

Memorandum

To: ISO Board of Governors
From: Eric Schmitt, Vice President, Operations
Date: October 20, 2011
Re: Decision on ISO and Gas Utility Outage Coordination

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management recommends that the ISO Board of Governors authorize an amendment to the ISO tariff to allow the ISO to share with natural gas utilities confidential planned and unplanned transmission and generation outage information, and information required for day-to-day coordination to maintain electric reliability, subject to a non-disclosure agreement. The sharing of this information will allow the ISO and the state's natural gas utilities to manage ongoing natural gas pipeline testing and maintenance in a manner that ensures sufficient gas for reliable operation of the electric grid.

Management recommends the following:

Moved, that the ISO Board of Governors approves the policy to allow the ISO to share with natural gas utilities confidential planned and unplanned transmission and generation outage information subject to a non-disclosure agreement as described in the memorandum dated October 20, 2011; and

Moved that the Board authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this policy.

BACKGROUND AND MANAGEMENT RECOMMENDATION

The California Public Utilities Commission has directed the state's natural gas utilities to undertake comprehensive testing of the intra-state natural gas transmission and distribution system. Testing will require the natural gas utilities to temporarily reduce gas flows and remove portions of the gas transmission and distribution systems from service, on a periodic basis, which will reduce the availability of natural gas to serve natural gas-fired generation

resources. In addition, if there is an unplanned gas supply shortage similar to the February 3, 2011 event (when severe cold weather conditions in Texas and New Mexico resulted in a severe gas supply shortage in the San Diego area), or planned gas supply shortages (such as the ongoing maintenance work by Southern California Gas company in the San Diego area on successive weekends in October and November), the exchange of information would be crucial to maintain the reliability of the electric grid so that information can be shared as soon as possible to permit coordinated planning.

The current ISO tariff classifies generation outage information as confidential. In order to reduce the risk to the reliable operation of the electric grid, Management is proposing to amend the tariff to allow the ISO to share confidential planned and unplanned transmission and generation outage information, along with specific unit requirements, to maintain electric reliability with natural gas utilities subject to a non-disclosure agreement. The information will allow the ISO and the gas utilities to manage ongoing natural gas pipeline testing and maintenance, and potential supply shortages while ensuring sufficient gas for reliable operation of the electric grid. For example, gas transmission and distribution outages of specific equipment may require specific generating units to be available to maintain the electric grid reliability and should, therefore, not be on a planned outage at that time. In addition, the information will also allow the ISO and the gas utilities to manage gas supply emergencies to ensure the reliability of the electric grid.

Similarly, planned transmission outages often require specific generating units to be available. Accordingly, it is important to ensure that the required generating units have natural gas supply during the planned outages. Through information sharing, the ISO and the gas utilities will be able to coordinate outages and maintenance of generation and transmission resources necessary for the reliability of the electric grid as well as the outages and maintenance of the gas pipeline transmission and distribution system that are necessary to ensure the safe and reliable operation of the natural gas system.

The ISO published a market notice and draft tariff language on September 14, 2011 and held a conference call on September 23, 2011 to discuss the proposal. No market participant indicated any opposition to the proposal.

CONCLUSION

Management recommends that the Board approve the policy described above as sharing of the planned and unplanned transmission and generation outage information will allow the ISO and the state's natural gas utilities to manage ongoing natural gas pipeline testing and maintenance along with gas supply shortages in a manner that ensures sufficient gas for reliable operation of the electric grid.