



Finding the ways that work

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Submitted to initiativescomments@caiso.com

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Dear Ms. Colbert,

CAISO's Aliso Canyon Gas-Electric Coordination Phase 2 Draft Final Proposal

Environmental Defense Fund ("EDF") appreciates the opportunity to comment on CAISO's Aliso Canyon Gas-Electric Coordination Phase 2 Draft Final Proposal dated September 23, 2016 (the "Draft Final Proposal").

Prompt Consideration of Longer Term Market Refinements

With CAISO seeking to extend most of the measures approved as part of the Phase 1 stakeholder process for an additional 12 months through November 30, 2017, these measures which were intended to be temporary, short term solutions to address summer 2016 reliability challenges,¹ are now taking on the character of longer term responses. At the September 16 FERC technical conference (the "Technical Conference"), CAISO representatives noted that Aliso Canyon is not currently expected to be restored to full functionality in the near future, and acknowledged changes in regulations around gas storage facilities that will need to be addressed through permanent measures on the electric side. Together, these factors underscore the need for prompt consideration of longer term market refinements to enhance price formation and improve gas-electric coordination.

EDF appreciates CAISO's intention to evaluate "market design features impacting bidding flexibility balanced against market power projections and robustness of its mitigated prices" under the *Commitment Cost and Default Energy Bid Enhancements* initiative.² CAISO's September 15, 2016 Stakeholder Initiatives Milestone document states that this stakeholder process will begin in the third quarter of 2016.³ EDF looks forward to participating in this process, and encourages

¹ Cal. Indep. Sys. Operator Corp., 155 FERC ¶ 61, 224 (2016) at p.1, "In addition, we note that our conditional acceptance of CAISO's proposal for this interim set of measures is based on the unique set of circumstances CAISO will face this summer due to the limited operability of the Aliso Canyon natural gas storage facility in southern California. *It is only under this set of unique and widely acknowledged reliability-related circumstances, in addition to CAISO's commitment to sunset the proposed revisions by November 30, 2016, that we find CAISO's proposal, subject to condition and further compliance, to be just and reasonable. We recognize that questions remain regarding Aliso Canyon's return to full capability and that longer-term solutions to some of these fuel-related issues may be necessary.*" (emphasis added)

² CAISO Draft Final Proposal, at p. 24.

³ <http://www.caiso.com/Documents/StakeholderInitiativeMilestones.pdf>.

CAISO to commence this proceeding, as scheduled, in the third quarter of 2016, ending September 30, given the need for prompt consideration of longer term market refinements.

Transparent Application of Commission Approved Measures

EDF concurs with comments made by Western Power Trading Forum, NRG, Inc. and other stakeholders emphasizing the need for transparent application of any Commission approved measures, allowing stakeholders visibility into CAISO's decision to deploy a particular type of measure.⁴

Full Deployment of Demand Side Alternatives

Information presented by CAISO representatives at the Technical Conference highlights the critical role played by demand response in addressing summer reliability challenges. For instance, demand response programs reduced peak demand by a total of over 1,000 MW on two high use days over the summer.⁵ According to the joint staff presentation delivered at the August 26 Joint Agency Workshop, demand response as a mitigation measure is anticipated to result in an additional 40 MW of savings by the end of 2016;⁶ however, the Draft Final Proposal is silent on demand response and other demand side alternatives. Given that California continues to face reliability challenges associated with the limited operability of Aliso Canyon, EDF requests that going forward, CAISO consider how best to give effect to FERC's directive in its June 1 order to deploy demand-side alternatives to the fullest extent possible.

Thank you for considering these comments. Please feel free to reach out with any questions or comments.

Sincerely,

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Manager, Natural Gas Distribution Regulation

Natalie Karas
Senior Regulatory Attorney

N. Jonathan Peress
Director, Energy Market Policy

⁴ Western Power Trading Forum Comments on CAISO Aliso Canyon Phase 2 Straw Proposal, at p. 1 (September 14, 2016), "Generally, WPTF supports the evaluation of whether the temporary measures need to be extended and refined, *and appreciates the ISO making the commitment to increase transparency where needed*"; NRG, Inc. Comments on CAISO Aliso Canyon Phase 2 Straw Proposal at p. 1 (September 14, 2016), "To ensure that that the CAISO's use of real-time contingency analysis to allow flows on Path 26 to exceed the Path 26 limit in real-time does not become yet one more way in which CAISO operators take actions to subjectively and opaquely affect market results, *the use of this method must be exercised in a transparent way and in accordance with criteria defined in advance.*" (emphasis added)

⁵ Joint Staff Presentation, Aliso Canyon and Winter Reliability Joint Agency Workshop, August 26, 2016, at p. 19, available at http://docketpublic.energy.ca.gov/PublicDocuments/16-IEPR-02/TN212929_20160824T143024_Presentation_Aliso_Canyon_and_Winter_Reliability.pdf.

⁶ *Ibid*, at p. 18.