Stakeholder Comments Template

Submitted by	Company	Date Submitted
Fernando E. Cornejo *fernando.cornejo@sce.com*	*Southern California Edison*	*August 22, 2013*

Please use this template to provide your comments on the Interconnection Process Enhancements Straw Proposal posted on July 18 and as supplemented by the presentation and discussion during the August 8 stakeholder meeting.

Submit comments to GIP@caiso.com

Comments are due August 22, 2013 by 5:00pm

The Straw Proposal posted on July 18 may be found at:

http://www.caiso.com/Documents/StrawProposal-Topics1-5_13-15_InterconnectionProcessEnhancements.pdf

The presentation discussed during the August 8 stakeholder meeting may be found at:

http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancements080813.pdf

Please provide your comments following each of the topics listed below.

Topic 1 – Future downsizing policy

Comments: SCE agrees with the CAISO's proposal to evaluate the impacts of all valid downsizing requests received from Interconnection Customers (IC) during a particular downsizing window in the October-November timeframe to be assessed during the annual GIDAP reassessment in January of the subsequent year, so as to not create a separate technical study for transmission planners who are already stretched thin with the existing cluster study requirements.

However, SCE objects to the CAISO's proposal to provide unlimited downsizing opportunities to ICs. There should be reasonable limits on the number of downsizing requests that a generation

developer can submit during the lifecycle of a project. One or two such requests during the lifecycle would be feasible and reasonable. In contrast, allowing an endless number of downsizing requests increases the possibility of gaming and begs the question regarding 1) the project's viability, and 2) the IC's motivation behind such a request.

Notably, the CAISO previously undertook a generator project downsizing effort for all pre-Cluster 5 projects in response to "numerous requests from affected ICs for an opportunity to downsize their projects in addition to existing downsizing options."[1] Out of approximately 91 active CAISO projects in SCE's service territory eligible for downsizing, only eight ICs requested downsizing, representing less than 9% of all eligible projects. Two of those eight projects requested downsizing to levels that resulted in project sizes that were not reasonable for the interconnection voltage level, raising a concern that the downsizing process was used as a means of lowering financial security posting amounts at risk. Two other downsizing requests could have been adequately dealt with under a material modification request, as the low turnout in the area did not eliminate the need for any of the upgrades previously identified.

As a result, SCE believes it is premature to dispense with reviewing potential downsizing of a project under a material modification request as such request may be easier and less time consuming to implement. Particularly given that there were so few downsizing requests associated with the pre-Cluster 5 projects, SCE is concerned that providing unlimited downsizing opportunities will increase queue clogging, as the interconnection customers will have options to prolong the "study" of infeasible projects instead of withdrawing them earlier or executing an interconnection agreement.

Additionally, consistent with prior CAISO Tariff revisions pertaining to downsizing, the CAISO should ensure that PTOs and other parties are not adversely impacted and are not responsible for any additional costs as the result of downsizing requests – all such costs should be borne by the downsizing generator. SCE recognizes that a generation developer may wish to reduce the size of its project to reflect the prevailing commercial realities in which the IC is operating under, such as PPAs that are being secured and/or licensing issues that have become insurmountable. However, the requests to downsize should be accompanied by some form of reasonable and verifiable justification, and should not be used as a vehicle to continually carve away at a project that ultimately will have no technical semblance to the project that was originally described and studied. In other words, the proposed reduction in size of a project should be reasonable to allow ICs to respond to market conditions and permitting challenges, rather than an opportunity for the ICs to avoid or lower interconnection financial security postings. To avoid the latter concern, SCE believes that there should be limits on the number of

[1] http://www.caiso.com/Documents/October292012GeneratorProjectDownsizingAmendment-DocketNoER13-218-000.pdf

downsizing requests that a generation developer can submit, that such requests should be accompanied by reasonable and verifiable reasons for the request, and that such requests should be applicable to only active projects with executed interconnection agreements irrespective of where in queue the project resides (applicable to both pre-Cluster 5 as well as those in and after Cluster 5) as these projects are the prime candidates to be further along in licensing or PPA execution and therefore know if a downsizing request is actually required. Moreover, the conditions that drive a need to downsize do not cease beginning with Cluster 5. Ultimately, the overarching principle of not adversely impacting other generators in the queue and minimizing shifts in financial responsibility to PTOs (including minimizing the cost related to amending GIAs) must be adhered to in any downsizing policy.

The CAISO is also considering an alternative to the existing relationship between downsizing and the "5% safe harbor" provision whereby a generating facility is completed and achieves commercial operation at less than 95% of MW size indicated in GIA (and IC successfully demonstrates reduction is warranted under at least one of the three existing permissible criteria). Assuming such a proposal is adopted, it is absolutely necessary for the IC to bear the financial responsibility of all requirements identified when considering the full project MW and the impacts of the safe harbor on the PTOs and third parties. For example, the IC should continue to be responsible for paying for network upgrades that were included in the original scope of the project, but are no longer required to support the downsized project. This is premised on the fact that the studies conducted for subsequent generation projects, interconnecting both under the CAISO Tariff or the distribution tariffs of the affected PTOs, may have assumed the existence of these upgrades in their base case, requiring them for the projects to proceed. The responsibility for paying the costs of those upgrades should not shift onto the PTOs and their ratepayers or other generators as a result of the IC's decision to downsize. Accordingly, the IC should not have any remaining financial security associated with the eliminated MW portion of the project returned, until those upgrades are constructed and operational.

