



## Comments of Pacific Gas and Electric Company on the Aliso Canyon Gas- Electric Coordination

Submitted by	Company	Date Submitted
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### Introduction

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to offer comments on the CAISO’s Aliso Canyon Gas-Electric Coordination Phase 2 Issue Discussion and Straw Proposal. As winter approaches, PG&E commends the efforts of the CAISO to draw on lessons learned during the summer while adapting to the unique challenges posed by the upcoming cold season.

In the following comments, PG&E focuses on responding to the market measures and operational tools outlined in the CAISO straw proposal. The input provided at this time is intended to be complementary to the feedback provided to the California Energy Commission on the Aliso Canyon winter reliability action plan. In that submission, PG&E urged the joint agencies to adopt a system-wide and season-long perspective on planning to ensure adequate gas availability throughout the winter. PG&E continues to encourage the CAISO and other agencies to consider scenarios beyond a single peak day, as events such as an extended cold period could impact gas and electric systems in California and the western region.<sup>1</sup> Maintaining reliability throughout the winter will likely require more frequent burn limitations than might be anticipated if planning only for a peak day.

### Comments

#### Operational Tools

**Prior to retiring the ability to reserve transmission capability, CAISO should provide additional analysis to explain how Peak-RC’s revised system operating limit (SOL) is an appropriate replacement.**

Summer assessments concluded that a primary risk was imbalance from non-core electric generators as a result of variability between gas day ahead awards and real time demand. The

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<sup>1</sup> [http://docketpublic.energy.ca.gov/PublicDocuments/16-IEPR-02/TN213571\\_20160909T134107\\_Pacific\\_Gas\\_and\\_Electric\\_Comments\\_Pacific\\_Gas\\_and\\_Electric\\_Comm.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/16-IEPR-02/TN213571_20160909T134107_Pacific_Gas_and_Electric_Comments_Pacific_Gas_and_Electric_Comm.pdf)



primary risk identified for winter, however, is gas capacity shortages. While real time demand is no longer the primary reliability risk factor, it could still be a contributing one. As non-core electrical generation is one of the first customer classes to be curtailed, PG&E understands that the need to manage variability between day ahead and real time schedules remains essential. Accordingly, prior to CAISO retiring the provision to reserve transmission capability in day ahead to meet real time needs, CAISO should demonstrate that the revised methodology from Peak-RC addresses the problem of variance between day ahead and real time in order to ensure that northern California energy and reserves can flow to southern California.

### **Market Design**

#### **PG&E supports DMM's recommended mitigation measures associated with exceptional dispatch events.**

In the CAISO's September 9 presentation to stakeholders,<sup>2</sup> DMM presented recommendations including:

- 1.) Clarifying that Aliso Canyon related exceptional dispatches for incremental energy are subject to mitigation.
- 2.) The need to design mitigation measures for decremental exceptional dispatches related to Aliso Canyon.

PG&E encourages the CAISO to design clear mitigation procedures associated with exceptional dispatch events. Far from a hypothetical scenario, the importance of appropriate and well-defined mitigation procedures has already been seen in practice. It was discovered in the case of JP Morgan, for example, that exceptional dispatch events could be used to inflate market payments.<sup>3</sup>

#### **After-the-fact cost recovery provisions should be narrowed and clarified, in consultation with stakeholders and experts, prior to becoming permanent.**

Consistent with comments submitted to the CAISO<sup>4</sup> and to FERC<sup>5</sup> during the Aliso Canyon Phase 1 initiative, PG&E continues to urge caution around a permanent provision for after-the-fact recovery of unrecovered commitment costs that result from marginal fuel costs that exceed commitment cost bid caps. PG&E supports the recommendation made by the Department of

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<sup>2</sup> <https://www.caiso.com/Documents/AgendaPresentation-AlisoCanyonGas-ElectricCoordinationPhase2-StrawProposal.pdf> (slide 29)

<sup>3</sup> *Make-Whole Payments and Related Bidding Strategies (JP Morgan Ventures Energy Corporation)*, 144 FERC ¶ 61,068 (2013). <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13317770>

<sup>4</sup> [https://www.caiso.com/Documents/PG\\_EComments\\_AlisoCanyonGasElectricCoordinationIssuePaper.pdf](https://www.caiso.com/Documents/PG_EComments_AlisoCanyonGasElectricCoordinationIssuePaper.pdf); [https://www.caiso.com/Documents/PG\\_EComments\\_AlisoCanyonGas\\_ElectricCoordinationDraftFinalProposal.pdf](https://www.caiso.com/Documents/PG_EComments_AlisoCanyonGas_ElectricCoordinationDraftFinalProposal.pdf)

<sup>5</sup> <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14249520>



Market Monitoring in its filing at FERC on September 9, which encouraged the CAISO to “work with stakeholders to develop more specific guidelines, requirements, and methodological details to be used in any cost recovery filings.”<sup>6</sup> Maintaining gas system integrity at all times is critical; ambiguity around cost recovery could impact generators’ decision-making and, therefore, impact the reliability of the gas system.

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<sup>6</sup>[https://www.caiso.com/Documents/Sep9\\_2016\\_Comments\\_Department\\_MarketMonitoring\\_CaliforniaISO\\_BiddingRules\\_CommitmentCostEnhancements\\_ER16-2445.pdf](https://www.caiso.com/Documents/Sep9_2016_Comments_Department_MarketMonitoring_CaliforniaISO_BiddingRules_CommitmentCostEnhancements_ER16-2445.pdf) (p 2)