

Stakeholder Comments Template

Submitted by	Company	Date Submitted
<i>Fernando E. Cornejo fernando.cornejo@sce.com</i>	<i>Southern California Edison</i>	<i>April 30, 2013</i>

Please use this template to provide your comments on the Interconnection Process Enhancements Scoping Proposal posted on April 8 and supplemented by the presentation discussed during the April 22 stakeholder web conference.

Submit comments to GIP@caiso.com

[Comments are due April 30, 2013 by 5:00pm](#)

The Scoping Proposal posted on April 8 may be found at:

<http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf>

The presentation discussed during the April 22 stakeholder web conference may be found at:

http://www.caiso.com/Documents/Agenda-Presentation-ScopingProposal-InterconnectionProcessEnhancementsApr22_2013.pdf

Part 1

Please provide your feedback on the 12 topics initially proposed to be in scope in the April 8th Scoping Proposal by responding to the following:

1. *If you believe that one or more of these 12 topics should not be in scope, identify those and provide a detailed explanation of why*

SCE believes that Topic 3 (Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects) should be in scope, however, in order to be effective and avoid operational challenges, CAISO needs to develop with stakeholder input a small amount of structure to the phasing effort, such as some eligibility criteria. In this manner, the two items already in scope (partial termination and additional downsizing) along with expanded phasing opportunities can provide the generation developers the flexibility they desire to meet LSE procurement activities, while maintaining the system operational integrity and reliability. There must be well-defined

criteria for additional project phasing in order to mitigate any, and all, unintended consequences from a power procurement standpoint.

2. *If you believe that the description of a topic (i.e., one of the 12) is not accurate, provide your preferred description of the topic*

Topic #6 – Provide for ability to charge customer for costs for processing a material modification request.

The topic of providing for ability to charge interconnection customers for costs of processing a material modification request should be expanded to include Topic #48 (29) – Recovery of contract development costs. SCE and other PTOs are committing significant time and resources to develop and negotiate GIAs. The recovery of costs incurred by SCE with respect to the development of these GIA should be aligned with the cost-causer (i.e. interconnection customer) rather than being ultimately paid for by ratepayers. In addition to the instances cited in the Scoping Proposal where the CAISO and PTO are allowed cost recovery from the interconnection customer for the application and study process, repowering request process and limited operation study process, another potentially guiding precedent is where downsizing applicants were required to post \$100,000 to cover the costs related to the renegotiation of GIAs as a result of the outcomes from the technical reevaluations. As the drivers are the same, and the ratepayer impacts material, SCE sees very good reason to combine these two efforts together into a single topic.

Part 2

Please select five topics of greatest importance to you from (i) the 49 topics included in the April 8th Scoping Proposal and (ii) any additional generation interconnection process related topics not already included in the 49 topics, and rank them in order of importance using the table provided below (a rank of “1” being most important). Note: Numerical rankings are informative but the detailed explanations you provide below the table will be critical for the ISO as we assess the scope of this initiative.

Top 5 topics selected by stakeholder

Topic No. <i>(if one of the 49 topics; otherwise use N/A)</i>	Topic Name <i>(either the topic name used in the Scoping Proposal or, if a new topic provide your own name for the topic)</i>	Rank
49 (10/11)	Timeline for tendering draft GIA and execution of GIA	1
47	Collateral requirements for posting Interconnection Financial Security	2
48 (29)	Recovery of contract development costs	3
46	Commencement of repayment of transmission credits	4
45	Actual environmental costs should not be subject to cost cap	5

Detailed explanations

1. Provide a detailed description of each topic. Use the topic description in the Scoping Proposal if you believe it is an accurate description of the issue; otherwise provide your preferred description of the topic. For new topics, provide your own detailed description.

Topic #49 – Timeline for tendering draft GIA and execution of GIA

Current 30-day window for tendering a draft GIA after completion of the Phase II studies and the additional ninety days to negotiate a GIA are unrealistic due to the volume of interconnection requests processed at the same time given the cluster process. In particular, the 90-day negotiation period appears to have little value in real-world experience, other than to create additional work for the CAISO and PTO representatives to request extensions of the negotiation period. SCE proposes a re-evaluation of these timelines in IPE.

Topic #47 – Collateral requirements for posting Interconnection Financial Security

Currently, the IFS posted by an interconnection customer may be any combination of certain types of instruments provided in favor of the applicable PTO so long as it is issued by a bank/financial institution/insurance company that has a credit rating of A or

better by Standard and Poors or A2 or better by Moody's. SCE believes that the requirement should be that both Standard and Poors and Moody's provide high credit ratings for the financial institution in question. The credit rating agencies do not work on the same cycles (i.e. staggered intervals exists between the two agencies) for evaluating and potentially downgrading issuers of financial instruments. As almost 40% of SCE's collateral is issued by foreign based institutions, SCE has already encountered cases where the credit rating from one agency is below the required threshold. However, the "or" language of the current tariff obligates SCE to continue to honor the collateral posting despite the issuer being in a degraded position. In light of the volatility of the world banks, this provision causes unnecessary added risk to both the PTOs and to the CAISO. The CAISO is affected because if a Customer terminates or withdraws from a project, a penalty is owed the CAISO for Network Upgrades. If the issuer has been downgraded by one credit rating agency but the PTO or CAISO is required to continue to honor the collateral instrument, there is unnecessary financial risk being added to the ability to collect the penalties due.

