ALISO CANYON GAS ELECTRIC COORDINATION
Comments on April 15, 2016 Straw Proposal

Submitted By	Parties	Date
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The Energy Producers and Users Coalition and the Indicated Shippers (EPUC/IS) represent the interests of natural gas and electric end-use customers and their suppliers.[1] EPUC/IS have engaged in the Aliso Canyon proceedings before the CPUC and will submit comments on the *Aliso Canyon Action Plan* developed by the CEC, CPUC, CAISO and LADWP. EPUC/IS appreciate the CAISO's efforts to provide transparency through this stakeholder process to develop measures to help mitigate the risk of rotating electric outages this summer. These comments focus on Proposals 5.1 and 6.2 of the *Aliso Canyon Gas Electric Coordination Straw Proposal*, which propose to incorporate gas-related constraints in the CAISO dispatch process.

The direction of the Straw Proposal raises concerns that the proposal could unravel the two settlements in principle reached by parties in CPUC A.15-06-020. The CAISO, in coordination with SoCalGas and the CPUC, should work together to be certain that actions taken by the CAISO in scheduling or dispatch can be harmonized with the proposed settlements. EPUC/IS look forward to the next iteration of the proposal.

Gas Availability Constraint

Proposal 5.1 proposes generally to introduce "gas availability" constraints in the day-ahead market. The gas availability constraint is "a maximum gas burn limitation" communicated from SoCalGas to the CAISO. Gas availability would be a zonal value, limited by anticipated or actual outages and by gas system curtailments within the electric generation class.

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[1] Member companies include Aera Energy LLC, BP Energy Company, California Resources Corp., Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Phillips 66 Company, Shell Oil Products US, and Tesoro Refining & Marketing Company LLC.

The CAISO would constrain day ahead or real time schedules when the sum of the natural gas that would be burned by the dispatched generators in a curtailment zone exceeds the maximum hourly value in MMcf specified by SoCalGas for EGs in that zone. The proposed constraint equation appropriately uses an hourly value for gas availability, which recognizes that hourly supply/demand variances may lead to unacceptable pressurization on the SoCalGas system.

The following points would benefit from clarification:

1. How does SoCalGas set the "gas availability" constraint? Is the gas usage constrained only by anticipated or actual outages and electric generation gas curtailment, or other factors considered? Is gas availability limited by OFO or EFO tolerances?

2. In establishing a gas availability constraint, either for the day ahead schedule or real time dispatch, how do SoCalGas and the CAISO set the constraint to avoid triggering an OFO or EFO for all other gas customers.

Real-Time Gas Balancing Constraint

Proposal 6.2 takes the gas system constraints a step further. The CAISO recognizes that "a primary factor that can adversely impact the gas system reliability, and consequently electric system reliability, is a significant change in the dispatch of generators in the SoCalGas and SDG&E gas system between the real-time dispatch and day-ahead market schedules." The CAISO thus proposes a gas constraint in the real-time market that would limit the reoptimization of affected EGs to support the natural gas system. The CAISO intends to allocate a specific daily constraint (e.g., 150 MMcfd) over the hours at issue based on the expected load shape. It further proposes to "recapture" underutilized EG balancing tolerances for prior hours of the day to increase the maximum hourly burn in the redispatch calculation. EPUC/IS request clarification of the following issues:

3. Does the CAISO contemplate a fixed constraint value that can be used each day?

4. Would the daily constraint operate within the maximum burn limitation, or would it allow exceedance of the limitation?

5. If it allows exceedance of the limitation, and thus increases EG flexibility, it will reduce flexibility to other customers on the system. Could the exercise of the balancing constraint trigger OFOs or EFOs?

While EPUC/IS support a gas availability constraint for real-time dispatch to avoid creating unacceptable pressure drops on the system, the proposal to use a fixed value and recapture additional flexibility is problematic. The *Aliso Canyon Risk Assessment Technical Report* (Report) describes the 150 MMcfd constraint as "the maximum difference between the expected supply and actual demand that can be tolerated without Aliso Canyon supply…." The Report also suggests that this value can be viewed as the "maximum supply shortfall that could be tolerated" over SoCalGas's entire system. Consequently, its seems that if the CAISO were to use a constraint of 150 MMcfd to develop its hourly gas availability value, and the constraint operated outside of the maximum burn limitation, it would leave remaining SoCalGas or SDG&E customers with zero flexibility. Giving other customers zero flexibility could trigger an Emergency Flow Order (EFO). Under an EFO, customers pay a non-compliance charge of $50 for each Dth plus the G-IMB standby rate of 150% of the specified market index – more than 25 times the cost of gas at today's gas prices.

Choosing a different specific value also does not seem to be a reasonable solution. Gas pressure on the SoCalGas and SDG&E system can change hourly and rapidly, as discussed in the Report. Using the same fixed daily value each day would not adequately address these conditions. The CAISO and other stakeholders would be better served by direct coordination with SoCalGas to determine the current system flexibility that can be permitted without violating established curtailment priorities or pushing the system into tight Low OFO or EFO tolerance.