO historically has experienced significant gas price discrepancies across service territories when the gas supply is constrained across the state, and this can create operational challenges for the electric system. Rather than rationing scarce gas supply evenly across the CAISO market footprint, the limited supply is simply diverted to the service territory with the higher OFO penalties during times of system-wide stress. Aligning OFO penalty structures mitigates significant gas price discrepancies among service territories under similar system conditions. The Proposed Decision notes that most parties, including PG&E, support the expansion of the SoCalGas winter OFO penalty structure statewide.⁴

¹ Proposed Decision at 1.

² See CAISO, *Comments on ALJ's Ruling Seeking Comment* (March 19, 2021), at 1 (CAISO March 2021 Comments); see also CAISO, *Reply Comments on Workshop Report and Staff Recommendations* (Nov. 17, 2020), at 1.

³ CAISO March 2021 Comments, at 2, citing CAISO, *Response to Joint Motion for Expedited Relief*, (Sept. 4, 2018), Docket Nos. A.14-06-021, A.14-12-017; and Department of Market Monitoring of the California Independent System Operator Corporation, *Response to Joint Motion for Expedited Relief* (Sept. 4, 2018) Docket Nos. A.14-06-021, A.14-12-017.

⁴ Proposed Decision at 7.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the Proposed Decision and supports the Commission adoption of the SCE framework on a broader basis.

Respectfully submitted

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