

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
<i>Fernando E. Cornejo fernando.cornejo@sce.com</i>	<i>Southern California Edison</i>	<i>January 11, 2019</i>

Please use this template to provide your written comments on the 2018 IPE stakeholder initiative **Addendum #2 to the Draft Final Proposal** posted on December 21, 2018.

Submit comments to [InitiativeComments@CAISO.com](mailto:InitiativeComments@CAISO.com)

**Comments are due January 11, 2019 by 5:00pm**

The Addendum #2 to the draft final proposal posted on December 21, 2018 and the presentation discussed during the January 3, 2019 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 opposes the CAISO's latest proposal regarding a PTO's backstop financing obligation for network upgrades and recommends that the CAISO revert back to its original proposal in its next iteration on this topic, as SCE continues to support the CAISO's original reasonable and balanced proposal. SCE is disappointed the CAISO has revised its proposal in the Addendum to Draft Final Proposal (supported by SCE) wherein it suggested moving the PTO's potential network upgrade cost-shift risk from the execution of a GIA to the posting of the third Interconnection Financial Security (IFS). The CAISO had previously proposed to "balance" the fixed-cost concept for CANUs identified in the Phase II for potential subsequent adjustments to the Maximum Cost Responsibility (MCR) or Maximum Cost Exposure (MCE) with its 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 IFS posting".<sup>1</sup> Although the fixed-cost concept for CANUs to provide developers with greater cost certainty remains intact in the Second Addendum to Draft Final, the CAISO is now undoing the prior "balance" by proposing to retain the point at which the PTO becomes responsible for a network upgrade as the GIA execution. Reiterating SCE's position, execution of a GIA does not guarantee that a project will move forward towards commercial operation in a timely manner, given the high probability of either suspension or withdrawal, and believes the more appropriate milestone to be the posting of the third IFS.

In conjunction with CAISO's proposal to retain the point at which the PTO becomes responsible for a network upgrade as the execution of the GIA, the CAISO's proposal to remove the requirement for interconnection customers to execute a GIA to retain its TP Deliverability allocation is problematic. Such an arrangement would exacerbate the ongoing challenges associated with projects lingering in the queue, making technical studies less reliable while developers unreasonably hoard capacity. The TP Deliverability retention criteria were thoughtfully developed such that projects which are able to demonstrate significant progress in terms of licensing, financing, and land acquisition are assigned higher priority in the allocation of available TP Deliverability. The next logical step for those projects which have made significant strides in these three areas, and have been allocated deliverability, is to execute a GIA and begin to meet the related milestones. Eliminating the current TP Deliverability retention requirement for developers to execute a GIA would unreasonably unravel a deliverability allocation construct which is designed to motivate developers to execute a GIA and proceed towards completion of their project.

The CAISO should not be swayed by developers that believe there is not sufficient evidence that the PTOs are actually harmed by the current practice of PTOs backstop financing obligation upon the execution of a GIA. The threshold issue for properly managing financing risks should not be based on PTOs being "actually harmed". The guiding criteria must rely on the proper balance of managing

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<sup>1</sup> CAISO's 2018 Interconnection Process Enhancements, Addendum to Draft Final Proposal, page 5.

financial risk in a reasonable manner. In the context of network upgrade cost-shift risks, the pendulum would be more in balance at the posting of the third IFS.

## **10. Additional Comments**

No comment.