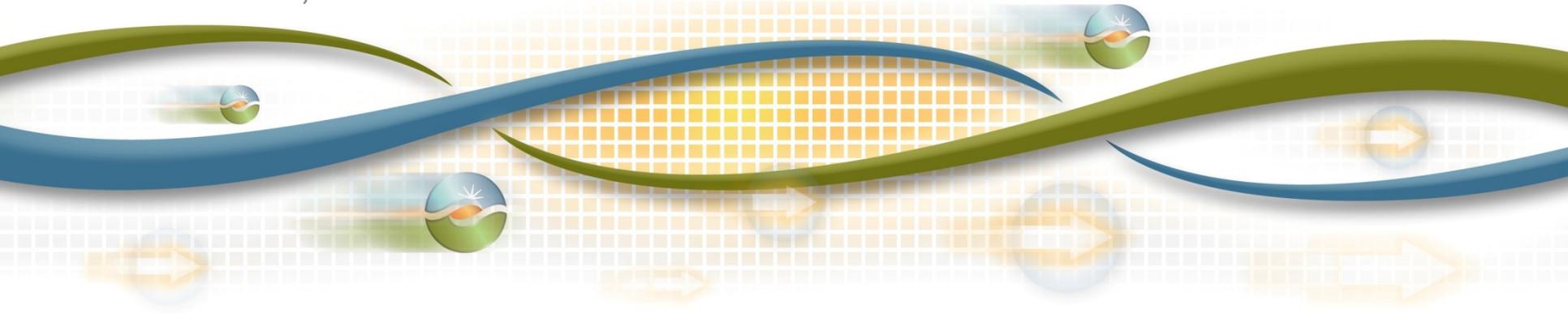




Decision on Aliso Canyon gas- electric coordination phase 2 proposal

Greg Cook, Director, Market & Infrastructure Policy

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Management proposes to extend many of the temporary operational tools and market mechanisms implemented this summer to mitigate ongoing reliability risks.

Key findings of winter reliability assessment:

- Risk of gas imbalances from non-core electric generators not the primary driver of Winter risks
- Demand flips from non-core generators to core customers → core uses 60% of gas supply
- Non-core generators would be first curtailed when on-system gas is needed to meet core demand
- Electricity demand lower in winter; more flexibility to shift generation to resources outside the SoCalGas area

Proposal for temporary operational tools designed to improve ISO's ability to manage operations

Ability to reserve internal transfer capability into Southern California

Retire

- Mitigation measure – Can reduce CRR amounts in monthly auction

Ability to enforce gas constraints for either capacity or imbalance limitations

**Extend,
refine**

- Mitigation measure – Can override its assessment of competitive paths
- Mitigation measure – Can suspend virtual bidding for market inefficiencies

Proposal for temporary market changes to improve suppliers' ability to manage assets

Publish 2 day-ahead (TD-2) RUC schedules to Scheduling Coordinators

Extend

Improve DAM gas price index using an approximation of next day gas index

Extend

Adjust the RTM gas price index to include a scalar on the next day gas index

Extend

Include in after-the-fact cost recovery filing right opportunity to seek energy costs incurred above mitigated price

Extend

ISO filed its bidding rules enhancements Board-approved provisions on Aug 19, 2016

Increased commitment cost real-time bidding flexibility

Filed, pending approval

Do not insert RTM bids for units not required to participate or scheduled in DA

Filed, pending approval

After-the-fact cost recovery filing right at FERC for commitment costs

Filed, pending approval

Management proposes to extend these provisions on a temporary basis until the later of the date on which FERC approves these provisions on a permanent basis, or November 30, 2017.

Stakeholders support Management's proposal to extend operational tools and market measures to address reliability risks.

- Stakeholders would like additional information released to the market related the proposed measures and the ISO's gas-electric coordination.
 - ISO is in the process of providing this information where appropriate.
- Some stakeholders want Management to pursue new provisions to mitigate prices of exceptional dispatches due to natural gas limitations.
 - Management will examine new exceptional dispatch mitigation measures as part of an upcoming stakeholder process.
 - New provisions could be accelerated if warranted.
- Stakeholders support pursuing long-term market enhancements to commitment cost and default energy bid designs.

Management recommends the Board approve the Aliso Canyon gas-electric coordination phase 2 proposal

- Proposal provides important functionality to mitigate the ongoing reliability impacts of the limited operability of the Aliso Canyon natural gas storage facility.
- Proposal includes flexibility that allows the ISO to adjust the use of the new tools to align with market and reliability needs.
- Proposal will include a sunset date of November 30, 2017.