



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of Southern California Gas Company
(U 904 G) and San Diego Gas & Electric Company
(U 902 G) for Authority to Revise their Curtailment
Procedures

Application 15-06-020
(Filed June 26, 2015)

**REPLY OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) TO RESPONSES TO MOTION
OF FOR INTERIM ORDER ESTABLISHING
TEMPORARY DAILY BALANCING REQUIREMENTS**

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Dated: March 25, 2016

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Pursuant to Rule 11.1(f) of the Commission's Rules of Practice and Procedure,¹ Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) submit this reply to the responses of various existing and proposed new parties to SoCalGas and SDG&E's Motion for Interim Order Establishing Temporary Daily Balancing Requirements (Motion).²

The responses to our Motion present a variety of substantive and procedural concerns.

While not an exhaustive list, the following issues were raised by one or more parties:

- Whether existing low and high OFO procedures would be sufficient to deal with reliability issues created by the unavailability of Aliso Canyon;

¹ On March 16, 2016, ALJ Bushey verbally authorized SoCalGas and SDG&E to file this reply by March 25, 2016.

² The following existing and proposed parties submitted responses to the Motion: The California Independent System Operator Corporation (CAISO), Shell Energy North America (US), L.P., the Alliance for Retail Energy Markets, Commerce Energy, City of Vernon, Gas and Power Technologies, Inc., Greenwave Energy, LLC, and Pacific Summit Energy, LLC (collectively, the Joint Parties), Agricultural Energy Consumers Association (AECA), California Cogeneration Council (CCC), , California Manufacturers & Technology Association and California League of Food Processors (CMTA and CLFP), Clean Energy Fuels Corporation (Clean Energy), Indicated Shippers (IS), Interstate Gas Supply, Inc. (IGS), The City of Long Beach, Gas & Oil Department (Long Beach), NRG Energy, Inc. (NRG), Southern California Edison Company (SCE), Southern California Generation Coalition (SCGC), Sequent Energy Management, L.P. (Sequent), Southwest Gas Corporation (Southwest Gas), and Tiger Natural Gas, Inc. (Tiger).

- Whether customers should be charged a daily balancing penalty if their imbalance is in the system's favor (e.g., when the system is short gas and they are overdelivered), if the system as a whole is not out of balance, or if the imbalance is below some limited level;
- Whether core customers should be required to balance to actual usage to the extent available from advance metering;
- Whether noncore noncompliance charges should be credited back in noncore rates rather than core rates, and whether noncompliance charges are set at appropriate levels;
- Whether late revisions to CAISO dispatch orders will force electric generators out of balance without a chance to make it up, and other operational concerns;
- Whether SoCalGas and SDG&E should be required to submit a separate application seeking daily balancing authorization; and
- Whether the proposed term is too long, and whether the proposed mechanism for one-year extensions (Tier 2 ALs) is appropriate.

SoCalGas and SDG&E believe that some of the issues raised in the intervenors' responses are easy to resolve. For example, the Commission clearly has authority to issue an order establishing interim daily balancing requirements without SoCalGas and SDG&E filing a new application; this open docket considering curtailment-related issues is an appropriate place for the Commission to consider such a proposal; and it would be harmful and counterproductive to require consideration of a proposal to respond to reliability issues we will begin facing this summer into a procedural process that will most likely take 12-18 months to resolve. Likewise, intervenor calls for core to balance on a daily basis to actual usage information provided by

advanced metering ignore the fact that AMI information will always lag by at least 12 hours (24 hours is the current minimum lag time); so even if we could overcome the difficulties of creating a core target that is a mixture of forecast and AMI information, the AMI information would not be useful for daily balancing.

But some of the concerns raised by intervenors are valid, and merit further consideration. The goal of our daily balancing proposal is to enhance reliability, not collect new penalties for redistribution to other customers. We believe penalties are necessary to incentivize needed behavior, but if SoCalGas and SDG&E can structure the penalties in a way that achieves the hoped-for reliability improvements with less disruption to our customers, we are all for it. Moreover, our proposal is short-term—SoCalGas and SDG&E are not looking to extend daily balancing beyond the time that it is needed. We are open to considering a different approach to the initial term or reauthorization if it would satisfy some of the intervenors' concerns regarding the duration of our proposal while still enabling the procedure to be in place for the entire time it is needed.

In addition, SoCalGas and SDG&E are open to consideration of alternatives to daily balancing if those alternatives would achieve the needed reliability improvements. Our initial view is that using a combination of existing low and high OFO requirements would cause more disruption and uncertainty in the marketplace than a set daily balancing requirement. Moreover, the timing of notifications under the existing low OFO requirement would potentially be less operationally efficient than a set daily balancing requirement (because the low OFO determination would be based on Cycle 2 nominations rather than scheduled deliveries), and the existing high OFO procedure has a set 10% tolerance, which is not narrow enough now that we

have lost over half of our injection capacity.³ But clearly a large number of our customers would rather have SoCalGas and SDG&E use a combination of low and high OFO requirements to achieve needed balancing behavior this summer and next winter, and so we are open to consideration of that approach as an alternative to daily balancing.

To address customer and shipper concerns, SoCalGas and SDG&E held an initial conference call on March 22, 2016, to discuss daily balancing issues with all intervenors. As a result of that call, we have agreed to undertake a workshop process to explore issues relating to our daily balancing motion, and the first such workshop will be held at the SoCalGas Energy Resource Center in Downey on April 4, 2016. SoCalGas and SDG&E are not certain that this process will result in changes to our daily balancing proposal, but we believe that it is worth the effort to try to work out the concerns and differences intervenors have with our proposal. We view this workshop process as something that will need to proceed fairly quickly so that daily balancing or other reliability-related changes can be put in place by this summer.

For these reasons, SoCalGas and SDG&E request that the Commission hold off taking any action with respect to our Daily Balancing Motion until we have had a chance to meet with intervenors in a voluntary workshop process. We further request that the Commission allow SoCalGas, SDG&E, and other workshop participants to present a joint workshop report or other filings (e.g., two rounds of comments if workshop discussions do not lead to enough of a

³ The proposed 2016 TCAP Phase 1 settlement presented for the Commission's consideration on August 31, 2015, in A.14-12-017 would change our high OFO tolerances and penalties to match those on the low side, and enable SoCalGas and SDG&E to narrow daily high delivery tolerances to a level appropriate to deal with the upcoming short-term reliability challenges we will be facing. But SoCalGas and SDG&E have no control over when or whether the Commission will act on the proposed 2016 TCAP Phase 1 settlement.

