

Stakeholder Comments

Bidding Rules Enhancements Draft Final Proposal

Submitted by	Company	Date Submitted
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The following are Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) February 10, 2016, Revised Straw Proposal¹. SCE supports the CAISO’s proposal.

Provide opportunity for after-the-fact cost recovery of gas price spikes

While the Department of Market Monitoring’s (DMM) September 2015 gas price volatility report² did not find much volatility in California, SCE is concerned that this may not hold true for the future. Structural changes in the market may include loss of gas storage, such as with the Aliso Canyon gas leak incident. In its comments to the CAISO on the FERC Order 809 topic³, SCE had stressed the importance of gas storage in allowing California to have a more robust gas system. Compromise of such robustness could translate to more volatile gas prices due to an increase in gas volume uncertainty.

Finally, SCE reiterates its prior comments⁴, that gas liquidity is already low during later nomination cycles, and is extremely illiquid during large price spike events. This proposal may have a negative impact on gas price formation during these events. For example, if gas suppliers know that any market participant can get cost recovery only when the price moves 25% higher than the previous day’s price, the instances of 25% intraday price moves is likely to increase. SCE recommends that market participants only qualify for cost recovery if the daily gas index increases by more than 25%.

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http://www.caiso.com/Documents/DraftFinalProposal_BiddingRulesEnhancementsGeneratorCommitmentCostImprovements.pdf

² http://www.caiso.com/Documents/DMMReport-gas_price_analysis_september2015.pdf

³ http://www.caiso.com/Documents/SCEComments_FERCOrderNo809.pdf

⁴ http://www.caiso.com/Documents/SCEComments_BiddingRulesEnhancements_RevisedStrawProposal.pdf