

SCE Comments Regarding CAISO Proposal on QC4 Phase I Methodology

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General Comments:

SCE is as much concerned as the CAISO about the amount of generation in QC4 and the excessive plans of service that the generation is likely to require. SCE appreciates the CAISO's efforts to address these issues. However, SCE cannot support the CAISO's proposed QC4 Phase I methodology because it seeks to dramatically change the existing GIP study procedures and cost allocation methods for QC4 Phase I without a tariff waiver or amendment. SCE is also concerned about the use of CPUC resource scenarios as a foundational element of this proposal when the validity of using these scenarios in transmission planning is currently undergoing debate in other CAISO stakeholder initiatives. The critical role of these scenarios demands that they be subject to thorough stakeholder review. For these reasons, as well as others discussed below, SCE is unable to support the CAISO's proposal at this time.

1. Of major importance to SCE, SCE cannot support the CAISO's QC4 Phase I methodology proposal because it could result in increased and inappropriate PTO financing responsibility if the CAISO's proposed cost/MW methodology results in significantly conservative estimates versus the costs for the plans of service developed in the Phase II studies for QC3/QC4.
2. Using the QC3 cost estimates to extrapolate QC4 cost per MW proposed by the CAISO assumes that transmission upgrades increase in a linear fashion, whereas, SCE's experience has shown that incremental transmission upgrades can be much more expensive as more "layers" of upgrades are required to meet system challenges. Therefore, using "average" QC3 cost/MW to estimate QC4 upgrade costs may likely result in underestimating QC4 upgrade costs, and could lead to more cost responsibility being shifted from ICs to PTOs as a result of Phase I cost caps being underestimated. Moreover, an underestimation of QC4 upgrade costs could have the inadvertent effect of setting the bar too low and result in more ICs electing to proceed to Phase II than would otherwise occur.

3. The proposed changes to the study methodology used to assess the cost ceiling and posting requirements for QC4 interconnection requests may contradict the requirements of the CAISO's tariff. SCE is concerned that the CAISO's proposed QC4 Phase I methodology may be unsupported in the current GIP without a tariff waiver or amendment.

4. The proposed change in the QC4 Phase I methodology would have uncertain impacts on a large number of WDAT interconnection requests in QC4. SCE assumes that the same cost methodology would need to be applied to these WDAT interconnection requests in order to maintain consistency between the CAISO and WDAT interconnection study results that is so important for an efficient interconnection study process. Just as SCE is concerned that the CAISO's proposed QC4 Phase I methodology cannot be effected without a tariff waiver or amendment, likewise, SCE's WDAT may need a similar tariff waiver or amendment approved by FERC before it could be implemented. This would further delay the study process for QC4.

5. Any efficiency gains realized in the proposed QC4 Phase I methodology will likely just be "given back" in the form of a very difficult and complex Phase II study for QC3/QC4. Because the plans of service will not be well developed in Phase I, the Phase II study will essentially have to start from scratch, negating any of the efficiencies from an altered Phase I study process.

6. Finally, because so much of the proposed QC4 Phase I methodology hinges on the renewable portfolios in the CPUC's Long Term Procurement Plan (LTPP), and because the merits and validity of using these resource scenarios in CAISO transmission planning are currently undergoing debate in other CAISO stakeholder initiatives, it would be premature and inappropriate to proceed with the proposed QC4 Phase I methodology at this time. It would be helpful if the CAISO published the maximum amounts of generation forecast in each "study area" that the CAISO intends to pull from the CPUC resource scenarios so that stakeholders can have an opportunity to review these numbers. Additionally, it would be helpful if the CAISO also published information that enabled stakeholders to "map" or translates the "study areas" used in the CPUC resource scenarios to the "study groups" used in GIP studies. Much of this proposal hinges on information currently unavailable or unclear to stakeholders.