

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

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Roger E. Collanton
General Counsel
John Anders
Deputy General Counsel
Andrew Ulmer
Assistant General Counsel
Sarah E. Kozal
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916- 956-8838
Fax: 916-608-7222
Email: skoza1@caiso.com

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits comments on the February 22, 2024 *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* (Ruling) issued by the California Public Utilities Commission (Commission).

The Ruling outlines the draft scope and schedule of Phase 3 of the Commission’s Long-Term Gas Planning Rulemaking. The draft scope for Phase 3 includes a range of important topics regarding long-term gas transition planning approaches. In these comments, the CAISO supports the Commission’s integrated approach to gas system planning in the scope of Phase 3. In particular, the CAISO supports the Commission’s coordinating this proceeding with other state agency planning processes and related Commission proceedings. The CAISO appreciates the Ruling’s focus on interdependencies between gas and electric systems. The CAISO recommends the Commission coordinate this proceeding with the Integrated Resource Plan (IRP) which focuses on long-term electric system reliability. The CAISO also suggests additional concepts the Commission should consider in the Phase 3 scope related to gas and electric system planning.

II. Discussion

A. The Commission Should Include Integrated Gas and Electric System Planning in the Phase 3 Scope.

The CAISO appreciates the Commission explicitly including the impacts of gas system transition on gas and electric reliability in the Phase 3 scope. The CAISO also appreciates the

integrated approach to long-term gas system planning discussed in the Ruling, which includes coordination with planning processes at the California Energy Commission (CEC) and California Air Resources Board (CARB), and with electric system planning.

The CAISO agrees with the questions raised in section 8.1 of the Ruling related to coordinated long-term planning, data sharing between gas and electric utilities, and gas usage by noncore customers including electric generators.¹ As detailed in the CAISO's previous comments in this proceeding, the electric and gas systems are interdependent. There are gas-fired generators connected to both the gas transmission and distribution systems that rely on gas infrastructure to serve electric demand.² Thus, the Commission should consider the interdependence of the gas and electric systems when making decisions regarding gas infrastructure, as such decisions could impact electric system reliability.

B. The Commission Should Coordinate this Proceeding with the Integrated Resource Plan Proceeding.

The CAISO appreciates the Commission's inclusion of several other proceedings that relate to this proceeding in the Ruling.³ An integrated planning approach with related Commission proceedings and other agencies' long-term planning efforts will ensure state planning efforts are well-aligned and produce consistent results.

The Commission should also coordinate this proceeding with the Commission's IRP proceeding, which focuses on long-term electric reliability and meeting electricity sector greenhouse gas reduction targets. In Decision 24-02-047 in the IRP proceeding, the Commission adopted a High Gas Retirement sensitivity case, which the CAISO will study as a sensitivity case in the 2024-2025 Transmission Planning Process.⁴ This sensitivity case, however, was based on new criteria developed in the IRP proceeding. The Commission should coordinate this proceeding with the IRP proceeding going forward, and align long-term gas transition plans with assumptions about the gas generation fleet in the IRP proceeding.

¹ Ruling at p. 17.

² CAISO, Comments on Amended Scoping Memo Track 2a Scoping Questions 2.1(b) – 2.1(k), June 15, 2022: <http://www.caiso.com/Documents/Jun15-2022-Comments-AmendedScopingMemo-Track2a-ScopingQuestions21b21k-Safe-ReliableGasSystems-R20-01-007.pdf>.

³ Ruling at pp. 13-16.

⁴ Decision Adopting 2023 Preferred System Plan and Related Matters, and Addressing Two Petitions for Modification (Feb. 20, 2024).

C. The Commission Should Consider Additional Key Trends and Concepts in Track 2 Related to Long-term Gas System Planning and Impacts on Electric Reliability.

Track 2 of the Ruling considers questions related to approaches for long-term gas transition planning, including questions regarding trends in gas usage and whether changes in gas usage could create issues on the gas system. For example, the Ruling asks whether technical issues could arise from declines in flow volumes on gas transmission or distribution pipelines.⁵ If reduced gas flows lead to operational risks, such as temporary outages on gas pipelines, this could impact the ability of electric generators to respond to CAISO dispatches, impacting electric reliability. The CAISO appreciates the Commission including these types of questions in the Phase 3 scope, which will help build record the Commission can leverage to strengthen reliability planning for both gas and electric systems.

The Commission should also consider in Track 2 that, 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. The CEC's latest 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 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.

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 small commercial uses may result in increased gas needs to support electric reliability in the near term. The CAISO also recommends the Commission consider in the Phase 3 scope how to

⁵ Ruling at p. 18.

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

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

D. The Commission Should Expand on the Requirement for Utilities to Consider the Impacts of De-rating or Decommissioning Gas Transmission Infrastructure on Electric Reliability Adopted in Phase 2.

The CAISO supported the adoption of Commission Decision (D.) 23-12-003, which requires utilities to consider electric reliability impacts when deciding whether to derate or decommission versus repair or replace gas transmission infrastructure.⁷ However, the CAISO's comments on the Proposed Decision noted that, "[t]he PD does not specify electric system balancing authority areas' role in this new process" and asked the Commission to develop, "[a] structured process for balancing authority areas to provide input on gas utility assessments of electric reliability impacts when derating or decommissioning gas pipelines."⁸

The CAISO noted that, "[a]lthough gas utilities may coordinate up front with balancing authority areas on these decisions, the Commission should develop a process where the CAISO and other balancing authority areas can provide input or their own assessments of electric system impacts on record. For example, the CAISO may be able to provide insight on electric system impacts that may extend beyond the visibility of individual gas utilities."⁹ The CAISO recommended that the Commission specify that gas utilities should coordinate with the CAISO and other California balancing authority areas regarding assessments of impacts to electric reliability.¹⁰

In Phase 3 of this proceeding, the Commission should develop additional guidance to support the requirements adopted in D.23-12-003, to more clearly specify *who* utilities should

⁷ Decision On Phase 2 Issues Regarding Transmission Pipeline And Storage, R.20-01-007, (Dec. 14, 2023) at p. 20.

⁸ CAISO, Comments on Proposed Decision on Phase 2 Issues Regarding Transmission Pipelines and Storage at p. 2.

⁹ *Id.*

¹⁰ *Id.*

work with and *how* utilities should consider electric reliability when making decisions to derate or decommission gas pipelines that affect electric generation.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the Ruling.

Respectfully submitted

By: /s/ Sarah E. Kozal

Roger E. Collanton

General Counsel

John Anders

Deputy General Counsel

Andrew Ulmer

Assistant General Counsel

Sarah E. Kozal

Counsel

California Independent System

Operator Corporation

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