COMMENTS OF NV ENERGY
ON BIDDING RULES ENHANCEMENTS
ALISO CANYON GAS ELECTRIC COORDINATION
CAISO STAKEHOLDER PROCESS
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NV Energy is not a customer of the Aliso Canyon gas storage project; however, it is subject to pipeline tariffs that impose daily balancing requirements, and must currently manage gas procurement and pipeline nominations within a narrow tolerance band of its actual gas burn. In some cases, NV Energy is also subject to penalties associated with daily balancing. As such, it recognizes the challenges caused by the fact that ISO market instructions and exceptional dispatches are not currently coordinated with daily balancing requirements Therefore, NV Energy is very interested in how the ISO will internalize the daily balancing requirements imposed upon market participants who must coordinate gas supply from Aliso Canyon with their electricity offers into the market. The answers to these challenges will affect other, similarly-situated market participants like NV Energy.

During the stakeholder call held on March 23, 2106, several market participants expressed concern about recovery of premiums for gas procurement that exceed the commitment cost cap of 125%. NV Energy is also concerned that intraday gas prices may not be reflected in the commitment cost bids that are capped at 125%. A restrictive commitment cost bid cap may not not reflect gas constraints, and therefore should be reconsidered and potentially redesigned to allow for extraordinary gas constraint situations. NV Energy is particularly concerned that the DEB restriction does not allow energy bids to be reflective of intraday gas price spikes. Currently, there is no method to recover costs if the DEB does not reflect the gas price procured above the 10% adder. The inability to properly represent gas price volatility in the bidding components could, in certain appropriate circumstances, compel participants to retract resource bids.

Another area of common concern expressed on the March 23 call was the potential inability to recover high gas prices once procured in the circumstance that changes between day ahead and real time commitments compel procurement without actual dispatch. NV Energy also must plan for its gas burn on a day ahead basis. As an EIM participant, it is interested in a solution to the uncertainty of procuring gas the day before it receives its real time market commitments. Yet another area of shared concern was the possibility of physical gas shortages interfering with unit availability after 2 pm that would create both adverse reliability situations and penalty outcomes. NV Energy shares all of these concerns with respect to its own gas procurement situation, and welcomes the discussion on solutions to these problems.

Further to the foregoing, NV Energy supports the notion that the ISO should address gas price spikes with a permanent market design change, rather than interim solutions for each occasion of known gas constraints. The CAISO invited suggestions on mechanisms to address the various concerns regarding prices subject to changes in gas supply and constraints. NV Energy provides responses regarding the following proposals:

1. Allow intraday gas prices to be reflected in bids.

NV Energy supports this proposal if it is possible for the ISO to extract gas price data that is representative of the price at which the market participants procured the gas. The price indices currently available to the CAISO do not accurately reflect intraday gas prices. Thus, NV Energy is interested in a solution that involves a more accurate intraday price index and is open to discussing alternatives that might provide that, including identifying and relying upon the most liquid gas hubs (as opposed to using fuel regions).

2. Allow the bids to include recovery of deviation charges imposed by the pipeline.

NV Energy supports this as a partial solution that may relieve some of the recovery concerns, but it does not solve for the fact that the intraday gas prices may not be appropriately reflected in bids.

3. Adopt certain market power mitigation measures used in other ISOs and RTOs to address specifically gas price spike cost recovery, which would operate in place of a bid cap to cost recovery for situations of gas price spikes.

4. Apply a fuel price tolerance band based on seasonal historical data as a cushion in the gas prices used for commitment bids or DEB cost recovery. This would provide a larger bidding cap for summer and winter months.