

Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the July 5, 2011 *Revised Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>).

We ask that you please submit your comments in MS Word to GIP2@caiso.com *no later than the close of business on July 14, 2011* so that there will be time to include them in Board documents.

Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Please also respond to the question “Do you support the proposal?” for each item listed below.

Comments on topics listed in GIP 2 Draft Final Proposal:**Work Group 1**

The ISO has determined that WG 1 topics should be taken out of the GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

SCE looks forward to working with the CAISO to develop a common approach among PTOs in development and implementation of the unit costs.

2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

3. Triggers that establish the deadlines for IC financial security postings.

Do you support the proposal?

SCE partially supports the proposal.

Comments:

SCE partially supports the CAISO's updated condition warranting a revised report if the IC's cost responsibility increases by more than 5%. For SCE to fully support the proposal, the base to which this factor applies would have to be revised to include the IC's maximum financial responsibility (i.e., network upgrades, distribution upgrades, if applicable, and interconnection facilities), not simply network upgrades or interconnection facilities. With respect to the need to issue a revised report if changes to a "substantial" error or omission delays the schedule that the proposed generating facility can obtain commercial operation, there is an inconsistency in the GIP Revised Draft Final Report as to the delay threshold. On page 5 of the GIP2 Revised Draft Final Report it states if the delay is more than six months and on page 24 it states if delay is

more than one year. SCE supports the proposal that a delay of more than one year would qualify as being “substantial.”

Separately, SCE reiterates its previously stated concern that allowing the IC to submit comments within 10 days of receiving a final Phase I/II study report is still too administratively burdensome at the current and anticipated high volumes of interconnection requests.

4. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Do you support the proposal?

SCE supports the proposal.

Comments:

SCE agrees that the interconnection agreement process is the appropriate means to negotiate phasing of the third posting of financial security.

5. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Do you support the proposal?

SCE supports the proposal.

Comments:

SCE agrees BPM is the appropriate process to document the necessary procedures.

6. Information provided by the ISO (Internet Postings)

Do you support the proposal?

SCE supports the proposal.

Comments:

SCE agrees BPM is the appropriate process to document the necessary procedures.

Work Group 3

7. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Do you support the proposal?

No, SCE continues to oppose portions of this proposal.

Comments:

No further comments.

8. Reduction in project size for permitting or other extenuating circumstances

Do you support the proposal?

SCE can support the proposal.

Comments:

Although a 5% safe harbor might allow the generator developer some leeway to downsize in the event of project changes during the licensing/permitting phase or other events beyond generator's control, this could still contribute to the under-utilization of transmission lines. The safe harbor provision should not allow for gaming by an Interconnecting Customer requesting a higher MW interconnection study, when its true intention is to build a lower MW project. This possibility supports the need to perform the post Phase II re-evaluation of the plan of service, which is now part of the separate TPP/GIP Integration stakeholder process

9. Repayment of IC funding of network upgrades associated with a phased generation facility.

Do you support the proposal?

SCE can support the proposal.

Comments:

To the extent phasing is allowed, SCE believes this proposal warrants further consideration. Meaningful milestones should be included in interconnection agreements to mitigate the overbuilding of the transmission system. Phased projects should not receive preferential treatment. Further, (1) the security posting requirements for phased projects should be the same as if the multiple phases were part of a single project; and (2) the incremental MW increase in subsequent phases of the generation facility must be reasonable (i.e., should not allow a 20 MW project to be phased into twenty 1-MW projects).

10. Clarify site exclusivity requirements for projects located on federal lands.

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

11. CPUC Renewable Auction Mechanism

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

The RAM requirements for projects to be in an interconnection queue to qualify should continue to be addressed separately with the CPUC.

12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

a. Application of Path 1-5 processes

Do you support the proposal?

SCE can support the proposal if the proposed incremental increase in gross capacity is properly reviewed under the existing Fast Track criteria to determine if the MW expansion will result in a material impact to the electrical system.

Comments:

SCE can support the CAISO's updated proposal to allow any existing resource and repowering or reconfiguration facility qualifying for Path 1 to incrementally increase its gross capacity by 5 MW, if it positively satisfies the Fast Track criteria and there is no need for a technical study.

b. Maintaining Deliverability upon QF Conversion

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

c. Distribution Level Deliverability

Do you support the proposal?

Yes, supports the proposal.

Comments:

No further comments.

Work Group 4

13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

SCE clarifies that although a PTO may, at its discretion, elect to upfront “finance” a network upgrade, the PTO does not upfront “fund” the upgrade for which the cost is ultimately borne by all CAISO ratepayers.

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO’s role in and potential impacts on the three-party LGIA.

