

Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the May 27, 2011 *Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>). We ask that you please submit your comments in MS Word to GIP2@caiso.com no later than the close of business on June 10, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the revised draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide comments that address any concerns you foresee implementing these proposals.

Please note there are new topics in this comments template that have been introduced for the first time in the draft final proposal - Item # 18, 19, 20, 25, 26 & 27

Comments on topics listed in GIP 2 Draft Final Proposal:**Work Group 1**

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline

Comments:

SCE understands that the issues raised in Work Group 1 are important and require additional consideration. Therefore, placing this item (along with SCE's concern about the need for a well-defined post Phase II re-evaluation of plans of service) in a separate stakeholder process may be necessary. SCE continues to have concerns about portions of the straw proposal, including key implementation details, and will be looking to resolve these concerns in the separate stakeholder process. It is very important that the separate stakeholder process commence promptly, because the longer it takes to resolve the issues in WG1, the higher likelihood that the many interconnection requests currently in flight will continue to impact the efficiency of the interconnection process for all parties.

SCE appreciates the CAISO's addressing SCE's abandoned plant concerns in the current GIP2 (see SCE's response to Item #20 below) and not relegating this important issue to the new WG1 stakeholder effort.

Work Group 2

1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Comments:

1. SCE agrees with the use of common format among PTOs. Because SCE and SDG&E use a similar format, SCE would expect that PG&E would adopt the same format.
2. a) SCE could add more explanation on its factors, but also believes the information already provided on the "factors" tab of its unit cost guide is unambiguous and very transparent. SCE has three levels of factors in its unit cost guide, which reflect low, medium, and high impact. Within these levels, SCE has placed what it views as reasonable assumptions as to what would be included in each level. For example, SCE views relatively flat desert or rural land as having relatively low impact to the cost of transmission facilities. Likewise, the low population density in these areas leads to lower cost due to less mitigation measures and less disruption to the construction schedule due to time-of-day restrictions, which translate into lower than average costs. On the other hand, in SCE's territory, transmission through mountainous terrain or areas with higher population density will increase costs, everything else being equal; therefore the higher impact factors are higher "multipliers" of the base unit costs. Other PTOs may have different views depending on their service territory, and such views, as long as they are reasonable and consistently implemented, should not be dictated by CAISO or stakeholders.

- b) SCE's cost estimates are appropriately conservative, with consistent contingency amounts used in the construction industry for conceptual-stage projects, such as the Phase I and Phase II studies. SCE's unit costs are refreshed every year based on actual costs of equipment experienced over the preceding 12 months.
3. It appears that a "unit cost guide summit" during the BPM development will be required to conform each PTO's methods for applying the factors. SCE's practice, as plainly outlined with an example in its unit cost guide, has been to sum the factors and then multiply them to the base cost to get adjusted cost. It's a simple and effective method, but if others have better ideas, SCE is willing to consider them.
 4. SCE sees little value in the CAISO's proposal to allow the use of actual costs of "comparable projects," where available, in the interconnection studies, as typically no two sets of network upgrades are identical or comparable. Moreover, SCE already bases its current-year unit cost guide on previous-year actual costs (where available). However, SCE would consider providing an explanation in the Phase I or Phase II study reports if the cost estimates came from actual costs rather than the unit cost guide
2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments:

No further comments

3. Triggers that establish the deadlines for IC financial security postings.

Comments:

SCE appreciates the CAISO considering SCE's previous comments about the concern of adding too much complexity in the publication of study results. The proposition in the straw proposal would prove unwieldy when considering the need to publish hundreds of study reports in QC4. SCE believes the Draft Final Proposal's allowing the IC to submit comments within 10 days of receiving a final Phase I/II study report is still too burdensome at the expected high volumes of interconnection requests currently seen (and SCE is sure that ICs will view 10 business days as insufficient time), but SCE prefers this approach over the straw proposal.

