



**COMMENTS OF NV ENERGY
ON BIDDING RULES ENHANCEMENTS
ALISO CANYON GAS ELECTRIC COORDINATION**

CAISO STAKEHOLDER PROCESS

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NV Energy is concerned that the draft final proposal published on April 26, 2016 does not fully address the potential outcomes that the Aliso Canyon constraints will have on the region. NV Energy agrees that there is a pressing need to devise a solution to the issues raised by the Aliso Canyon constraint. But the stakeholders should be confident that the solution – even an interim one – addresses all concerns regarding how Aliso Canyon will affect this summer’s unit availability. By not extending the increased limits on unit recovery to reflect gas price spikes to neighboring generators, the ISO could be worsening the potential for shortfall in southern California.

Because NV Energy will be procuring its gas and using much of it to serve its native load, which is at peak in summer months, it may not have much additional gas available for offering electricity into the ISO to meet shortfalls in the ISO. But to the extent NV Energy has additional generation capacity, gas price is another factor in making that capacity available. There is an extremely high correlation between the southern California fuel region and the Kern delivery area, in which NV Energy sits. Therefore, NV Energy is likely to see like gas price increases in its own region when southern California gas prices increase due to gas constraints and shortages. If gas prices across the region increase dramatically, it won’t be able to bid in what excess capacity it has beyond its own demand because it cannot be assured of recovery. In addition, the ISO is proposing to enforce the gas constraint in circumstances that could lead to a localized electricity shortage. NV Energy may not be able to bid its units into the market during those periods of constraint because the default energy bid has a cap of 10% that may not cover the price volatility. The penalties that could be incurred by burning gas outside of the pipeline’s allowed tolerance band is another means by which fuel costs could exceed recovery permitted by the default energy bid.

EIM facilitates the availability of NV Energy to meet needs in California real time when available and when economic. With the anticipation of gas price spikes, which could be realized on a regional basis, NV Energy may not be able to offer its units unless also provided the same



assurances for cost recovery provided to those in southern California. NV Energy therefore supports extending the increased cost recovery limits to all of the EIM footprint.

NV Energy supports implementing an interim solution through this stakeholder process, and that it is appropriate to defer to a separate and stakeholder initiative, that offers more time, devising a global solution for coordinating electric plant usage with intra-day gas balancing.