

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

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)

**RESPONSE OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION**

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In compliance with Rule 2.6(c) of the Commission's Rules of Practice and Procedure, the Independent Energy Producers Association (IEP) respectfully submits its response to the application of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) to revise their gas curtailment procedures. IEP submits this response to draw the Commission's attention to three points.

I. RESPONSE TO THE APPLICATION

First, it is critically important for proposed curtailment of natural gas deliveries to gas-fired electric generation plants to be closely coordinated with the system operator for the electric Balancing Authorities that are affected by this proposal. IEP notes that on April 24, 2015, the Federal Energy Regulatory Commission issued its Order 809, seeking to improve coordination between the scheduling practices of interstate natural gas pipelines and the wholesale electric industry. The Commission also should carefully consider the need for coordination between the gas utilities and the needs of wholesale electric generators as it deliberates on SoCalGas and SDG&E's application. IEP recommends that the Commission

should consider a broader, stakeholder process (perhaps led by the CAISO) to address the gas/electric coordination issues raised by this application, including issues associated with the priority of gas curtailments.

IEP's concern about the need for better gas/electric coordination is heightened by the recent experience with gas curtailment in Southern California. On June 30, electric generators in the Los Angeles Basin had their gas supplies curtailed due to two primary factors. First, high demand for natural gas-fired electric generation in the LA Basin occurred. This demand was driven by hot weather in Southern California and across the west, which resulted in a significant drop in net imports of electricity into the control area of the California Independent System Operator (CAISO), prompting the need for additional in-state generation. Second, a gas pipeline outage occurred in the SoCalGas system within the LA Basin. Apparently, this outage – which constrained the amount of in-basin electric generation that could be supplied with gas – was not factored into the CAISO's day-ahead market for any day, including June 30. As a result, the CAISO awarded generators in the LA Basin financially binding Day-Ahead generation schedules that these generators would not be physically able to deliver because of the gas curtailments. To make matters worse, the curtailment instructions communicated to generators on June 30 did not account for the curtailed units' actual heat rates, resulting in inefficient curtailment. As it turned out, reliability in the LA Basin was preserved when the CAISO called for voluntary conservation and customers responded. Nevertheless, this event posed a dilemma for the curtailed electric generators: either (1) curtail their gas consumption (and electric output) and be forced to buy back their CAISO day-ahead schedules at potentially volatile real-time prices, or (2) generate to the levels of their day-ahead schedules and face penalties for over-burning gas during a curtailment.

The June 30 event demonstrates that gas curtailments have real and potentially severe consequences for generators participating in the CAISO's wholesale electricity markets. In the context of the Commission's consideration of revisions to gas curtailment protocols by SoCalGas and SDG&E, the Commission should consider these matters broadly and with full participation of the CAISO and its stakeholders. Before it acts on the current application, the Commission should ask the CAISO to convene a stakeholder process to consider the full implications of changes in gas curtailment provisions in light of the need to ensure effective and efficient gas/electric coordination.

Second, the application assumes a priority of curtailment that curtails gas-fired electric generators first. This priority originated when many of the power plants in Southern California had dual-fuel capability and could continue to operate by burning oil when gas was curtailed. The basis for this assumption is no longer valid. Today's gas-fired power plants cannot burn oil due to air pollution limitations, and newer plants are not designed to have dual-fuel capability. They must reduce generation when gas deliveries are partially curtailed and shut down if gas is totally curtailed. On a cold winter day, when gas demand is at its highest, it may not make sense to ensure that residential customers have gas for their furnaces but no electricity to power the furnace fans.

As part of this proceeding, the Commission should consider whether it would be less disruptive to public health and safety to curtail other industries or customer classes before reducing gas deliveries to electric generators.

Third, one of the applicants, SDG&E, is also the owner and operator of gas-fired power plants, and the applicant utilities have affiliates that also own and operate gas-fired power plants. The Commission should ensure that the adopted curtailment protocols are designed to

implement any curtailments of gas supplies to power plants in a fair and nondiscriminatory manner.

II. COMPLIANCE WITH RULE 2.6(d)

Category: IEP does not dispute applicants' proposed categorization of this proceeding as ratesetting.

Need for Hearings: IEP does not dispute applicants' belief that hearings may be necessary in this proceeding.

Issues to be Considered: In this response, IEP has identified additional issues that need to be considered in this proceeding.

Proposed Schedule: IEP has no objection to applicants' proposed schedule.

Respectfully submitted August 10, 2015 at San Francisco, California.

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