



DMM Comments – PG&E Gas EG LT Rate Design

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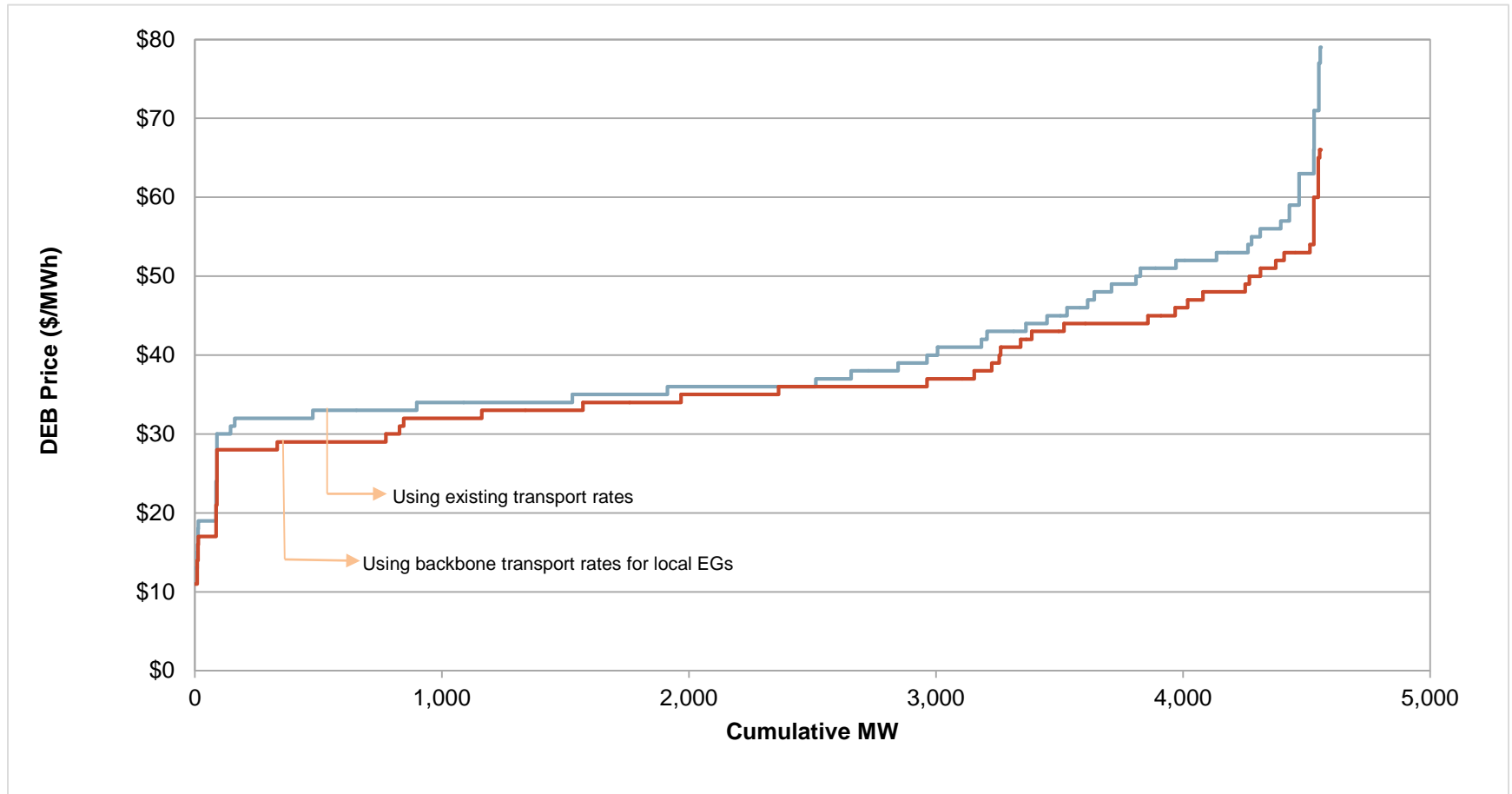
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Incorporating fixed costs in gas transport costs can cause CAISO market inefficiencies and lead to higher wholesale electricity prices

Day-ahead PG&E gas EGs DEB supply curve for Sep 25, 2019



Reference level costs used in CAISO's bid mitigation include gas transport costs

- Electric generators (EGs) can submit a 3-part bid into the CAISO's energy market
 - Start-up bid (\$/start): capped at 125% of reference costs calculated by CAISO
 - Minimum load bid (\$/hr): capped at 125% of reference costs calculated by CAISO
 - Incremental energy bid (\$/MWh): capped at \$1000/MWh subject to local market power mitigation by CAISO.
 - If mitigated, bid can be lowered down to reference costs (DEBs) calculated by CAISO

Transport cost used in Gas Price Index should only include variable (volumetric) costs and no fixed costs.

- Gas price index (\$/MMBtu) =
 - Gas commodity price + Transport cost
- CAISO's reference cost calculations utilize the gas price index
- Currently, there are 63 gas EG's on PG&E's system. Out of which, 40 are on the local transport rate.

CAISO fuel region definitions:

http://www.caiso.com/Documents/FuelRegion_ElectricRegionDefinitions.xlsx