Topic #48 – Recovery of contract development costs

Similar to interconnection studies, PTOs resources are utilized in the development and negotiation of each generator interconnection agreement. While interconnection study costs are recovered from the interconnection customer, contract development costs are currently not recovered from the interconnection customer. SCE believes generator interconnection agreement development costs should be recovered from the interconnection customer. In the CAISO's generator project downsizing initiative, FERC approved the CAISO's requirement that interconnection customers make a deposit to offset the costs relative to the contract re-work. Building upon this construct, SCE believes that it is appropriate that such contract development costs are appropriately born by ICs and proposes a deposit with refund of actual costs much like the study deposit in GIP.

Topic #46 – Commencement of repayment of transmission credits

There is a difference in treatment currently in the GIP surrounding the commencement of transmission credits for phased versus non-phased generating facilities. SCE believes there is no basis for this difference in treatment. SCE believes transmission credits should commence with the completion of two events: the commercial operation date of the facility (or phase of facility for phased projects) and the in-service date of required network upgrades for the facility (or phase of facility for phased projects).

Topic #45 – Actual environmental costs should not be subject to cost cap

Under Section 9.5 of the CAISO's GIP (Appendix Y), the generator's cost responsibility for network upgrades is capped at the lower of the network upgrade costs assigned to the interconnection customer in the final Phase 1 interconnection study report or the final Phase 2 interconnection study report. Environmental costs for network upgrades should not be subject to costs caps, considering the inordinate difficulties of estimating these particular costs ahead of licensing and other environmental activities that are completed well after interconnection studies are finished.

2. *Provide a detailed explanation of the rationale for your selection of these five topics and your rankings*

General Comments

SCE appreciates the CAISO's commitment to continue to examine possible ways to reform the existing Generator Interconnection Procedures (GIP) and welcomes the opportunity to work with the CAISO and other stakeholders to finalize the in scope issues for IPE. Through the various stakeholder initiatives conducted over the course of the past several years to reform its GIP, the CAISO has been able to continuously improve the GIP to, as the CAISO states in the Interconnection Process Enhancements (IPE) Scoping Proposal, "better accommodate the needs of generation developers". Potential refinements to the GIP continue to be evaluated and, where appropriate, made so that generation developers can overcome any perceived challenges in the process to interconnect to the CAISO-controlled grid and to increase the optionality of developers with respect to how they will roll-out their projects (i.e. phased, downsized, etc.). These dual desirable outcomes of any effort to enhance the interconnection procedures should have a positive effect on unclogging the current generator queue and allowing truly viable projects to move forward. SCE is unequivocally supportive of this overarching objective to continue to take steps to better manage the very large backlog in interconnection requests.

However, to date many of the benefits made available to generation developers through reforms to the GIP come at the expense of transferring additional financial risk onto the PTOs. SCE's suggested topics generally come from the perspective of providing recommendations to address potential impacts to the PTOs that may not have been fully considered in the initial proposals.

Specific Comments

In addition to the descriptions provided above, the following are additional comments regarding each of SCE's top 5 topics:

Topic #49 – Timeline for tendering draft GIA and execution of GIA

As this topic is aligned with the CAISO's Topics #10 and #11, SCE fully supports the CAISO making Topics #10 and #11 high-priority queue management issues in IPE.

Topic #47 – Collateral requirements for posting Interconnection Financial Security

SCE has experienced situations where due to the requirements of GIP Section 9.1, SCE has been required to accept less desirable collateral which has been downgraded below the rating of A or better by Standard and Poors or A2 or better by Moody's due to one agency taking longer to make a corresponding downward adjustment in its rating of the same financial institution backing the financial security.

Topic #48 – Recovery of contract development costs

Beyond the CAISO's proposal to charge interconnection customer for costs to process a material medication request, the significant costs associated with the time and resources required to develop and negotiate GIAs should be recovered from interconnection customers, as "cost-causer", rather than ultimately the PTOs' ratepayers.

Topic #46 – Commencement of repayment of transmission credits

Disparate treatment regarding when transmission credits are initiated to interconnection customers, depending on whether the generation project is being deployed in a phased versus non-phase manner, introduces the potential for confusion when, in fact, there is no good reason to treat them differently. Also, in extreme cases, it is possible for PTOs to be required to begin to pay transmission credits to the generation developers before all necessary network upgrades are in service and part of the Transmission Access Charge so as to be reflected in rates.

Topic #45 – Actual environmental costs should not be subject to cost cap

The long lead between the time required to negotiate a GIA and the time licensing and permitting activities are conducted make it very difficult to project these costs, and the real possibility of a major deviation in actual costs imposes significant risks on the PTOs due to cost caps.

3. *Identify which of the 12 topics initially proposed to be in scope you recommend your selected topics should replace*

As stated in response to Part 1, No. 1, SCE believes that Topic 3 (Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects) should be properly structured to establish basic criteria for eligibility and provide the details surrounding implementation (e.g. via an implementation plan that can be revised as needed without amending the interconnection agreement). Adding a small amount of structure to this effort, while providing an opportunity for stakeholder input in the development of these criteria, should assist the CAISO in providing additional phasing opportunities while avoiding operational problems that might occur from unmanaged phasing. This effort, when combined with discussions regarding partial termination and additional downsizing should provide the generation developers with the flexibility they have desired to better align CODs with the timelines in the LSE's procurement processes, while preserving system operational integrity and reliability.