Comments of
Southern California Edison Company
Dated September 27, 2007

CAISO Near-Final Proposal for Location Constrained Resource Interconnection Facilities (LCRIF)

Southern California Edison Company (SCE) appreciates the opportunity to provide comments on the California Independent System Operator (CAISO) near-final proposal dated September 14, 2007, to implement Location Constrained Resource Interconnection (LCRI) policy, preparatory to its Section 205 tariff filing at FERC.

SCE continues to support the CAISO proposal from both a technical and procedural perspective and believes the principles embodied in the near-final proposal are sound and should achieve their intended purpose – that is to remove financial barriers to the interconnection of location-constrained energy resources and to assist the achievement of California's renewable energy goals.

As SCE believes that the near-final proposal will be the basis for the CAISO draft tariff language, many of SCE's comments are editorial in nature. SCE provides the following comments per section of the near-final proposal:

<u>Section 1</u>: *SCE suggests editing the following sentence:*
Power plants in these regions often require long-distance, high-voltage transmission lines to interconnect to the high-voltage transmission grid~~,~~**.** **As a result**, ~~so~~ the costs of such interconnection facilities are considerably greater than the costs of traditional generator tie-lines that are used to connect generators that are located closer to the CAISO grid.

Likewise, other edits:

Under the CAISO's proposal, a Participating Transmission Owner ("PTO") would finance the costs of a transmission project that connects location-constrained resources to the transmission nework – a Location Constrained Resource Interconnection Facility ("LCRIF") – ~~initially~~ **and recover these costs** through its FERC-approved transmission revenue requirement ("TRR")~~,~~**.** ~~and~~ ~~g~~**G**enerators would become responsible for their *pro rata* share of ~~these annual payments~~ **the revenue requirement of the line** as they come on line and use the facilities. **Generators' annual payments of their respective *pro rata* shares will be credited against the annual TRR for the facility.** ~~Thus,~~ ~~t~~**T**he costs of the unsubscribed portion…

<u>Section 2.1</u> *SCE suggests the following edit:*

The costs of the ~~unsubscribed capacity of~~ qualifying LCRIFs will be rolled into the TRR of the relevant PTO, and therefore into the CAISO's Access Charges. As ~~additional~~ generation resources are developed in the area and connect to the LCRIFs, cost recovery will be transferred on a going forward basis to those new generation owners on a "pro rata" basis, and the revenues credited against the costs included in the TRR. Once the ~~anticipated generation is fully developed~~**LCRIF is fully utilized**, the going forward costs of the ~~project~~ **LCRIF** will be borne entirely by **the** generation developers and will not be included in the TRR recovered thorough the CAISO's access charge.

<u>Section 3.2</u> *SCE suggests the following edit to the first paragraph to reflect statutory RPS language. In addition, ocean wave, ocean thermal gradient, ocean tidal, and ocean current are four distinct generation modalities.*

…wind, solar **(including both photovoltaic and concentrated solar thermal)**, biomass, geothermal, ~~photovoltaic,~~ **small** hydroelectric **(under 30 MW)**, fuel cells using renewable fuel, digester gas, municipal solid waste, landfill gas, **and ocean power sources (including** ocean wave**, ocean thermal gradient, ocean tidal, and ocean current).**

And the following edit:

…., if the CAISO determines that a LCRIF proposed by the CAISO, a PTO, or a non-Participating TO sponsor meets all of the criteria except the requirement to be located in a~~n~~ **designated** ERA**,** the CAISO bring the project before the California ISO Board of Governors for approval **as a qualifying LCRIF**.

<u>Section 3.3</u>: *SCE would suggest editing as follows:*

This proposal is targeted toward High-Voltage transmission facilities that ~~are~~ will be under CAISO's ~~o~~**O**perational ~~c~~**C**ontrol.

<u>Section 3.4</u>: *First paragraph is confusing; SCE would suggest rewording as follows:*

The nature of locationally-constrained resources is that they are generally smaller in output (MW) and are often developed over a longer period of time than conventional generation resources. As a result, individual locationally-constrained resources often have a capacity value that is significantly smaller than the total transfer capability of the optimal interconnection plan for the energy resource area. As a result, this proposal applies to bulk-transfer transmission facilities that can efficiently serve multiple (more than one) generating resources in a given energy resource area.

<u>Section 3.5</u>: *There is a typo in the first sentence; the date should read December 7, 2007. The same date is shown correctly in Section 4 on p. 11.*

<u>Section 3.7</u>: *SCE was the party that proposed the "pre-designation" mechanism, primarily as a way to reduce financing uncertainties for generators during the months (potentially years) leading up to the execution of Large Generation Interconnection Agreements and other steps required to qualify for LCRIF financial treatment. Since none of the generators (who would be the primary beneficiaries of such a designation)* *supported the pre-designation of LCRIFs, and seeing that the CAISO believes a pre-designation would unduly divert resources needed for the evaluation of LCRIF proposals and other planning tasks, SCE respectfully withdraws our proposal of the "pre-designation" mechanism. SCE wants to support, not detract from, the planning resources at the CAISO.*

<u>Section 3.7.2</u> *Editorial correction and suggested clarification:*

The CAISO propos**al**~~es~~ is to set the minimum percentage of addition**al interest** at 35%.

Regarding the 10% deposit amount in Section 3.7.2, SCE has become aware that some stakeholders believe the 10% deposit amount to be too high and the stakeholders have suggested a lower amount of 1%. SCE rejects the 1% as being too low and sends the wrong message regarding a developer's serious intent to go forward with the project. If the issue is financing of the deposit, SCE reiterates that such a deposit could be in the form of cash or bond/letter of credit and would suggest the final proposal reflect language to that effect. As a compromise, SCE could accept a 5% deposit amount percentage, but no lower than 5%.