

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal posted on November 13, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due December 6, 2018 by 5:00pm
(updated from December 3 during the stakeholder meeting)

The draft final proposal posted on November 13, 2018 and the presentation discussed during the November 20, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx>

Please use this template to provide your written comments on the Issue Paper topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Issue Paper for convenience.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

SCE appreciates the CAISO taking a balanced approach to address the cost/financing risks associated with network upgrades. In particular, SCE strongly supports the CAISO's proposal to balance the fixed-cost conditionally assigned network upgrade (CANU) concept, where CANUs identified in the Phase II study will be assigned a fixed cost for the purpose of upward adjustments to the maximum cost responsibility (MCR) or downward adjustment to the maximum cost exposure (MCE), with the proposal to shift the PTO cost responsibility for upgrades from the execution of the GIA to the point at which a project provides its third interconnection financial security (IFS) posting. SCE, in its role as "financier of last resort", has a fiduciary responsibility to its shareholders to mitigate the risks associated with the involuntarily financing of network upgrades. SCE does not have unlimited funds, and should, within its rights outlined in the CAISO tariff, be allowed to limit its risk of being required to finance such shortfalls. The CAISO's balanced perspective on this issue helps to mitigate the PTO's financing risks by establishing a later point in the project's development timeline for the "lock down point", which is proposed for a time where a project would less likely fail and withdraw, and where there is an increased likelihood the project will actually move forward towards commercial operation.

SCE is aware of a number of Interconnection Requests (IRs) where the developers have executed GIAs but have not proceeded towards commercial operation in a timely manner. Some of these developers have suspended their GIAs, while others have used other tactics such as pushing out deadlines through a series of requests for Material Modification Assessments (MMAs). Although there are safeguards against suspension for projects with needed network upgrades which are required for later-queued projects, the lack of progress by certain developers with executed GIAs adds to the uncertainty regarding whether needed upgrades will be in place for later-queued projects, which is disruptive to the efficient workings of the interconnection process. This type of scenario perpetuates SCE's risk exposure of potentially being called upon to finance the network upgrade(s) if the developer with an executed GIA subsequently withdraws before posting its 3rd IFS posting and commencing construction activities.

SCE has been in at least one situation where it was required to upfront finance portions of CANUs when earlier queued generators withdrew after executing their respective GIAs. In this case, the forfeited IFS from the withdrawing parties was insufficient to fully finance the network upgrades required for later-queued generation. SCE would expect this financing gap to be the case for all such situations, as any forfeited second IFS posting (maximum of 30% of the cost responsibility) assigned to the interconnection customer will never be sufficient to fund 100% of the cost of an upgrade that is still needed. The later-queued project in this scenario that still required the upgrade had its cost capped at a level below the total cost of the corresponding upgrade. Thus, SCE stepped up and provided the required financing to close the shortfall.

The CAISO's revised network upgrade definitions as well as clarifications regarding maximum cost responsibility will help provide needed clarity to all parties of the interconnection process on how

to deal with these CANUs¹. Moreover, moving the “lock down” point milestone for the transfer of network upgrade financing and construction responsibility to the PTO to the third IFS posting addresses the challenge that delayed projects create. Projects can significantly slow their pace following execution of a GIA, particularly those still seeking a power purchase agreement (PPA). However, projects very rarely, if ever, bow out after the posting of the third IFS and commencement of construction activities. Typically, at this point, developers have what they need in terms of PPA, financing, and permits (with the possible exception of final permits, granted after construction) to achieve commercial operation. Thus, SCE views posting of the third IFS as the appropriate point at which if a project withdraws, with network upgrades still required for later-queued generation, the PTO can more willingly take on its role as financier of last resort to ensure that those network upgrades are financed and constructed on behalf of later-queued projects.

Specific Question regarding the establishment of the Maximum Cost Exposure (MCE).
Would stakeholders prefer:

- (1) the MCE remain established at the true cost exposure of a project that demonstrates the ultimate cost the project could be responsible for when taking into consideration potential system changes, without opportunity for reduction?

OR

- (2) the MCE could be adjusted downward with the MCR, but could ultimately go back up if system changes occur, similar to how the MCR can increase pursuant to Appendix DD, Section 7.4?

SCE prefers the MCE remain established at the true cost exposure of a project that demonstrates the ultimate cost the project could be responsible for when taking into consideration potential system changes, without opportunity for reduction.

10. Additional Comments

No comment.

11. New Topics – Interconnection Request Acceptance and Validation Criteria

11.1 Interconnection Request Acceptance

SCE supports the CAISO’s proposal to clarify specific minimum requirements for an interconnection request to be deemed a complete interconnection request. The in-take process for accepting complete interconnection requests should become more efficient as a result of the proposed clarifications

¹ SCE looks forward to collaborating with the CAISO and stakeholders to ensure the proposed changes are properly implemented in tariff language, particularly the re-write needed to GIDAP Section 14.2.2.

11.2 Validation Criteria

SCE supports the CAISO’s proposal to adjust the interconnection request validation process and timelines to more efficiently and effectively manage the validation process.