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SDG&E Comments on Regional Electricity Grid Workshop

Additional submitted attachment is included below.



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California Energy Commission
Docket Office
Docket No. 24-IEPR-01
715 P Street
Sacramento, CA 95814

SUBJECT: SDG&E Comments on January 24, 2025, IEPR Commissioner Workshop on Regional Electricity Markets and Coordination

Submitted electronically to Docket No. 24-IEPR-01

Dear Chair Hochschild and Honorable Commissioners:

San Diego Gas & Electric Company (“SDG&E”) appreciates the opportunity to provide comments in response to the California Energy Commission’s (CEC) January 24, 2025, Integrated Energy Policy Report (“IEPR”) Commissioner Workshop on Regional Electricity Markets and Coordination (“Workshop”). There was significant discussion during the workshop underscoring the mutual interest in advancing regional electricity markets in the West. In response, SDG&E offers the insights below to guide discussions moving forward.

I. SDG&E Supports the Pathways Initiative and Regionalization

SDG&E has supported the Pathways Initiative since the Launch Committee was formed and has been actively participating in the step-wise Regional Organization (RO) development process since May 2024. It is evident that the Launch Committee spent significant time diligently contemplating the structure and intricacies of the new RO and took into account feedback from stakeholders in its final proposal. Step 2 of the Pathways initiative provides a well-reasoned, incremental approach that will create more opportunities for collaboration and efficiency in the larger Western footprint. SDG&E is grateful for the transparent and collaborative process that took place and looks forward to continuing to support the Formation Committee in its upcoming efforts.

II. Regionalization Creates Cost Savings and Supports Grid Reliability

SDG&E looks forward to the launch of the Extended Day-Ahead Market (EDAM) and the numerous benefits it is expected to bring. Given the Western Energy Imbalance Market’s (WEIM) track record of success, with cumulative benefits

approaching \$7 billion,¹ EDAM has the potential to benefit participants and their customers through operational efficiencies and the pre-positioning of resources during periods of system stress. This will result in significant cost savings as well as enhanced grid reliability. The creation of and participation in the RO will grow these benefits as additional entities join and the footprint of EDAM expands.

Based on current and expected participation in the California Independent System Operator's (CAISO) EDAM, balancing authority areas (BAA) will benefit from a wider breadth of loads and resources; i.e., a larger pool in which short term imbalances between loads and resources are netted-out, reducing the amount of operational reserves otherwise required ("diversity benefits"). This will minimize renewable resource curtailments, lower emissions and reduce costs for customers. A larger resource pool increases reliability because more resources are available to be pre-positioned in anticipation of stressed system conditions; e.g., in preparation for planned or potential transmission outages.

The CEC should aim to support efforts and enable policies that increase the likelihood of entities joining EDAM, which should create a bigger footprint, as a larger footprint should bring more benefits for participants. As shown in The Brattle Group's presentation, annual benefits can vary as much as \$500 million per year as the EDAM footprint changes.² A RO that independently governs the EDAM and WEIM markets will give deference to individual state policies which will encourage more entities to choose EDAM over another day-ahead market.

Underscored by the Stanford University presentation, "Grid Regionalization in the West: Reliability Benefits from Increased Cooperation in Electricity Markets and Operations," demand for electricity is expected to grow nationwide, and weather events can result in reliability concerns for certain regions.³ A day-ahead market with a large footprint will allow BAAs to efficiently and effectively coordinate, better ensuring they can satisfy demand in their areas as grid conditions evolve.

Conclusion

Thank you for your consideration of these comments. SDG&E looks forward to continuing to engage with the CEC, CPUC, CAISO, and stakeholders as California on this issue. On the matter of any legislation that might be proposed to effectuate Step 2 of the Pathways Initiative, SDG&E recommends that any proposed legislation maintain a narrow scope to address those limited revisions that are essential to implementing the framework

¹ <https://www.caiso.com/about/news/news-releases/weim-cumulative-benefits-approach-7-billion>

² Preliminary Day-Ahead Market Impacts Study on California Customers, Brattle, January 24, 2025.

³ Grid regionalization in the West: Reliability Benefits from Increased Cooperation in Electricity Markets and Operations, Stanford Climate & Energy Policy Program, Woods Institute for the Environment, January 24, 2025.

successfully. A targeted approach will enhance the likelihood of timely action and facilitate continued progress for the Pathways Initiative implementation.

Sincerely,



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