As to the conditions warranting a revised report, SCE views the threshold related to the change in costs of network upgrades or PTO interconnection facilities of more than 1% or \$1,000 as exceedingly low to equate with "substantial." SCE would view "substantial" as at least 5% of the IC's maximum financial responsibility (the bottom line from the interconnection study, which would include network upgrades, distribution upgrades, if applicable, and interconnection facilities) prior to invoking this provision. Similarly, the threshold regarding delays of more than 90 days in the generator facility Commercial Operation Date (COD) is trivial. A delay of 180 days (6 months) is more in the range of "substantial" in SCE's view.

SCE reiterates its comments from the Stakeholder Meeting that in addition to defining “substantial,” the CAISO must define what is an error or omission, versus a disputed amount or disagreement in plan of service identified in the study.

SCE believes the “limited conditions allowing for postponement of the interconnection financial security deadline” are appropriate, as long as all parties mutually agree to such conditions.

SCE agrees with First Solar’s comments that the CAISO needs to reconsider the length of the Phase II postponement deadline to make sure it does not unnecessarily interfere with LGIA negotiation timelines.

As to an LGIA timeline extension, SCE does not support extending the 90-day timeline. When LGIA negotiations extend beyond the proscribed 90-day timeline, it adds to the uncertainty for future cluster studies that are reliant on knowing whether the LGIAs supporting the upgrades are in place or not. Extending the LGIA execution deadline can be counterproductive in a study process with timelines that overlap from one cluster to the next. Timely LGIA execution for higher queued projects increases confidence in base case assumptions for lower queued studies; increased confidence in base case assumptions helps achieve timely completion of those studies. The annual cluster study process is best served by striving for timely LGIA negotiation, not by extending the LGIA negotiation deadline.

SCE has no comments on the cross reference fix proposed in this section of the Draft Final proposal.

4. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

SCE agrees that the LGIA is the best place to negotiate phasing of the third posting of financial security. As each contract negotiation is unique, and can differ considerably in duration and intensity of issues, each request for pacing/phasing of financial security should be considered on its own merits.

SCE included a template in its previous comments on the CAISO straw proposal, which it intends to use as an internal guide in its LGIA negotiations. SCE is reproducing this proposed template herein, with a few minor modifications.

Template:

SCE will consider IC requests to phase the third interconnection financial security posting if:

1. The Interconnection Customer’s network upgrades are to be built in two or more separate and discrete transmission project phases/segments, and the IC’s financial responsibility for the total network upgrades is \$10 million or more; and

Comment: SCE believes one of the key purposes of the 3rd Interconnection Financial Security (IFS) posting is to ensure that sufficient funds are in place in advance of the actual construction phase of a transmission project, so the work is not interrupted or otherwise impacted by flow of funds. Furthermore, SCE’s experience is that the actual

construction of upgrades can often proceed quite rapidly, and can be of shorter duration than other phases of a project lifecycle, such as licensing/permitting. Certainly, larger upgrades that are typically constructed in multiple phases, over several years, are the target of this provision. And some phases/segments can be constructed in parallel, so it is the **span** of construction time that is the most important factor in determining eligibility for IFS phasing. Therefore, SCE also expects ICs to only be allowed to “phase” IFS postings for multi-segment/phase transmission upgrades with construction schedules for all segments/phases that span longer than 24 months from start of the first phase/segment to completion of the last phase/segment. Thus, SCE recommends the following change to criteria #2:

2. The span of time between the actual or anticipated start of construction date in the master construction schedule of the first phase/segment and the completion of the last phase/segment is 24 months or greater

With these new criteria in place, the milestone schedule for IFS posting should be tied to the completion of each phase/segment as set out in the master construction schedule.

