

Arizona Public Service Company
Stakeholder Comments on Aliso Canyon Gas-Electric Coordination Phase 3 Initiatives

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Submitted by: Moe Sakkijha, Moe.Sakkijha@aps.com

Arizona Public Service Company appreciates the opportunity to comment on the Aliso Canyon Gas-Electric Coordination Phase 3 Draft Final Proposal published on June 22, 2017. As a participating member of the EIM since October 1, 2016, APS will be impacted by the proposal to extend the gas-constraint management process to the EIM balancing authority areas. Currently APS is mitigated to submitting bids in the EIM which are capped at the Default Energy Bid (DEB) and as a result, APS is unable to use the bidding process as a price signal to manage gas burn that will adjust dispatch instructions on days when there are gas supply constraints. Consequently, the current DEB requirement occasionally masks a physical gas constraint from being reflected in bids submitted by APS which sends the wrong pricing signal to the EIM market.

Gas Physical Limitations in the APS Area

To serve native load in APS's service territory, there are two major gas pipelines that APS relies on for its gas supply (El Paso and Transwestern). APS plans for and purchases sufficient firm gas transport to meet peak needs well into the future. On a day-ahead basis, APS purchases and nominates sufficient gas supplies to meet forecasted burns. However, load forecasts can vary as well as the availability or production of non-gas burning generating resources such that the day-ahead amount is not sufficient. Wholesale market needs or gas supply cuts can also occur, leaving APS short on gas for any given day. In those scenarios, APS will draw on its limited storage supplies or go to the market for intra-day supplies.

These intraday supplies often cost substantially more than day-ahead purchases. Because APS is subject to Cost Based Rates in the EIM, the amount that can be recovered for gas costs in EIM bid prices is limited to an amount equivalent to a day-ahead gas index. If APS over-burns above the nominated volume during situations such as pipeline low line-pack conditions, APS could be charged fees up to three times the commodity price for those volumes. Similar conditions could occur if the supply regions were to experience freeze offs and flowing gas to APS was curtailed. In order to avoid incurring unrecovered gas costs during these scenarios, APS currently has two options: (i) temporarily stop exports into the EIM, or (ii) go through an extensive process with FERC in an attempt to get cost recovery.

Physical gas pipeline limitations and intra-day operational emergency conditions in the Southwest are why it is important to have CAISO account for gas constraints in their process. There is no local underground gas storage in Arizona which acts as a buffer against unforeseen intra-day changes in gas use or a pipeline's constrained operations.

Gas Constraint Operational Tool

APS supports CAISO's proposal to extend the gas-constraint management process developed for the Aliso Canyon contingency to the EIM balancing authority areas to support system reliability.