March 30, 2016

COMMENTS ON BEHALF OF
THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA
ON THE ALISO CANYON GAS-ELECTRIC COORDINATION ISSUE PAPER

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit their comments on the ISO's Issue Paper in the stakeholder proceeding addressing Aliso Canyon Gas-Electric Coordination.

The Six Cities would like to advise the ISO of local reliability issues within two of the Cities' municipal distribution systems that are closely intertwined with the gas-electric coordination issues raised in the Issue Paper. Specifically, Pasadena and Riverside have their own internal, gas-fired generation that is interconnected to their municipal distribution systems. Due to limitations on imports into these Cities' systems at the locations where their distribution systems interconnect with the Southern California Edison Company ("SCE") system, during certain operating conditions – typically, summer peak periods when loads are at high levels – these Cities must run their internal generation in order to avoid shedding internal load. For example, when Riverside load exceeds approximately 575 MW, which occurs during summer peak periods, Riverside must operate its 200 MW of internal generation, because limitations at Riverside's 66 kV point of interconnection with the SCE system at the Vista Substation prevent Riverside from importing the full amount of energy needed to meet electrical demand within the city system. There are similar local import limitations at Pasadena's interconnection to SCE at the TM Goodrich Receiving Station. Thus, Pasadena likewise must run its internal units in order to ensure that it can supply the requirements of its customers during peak periods.

As a result of these local constraints and the fact that two of the Cities must utilize their internal gas-fired resources to prevent blackouts within the Cities, the measures proposed in the Southern California Gas Company ("SoCalGas") Rule 23 Curtailment Application will have an unduly harsh impact on these Cities. The absence of synchronization between the ISO's scheduling requirements and the SoCalGas scheduling timetables will expose these Cities to unavoidable balancing penalties or, alternatively, increase the risk of load shed events within the Cities' systems if they are asked to curtail their internal resources due to gas supply scarcity.

To address these risks, the Six Cities request that the ISO, at a minimum, implement steps to closely coordinate with SoCalGas and the affected Cities to ensure that the Cities' generation resources are not required to be curtailed for gas supply reasons during peak load periods when the Cities resources are needed to meet load service obligations. While the Cities understand that the ISO may provide SoCalGas with a priority list of resources for curtailment during emergency circumstances that would reflect resources within the ISO grid that are needed for reliability and should not be curtailed (or should be curtailed last), the Cities understand that in *pro rata* curtailment situations, which may not qualify as emergencies under previously-established

procedures, the ISO and SoCalGas do not coordinate (or do not do so consistently) with respect to specific resources that should not be curtailed but, rather, the curtailment is a generic directive that would apply equally to all resources in the affected area.

In *pro rata* curtailment scenarios at peak load times, however, Pasadena and Riverside still have the undue risk of exposure to balancing penalties (as SoCalGas and San Diego Gas & Electric Company propose) or outages. A curtailment in gas supply may have a disproportionate impact on these Cities; if directed to curtail gas by a specific amount according to a *pro rata* share, these Cities may have to shut down entirely one or more of their generating units and shed a proportionately larger amount of load than would be implied by the curtailment instruction. Systems with larger footprints, a greater number of interconnections to the transmission system, and more internal resources may be more readily capable of absorbing a curtailment order than systems that are the size of Pasadena or Riverside and depend on their internal resources to meet their peak loads due to local transmission (or sub-transmission) constraints on imports to their systems.

Given the operational realities of these local import constraints, it is critical that the ISO, SoCalGas, and the two Cities have a common understanding of the reliability risks that these Cities face during peak load periods if they cannot operate their internal generating units in order to meet their loads. If it is not SoCalGas's current practice to obtain a priority list of generating units that may and/or should not be curtailed during sudden onset gas curtailment events, then the parties need to consider in advance what information SoCalGas requires in order to consider impacts to electric service within the Cities during these situations. Pasadena and Riverside appreciate that SoCalGas is responsible for gas supply and the ISO is responsible for managing the electric grid, but the unique and unprecedented circumstances created by the Aliso Canyon withdrawal limitations and the proposed SoCalGas curtailment rules necessitate an adjustment in prior practices. Specifically, the Cities request that the ISO and SoCalGas coordinate on all gas curtailment requests impacting electric generation this summer due to Aliso Canyon.

