

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

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 24-09-012

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON ORDER INSTITUTING RULEMAKING**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits opening comments on the October 4, 2024 *Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Long-Term Gas System Planning* (OIR) by the California Public Utilities Commission's (Commission), as further addressed by the November 12, 2024 *Assigned Commissioner's Ruling Scheduling Prehearing Conference, Noticing Preliminary Updates to Scope and Categorization, and Inviting Party Comments*.

The CAISO urges the Commission to take an integrated approach to gas and electric system planning to enable the joint reliability of these interrelated systems in this proceeding. The CAISO encourages the Commission to include a standalone scope item for gas and electric system coordination to serve as a focal point for discussions on this subject. The CAISO also suggests that the Commission consider more specific sub-issues under the broader topic of long-term gas planning in this proceeding. Finally, the CAISO recommends the Commission

coordinate this proceeding with the Integrated Resource Plan (IRP) which focuses on long-term electric system reliability.

II. Discussion

A. The Proceeding Should Specifically Consider Gas and Electric System Coordination During the Gas Transition Within the Scope.

As part of the forthcoming Scoping Memo, the CAISO urges the Commission to include a scope item for gas and electric system coordination. The natural gas and electric systems are interdependent and the OIR acknowledges these interdependencies.¹ Although the OIR includes as preliminary scope items some topics that may relate to gas and electric system coordination, it does not include a specific scope item for this critical topic.² A standalone scope item will allow parties to consider how other scope items relate to gas and electric coordination. It will also allow parties to more specifically identify the interdependencies between the gas and electric systems as responsive to the proceeding, and allow for thorough consideration of the linkages the Commission should consider when planning and making decisions about gas infrastructure. Finally, it will provide an opportunity to discuss the joint reliability of the gas and electric systems during the gas transition, and consider options for more integrated gas and electric system planning.

B. The Commission Should Consider Key Trends and Concepts Related to Long-Term Gas System Planning and Impacts on Electric Reliability Under Preliminary Issue 1(a).

In the Rulemaking (R.) 20-01-007 Draft Scoping Memo, the Commission began considering trends in gas usage and whether changes in gas usage could create issues on the gas

¹ OIR, p. 4.

² The preliminary scope items that relate to gas and electric system coordination include 1a, 1g, 1h, 1j, and 2n.

system.³ These issues are also considered in the Gas Transition White Paper that has been resubmitted into this proceeding.⁴ The OIR in this proceeding only includes as a scope item the broad question: “[h]ow should the CPUC approach long-term gas planning?”⁵ It does not include specific consideration of how trends in gas usage patterns and changes in how gas infrastructure is used might affect long-term gas system planning and electric reliability. The CAISO recommends the Commission consider more specific sub-issues under this broader question.

In particular, the Commission should include in the scope of this proceeding a consideration of key usage trends and concepts related to long-term gas system planning and impacts on electric reliability. Understanding how gas usage is predicted to change during the gas transition will help build a record the Commission can leverage to strengthen reliability planning for both gas and electric systems. For example, if the gas transition results in reduced gas flows that lead to operational risks, such as temporary outages on gas pipelines or operational flow orders, this could impact the ability of electric generators to respond to CAISO dispatches, impacting electric reliability.

Additionally, the Commission should consider that under a high electrification scenario, today’s noncore gas users (i.e., electric generation) may increasingly need to serve core users’ (i.e., residential and small commercial) electricity needs. High electrification needs such as transportation electrification and increased fuel switching from gas to electric for residential and

³ Assigned Commissioner’s Ruling Scheduling Phase 3 Prehearing Conference and Providing Joint Agency Staff Gas Transition White Paper and Draft Phase 3 Scope and Schedule for Party Comment, R.20-01-007, February 22, 2024.

⁴ Joint Agency Staff, Gas Transition White Paper, p. 30:

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M525/K660/525660391.PDF>.

