

Stakeholder Comments Template

Subject: Remote Resource Interconnection Policy

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics covered in the August 23 Draft Proposal regarding Remote Resource Interconnection Policy. Upon completion of this template please submit (in MS Word) to chinman@caiso.com. Submissions are requested by close of business on Wednesday September 5, 2007.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. If the Energy Resource Area designation is not complete in time for RRI implementation, how should the RRI process proceed in the interim? Possibilities include:
 - Utilize the Interconnection Queue to identify qualifying areas. What criteria should be used to select these areas?
 - Applicants for RRI financing submit a request to a state agency for an area to be designated as an ERA. How would this work?
 - Other?

The designation of ERAs, and the distinguishing of ERAs from competitive renewable energy zones (CREZs) under the CRETI process, is important, but not so important that it should delay implementation of the RRI financing mechanism through tariff amendment. SCE believes that the interconnection queue provides sufficient information to designate provisional ERAs. For example, SCE has received large numbers of interconnection requests from remote resources, several of which form self-evident “clusters” in certain geographic regions. These types of regions should be ideal candidates for provisional ERAs as an interim solution.

Applicants can submit a request for an area to be designated an ERA, but SCE does not see much benefit to applicants for such a designation standing alone, without having the additional eligibility steps required to be designated an RRI.

2. In the RRI application process would it be useful to have two types of approval methods, one in which the applicant has met all the approval criteria for RRI designation, and the other where the applicant has met all the criteria except for the two “commercial interest” criteria? In the second scenario the applicant would achieve a “pre-designation” status

and follow with the additional commercial interest criteria to complete their approval. Is this a good idea? If so, how long of a period should be allowed after pre-designation to fulfill the remaining requirements?

SCE is on record suggesting that eligible projects should be granted a “pre-designation” status, whereby applicants can reasonably expect to achieve eligibility for RRI designation, contingent on all of the other eligibility requirements, particularly the “commercial interest” criteria being met prior to the start of construction. Pre-designation status is important because some of the “commercial interest” criteria, such as signed LGIAs, come only at the end of the interconnection queue study process (which can take two or more years to complete). In addition, a few of the proposed “additional interest” items, such as PPAs, often are negotiated in the later stages of a project’s development lifecycle. Having a pre-designation status may help eliminate (or at least reduce) uncertainty as to eventual cost recovery of the transmission facilities, which in turn should assist a utility in its decision whether to upfront fund such projects, thus potentially reducing a barrier to development of transmission for remote resources.

The Tehachapi project should serve as a prime example of the benefit of pre-designation. If any project deserves pre-designation as an RRI, it should be Tehachapi, as it already meets most of the eligibility requirements. The Tehachapi Wind Resource area was identified many years ago by the CEC as a prime renewable area. Recently, a statewide stakeholder process developed a comprehensive transmission plan to access 4,500 MW of wind generation in the region, which plan was approved by the ISO Board. The approved high-voltage transmission plan integrates multiple generators and will fall under the ISO control. SCE holds approved Power Purchase Agreements with several of the generators. Although most of the plan of service for Tehachapi was designed as network facilities, there may be certain components that might benefit from the RRI mechanism. However, none of the generators in the Tehachapi queue have completed the LGIA process leading to signed interconnection agreements and would, therefore, not technically meet the “commercial interest” test at this point in time. A pre-designation as an RRI could assist further development of locationally constrained resources (above and beyond the 4,500 MW Tehachapi cluster) in the Tehachapi region.

SCE’s opinion is that a project should receive “pre-designation” status as an outcome of the prudent grid planning process described in eligibility requirement #5. The planning process should determine whether network, or non-network (RRI) solutions would be the most effective method of service for a given project grouping (including multiple generators). Once a project grouping has received “pre-designation” status, the grouping should be allowed to remain in pre-designation status as long as the members of the group retain active status in the interconnection queue (e.g., have not withdrawn or suspended) and make good faith efforts to achieve the “commercial interest” test by finalizing their interconnection facilities agreements and/or power purchase agreements and other criteria as outlined in the proposal

3. Regarding the test for adequate additional interest in an RRI project, one of the possible criteria was a combination of two sets of showings (see Section 3.7.2 of the proposal). What is the appropriate measure to use as a monetary deposit that should be assessed?
 - If a \$/kw of project capacity is correct method, what is the appropriate dollar amount?
 - Would a flat fee be appropriate? If so, what is the appropriate dollar amount?

SCE stands by its previous view that an appropriate deposit amount (in the form of cash or a bond/letter of credit) should be 10% of the generator's pro-rata share of the estimated (order of magnitude) cost of the RRI facility.

SCE understands generator's concerns that a percentage of total cost means a higher deposit amount for larger projects, but larger projects will also, in theory, have higher revenue generation capability that can serve as justification for the higher deposit amount.

SCE could also agree to a dollar per kW deposit, as such a deposit scales in proportion to a project size, similar to the % of capital cost calculation.

SCE rejects a flat-fee deposit, as such do not take into account various size impacts of a given project.

4. Also, regarding the showing of additional interest utilizing the combination of showings, some stakeholder suggested that the requirement should be limited to the following:
 - Reside in the interconnection queue, or
 - Sign a declaration of intent, or
 - Participate in an open season

AND

- Submit a monetary deposit of some type

Originally there were two other possibilities for the second category which were owning or controlling the land, or mineral rights or submitting payment for the System Impact Study. What is correct?

Other than LGIAs in the first prong of the test, and PPAs in the second prong of the test, SCE thinks a monetary deposit is the next best indicator that generators are serious about going forward with projects. The open season and declaration of intent provisions listed above are weak indicators, and entering the interconnection queue is a necessary step that all generators have to take anyway. SCE could support the above criteria, but would not support any criteria that excluded a deposit.

SCE also views the payment of the System Impact Study as a weak requirement (for the same reason, the generator has to do it anyway), while we view owning (or alternatively controlling via long-term lease) the land or mineral rights as a useful criteria that could be substituted for some of the weaker criteria listed in #4 above.

5. Other Comments

General comment:

SCE believes it would be more helpful and efficient to quickly complete this proposal stage and move on to actual tariff language development as soon as possible.

Comment on Conversion to Network Facility:

Previous iterations of the RRI principles, including the petition for declaratory order, discussed the possibility that as the transmission network evolves; an RRIF might convert to a network facility. SCE reminds the CAISO to include the language from the declaratory order regarding this possibility. In particular, such a provision should include the following points:

- If changes in the transmission network ultimately convert a RRIF to a network facility (i.e., meeting the FERC criteria for a network facility), the generators who have been paying their pro rata share of the revenue requirement of the facility will be relieved of their cost responsibility on a prospective basis from the date of conversion.
- Generators will not receive any refund of past revenue requirement paid.