3. The IFS posting schedule for ICs that require upgrades that meet criteria #1 **AND** #2 shall be as follows:
 - a. IC(s) are required to post 50% of its total IFS requirement at start of construction of the first segment/phase (an increase from the 30% required in the second IFS posting)
 - i. If the cost of the first segment/phase is greater than 50% of the total cost of the upgrades, then the IC(s) would be required to post the greater of 100% of the cost of the first segment or 75% of its total IFS requirement at start of construction of the first segment/phase
 - b. IC(s) are required to post 75% of its total IFS requirement at start of construction of the second segment/phase
 - i. If there are only two segments/phases, then the IC(s) would be required to post 100% of its total IFS requirement at start of construction of the second segment/phase
 - ii. If the sum of the total cost of the first and second segment/phases is greater than 75% of the total cost of the upgrades, then the IC(s) would be required to post 100% its total IFS requirement at start of construction of the second segment/phase
 - c. IC(s) are required to post 90% of its total IFS requirement at start of construction for the third segment/phase
 - i. If there are only three segments/phases, then the IC(s) would be required to post 100% its total IFS requirement at start of construction of the third segment/phase
 - ii. If the sum of the total cost of the first three segments/phases is greater than 90% of the total cost of the upgrades, then the IC(s) would be required to post 100% of its total IFS requirement at start of construction of the third segment/phase
 - d. If there are four or more segments/phases, then the IC(s) are required to post 100% of its IFS requirement at the start of construction of the fourth segment/phase

The key component in this phasing issue for SCE is to ensure that PTO actual spend does not get out “ahead” of IC security postings or other financial commitment that is required of ICs. As long as the milestones and security postings are structured to avoid this risk, SCE can support this change to the GIP.

In regards to the CAISO’s discussion of “letter agreements” (in the form of an Engineering and Procurement agreement) in the Straw Proposal, SCE has some concerns.

First, the letter agreements are typically two-party agreements between the IC and SCE. The CAISO is not a party. Most letter agreements are for funding in cash certain pre-construction or procurement activities, and do not typically include a security posting. As a result, SCE does not view the existence of a letter agreement as any reason to modify the security posting requirements in the LGIA.

5. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

SCE agrees BPM is appropriate location for this item.

6. Information provided by the ISO (Internet Postings)

Comments:

SCE agrees that BPM is appropriate location for this item.

Work Group 3

7. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

SCE continues to have strong reservations about the partial termination provisions. SCE understood that FERC viewed the non-conforming nature of the two LGIAs that had included this provision as a “one-time” allowance, due primarily to ARRA funding, and it was never SCE’s intention to make it a permanent feature of the pro-forma LGIA. SCE’s concern is that such provisions greatly increase the level of uncertainty into the back-end of the interconnection process, just when one would want to have as much certainty as possible about what will actually be constructed. SCE is likewise concerned that LGIAs with the partial termination option could place in jeopardy the licensing/permitting of the upgrades, because the CPUC might not be persuaded that the upgrades will be found as “needed” if all the generation does not eventually show up. If generators are not certain whether they want to develop the entire project at one time, then they should consider applying initially for a smaller project in one queue and then applying for a

second project in another queue. ICs should not be allowed to submit a large project in one queue, have the entire thing studied, and then decide not to pursue a significant portion of the project without recourse. If this were taken to its extreme, significant partial terminations across multiple generators would trigger the requirement to restudy the affected clusters, eliminating the benefits of the clustering process altogether.

SCE continues to believe the 75% of project size is too large, and would especially lead to challenges in getting the transmission licensed/permitted. SCE believes a more reasonable value should be much lower, such as 25-50% of the project size.

8. Reduction in project size for permitting or other extenuating circumstances

Comments:

SCE can support the Draft Final Proposal, but the fact that permitting/licensing of both the generation facility and the transmission line are real and can lead to suboptimal utilization of transmission supports the need for the post Phase II re-evaluation of the plan of service, now part of the WG1 separate stakeholder process.

9. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

SCE reiterates its comments from the straw proposal and at stakeholder meetings, that it might be much simpler (again, seeing how the goal should be to decrease uncertainty in the interconnection process, not add to it) for multi-phase generating projects to be required to submit separate interconnection requests for each of the respective phases.

As to the proposal floated at the June 3, 2011, stakeholder meeting (see p. 41 of the meeting presentation), SCE does not fully understand how the partial termination of a unit triggers the start of repayment of upgrades. SCE understands how a PTC could be used as a form of "liquidated damages" in lieu of financial security, and we suppose that is the CAISO's point with slide 41 of the presentation. With that in mind, the variation makes more sense to SCE than the first two bullet points on slide 41.

10. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

No further comments.

