

Comments on Aliso Canyon  
Gas Electric Coordination Straw Proposal

Submitted by: Alliance for Retail Energy Markets

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The Alliance for Retail Energy Markets (“AReM”)<sup>1</sup> appreciates this opportunity to provide comments on the Aliso Canyon Gas-Electric Coordination Straw Proposal (“Straw Proposal”) issued by the California Independent System Operator (“CAISO”) on April 15, 2016. AReM understands the urgency with which the CAISO is endeavoring to improve gas-electric coordination, given the stresses that face the electric and gas systems during the unavailability of the Aliso Canyon natural gas storage field. AReM believes that there is real merit to the CAISO’s proposals. However, there are two elements of the CAISO proposal that require further detail in order to ensure that they can be fully understood by all market participants, and to ensure that there are no unintended negative consequences.

The first is the element in the CAISO’s proposal to “implement a constraint in its real time market that would limit the re-optimization of the affected electric generation in a manner designed to support pipeline operations.”<sup>2</sup> To effectuate this proposal, the CAISO proposal indicates that the constraint would be enforced when there is a risk of an imbalance that could negatively impact gas and electric reliability, and that that when such conditions exist, the CAISO would have a tolerance band tied to the overall level of the day-ahead forecasted gas use. AReM requests that the CAISO coordinate with the gas utility to provide answers to the following two questions:

1. How would the tolerance band afforded to the CAISO for electric generation operations impact the amount of balancing capacity the gas utility would otherwise have for purposes of managing its core and other noncore deliveries? For instance, each day the gas utility posts the amount of withdrawal capacity available on its system, and a portion of that is reserved for system balancing. Will the tolerance band provided to the CAISO reduce the amount of the total withdrawal capacity on a given day – or put another way, will the CAISO’s tolerance band come off the top of the overall withdrawal capacity or from the portion that is reserved for system balancing that is available at the start of a given day? If, for instance, the proposed tolerance band is a deduction from the overall balancing capacity available each day, how much of the balancing capacity does 150 MMCFD represent? If it represents a high proportion of the available balancing capacity, then on many days, there may be little balancing capacity for noncore commercial and industrial customers who rely on natural gas for their industrial processes. It is, therefore, important for these details to be explained and understood so that all users of the natural gas delivery system understand the impacts of the proposal on their use of the system, and whether there are more efficient ways for the allocation of the tolerance band to be achieved – such as being allocated from withdrawal capacity reserved for core load in order to minimize or avoid any disproportionate impacts on noncore commercial and industrial load, while still allowing the CAISO to use its dispatching tool to minimize the likelihood of curtailments.

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<sup>1</sup> AReM is a California mutual benefit corporation formed by electric service providers that are active in California’s direct access market. The positions taken in this filing represent the views of AReM but not necessarily those of individual members or affiliates of its members with respect to the issues addressed herein.

<sup>2</sup> See Straw Proposal, page 18.

2. While the natural gas system balances over the course of a full day, AReM is concerned that the CAISO's redispatch within the tolerance band could vary significantly hour to hour. As the gas system operators are monitoring and managing the natural gas system, are the CAISO actions to utilize the tolerance band to deploy generation on an hourly basis likely to increase the likelihood that the gas utility will have to issue Operational Flow Orders ("OFOs")? If so, that may be counterproductive to the whole intent of this mechanism, and impose an even bigger OFO burden on the noncore commercial and industrial load. Therefore, AReM asks that more information about the potential hourly impacts on the gas system be addressed in the next version of the CAISO proposals.

The second element is the CAISO's plan to reserve Path 26 capacity to create a reserve that could be used to deliver energy from the north to the south when that would preserve electric reliability. AReM understands this proposal to mean that the CAISO would be withholding this capacity from the day-ahead market for use in the real-time market. AReM requests that the CAISO provide more detail on the potential market pricing outcomes that will result from this proposal.

AReM appreciates this opportunity to pursue further clarification of the Straw Proposal. If you have further questions, please contact: Sue Mara, RTO Advisors, at 415-902-4108 or [sue.mara@rtoadvisors.com](mailto:sue.mara@rtoadvisors.com).