Shell Energy North America - Comments on FERC order 809 and May 15, 2015 Stakeholder Call

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Shell Energy reiterates its previous comments that implementation of Option 1, moving the DA IFM to an earlier time to align with the new Timely gas nomination cycle would be feasible for our organization, and better align nationwide gas trading and scheduling, as well as meet FERC's intent to reduce intraday gas procurement by allowing market participants to schedule more gas in the Timely cycle.

Shell Energy believes that if the ISO were to implement a DA IFM timeline between 7 a.m. and 10 a.m. that we could more accurately provide energy bids that reflect the DA gas price and schedule gas more accurately to reflect the DA IFM schedule. In particular, when the ISO DA schedules are issued at 10 a.m., the gas trading market would have time to adjust trade quantities between 10 a.m. and 11 a.m. and submit schedules which accurately reflect the DA IFM schedule at the 11 a.m. Timely cycle.

If the ISO were to implement a DA IFM from 7:30 a.m. to 10 a.m., this would be an improvement on the proposed 7 a.m. bidding deadline.

We believe that our VER forecast accuracy will not be significantly affected by moving the DA IFM timeline from 10 a.m. currently to 7 a.m.

We expect that gas scheduling rules will continue to tighten, making alignment of electric and gas scheduling important. Further, this emphasizes the importance of the CAISO DA IFM providing correct schedules for the DA. Option 1 would reduce quantity risk and scheduling penalties. The CAISO would still need its current price tolerance factor on gas pricing of 1.25, as it is likely that there will be price spreads across the trading period up to the Timely cycle, and that intraday gas costs are typically difficult to predict. Further, while we support enhancements and improvements to the CAISO DA IFM, it remains that significant RT dispatch, particularly with increased VERs, will drive gas price volatility.

We expect that an alignment of the gas and electric markets would allow a foundation upon which the ISO could feasibly allow SCs to submit bids for their commitment costs, and that the commitment costs would then reflect the DA gas prices, and thus the ISO would not have to continually monitor its commitment cost calculations and revise the gas price presently used by the ISO to calculate commitment costs.