11. CPUC Renewable Auction Mechanism

Comments:

Participants in SCE's RAM procurement process understand that full deliverability is a precondition to the start of the contract term. SCE will participate in any stakeholder process regarding RAM implementation, however, SCE emphasizes that the integrity of the Resource Adequacy proceedings must be maintained. SCE's customers must be able to receive the full value of their renewable procurement commitments, and this

requires, among other things, that projects qualify for full deliverability status such that they can provide resource adequacy benefits.

12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

a. Application of Path 1-5 processes

Comments:

SCE agrees with the CAISO that the Fast Track should not allow facilities larger than 5 MW to incrementally expand using Fast Track. SCE also supports using the ISP as the primary study process track for repowering, as long as the facility meets the criteria for inclusion in the ISP. Paths 1-5 are reasonable.

b. Maintaining Deliverability upon QF Conversion

Comments:

Draft Final Proposal is reasonable.

c. Distribution Level Deliverability

Comments:

Agree with the Draft Final proposal and no further comments.

Work Group 4

13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

SCE does not object to making permanent the terms of the CAISO's June 30, 2010 waiver petition at FERC regarding the second and third IFS posting requirements in the case where PTOs volunteer to upfront finance network upgrades. As mentioned in the footnote in the Draft Final Proposal, there is a distinct difference between the case where PTOs volunteer to upfront finance network upgrades, and the case where PTOs are required to upfront finance network upgrades. IC IFS postings are not waived in the case where PTOs are required to upfront finance all or a portion of network upgrades from provisions such as Section 12.2.2 (Base Case) and Section 12.3.1 (Cost Cap) of the GIP or Section 24.4.6.5 of the Tariff (TPP Upsizing).

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

No further comment.

15. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

As a result of the June 1, 2011, meeting with CAISO and PTOs, SCE has provided to stakeholders a template for how it is now publishing interconnection study reports, with base dollars (nominal) and adjusted dollars (constant), including an explanation in each study report as to the method of adjusting nominal dollars to constant dollars, such as the index used. SCE has also previously submitted to CAISO (and submitted again to all stakeholders) the proper industry definitions of nominal and constant dollars, and suggests that all stakeholders use these definitions on a consistent basis.

SCE reiterates that the IFS posting requirements should be calculated based on the constant dollar estimates.

16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

No further comments.

17. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

No further comments, other than for item 18.

18. Consider using generating project viability assessment in lieu of financial security postings

Comments:

SCE wholly rejects the proposal for viability in lieu of financial security posting. SCE reminds the CAISO and stakeholders where we have come from. In 2007-2008 stakeholders developed the IFS and agreed to relatively high levels of IFS, because the IFS helped assure that network upgrades would more likely be financed and constructed. We used terminology such as "skin in the game" to reduce the uncertainty surrounding whether the generation would actually be developed. Since the first GIP1, the foundations of IFS have been diluted. First, placing a cap on the amount of IFS required for "large upgrades," and granting waivers of security postings when PTOs volunteer to upfront finance network upgrades weakened the value of IFS. Now, there

are requests for partial termination, caps on postings for interconnection facilities, phasing of security postings, and ultimately a request to grant a “discount” for certain “viability” measures. As the security underpinnings of the GIP compromise continue to be reduced, the risk of stranded facilities increases. Although SCE can sympathize with concerns about ICs holding credit for a long period of time, there are certain requirements to be involved in the generation business, and one of them is credit worthiness to see projects through all the way to construction.

SCE has reservations about using the PPA as an indicator of project viability, as it has seen too many instances of PPAs being terminated to have any significant value as a definitive indicator of project viability. SCE likewise has reservations about using project licensing progress as a sign of project viability, as an IC could still, for whatever reason, not follow through on completion of its project.

19. Consider limiting interconnection agreement suspension rights

Comments:

Upon further internal consideration of the potential impact of suspension of LGIA’s, SCE remains concerned regarding these rights and the disruption that suspension could cause for both shared and non-shared network upgrades. Any network upgrade, regardless of whether it is “shared” among ICs, or whether it is “stand-alone” could create “base case” modeling problems for the next cluster.

