

## **LSA & CalWEA Comments on SCE WDAT Interconnection Reform Principles**

LSA & CalWEA appreciate the opportunity to comment on SCE's Proposals to reform its WDAT Interconnection Procedures. SCE has put forth its proposals in documents dated October 7<sup>th</sup> ("*SCE WDAT Interconnection Reform Principles Document*") and October 28<sup>th</sup> (Attachment No 2, "Key Details" Document)

LSA & CalWEA recognize the large volume of applications that have grown in the WDAT queue has been created in part by renewable projects. Hence, improving the efficiency of the interconnection process is an important part of achieving the 33% RPS goals.

### **Comments on the October 28 "Key Details" Document**

#### **Transition Details**

SCE's main proposal regarding the treatment of transitional WDAT SGIP projects is that SCE would not include such projects in Phase 2 of QC1/QC2 but would, instead, require such projects to wait for QC 4.

LSA & CalWEA feel strongly that projects that were studied in the earlier WDAT serial process do not require any additional studies after implementation of the WDAT reform. Only recently has the Resource Adequacy and deliverability requirements been raised as a requirement, and the developer community as a whole is only now becoming more educated on its necessity. SGIP WDAT projects are by nature deliverable into SCE's distribution system. SCE's studies reflected reliability network upgrades if required, based on the timing of the interconnection requests. Requirements of the study results are changing in parallel with the reforms for WDAT LGIP and SGIP. Therefore the projects studied in the pre-reform were performed with good utility practices and should have been and should continue to be considered "deliverable" onto the utilities' distribution systems along with the SCE's transmission system. Many projects have already received their study results or even entered into SGIA's and would be disadvantaged to now be required to return to the CAISO, pay additional deposits, wait for cluster #4 for a study that they were not informed necessary until the initiation of today's reform. Therefore serial SGIP projects should have their opportunity to be deliverable to SCE's Distribution and to SCE's greater Bulk System on the basis of the studies previously performed.

To the extent that a project in the WDAT SGIP transitional group has not been studied, LSA & CalWEA urge that SCE reconsider its stated inability to include such projects in QC1/2 Phase II. SCE WDAT transition cluster projects should not be arbitrarily penalized relative to CAISO's SGIP transition cluster projects. SCE has repeatedly stated its respect for "queue integrity" and LSA & CalWEA remind SCE that it is important to honor the integrity between its transition queue and that of CAISO. With an order out on CASIO's GIP reform filing due this year, SCE should assume for study purposes that it will receive the tariff relief it seeks and study the transitional serial projects in QC1/2 Phase II in 2011. Even if SCE waits for FERC to act, there should be enough time in QC 1/2 Phase 2 to allow for inclusion of SCE WDAT transition projects.

#### **Other Comments on SCE's Reform of Its WDAT**

The WDAT process is critical for preserving a fair and open system for generation interconnection and to achieve the required new generation to support 33% RPS. The reality that distribution upgrades and possibly

communication costs are non-reimbursable demands heightened accuracy on project scope and cost for such elements. To that end, SCE must strive for additional reforms. The following are some additional changes that LSA & CalWEA urge SCE to consider.

- **Cost and Design accuracy and transparency.** The Phase 2 study was intended to be the functional equivalent of a Facilities Study. If SCE pursues its reforms, it will essentially eliminate the Facility Study for small projects. SCE should be required to reflect project specific information in its scope. To the extent the IC believes this is not the case, the scope should be further refined and estimated before the second financial posting becomes due. Some specific proposals regarding ways to improve accuracy and transparency are provided below.
- **Communication costs.** SCE should release its design requirements for communications and provide unit cost estimates for review by stakeholders. To the extent the communication upgrade is for the sole use of the IC, the IC should have the option of constructing the communication facilities to the standards required by SCE.
- **Permitting costs.** Our members that have received WDAT estimates have observed that SCE is using extremely conservative cost estimates for its survey and permitting costs, which it calls Environmental Health and Safety Costs. SCE should release its estimating methodology and unit cost estimates for review by stakeholders. SCE should also be required to use project-specific survey information provided by the IC, or observed in the field, to update its EH&S project specific cost estimate. This could be done at the beginning of Phase 2 or in a “post Phase 2” cost estimate that is requested at the IC’s options (described above).
- **Loss factors.** As stated in the Stakeholders meeting, we are enthusiastic about SCE’s focus on the issue of the Distribution Loss Factor credits and finding a way to implement their tariff in a practical manner. We fully support SCE to work diligently with the CAISO to resolve the long standing issue of the impact of loss factor for capacity and energy delivery of WDAT projects to the bulk system level, but in addition urge SCE to fulfill its requirements as stated in the tariff regardless of the cooperation of the CAISO.

