

**Comments of
Southern California Edison Company
Dated October 15, 2007**

**Re: CAISO draft tariff language implementing Location Constrained Resource
Interconnection Facilities (LCRIF) Policy**

Southern California Edison Company (SCE) appreciates the opportunity to provide comments on the California Independent System Operator (CAISO) draft tariff language dated October 1, 2007, to implement the Location Constrained Resource Interconnection (LCRI) policy.

SCE continues to support the effort to establish LCRI from both a technical and procedural perspective and believes the LCRI financing mechanism will remove financial barriers to the interconnection of location-constrained energy resources and to assist the achievement of California's renewable energy goals.

Many of SCE's comments are editorial in nature, and have been submitted separately in redline form. SCE provides the following additional commentary per section of the draft language where we explain our redline comments:

Section 24.1.3.1

Comment on paragraph (c): SCE suggests changing "commercial operation" to "initial energization" as the determining point as to whether the LCRI is a network facility since the term "commercial operation" is not normally used in the context of a transmission facility.

Question and Comment on paragraph (e): SCE believes the language as written in paragraph (e) appears to mix revenue requirement and capital investment when it comes to calculating the amount of capital cost that will apply to the 15% of net plant investment cap. The edit we have submitted in redline should fix that confusion. The principles outlined in the petition for declaratory order and CAISO proposals (herein referred to as "trunkline principles") were straightforward in explaining how the amount that applies to the cap should be calculated. It is that portion of the total capital investment cost of the LCRIF that remains after accounting for generators that interconnected to the LCRIF and are paying their pro-rata share of the revenue requirement of the LCRIF.

SCE's question on this paragraph is as follows: Who will be responsible for tracking the amount of the initial 15% investment cap, the various changes to the cap amount (as well as available "cap space") as generators interconnect to LCRIFs? SCE assumes it will be the CAISO, but wonders if this responsibility needs to be outlined in the tariff language?

Section 24.1.3.2

Comment on paragraph (b) (ii): SCE disagrees with the deposit amount as outlined in the draft tariff language for two reasons; first, it does not represent stakeholder input as developed in the “trunkline principles” and second, it appears not to represent a serious showing of commercial interest. Requiring a generator to make a deposit equal to the amount that the generator would already have to pay for completing all of its required LGIP studies (roughly \$160,000), which is a process the generator will have to complete regardless in order to interconnect to the grid, strikes us as arbitrary and insufficient. SCE remains firm in its position that a deposit based on a percent of total capital investment in the proposed LCRIF should be used as an alternative showing of commercial interest. We also remind stakeholders that this deposit is optional, in that it would only be required if the generators in a proposed LCRIF have not already met the commercial interest test through the other methods (e.g., through signed LGIAs and/or PPAs). We understand that SCE’s suggested deposit amount of 10% of total investment deposit amount has raised objections of being too high, and we have likewise stated that SCE would consider a lower deposit amount, such as 5%, but we remain convinced that a deposit needs to be large enough to show financial commitment by the generator. Certainly the financial commitment should be larger than an amount the generator would already have to spend for interconnection studies.

Section 24.1.3.4

Comment on paragraph (a): SCE believes proposed LCRI facilities should only be required to “meet”, not “exceed” applicable grid planning and reliability requirements.

Comment on paragraph (c): Our redline comments regarding item #4 (fuel diversity) and #5 (distance) are self-explanatory. SCE would be concerned if the CAISO has a specific objective it is trying to achieve in regards to fuel diversity.

Comment on inserted paragraph (d): Given that the CAISO has already approved the construction of the Tehachapi Renewable Transmission Project (TRTP), and has indicated its intent to assume Operational Control of the entire project when it is completed, including certain generation-tie portions that may not meet FERC’s network criteria, SCE recommends that language be added to make it clear that this important project is a LCRIF .

Section 26.6

Comments: As mentioned during the stakeholder conference call on October 10, 2007, SCE believes that the tariff language as written is overly proscriptive when it comes to discussing the annual revenue requirement and how payments from generators should offset the annual revenue requirement. In particular, SCE believes that flowing the payments from generators through the TRBAA as proposed is inappropriate and would adversely affect a PTO. SCE suggests that the CAISO not specifically detail in the

CAISO Tariff the accounting and ratemaking procedures for LCRIFs, but instead merely set forth key guiding principles for the individual PTOs to follow. SCE has proposed tariff language to accomplish this.

Section 26.1

Comments: SCE believes, consistent with the CAISO's Petition and the Commission's order on Trunklines, it is important to explicitly reflect in the tariff language that generators will receive no refund of payments they have made on an LCRIF if the facility later converts to a network facility.