As an example, consider a single project in the current cluster which drives the need for an upgrade. The next cluster could have a new request in the same geographic area which relies on upgrades associated with the previous cluster. The financial responsibility for the upgrade remains with the triggering IR, and thus is not “shared” with future clusters. The later queued generator is relying on the upgrades being triggered by the earlier queued generator. If the earlier queued IC (the one that triggers the upgrade) was to execute an LGIA but suspend for up to three years, any later-queued generation is somewhat in limbo during that period of time because of the dependency on the upgrades triggered by the earlier-queued generation. PTOs may be compelled to finance such upgrades that are triggered by suspended generation because they are relied-on by future clusters.

Thus, this situation looks much like the “base case” concerns that SCE outlines below our comments on Item #20. And as long as this suspension “cloud” hangs over LGIAs, the less certain will be the interconnection process. Thus, SCE is requesting once again that CAISO and stakeholders evaluate the elimination of this suspension provision for all (not just “shared”) network upgrades in GIP2.

20. Consider incorporating PTO abandoned plant recovery into GIP

Comments:

As SCE was the proponent for this proposal, it will provide further explanation and proposed tariff language. The language is provided specifically to address the issues raised in the GIP and are not intended to alter, impact or waive in any way positions that SCE may have taken elsewhere, including without limitations, positions with respect to the appropriateness, ability or right of the CAISO to impose certain obligations on SCE.

Extended Example:

There are two ways in which GIP requires PTOs to upfront finance Network Upgrades in the current GIP and one way in the TPP.

As a way of explaining these provisions, SCE has developed shorthand phrases, such as “Base Case”, “Cost Cap”, and “TPP Upsizing”.

#1 The Base Case Provision:

This provision is found in Section 12.2.2 of the GIP, which is reproduced below with highlights of key phrases.

Section 12.2.2 – Construction of Network Upgrades that are or were an Obligation of an entity other than the Interconnection Customer

The applicable Participating TO(s) shall be responsible for financing and constructing any Network Upgrades necessary to support the interconnection of the Generating Facility of an Interconnection Customer with a GIA under this GIP, whenever either:

(i) the Network Upgrades were included in the Interconnection Base Case Data for a Phase II Interconnection Study on the basis that they were Network Upgrades associated with Generating Facilities of Interconnection Customers that have an executed GIA (or its equivalent predecessor agreement) or unexecuted GIA (or its equivalent predecessor agreement) filed with FERC, but the Network Upgrades will not otherwise be completed because such GIA or equivalent predecessor agreement was subsequently terminated or the Interconnection Request has otherwise been withdrawn; or

(ii) the Network Upgrades were included in the Interconnection Base Case Data for a Phase II Interconnection Study on the basis that they were Network Upgrades associated with Generating Facilities of Interconnection Customers that have an executed GIA (or its equivalent predecessor agreement) or unexecuted GIA (or its equivalent predecessor agreement) filed with FERC, but the Network Upgrades will not otherwise be completed in time to support the Interconnection Customers' In-Service Date because construction has not commenced in accordance with the terms of such GIA (or its equivalent predecessor agreement).

The obligation under this GIP Section 12.2.2 arises only after the CAISO, in coordination with the applicable Participating TO(s), determines that the Network Upgrades remain needed to support the interconnection of the Interconnection Customers Generating Facility notwithstanding, as applicable, the absence or delay of the Generating Facility that is contractually, or was previously contractually, associated with the Network Upgrades.

Further, to the extent the timing of such Network Upgrades was not accounted for in determining a reasonable Commercial Operation Date among the CAISO, applicable Participating TO(s), and the Interconnection Customer as part of the Phase II Interconnection Study, the applicable Participating TO(s) will use Reasonable Efforts to ensure that the construction of such Network Upgrades can accommodate the Interconnection Customers proposed Commercial Operation Date. If, despite Reasonable Efforts, it is anticipated that the Network Upgrades cannot be constructed in time to accommodate the Interconnection Customers proposed Commercial Operation Date, the Interconnection Customer may commit to pay the applicable Participating TO(s) any costs associated with expediting construction of the Network Upgrades to meet the original proposed Commercial Operation Date. The expediting costs under this GIP Section 12.2.2 shall be in addition to the Interconnection Customers cost responsibility assigned under GIP Section 6.5.

#2 The Cost Cap Provision:

This provision is found in Section 12.3.1 of the GIP.