Topic 2 – Disconnection of first phase of project for failure to build later phase

Comments: An IC that develops the first phase of its project, but fails to develop subsequent phases, does not necessarily need to have its GIA terminated automatically, or the existing portions of its project disconnected. Since the first phase of the project is operational, it would be appropriate to conduct a second review to determine whether disconnection would be required on a financial basis.

The IC should continue to bear the costs of PTO upgrades that were included in the original scope of the project, but are no longer required to support the downsized project as discussed above. The inability or failure to pay for these costs is a financial factor that would justify

termination and disconnection of the GIA and the project. Other factors that should be considered include other negative financial impacts to the PTO that the IC is not able to fully mitigate; negative financial impacts or delays in COD of other generators; and other adverse consequences that cannot be mitigated.

In instances in which the IC does not want to develop a later portion or phase of its project within the timeframes identified in the Interconnection Agreement, the IC should be required to request a material modification evaluation to determine whether other IRs or PTOs are negatively impacted, before being allowed to cancel the later phase or otherwise defer the defined in-service and commercial operating dates. Such deferrals, assuming no material impact is identified, should be limited as to not exceed the total time allowed by the tariff for completing the project. Furthermore, the cost to develop an amendment to the Interconnection Agreement should be borne by the IC. In addition, the IC should remain responsible for all interconnection financial security and costs associated with the full MW size of the project, as reflected in the GIA. If the IC does not develop the full project within the timeframes identified in the Interconnection Agreement, the project should proceed to a formal downsizing study at the IC's expense to ensure GIA's properly reflect actual project ultimately constructed in order to eliminate future "claims" to unused capacity (i.e., capacity reservations) to the detriment of future generation seeking interconnection.

The pro rata portion of security postings and costs associated with the cancelled portion of the project should not be eligible for reimbursement.

Topic 3 – Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects

Comments: An IC's request to develop its project in a phased structure does not, standing alone, automatically extend the project's COD. Irrespective of thresholds in terms of the limit on the number of phases allowed or the limit on the MW size of each phase, each phase of a given generation project must make progress so that all the phases evaluated collectively will result in the project complying with the provisions of a single interconnection request.

That said, there should be some reasonable limits to reflect the realities of the number and magnitude of power procurement contracts being executed, as well as timelines for the construction of network upgrades. As such, SCE urges the CAISO to consider that there be limits associated with the number of phases allowed per project and that the request to create a specific phase amount should be accompanied by some form of reasonable and verifiable justification. Without establishing limits and requiring some form of justification, the potential exists that voluminous amounts of changes to project phases will occur and stymie progress towards project completion, increase the requests for project downsizing, or ultimately lead to

the project withdrawing to the detriment of all. Also, the definition of the operational needs to satisfy all projects will be impossible to quantify if project phases are allowed to change with no limits imposed. Lastly, once phasing is defined, it should be incorporated into the GIA. Changes to phasing already defined in a GIA will need to be evaluated for material impact and negotiated with the ISO and PTO and the GIA must be amended at the IC's expense.

Topic 4 – Improve Independent Study Process

Comments: SCE has been participating, and plans to continue doing so, in the bi-weekly ISP working group meetings which are intended to develop proposals for improving the ISP.

Topic 5 – Improve Fast Track

Comments: SCE has been participating, and plans to continue doing so, in the bi-weekly Fast Track working group meetings which are intended to develop proposals for improving the Fast Track process.

Topic 13 – Clarify timing of transmission cost reimbursement

Comments: SCE reiterates its comments on Topic 13 submitted on June 25, 2013, in response to the June 3 Issue Paper. There is no basis for treating phased and non-phased generating project differently, relating to the commencement of transmission credits. Transmission credits should commence with the completion of two events: the commercial operation date of the facility (or phase of facility for phased projects) and the in-service date of required network upgrades for the facility (or phase of facility for phased projects).

In its GIP 2 filing with FERC, the ISO stated that "one of the conditions that the ISO has specified for customers to be eligible for repayment of amounts advanced to fund network upgrades is that the network upgrades necessary for a completed phase to meet the desired level of deliverability must be placed into service. The ISO is also proposing to clarify that this requirement applies to non-phased projects as well."

In its Order on Rehearing and Clarification in GIP 2, FERC stated that "In the Order No. 2003 series of orders, the Commission recognized the importance of ensuring that an interconnection customer bears an appropriate level of risk that network upgrades associated with its generating facility may become unnecessary if the interconnection customer's facility becomes commercially infeasible. Further in the same Order on Rehearing and Clarification, FERC stated that "if the CAISO interprets the tariff differently, CAISO should file revised tariff language to clarify the timing of refunds associated with a non-phased project." Thus, FERC has invited the CAISO to make the necessary revisions to the existing tariff language to make it clear that the commencement of transmission credits should be conditioned upon both the commercial operation date of the generation facility and the in-service date of the associated

network upgrades. SCE encourages the ISO to file such clarifying tariff language to follow-through on its original intent in GIP 2 and to respond to FERC's invitation.

Topic 14 – Distribution of forfeited funds

Comments

Consistent with the cost-causation principle and to mitigate negative impacts on ratepayers, forfeited study funds and security postings should be used reduce the TAC in the territory in which the withdrawn generators were proposing to interconnect.

Topic 15 – Inverter/transformer changes (material modification process)

Comments: In addition to changes with inverters and transformers, SCE is willing to consider decreases in MW; changes in generating facility technology; and changes in point of interconnection between Phase I and II without a Material Modification Review. Any changes requested after the completion of the Phase II studies must go through the Material Modification Review process. The review for requests made after the completion of the Phase II studies is needed to assess the potential impacts on other ICs.