Stakeholder Comments

Aliso Canyon Gas Electric Coordination Straw Paper

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Southern California Edison (SCE) presents comments on the California Independent System Operator's (CAISO) April 15, 2016 Issue Paper[1].

The key points of SCE's comments are:

- **SCE supports the CAISO proposal as an effective means of ensuring reliability this summer. However, the success of this proposal will depend on how well-aligned are the incentives applied to individual participants, with the goals of the proposal.**
- **Resources should be able to recover true costs incurred in good faith to achieve the reliability goals in the proposal.**
- **The CAISO should determine how to get the best forecast of gas burn.**
- **SCE supports the CAISO proposal to derate Path 26 but requests further analysis on the impact of this component.**

SCE generally supports the CAISO proposal and emphasizes the need to have incentives aligned with achieving the reliability goals in the proposal.

SCE thanks the CAISO for its work on the proposal. SCE notes that the proposal can only perform as intended if good actors exist to effectuate it. Good actors can only exist if incentives are well aligned with the reliability goals in the proposal. Thus, it is crucial that the incentives provided to market participants be well aligned with the reliability goals this proposal hopes to meet. SCE presents the remainder of these comments as a set of key principles to address that may improve on the CAISO's proposal or target areas that may have been overlooked.

Should treatment of gas and electric penalties be consistent?

SCE understands the CAISO's approach to be trying to honor the DA award and minimize incremental RT changes. Given this, the CAISO plans to pursue waiver of noncompliance charges with SoCalGas[2]. There is the potential that a flexible RA resource may not be able to

[1] http://www.caiso.com/Documents/StrawProposal_AlisoCanyonGas_ElectricCoordination.pdf
[2] Page 20. Ibid.

honor its MOO at all times due to a gas constraint. As the resource is unable to meet its MOO, it would serve no purpose for the CAISO to penalize a resource from which it is unable to get any flexibility due to fuel constraints. The CAISO should consider accommodating this obstacle faced by these resources and not assume business-as-usual.

Resources should be able to recover true costs of operating as long as those costs were incurred in good faith.

Commodity markets run five-days-a-week markets while power markets run seven-days-a-week

Resource owners/SCs have to purchase gas on Friday to cover Saturday, Sunday, and Monday. How does the CAISO intend to operationalize the two-day-forecast given that it has to account for three-day, and sometimes four-day, weekends. Where would the CAISO expect additional forecast error to materialize in this situation?

Is it appropriate to use the current DA process given the two-day-ahead forecast? What is the best way to get a 3-day/4-day weekend forecast?

As SCE sees it, the CAISO would either have to adjust its weekday bid sets for weekend use or have market participants submit additional bid data for the weekend two-day-ahead forecasts. Between these options (or any other that the CAISO may propose), where would the CAISO expect to see greatest forecast accuracy?

Does relying on RUC give us the best forecast of gas burn?

The CAISO should also determine how to get the best prediction of unit loading, this is only possible through IFM. RUC is currently only used to commit additional resources, not incremental dispatch. If the gap between bid-in load and forecast load widens, does solving with RUC give us the best prediction of gas burn? If the optimal loading was known in IFM, would this minimize the need to re-dispatch in RT? Thus, a better way to predict gas burn would entail having better information in IFM.

The likely alternatives available to the CAISO are:

1. Impose minimum scheduling requirements on Load, relative to the CAISO forecast.
2. Using the CAISO forecast, rather than bid-in load, to clear the IFM.

Does convergence bidding, left unaltered, affect the reliability solution of the CAISO proposal?

As mentioned earlier, better information in the IFM would give a better idea of gas burn. Convergence bids could hinder the ability of the CAISO to have better information in IFM.

Convergence bidding seems to interfere with the reliability objective of this proposal through, at least, two ways:

1. Interfering with the loading of physical resources in IFM.
2. The inclusion of two new RT constraints[3] could create price patterns that incentivize convergence bidding behavior that would be detrimental to the reliability objectives of this proposal.

SCE supports the proposal to derate the transfer capability on Path 26.

SCE appreciates the CAISO proposal to potentially constrain flexibility such that the system may be able to meet the gas balancing requirement. However, SCE is concerned that there is a likelihood that the CAISO may lose Day-Ahead opportunities from implementing this proposal. SCE requests the CAISO provide estimates of the magnitude of foregone Day-Ahead resource offers should the derating proposal be implemented.

[3] Pages 14, 17. Ibid.