Section 12.3.1 Initial Funding

Unless the applicable Participating TO(s) elects to fund the full capital for identified Reliability and Delivery Network Upgrades, they shall be funded by the Interconnection Customer(s) either by means of drawing down the Interconnection Financial Security or by the provision of additional capital, at each Interconnection Customers election, up to a maximum amount no greater than that established by the cost responsibility assigned to each Interconnection Customer(s) under GIP Sections 7.3 and 7.4. Where the applicable Participating TO(s) does not elect to fund the full capital for specific Reliability and Delivery Network Upgrades, the applicable Participating TO(s) shall be responsible for funding any capital costs for the Reliability and Delivery Network Upgrades that exceed the total cost responsibility assigned to the Interconnection Customer(s) under GIP Sections 7.3 and 7.4.

(a) Where the funding responsibility for any Reliability Network Upgrade or Delivery Network Upgrade has been assigned to a single Interconnection Customer in accordance with this GIP, and the applicable Participating TO(s) has elected not to fund the full capital of the Reliability Network Upgrade or Delivery Network Upgrade, the applicable Participating TO(s) shall invoice the Interconnection Customer under LGIA Article 12.1 or SGIA Article 6.1, whichever is applicable, up to a maximum amount no greater than that established by the cost responsibility assigned to each Interconnection Customer(s) under GIP Sections 7.3 and 7.4 for the Reliability Network Upgrade or Delivery Network Upgrade, respectively.

(b) Where the funding responsibility for a Reliability Network Upgrade has been assigned to more than one Interconnection Customer in accordance with this GIP, and the applicable Participating TO(s) has elected not to fund the full capital of the Reliability Network Upgrade, the applicable Participating TO(s) shall invoice each Interconnection Customer under LGIA Article 12.1 or SGIA Article 6.1, whichever is applicable, for such Reliability Network Upgrade based on the ratio of the maximum megawatt electrical output of each new Generating Facility or the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed the Generating Facility's Interconnection Request to the aggregate maximum megawatt electrical output of all such new Generating Facilities and increases in the generating capacity of existing Generating Facilities assigned responsibility for such Reliability Network Upgrade. Each Interconnection Customer may be invoiced up to a maximum amount no greater than that established by the cost responsibility assigned to that Interconnection Customer under GIP Section 7.3.

(c) Where the funding responsibility for a Delivery Network Upgrade has been assigned to more than one Interconnection Customer in accordance with this GIP, and the applicable Participating TO(s) has elected not to fund the full capital of the Delivery Network Upgrade, the applicable Participating TO(s) shall invoice each Interconnection Customer under LGIA Article 12.1 or SGIA Article 6.1, whichever is applicable, for such Delivery Network Upgrade based on the percentage flow impact of each assigned Generating Facility on each Delivery Network Upgrade as determined by the Generation distribution factor methodology used in the On-Peak and Off-Peak Deliverability Assessments performed in the Phase II Interconnection Study. Each Interconnection Customer may be invoiced up to a maximum amount no greater than that established by the cost responsibility assigned to that Interconnection Customer under GIP Section 7.4.

Any permissible extension of the Commercial Operation Date of a Generating Facility will not alter the Interconnection Customers obligation to finance Network Upgrades where the Network Upgrades are required to meet the earlier Commercial Operation Date(s) of other Generating Facilities that have also been assigned cost responsibility for the Network Upgrades.

SCE Note: The Cost Caps are established in Sections 7.3 and 7.4 for Reliability and Delivery network upgrades, respectively.

The one way in which TPP requires PTOs to upfront finance Network Upgrades is found in Section 24.4.6.5 of the TPP. SCE views this provision as an extension of the Cost Cap and Base Case provisions in the GIP, because of the interplay between the GIP and TPP.

TPP Section 24.4.6.5 - LGIP Network Upgrades

Beginning with the 2011/2012 planning cycle, Network Upgrades originally identified during the Phase II Interconnection Study or Interconnection Facilities Study Process of the Large Generation Interconnection Process as set forth in Section 7 of Appendix Y that are not already included in a signed LGIA may be assessed as part of the comprehensive Transmission Plan if these Network Upgrades satisfy the following criteria:

- (a) The Network Upgrades consist of new transmission lines 200 kV or above, and have capital costs of \$100 million or greater;
- (b) The Network Upgrade is a new 500 kV substation that has capital costs of \$100 million or greater; or,
- (c) The Network Upgrades have a capital cost of \$200 million or more.

