

Comments on Aliso Canyon Phase 3 Draft tariff language

Department of Market Monitoring

August 9, 2017

The Department of Market Monitoring has reviewed the ISO's proposed tariff language for Aliso Canyon Phase 3 initiative. Most of the issues we have identified with the tariff language should be straightforward to address through this tariff language process. However, the description of supply of counterflow that accounts for the impacts of gas constraints in the automated Dynamic competitive Path Assessment (DCPA) requires development of the policy details. The ISO needs to include these details in the tariff because the rest of the calculation of the supply of counterflow is already explained in the existing tariff.

Recommendations

The ISO committed in comments and memos to the EIM Governing Body and the ISO Board that gas limitations managed through gas burn constraints would be physical limitations. The ISO's memo to the ISO Board indicates that "the ISO will add additional natural gas burn constraints in coordination with the applicable gas system operator in its balancing area [i.e. the CAISO balancing area] and as requested by EIM balancing area operators ... when needed to address current or anticipated gas system limitations," but indicates that "Acceptable use of the gas constraint will be limited to addressing physical gas system limitations."¹

The current tariff language does not reflect this requirement (sections 27.11.1 and 29.27(c)(i)). The ISO should include language clarifying the requirement that gas limitations which are managed through the use of a gas constraint are physical limitations on the gas system that are not the result of a procurement or business decision on the part of any electricity market participant or gas market participant. Gas use constraints cannot be based on limitations that could have been offset by purchasing and nominating gas at an earlier period or by other actions of market participants.

The ISO should specify the role of the relevant gas company in the development and enforcement of the constraints. This was also an item that was discussed with the EIM Governing Body. The ISO's memo to the EIM Governing Body indicates that "EIM entities will work with the ISO and the applicable gas system operator to define the gas burn constraints in advance."² The ISO seemed to affirm to the EIM Governing Body that input from the gas company would be required when developing and implementing a gas constraint. Language reflecting this requirement and possibly some detail about how the coordination with gas company will function should most likely be added to sections 27.11.1 and 29.27(c)(i). Some of the detail of this coordination process will likely be BPM material, but at least a mention of the process and some general description of how stakeholders will be involved should be included in the tariff language.

¹ http://www.caiso.com/Documents/Decision_AlisoCanyonGas-ElectricCoordinationPhase3Proposal-Memo-Jul2017.pdf

² <http://www.caiso.com/Documents/DecisiononEnergyImbalanceMarketMaximumNaturalGasBurnConstraint-Memo-Jul2017.pdf>

The tariff should also include details about how stakeholders will be notified of, and allowed to review, each potential new gas constraint before it is enforced in production. In the EIM governing body meeting, the ISO stated that development of each new constraint will be subject to a public process that will include time for review by participants. Current tariff language does not contain any mention or details of this process. While some of these details may be appropriate for the BPM, the tariff should acknowledge that this is a step in the process of developing a new gas constraint.

The description of supply of counterflow from fringe competitive suppliers in both the real time and day ahead markets fails to include how those values will be impacted by the automation of the gas constraint effects in the DCPA. The ISO should explain those impacts in the tariff because the rest of the calculation of the supply of counterflow is explained in the tariff. Changes to the tariff to provide more detail on how supply of counterflow will be calculated when gas constraints are enforced are likely needed in sections 39.7.2.2(B)(a)(ii) and 39.7.2.2(B)(b)(vi) and anywhere else that describes counterflow to a constraint for purposes of evaluating competition.