Stakeholder Comments

Aliso Canyon Gas-Electric Coordination Phase 2 – Straw Proposal

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) offers the following comments on the Aliso Canyon Gas-Electric Coordination Phase 2 Straw Proposal[1] of the California Independent System Operator (CAISO).

CAISO observations and proposal

Much of the performance of the electrical system in the summer can be attributed to good coordination efforts between the CAISO and SoCalGas. However, while the summer did not test the measures to their full potential, these measures are still relevant to the winter. Thus, the CAISO proposes to extend or refine most of the Aliso Canyon Phase 1 measures for the winter. Further, the CAISO observes that while there is a 1-in10-day capacity limitation risk for non-core generation, the actual observed demand for winter is below the system design capacity by 1 Bcf/day. Hence, the CAISO believes that this headroom provides added operational flexibility during the summer.

The specific Phase 1 provisions that the CAISO proposes to address for this Phase 2 initiative, for the winter, are:

1. The ability to reserve internal transfer capability into Southern California.
2. The ability to enforce gas constraints for either capacity or imbalance limitations.
3. Publish 2 day-ahead (TD-2) RUC schedules to Scheduling Coordinators.
4. Improve DAM gas price index using an approximation of next day gas index.
5. Adjust the RTM gas price index to include a scalar on the next day gas index.

[1] http://www.caiso.com/Documents/AgendaPresentation-AlisoCanyonGas-ElectricCoordinationPhase2-StrawProposal.pdf

6. Include in after-the-fact cost recovery filing right opportunity to seek energy costs incurred above mitigated price.
7. Increased commitment cost real-time bidding flexibility.
8. Do not insert RTM bids for units not required to participate or scheduled in DA.
9. After-the-fact cost recovery filing right at FERC for commitment costs.

Of the above provisions, #1 will not be continued as the Path 26 limit can now be exceeded under emergency conditions and thus there is no need to derate it. The CAISO proposes to extend the remaining provisions to Phase 2, with the last three already filed at the Federal Energy Regulatory Commission (FERC) for approval.

SCE supports the CAISO proposal

SCE generally supports the CAISO's proposal to continue the Phase 1 provisions forward to address the winter need given the constraints faced due to the Aliso Canyon gas issue. SCE agrees with the CAISO that the milder summer and the greater engagement between SoCalGas and the CAISO helped mitigate the likelihood of problems that could have been encountered this summer. SCE stresses that the SoCalGas-CAISO engagement is key to the continued success of the provisions in mitigating winter gas constraint risk.

SCE supports the Department of Market Monitoring (DMM) recommendations

During the September 9 call, the DMM recommended that the CAISO should extend the scalar adders for both incremental energy and commitment costs but be prepared to lower both. SCE understands three key features of these scalars to be that they are positive, that they are temporary to address the gas issue, and that they may have more headroom built-in than is needed or used by the majority of market participants. Besides depending on other factors, understanding whether the scalars are appropriate could depend on variation in intraday gas prices, for incremental energy costs, and could depend on frequency of bids close to the bid caps, for commitment costs. SCE supports adjustment of these scalars, as appropriately needed.

The DMM further recommended that the CAISO clarify that Aliso Canyon related exceptional dispatches (EDs) for incremental energy are subject to mitigation and that the CAISO design mitigation of decremental EDs related to Aliso Canyon. On the first recommendation, as SCE understands, procedurally, an incremental ED due to a gas issue is not cited as subject to market power mitigation. However, there is the potential that given gas constraints, patterns could emerge that would allow resources to predict and exploit opportunities for which there is no competitor. Under such circumstances, it is appropriate to subject such resources to market power mitigation. Further, by being mitigated to the higher of LMP or DEB, the resource is recovering any operational costs. Indeed, if its bid is not the marginal resource they will continue to receive the market clearing price and any premium above their bid that this represents. Should the mitigation result in a DEB that does not fully recover their cost (e.g., implementation of OFO penalties above the level at which the gas index would recover), then the resource would still be eligible to request such recovery pursuant to the CAISO tariff. Thus, SCE supports the DMM's recommendation to subject incremental EDs to mitigation. The second recommendation relates to decremental EDs. A resource could bid the market floor in DA, be awarded, and then in RT be dispatched down, thereby collecting a payment from the CAISO while not incurring the costs to generate. This is an example of a case where mitigation is appropriate. SCE supports the DMM's recommendation that the CAISO design mitigation for decremental EDs. While the design of this mitigation does not share the same urgency as the Aliso Canyon gas stakeholder process, SCE believes that a stakeholder process on decremental dispatch mitigation should be undertaken, soon.