Turning to the daily balancing requirement itself, the Six Cities urge the ISO to adopt measures that will mitigate parties' exposure to balancing penalties. As the ISO was advised during the March 23rd stakeholder meeting, the gas market becomes considerably less liquid as the day progresses, and it is often impossible to obtain gas at any price in order to respond to dispatch orders by the ISO after approximately 5 pm, due to gas scheduling deadlines. As a practical matter, it is extremely difficult to respond to Real-Time dispatch orders after 4 pm, given the need to procure gas supply in advance of the relevant operating timeframe.[1] This will become even more challenging as a result of the Aliso Canyon limitations. The Six Cities are concerned that, due to an inability to obtain gas in order to respond to Real-Time dispatch instructions, they will be forced into penalty situations on a frequent basis, and the Cities will not have the ability to recover these penalty costs or, alternatively, reflect them in their bids. Absent the daily balancing requirement, gas could likely be purchased in anticipation of a possible dispatch order effective after 5 pm, but with the daily balancing requirement, pre-emptive purchases are infeasible. This issue is of particular concern to those Cities with internal, gas-fired generation (including Anaheim, Colton, Pasadena, and Riverside) that rely on those

[1] The Six Cities note that approximately 45% of Pasadena's Real-Time Market awards for its fast-start (*i.e.*, gas-fired) units over the past two years were for periods *at and after* 5 pm.

resources to meet their Flexible Resource Adequacy requirements. If the resources receive a Real-Time dispatch order after 5 pm (the gas scheduling deadline), they will be unable to procure gas and would potentially risk having to choose between (i) incurring the daily balancing penalty in order to comply with the dispatch order, or (ii) the Resource Adequacy Availability Incentive Mechanism ("RAAIM").

The Six Cities observe that the various measures proposed by the ISO that are focused on the Day-Ahead Market will not address their concerns, because the issues and risks arise out of real-time activities. For this reason, the Six Cities believe that the proper focus is on Real-Time Market measures and provide the following comments on the measures proposed by the ISO:

1. With respect to the Real-Time Market, the Cities support the ability to submit outage cards to allow resources to manage their fuel constraints. The RAAIM should not apply to resources required to submit outage cards during the operating day because the resource is unable to obtain fuel in order to respond to dispatch orders.

2. Several of the measures proposed as options to address gas supply issues in the Real-Time Market, including (i) enforcement of Day-Ahead Market commitments for all resource types as binding in the Real-Time Market, (ii) constraining dispatch decisions around Day-Ahead Market schedules for all resource types, and (iii) limiting Real-Time Market instructions to Exceptional Dispatches, would effectively amount to a suspension of the Real-Time Market that would have a significant impact on renewables and on the Energy Imbalance Market. Such measures are likely premature absent further analysis.

3. The Six Cities support early implementation of the Bidding Rules Enhancements measures, as revised to remove restrictions on eligible costs. The Six Cities agree with the proposal to provide after-the-fact recovery for Real-Time Market instructions through Bid-Cost Recovery resettlement and look forward to participating actively in the development of tariff language to reflect this approach, but observe that recovery of these costs only after authorization through one or more FERC filings may be impractical and burdensome. Their preferred approach would be to address such recovery, in the first instance, directly with the ISO.

4. The Six Cities also support measures that would allow intraday gas prices to be reflected in hourly commitment costs and the inclusion of non-compliance charges in ISO fuel prices for the appropriate hours.

Finally, given the daily gas penalty, the Six Cities reiterate that the ISO and SoCalGas need to communicate effectively to ensure that resources are not forced to choose between conflicting directives and/or assumptions. The Six Cities are concerned that the ISO may assume gas is available and that a resource can operate in compliance with its dispatch order, but the resource may be receiving conflicting information from SoCalGas with respect to gas availability. Resources should not be caught in the middle of conflicting instructions between the gas supplier and the grid operator and, if they are, there should be a procedure in place to

address such conflicts so they do not create reliability problems or result in penalties applied to a resource that is unable to determine whether to follow the gas company directive as to curtailment or the ISO instruction to run.

As discussed during the March 23rd stakeholder meeting, the Six Cities urge the ISO to develop and implement measures that will address the need for municipal generation to operate in order to address localized reliability constraints and mitigate risks from a lack of synchronized timing between the gas nomination cycle and ISO markets.

Submitted by,

Bonnie S. Blair
Margaret E. McNaul
Thompson Coburn LLP
1909 K Street N.W., Suite 600
Washington, D.C. 20006-1167
bblair@thompsoncoburn.com
mmcnaul@thompsoncoburn.com
202-585-6900

Attorneys for the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California