The CAISO will post a list of the Network Upgrades eligible for assessment in the Transmission Planning Process in accordance with the schedule set forth in the applicable Business Practice Manual. Network Upgrades included in the comprehensive Transmission Plan may include additional components not included in the Network Upgrades originally identified during the Phase II Interconnection Study or may be expansions of the Network Upgrades originally identified during the Phase II Interconnection Study if the CAISO determines during the Transmission Planning Process that such components or expansions are needed as additional elements under section 24.1.

Network Upgrades assessed in the Transmission Planning Process but not modified or replaced will be included in Large Generator Interconnection Agreements, as appropriate. Construction and ownership of Network Upgrades specified in the comprehensive Transmission Plan under this section, including any needed additional components or expansions, will be the responsibility of the Participating TO if the Phase II studies identified the original upgrade as needed and such upgrade has not yet been set forth in an executed Large Generator Interconnection Agreement.

If, through the Transmission Planning Process, the CAISO identifies any additional components or expansions of Network Upgrades that result in the need for other upgrades or additions, the responsibility to build and own such additions or upgrades will be determined by this Section 24, according to the category of those other upgrades or additions.

Any decision in the Transmission Planning Process to modify Network Upgrades identified in the Large Generator Interconnection Process will not increase the cost responsibility of the Interconnection Customer as described in Appendix Y, Section 7. SCE Note: Here's the tie to the cost cap in the GIP.

Category 1 policy-driven elements identified under Section 24.4.6.7 could supplant the need for LGIP Network Upgrades that would be developed in subsequent Generator Interconnection Process cycles. To the extent that a Category 1 policy-driven element eliminates or downsizes the need for a Network

Upgrade, the **Interconnection Customer's cost responsibility for such Network Upgrade shall be eliminated or reduced.** Any financial security posting shall be adjusted accordingly.

SCE Note: last highlighted section does not say anything about eliminating or reducing cost responsibility of the PTO, although, SCE assumes that it would also decrease, if applicable.

SCE has been consistent on its messaging in regards to these provisions:

- 1) that it is not equitable for PTOs to have these requirements to finance upgrades that might be abandoned for reasons outside the control of the PTOs and potentially only recover the default 50% of prudently incurred costs of abandoned plant.
- 2) by taking on the “financier” of last resort responsibilities, PTOs should be protected from the risk of cost recovery of abandoned plant.
- 3) Some of the upgrades (or portions of upgrades required to be financed by PTOs) might not receive approval by FERC on a case-by-case basis, because the amounts or upgrades subject of the petition would be viewed by FERC as “routine” or may not otherwise meet FERC’s requirements.
- 4) The typical method of filing a petition to request the 100% abandoned plant incentive from FERC, given the volume of interconnection requests and LGIAs SCE is currently experiencing, could lead to an equally voluminous number of petitions for abandoned plant, which would prove taxing to the resources of both PTOs and FERC staff. As a result, a way to receive pre-approval of 100% abandoned plant under certain limited circumstances is necessary to avoid a logjam of abandoned plant filings at FERC.

As a result, SCE is proposing the following tariff language to be added to both the GIP and the TPP. The exact location and wording of this provision remains to be determined, but CAISO and stakeholders wanted, and SCE has agreed to submit the following as a “straw” proposal to evaluate.

SCE proposed 100% Abandoned Plant tariff language:

(a) If any provision of this Tariff requires a Participating Transmission Owner to up-front finance any Network Upgrades or any portion thereof, then in the event that the Network Upgrades, or the Participating Transmission Owner-financed portion thereof, are abandoned for reasons beyond the control of the Participating Transmission Owner, such a Participating Transmission Owner shall be entitled to recover one hundred percent of the prudently incurred costs for such Network

Upgrades or portions thereof that it incurred and is required to up-front finance in its Transmission Revenue Requirement.

