

## Stakeholder Comments Template

### Subject: Remote Renewable Resource Interconnection Facility (RRRIF) Policy

| Submitted by           | Company                           | Date Submitted       |
|------------------------|-----------------------------------|----------------------|
| <i>Gary Holdsworth</i> | <i>Southern California Edison</i> | <i>June 15, 2007</i> |

This template has been created for submission of stakeholder comments on the following topics covered in the June 1 Market Notice regarding Remote Renewable Resource Interconnection Facility Policy. Upon completion of this template please submit (in MS Word) to [chinman@caiso.com](mailto:chinman@caiso.com). Submissions are requested by close of business on Friday June 15, 2007.

Please submit your comments to the following questions for each topic in the spaces indicated. The title of the policy should be limited to “renewable” resources consistent with the CAISO petition and subsequent FERC order.

1. What is the minimum percentage of capacity of eligible projects that must be subscribed pursuant to executed Large Generator Interconnection Agreements before construction can commence?

SCE proposes that at least 40% of the capacity of a qualifying Remote Renewable Resource Interconnection Facility (RRRIF) must be supported by a demonstration of commercial interest: 15% through executed LGIAs and the remaining 25% through other expressions of “additional interest”.

2. What are the appropriate criteria for demonstrating “additional interest” (i.e., interest more than the requisite minimum percentage of LGIAs) for an eligible project?

SCE proposes that any combination of the following criteria be used to demonstrate “additional interest”:

1. Generators that have submitted a valid interconnection request to the CAISO and hold a place in the CAISO interconnection queue.

Because entering the CAISO queue is fairly easy and relatively inexpensive, stakeholders may want to develop a certain threshold as to where in the LGIA study process a

generator must be in order to qualify under this item. For example, the generator could be required to have completed its system impact study to qualify under criterion #1.

2. Generators hold power purchase agreement(s) for projects that would utilize the proposed RRRIF.

3. Generators that have posted a monetary deposit or a bond in a specified percentage of the estimated cost of the transmission facilities in the RRRIF. SCE suggests a deposit/bond minimum of 10% of the generator's pro rata share of the cost of the RRRIF.

3. What is the minimum percentage of "additional interest" that should be shown for an eligible project before construction can commence?

"Additional interest" should represent no less than 25% of the capacity.

4. Do wheel-through customers receive benefits from a Remote Resource Interconnection Facility? Should the costs of a Remote Resource Interconnection Facility be included in wheel-through rates? Why or why not?

Yes. Wheel-through customers benefit from the addition of generating resources to the grid through increased reliability and supply diversity. The CAISO TAC and WAC are both rolled-in postage stamp rates, and there is no compelling reason for exempting wheel-through customers from paying the same costs.

5. What are the key elements of and considerations for a transmission planning process for the Remote Resource Interconnection Policy?

Questions 5, 6, and 7 are interrelated. SCE suggests that the RRRIF process not duplicate the CAISO annual planning process or the California Subregional Planning Process that is currently being developed. Rather, the RRRIF process should be developed in concert with existing or developing planning processes within California.

Subject to the foregoing, the key elements of and considerations for a transmission planning process include, but are not necessarily limited to:

- a. Formulating a master plan for a given resource area that develops technically efficient and cost-effective transmission plans.
- b. Identifying all network and reliability upgrades that might be needed to reliably deliver the remote renewable resources to load centers.
- c. Segmenting or phasing the master plan(s) to allow transmission planning to more closely match the physical needs of the grid over the appropriate planning time horizon. For example, the master plan might call for 500 kV construction while operating initially at 230

kV to maximize the MW deliverability on a limited right-of-way and allow for cost-effective expansion later if additional generation resources come forward.

d. Recognizing and accommodating the potential need to expand the RRRIF in the event that additional generators come into a region with an existing RRRIF in place.

6. What principles should be applied and factors considered to ensure that a proposed Remote Resource Interconnection Facility will result in a cost effective and efficient interconnection of resources to the grid?

a. Transmission should be prioritized to interconnect the most cost-effective generation first.

b. The master plan must be sufficiently comprehensive to interconnect the entire economically feasible renewable resource potential (in MW) of the targeted renewable resource area.

c. The master plan must include the most cost-effective transmission plan for achieving such interconnection.

d. To the greatest extent possible, the master plan must be able to be implemented in phases as generators come on-line to minimize the risk of creating stranded investment.

e. Power procurement valuation methodologies could help determine if the proposed RRRIF will result in cost-effective and efficient interconnection.

f. Benefit/cost analysis as well as economic analysis should be conducted using all costs and benefits associated with remote resources. The remote resources should then be compared on a common basis to local resources after all aspects of interconnection costs are factored into the valuation process.

7. How should Energy Resource Areas be selected?

Energy Resource Areas should be selected through an open process integrated with the ISO planning process involving other state agencies such as the CEC and CPUC, as well as the California LSEs.

8. Should the CAISO consider tariff changes to its existing authority to "cluster" interconnection studies to enhance its ability to efficiently evaluate locationally-constrained resource areas

Yes. The Tehachapi experience demonstrated the usefulness of clustering interconnection requests to study the combined impact of the requests in a given geographic area. However, because renewable resources typically are developed in small increments over an extended period of time, the current FERC guidelines, which call for a prospective 180-day cluster window, may need to be broadened, particularly to accommodate retroactive clustering as was approved by FERC in its Tehachapi waiver ruling.

The CAISO has been brainstorming methods of clustering interconnection studies in an effort to improve the LGIP process and complete the technical studies in a more timely and efficient manner. Such an approach could result in more efficient evaluation of locationally-

constrained resource areas and should be pursued, provided all PTOs fully support the clustering approach. In addition, CAISO tariff changes might be needed to address potential conflicts between clustering and the current queue-based process for both generation and transmission interconnections, and to memorialize the lessons learned from the Tehachapi experience.

#### 9. Other

Because FERC did not adopt a specific cost cap in its Order, the CAISO's 15% of net plant investment cap outlined in the petition should be re-examined to ensure the dollar value of the cap is not too low.

The amount of the investment cap should be reconsidered for two reasons. First, if California lawmakers increase the overall RPS program to require 33% renewables by 2020, more large transmission projects, similar in scope to the Tehachapi Renewable Transmission Project (TRTP), will undoubtedly be required to interconnect additional renewable resources in California and in neighboring states and nations. Second, during the period of time that the CAISO has been developing this financing mechanism, the number and total amount in MW of interconnection requests by renewable generators has rapidly increased. As of June 1, 2007, the total amount of interconnection requests (including requests to interconnect to SCE's distribution system) by renewable generators in SCE's service territory exceeds 21,000 MW. Clearly, not all of these requests will qualify for this proposed financing mechanism, but many might, which might mean that larger or more numerous projects would need to be constructed than originally envisioned.