



**COMMENTS OF NV ENERGY
ON BIDDING RULES ENHANCEMENTS
ALISO CANYON GAS ELECTRIC COORDINATION**

CAISO STAKEHOLDER PROCESS

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NV Energy has been following the proceedings to establish market mechanisms to address daily gas balancing requirements with great interest. Although NV Energy is not directly affected by the constraints on the Aliso Canyon gas storage field, it also has to manage its gas supply for its units through daily balancing and subject to tolerance bands for usage.

Based on the challenges of coordinating daily gas balancing with bids in the real time market, NV Energy is highly supportive of mechanisms in the market designed to reflect intraday prices arising from strained gas conditions. NV Energy also supports these market enhancements, to improve the accuracy of gas prices in times of gas constraints, as a long-term enhancement available to all participating resources.

With respect to the specific proposals in the April 15 straw proposal, NV Energy agrees that CAISO must increase the accuracy of its cost estimates for commitment costs and incremental energy used in the real-time market based on a valuation of real-time gas prices. NV Energy favors the straightforward, proposed method of having the market participants submit the gas commodity price and transportation rate used to calculate the maximum allowable costs and bids. NV Energy also agrees that monitoring is the appropriate way to police those submissions, and that the requirement to maintain records of actual gas procurement costs for the purpose of potential audits of those submissions is a fair trade-off. The record-keeping and potential for audit should be effective in deterring artificial submissions, while the ability of the market participant to submit actual costs is the most assured and most expedient mechanism to ensure adequate recovery. Any discussion of this option should include, however, ascertaining more details about how to best balance the transparency objectives against the burdens of an audit process. NV Energy does not favor the volume-weighted average pricing proposal, which appears to be less straightforward and raises many questions as to how to implement an accurate price.

Regarding the possibility of modeling the gas constraint, NV Energy supports including in the discussion of the process of incorporating that constraint the question of whether it is



feasible or desirable to include gas constraints elsewhere on the system. NV Energy would also like additional discussion related to its concern that holding resources affected by the Aliso Canyon constraint to the Day Ahead forecast and commitment may result in leaning on neighboring balancing authority areas in the imbalance market. As mentioned above, NV Energy is also subject to daily gas balancing, and summer is a peaking period for the desert southwest. Therefore, NV Energy does not want to be in a situation where the protections in place for resources subject to the Aliso Canyon constraints are not available to others, operating under similar conditions, who may be called upon to deliver the shortfall beyond serving their own normal loads. Therefore, to the extent such modeling is feasible and effective, NV Energy believes the model should include potential constraints in other areas of the real time market that also require participating resources to operate on daily balancing and tolerance bands. As with the more accurate pricing, NV Energy also supports this solution, if workable, as a permanent market mechanism.