(b) Nothing in section (a) shall relieve or alter any of the obligations, including without limitations the obligations to meet Interconnection Financial Security Posting requirements that this Tariff imposes on any Interconnection Customer.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Comments:

No further comments beyond those already discussed in SCE's written comments on the straw proposal or other comments in this stakeholder process.

22. Conform technical requirements for small and large generators to a single standard

Comments:

No further comments beyond those already discussed in SCE's written comments on the straw proposal or other comments in this stakeholder process.

23. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

Generally SCE understands CAISO's reasoning is to align the deliverability study in GIP with the concept of RA-based on-peak intent. SCE has previously stated, and still believes, that using only on-peak deliverability is by definition inappropriately optimistic if the goal is to assess most likely operational conditions for new generation interconnection. As SCE previously said, most areas in the SCE system are more stressed for new generation interconnection purposes at load levels less than the 1-in-5 heat storm condition. Therefore we still believe that considering only on-peak deliverability (even if appropriate for RA purposes "by definition") is inappropriate for actual anticipated system operational needs which should not be completely ignored in the GIP planning process. SCE agrees that at a minimum, the inclusion of off-peak deliverability as an informational item in GIP studies will be useful as informative of potential congestion in areas where fuel source is primarily off-peak. Identification of conceptual network upgrade mitigations for the off-peak deliverability study, using per unit estimated costs and typical durations, seems important even if it is for informational purposes only.

CAISO is stating that TPP is the appropriate venue to determine the network upgrades needed for off-peak energy delivery. SCE has near-term concerns right now related to timing. The CAISO is proposing to remove off-peak deliverability from GIP "right now"

while at the same time recommending to move resolution of GIP-TPP interaction (i.e. WG1 issues) to a "later" stakeholder process. Is this creating a near-term vacuum where off-peak deliverability will have no teeth in either GIP or TPP? It would not be wise to remove important elements from GIP scope (i.e. off-peak deliverability) before we know how it will be effectively replaced in a refined TPP. If removal of off-peak deliverability from GIP is done right now, this adds even more emphasis to the importance of timely resolution of the GIP-TPP interaction questions.

24. Operational partial and interim deliverability assessment

Comments:

SCE views the operational deliverability assessment as important step in the right direction towards solving some of SCE's concerns regarding the deliverability methodology employed by the CAISO.

25. Post Phase II re-evaluation of the plan of service

Comments:

SCE appreciates that there is a provision within the current GIP for "coordination" between PTOs and CAISO in regards to a re-evaluation of the plan of service. However, SCE wants a more detailed approach outlined in the GIP and TPP. An appropriate sense of urgency towards resolving this issue should be maintained, even if the CAISO places it in the WG1 separate stakeholder process.

New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.

Comments:

Other than correcting the reference from "Section" to "Article", which is how the proforma LGIA is denoted, SCE has no further comments.

27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.

Comments:

No further comments.

Other Comments:

1. If you have other comments, please provide them here.

In working through recent LGIA negotiations, SCE has uncovered a portion of Article 12.1 in the pro-forma CAISO LGIA (found in Appendix CC of the Tariff) that SCE would like the CAISO to clarify through a proposed tariff language change. The rationale for this clarification is to make clear that PTOs are to invoice ICs based on the estimated payment schedule included in the Appendices of the LGIA, followed by a final invoice and true-up as described in Article 12.2. Reading Article 12.1 out of context, without Article 12.2, a party may be confused regarding whether the invoicing is based on actual costs or estimated costs. The practice of the PTOs is to invoice on estimated costs included in the payment schedule in the LGIA, and that practice is clearly described in Article 12.2. The clarification that SCE is seeking can be accomplished by making the following edit to Article 12.1:

12.1 General. The Participating TO shall submit to the Interconnection Customer, on a monthly basis, invoices of amounts due pursuant to this LGIA. ~~for the preceding month.~~ Each invoice shall state the month to which the invoice applies and fully describe the services and equipment provided. The Parties may discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts a Party owes to the other Party under this LGIA, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party. Notwithstanding the foregoing, any invoices between the CAISO and another Party shall be submitted and paid in accordance with the CAISO Tariff.