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

15. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Do you support the proposal?

SCE support for the proposal is uncertain at this time.

Comments:

SCE looks forward to participating in the meetings the CAISO plans to hold with the PTOs to discuss current practices and standardize the “escalation factors.”

16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

17. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Do you support the proposal?

SCE does not oppose the proposal.

Comments:

No further comments.

18. Consider using generating project viability assessment in lieu of financial security postings

Do you support the proposal?

Yes, SCE supports the CAISO proposal **not** to include the option for interconnection customers to demonstrate alternative evidence of project viability in lieu of the current financial security postings.

Comments:

SCE agrees with the CAISO proposal not to include the option for interconnection customers to demonstrate alternative evidence of project viability in lieu of the current financial security postings.

SCE continues to have reservations about using the PPA as an indicator of project viability, as there have been too many instances of PPAs being terminated for the existence of a PPA to have value as a sole indicator of project viability. SCE likewise has reservations about using project licensing progress as a sole indicator of project viability, as an IC could still, for whatever reason, not follow through on completion of its project. Because these two indicators are rather weak, and letters of credit and/or cash is at least an unambiguous indicator of viability, SCE prefers to maintain the financial security approach currently in the GIP.

19. Consider limiting interconnection agreement suspension rights

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

SCE's support for this proposal is predicated on the CAISO's interpretation that "common to multiple generating facilities" extends beyond the current interconnection study cycle into future cycles. As long as the CAISO includes language that eliminates suspension rights for parties responsible for network upgrades that are common to multiple generating facilities in the cluster as well as in the base case of generators in

future clusters relying on the construction of upgrades triggered by the earlier queued suspending generator, SCE can support this proposal.

20. Consider incorporating PTO abandoned plant recovery into GIP

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

SCE appreciates the CAISO incorporating SCE's proposal on abandoned plant recovery into the revised draft final. The requirement for PTOs to involuntarily finance network upgrades under certain circumstances in the CAISO tariff creates inappropriate financial risk to the PTOs. In order for needed transmission upgrades identified in Generator Interconnection Agreements to be built, it is critical that the PTOs be eligible for recovery of all prudently incurred costs of those upgrades that the PTOs have a non-discretionary obligation to upfront finance if the project is subsequently abandoned for reasons outside the control of the PTO. The abandoned plant cost recovery provisions contained in the CAISO's GIP2 revised draft final proposal address SCE's concerns on this issue.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

22. Conform technical requirements for small and large generators to a single standard

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

23. Revisit tariff requirement for off-peak deliverability assessment.

Do you support the proposal?

No, SCE does not support the proposal.

Comments:

Generally, SCE understands that CAISO's reasoning is to align the deliverability study in GIP with the concept of RA-based on-peak intent. SCE has previously stated, and still asserts, that using only on-peak deliverability is by definition inappropriately optimistic if the goal is to assess most likely operational conditions for new generation interconnection. As SCE has previously stated, most areas in the SCE system are more stressed for new generation interconnection purposes at load levels less than the 1-in-5 heat storm condition. Therefore we still believe that considering only on-peak deliverability (even if appropriate for RA purposes "by definition") is inappropriate for actual anticipated system operational needs which should not be completely ignored in the GIP planning process. SCE agrees that at a minimum, the inclusion of off-peak deliverability as an informational item in GIP studies will be useful as informative of potential congestion in areas where fuel source is primarily off-peak. Identification of conceptual network upgrade mitigations for the off-peak deliverability study, using per unit estimated costs and typical durations, seems important even if it is for informational purposes only.

CAISO states that the TPP is the appropriate venue to determine the network upgrades needed for off-peak energy delivery, but SCE has near-term concerns related to timing of this proposal. The CAISO is proposing to remove off-peak deliverability from GIP "right now" while at the same time moving resolution of GIP-TPP interaction (i.e. WG1 issues) to a separate stakeholder process. Is this creating a near-term vacuum where off-peak deliverability will have no teeth in either GIP or TPP? It would not be wise to remove important elements from GIP scope (i.e. off-peak deliverability) before we know how it will be effectively replaced in a refined TPP. If removal of off-peak deliverability from GIP is done right now, this adds even more emphasis to the importance of timely resolution of the GIP-TPP interaction questions.

24. Operational partial and interim deliverability assessment

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

No further comments.

25. Post Phase II re-evaluation of the plan of service

Do you support the proposal?

Yes, SCE supports the proposal.

Comments:

An appropriate sense of urgency should be maintained as this issue is addressed in the recently launched GIP/TPP Integration initiative.

Other Comments:

1. If you have other comments, please provide them here.