

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Safe and Reliable Gas Systems in
California and Perform Long-Term Gas
System Planning.

Rulemaking 20-01-007
(Filed January 16, 2020)

**OPENING COMMENTS OF
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
ASSIGNED ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

March 19, 2021

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on Assigned Administrative Law Judge's Ruling Seeking Comments, issued in this proceeding on February 26, 2021 (February 26 ALJ Ruling). These Opening Comments are timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the instructions contained in the February 26 ALJ Ruling.

**I.
OVERVIEW**

The February 26 ALJ Ruling directs parties to file comments on questions regarding Phase 1 of this proceeding which are attached as Attachment 1 to the Ruling.¹ CEERT responds solely to the question posed regarding Track 1B, Scoping Memo Issue 2. Track 1B, Scoping Memo Issue 2 is as follows:

During 2017 and 2018, the higher than average gas prices at SoCal Citygate caused the price of wholesale electricity to significantly increase. Should the Commission establish contract or tariff terms and conditions or new rules to attempt to decrease the risk of electricity price volatility caused by potential gas supply issues? If so, what terms, conditions or new rules should be considered?²

¹ February 26 ALJ Ruling, at p. 1.

² Attachment 1 to February 26 ALJ Ruling, at p. 4.

II. CEERT'S RESPONSE TO TRACK 1B, SCOPING MEMO ISSUE 2

1. **Should the Commission require electric generators to provide projections of hourly gas usage information on a day-ahead basis?**

Yes. However, CEERT must emphasize that these projections will be based on results from the CAISO Day Ahead Unit Commitment Process that designates which generators will receive Day Of dispatch orders and what hourly quantities are expected to be dispatched the next day. It is routine that these Day Ahead commitments are impacted by events that occur on the electric grid in the 24 hours before real time dispatch and the California Independent System Operator (CAISO) has elaborate mechanisms to resolve the differences between day ahead and real time quantities and prices to assist efficient market transactions. In addition, the timing of these CAISO Day Ahead projections does not align well with the gas market day ahead nomination process. This information may be useful to the operators of the gas system for background and context³ in near real time planning but cannot be used for establishing anything approaching the precision required for imbalance penalty enforcement or other similar non-operational issues.

What is much more important for timely public posting is “real time” gas spot prices at the Citygate. These Citygate “burner tip” prices vary in response to all of the supply/demand issues on the system whether that be a polar vortex event impacting the state of Texas or sudden supply/demand imbalances whose cause is more local in nature. The point of posting these prices, that are available to all market participants with excellent quality control and transparent definitions through mechanisms like paid prescription services, is that gas spot prices immediately flow through to spot electricity prices that are already posted on a 5 min rolling

³ For example, it could be that a particular CAISO day ahead award might present an issue to the gas operator due to some late breaking event or scheduled system maintenance, and communication of this back to the generator and/or CAISO could mitigate the potential impact in real time.

basis by precise location on the CAISO's public website. Simultaneous comparison of trends in gas spot prices and electricity spot prices allows operators, market participants, regulators, and the general public an instant window on the financial consequences of emerging price spikes as well as a forensic record to aid in diagnosing the problem and designing mitigation strategies.

CEERT believes that this simple change in existing industry practice with de minimus cost has the potential to save enormous sums for ratepayers. For example CEERT recalls that Citygate gas price spikes in the summer of 2018 related to the congruence of safety related operating restrictions on Aliso Canyon plus maintenance outages on the desert backbone transmission system during a period of high electricity demand caused by high but "normal" summer temperatures resulted in an "imbalance" of over \$800M in Southern California Edison's (SCE's) "ERRA" balancing account. This ERRA account is where raw variable electricity production costs are collected for pro rata distribution to be "automatically" collected on monthly consumer electric bills. SCE rang the alarm bell and raised the flag in August of 2018⁴ but it took the Commission until January 2019 to diagnose the problem, calculate its approximate magnitude and probable persistence, and July 2019 to issue an Order revising the "temporary" Aliso Canyon operating protocols to mitigate the issue⁵. If the real time gas and electric spot prices had been simultaneously posted to the public, the existence and size of the problem would have been apparent much earlier than August, and diagnosis and adopted mitigation could have been in place in much shorter time frame than 10 months. Commission ratepayers could have been saved close to \$1B dollars -- not to mention savings to electric ratepayers on interconnected system as far away as the City of Los Angeles or the Pacific Northwest who incurred additional

⁴ AL 3856-E (https://library.sce.com/content/dam/sce-doclib/public/regulatory/filings/rejected/electric/ELECTRIC_3856-E.pdf)

⁵ https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/News_Room/NewsUpdates/2019/UpdatedWithdrawalProtocol_2019-07-23%20-%20v2.pdf

costs due to the ripple effect of high prices on the dominant CAISO system on the interconnected Western United States, Canada, Mexico grid.

a. If so, how should the information be transferred from electric generators to gas utilities?

Yes, from electric grid operator to gas grid operator with the same caveats listed above.

b. What changes would you propose to SoCalGas Rule No. 30 and PG&E Rule No. 21?

At this time, CEERT has no specific recommendation for changes to Rule No. 30 and/or Rule No. 21. However, CEERT expects that, as this proceeding progresses, it is highly likely that CEERT or other parties will propose modifications to these Rules to conform with other policy changes that may be recommended or ordered.

III. CONCLUSION

CEERT appreciates this opportunity to provide these Opening Comments.

Respectfully submitted,

March 19, 2021

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