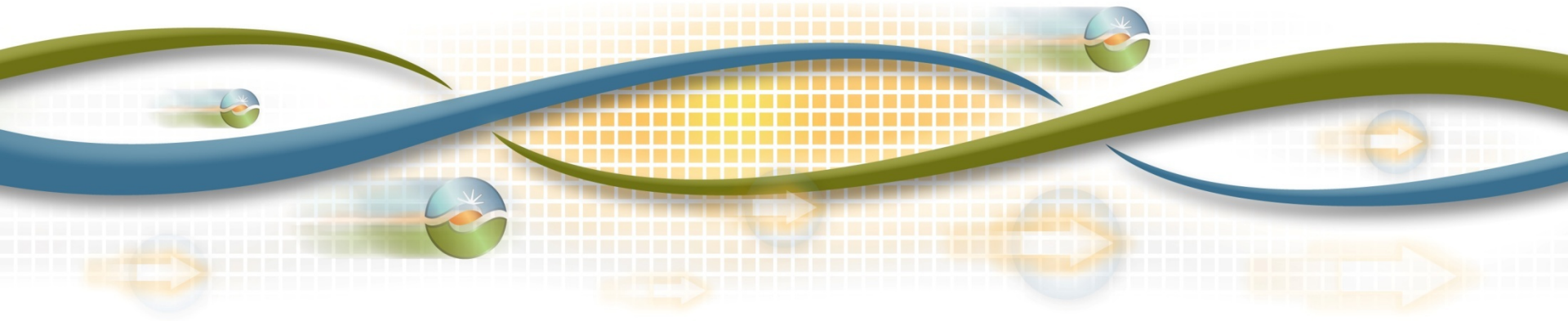




# Decision on Aliso Canyon gas- electric coordination phase 3 proposal

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Board of Governors Meeting  
General Session  
July 26, 2017



## Propose to make some Aliso Canyon mitigation measures permanent and extend other temporary measures.

- Continued operational risks due to limited availability of Aliso Canyon
- Extend November 2017 sunset date on temporary measures until long-term changes contemplated in *Commitment Cost and Default Energy Bid Enhancements* are implemented
- Make publishing two day ahead residual unit commitment schedules to scheduling coordinators permanent
- Extend use of maximum gas burn constraint to throughout ISO and EIM and make it a permanent operational tool

# Proposal includes decisional items and a consent agenda item

## Decisional items:

- Extend temporary market measures
- Make publishing two day ahead schedules permanent provision
- Extend use of maximum gas burn constraint throughout ISO balancing authority

## Consent agenda item:

- Extend use of maximum gas burn constraint to EIM areas

# Propose to extend temporary market measures until long-term changes implemented in Fall 2018

- Adjust day-ahead market gas price index using gas price information published each morning
- Adjust the real-time market gas price index in southern California to include a scalar on the next day gas index
  - Accounts for real-time gas price volatility and limits generators in southern California to be dispatched primarily for local needs
- After-the-fact cost recovery filing right to seek energy costs incurred above mitigated price

## Propose to make publishing two day-ahead residual unit commitment schedules permanent

- Provides useful data to generator's for gas procurement
- Majority of gas procurement occurs prior to day-ahead market

## Propose to make maximum gas burn constraint a permanent provision and expand availability throughout ISO

- Constraint allows grid operators to limit the gas burn of a group of generators in a defined area
- Important backstop to managing gas limitations through market bids
- Allows the market to optimize what ISO would otherwise accomplish through out of market dispatches
- Accompanying measures protect the market:
  - Local market power mitigation process modified when enforced
  - Ability to suspend virtual bidding

***Application of maximum gas burn constraint to EIM areas approved by EIM Governing Body and on consent agenda for the Board of Governors.***

## Stakeholders generally support the proposal, although some concerns or opposition to specific aspects remain.

- Stakeholders generally support the maximum gas burn constraint as a valuable tool to manage gas system limitations
  - Several stakeholders request the ISO document the process for using the gas burn constraint
  - Department of Market Monitoring concerns:
    - the process to deem paths uncompetitive should be automated,
    - EIM resource sufficiency test should consider gas burn constraint, and
    - gas constraint penalty prices should be adjusted
- Differing views on natural gas price scalar
  - Department of Market Monitoring believes scalar is no longer needed
  - WPTF does not support maximum burn constraint unless scalar is retained
- Stakeholders largely support other elements of proposal, however concerns about timely implementation of more comprehensive enhancements remain.



# Management response to stakeholder concerns

- Maximum gas burn constraint
  - Detailed processes for using the constraint beyond the Aliso canyon area will be developed through BPM process.
  - BPM include protections to ensure constraint used only for physical gas system limitations and provide transparent process when implementing a new constraint
  - Committed to automating the gas constraint into the LMPM in Fall 2018
  - Limited use of constraint does not warrant additional cost and complexity necessary to modify EIM resource sufficiency test
  - ISO already in process of changing penalty prices
- Natural gas price scalar
  - Although scalars have not been needed over the past year, the potential for constrained gas conditions still exist
  - Primary purpose of the scalar is to limit real-time commitments to local operational needs during constrained gas conditions
  - Management is exercising its authority under current policy to adjust scalars



# Management recommends the Board approve the Aliso Canyon gas-electric coordination phase 3 proposal.

- Maximum gas burn constraint is an important operational tool to ensure that electric system dispatches respect gas system operational limits
- Proposed market measures provide important functionality to mitigate reliability impacts of the limited operation of the Aliso Canyon facility
- Proposal provides an important bridge until more comprehensive enhancements being considered in ongoing stakeholder initiative can be implemented