⁵ OIR, p. 12.

small commercial uses may result in increased gas needs to support electric reliability in the near term.

In addition to increases in gross electric demand, electrification can change both electric and gas demand shapes. The Commission should consider that gas-fired resources will continue to support ramping needs and electric demand peaks, as well as charging by energy storage resources. Gas-fired electric generators continue to play a significant role in providing ramping energy in the evening as the sun sets and demand remains robust, as well on days when demand from the grid fluctuates due to clouds' impacts on behind the meter solar generation. The California Energy Commission's (CEC) 2023 demand forecast also shows that electrification of space and water heating will drive higher demands and steeper ramps in winter morning hours in future years.⁶ The CAISO may therefore rely on increased electric production from gas-fired generation in the morning hours when electricity end-use customers begin warming their homes. The Commission should consider these evolving gas and electric consumption patterns in coordinated long-term gas and electric planning.

The CAISO also recommends the Commission consider in this proceeding's scope the extent to which existing gas infrastructure can support the transportation of hydrogen, in turn, supporting the development of hydrogen for various end uses, including electric generation.

Lastly, the CAISO recommends the Commission coordinate with neighboring regions on long-term gas system planning. This includes evaluating gas infrastructure needs (pipelines and storage) and gas usage trends across a wider footprint, as areas external to California transition

⁶ CEC, Hourly Electricity Demand, California Energy Demand Forecast 2023-2040, (Dec. 18, 2023) at Slide 22.

from coal to gas-fired electric generation and also transition from fossil-fuel energy sources to renewable and zero-emitting sources.

C. The Commission Should Closely Coordinate this Proceeding with the IRP Proceeding Which Focuses on Long-Term Electric System Planning.

In the predecessor to this proceeding, R.20-01-007, several parties commented that the Commission's long-term gas planning proceeding should coordinate with the IRP proceeding.⁷ The IRP proceeding focuses on long-term electric reliability and meeting electricity sector greenhouse gas reduction targets. The CAISO continues to reiterate the need for this coordination in this context, and urges the Commission to recognize this connection in the Scoping Memo. Any consideration or decision in this proceeding must align the long-term gas transition plans and the assumptions about the gas-fired electric generation fleet in the IRP proceeding.

For example, if the Commission decides upon electric generation resource portfolios in the IRP proceeding that include less gas-fired electric generation, the Commission should also consider whether the decrease in gas demand might create the risk of reduced gas flows, impacting the reliability of gas infrastructure. Conversely, if the Commission makes a decision in this proceeding to reduce gas storage, the Commission should consider whether there is sufficient electric generation to meet the portfolios established in the IRP proceeding.

⁷ CAISO, Opening Comments on Draft Phase 3 Scope (R.20-01-007), p. 2 (Mar. 14, 2024); Southern California Edison Company, Opening Comments on Draft Phase 3 Scope, p. 4 (Mar. 14, 2024); Pacific Gas and Electric Company, Opening Comments on Staff Decommissioning Proposal (R.20-01-007), p. 36 (Feb. 24, 2023); Indicated Shippers, Opening Comments on Staff Decommissioning Proposal (R.20-01-007), p. 49 (Feb. 24, 2023); Middle River Power LLC, Opening Comments on Staff Decommissioning Proposal (R.20-01-007), p. 7 (Feb. 24, 2023).

Coordination across planning processes will ensure the Commission can appropriately evaluate the complex interplay between gas and electric systems in order to make decisions about gas and electric infrastructure. The IRP in particular serves as a driver for transmission planning at the CAISO and adequate notice is needed for planning for any infrastructure requirements related to increased electrical generation as a result of gas storage reduction.

III. Conclusion

The CAISO appreciates the opportunity to provide opening comments on the OIR and urges the Commission to (a) include a specific scope item related to gas and electric coordination, (b) direct specific coordination with IRP, and (c) add additional nuanced sub-scope items under the CPUC's approach to long-term gas planning.

Respectfully submitted

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