### **Cost and Design Accuracy and Transparency: Specific Proposals**

The following provide more specific ways to improve the accuracy of Phase 2 cost estimates and financial security posting requirement in SCE’s WDAT Tariff. LSA & CalWEA urge that SCE use this opportunity to improve its process as inaccurate scope and cost estimates are undermining the viability of many WDAT projects.

### **Reform Principal: Realistic Timeline with the Ability to Provide Feedback on Study Results**

We support SCE’s efforts to have a realistic timeline; to this end we would encourage SCE to consider a formal process for allowing the IC to give feedback on the report content and results and the SCE to respond with corrections or scope modifications to the Phase II “final report”. This ability to provide a feedback loop into the study report process should help keep the back end of the process (LGIA) on track and on schedule.

Potential / proposed solution:

- Phase II Study results initially issued in “draft” form
- Provide time for SCE to hold all results meetings (30CD)

- Allow for IC to provide comments and requests for correction or clarification (15CD)
- SCE issues “final” report taking into consideration any corrections and adjustments (30CD)
- Second financial posting the later of: 90CD after the issuance of the “final” Report, 180 CD after the “initial” report was issued, 90 CD after the LGIA is issued with a full set of technical appendices showing milestone payments and timelines, or 60 CD after SCE provides responses to the initial set of IC’s proposed alternative LGIA language.

**Reform Principal: Early Look at IC’s financial responsibility**

Interconnection Customers are sensitive to all financial responsibilities and are particularly sensitive to Interconnection Facility and Distribution Upgrade costs, which may not be reimbursed. In many areas, the most appropriate locations for the generating facilities and their point of interconnection may not be adjacent to the substation or the interconnecting transmission line and therefore may require reconductoring of existing distribution lines or telecommunications upgrades. This in turn triggers questions as to whether poles need to be replaced, habitat encroached upon, or additional easement rights obtained. If conservative simplifying assumptions are used (every pole needs replacing or additional rights need to be obtained from each landowner), cost estimates may be amplified to an excess even by conservative utility practice standards and may therefore cause failure of an otherwise promising and viable project. For this type of project, lack of information, rather than true need, may be subjecting the project to high cost estimates and posting requirements. Small projects are particularly sensitive to any conservative simplifying assumptions.

In addition we strongly recommend that the upgrade cost estimates should be calculated under credible system conditions especially in those cases where both wind and solar generation projects are proposed in the same area. SCE should make sure that the combination of generation and load levels used in its snapshot analysis of the area is credible.

Finally, while this information can be requested through negotiated Letter Agreements, these Agreements can take months to negotiate and the timing of receiving these studies is too late to allow the results to inform the 2<sup>nd</sup> Security Posting decision. If this scope cannot be done within the Phase II study process, we request there be a parallel or subsequent study that can provide ICs access to that detail before 2<sup>nd</sup> and 3<sup>rd</sup> Security Postings are due, in particular the Direct Assignment portion of such Security Postings.

According to the SCE SGIP Section 3.5.4: *“Design for any required Interconnection Facilities and/or Upgrades shall be performed under the facilities study agreement.”*

As stated in previous stakeholder comments additional engineering after the phase 2 study and updated scope and costs are best reflected in either the LGIA, the “final” Phase II Report, and ultimately reflected in financial posting requirements.

**Reform Principal: More accurate determination of requirements for obtaining and maintaining a position**

We support any initiative by SCE to calculate financial commitments for maintaining positions based on more accurate determination of IC upgrade cost responsibility. LSA & CalWEA support SCE’s goal of ensuring that the postings are fair, equitable, accurate, and assigned in such a way to reduce the “queue hogging by untenable projects.” In the cluster LGIP tariff, the postings are currently fixed to the estimates provided in the “final” Phase II report and the tariff does not acknowledge that an addendum, resulting from either further study under a Letter Agreement or discussions at the results meetings and leading up to an LGIA may identify

scope changes, eliminate errors or omission, or otherwise update the collective understanding of the total cost estimates. To ensure that postings are accurate, we recommend that the tariff require that posting amounts reflect updated information.

This is particularly important as the cluster process looks to a date certain for the 2<sup>nd</sup> Security Posting and away from the FERC SGIP process, where milestones for additional engineering and scope discovery may be started or completed through a separate Letter Agreement before the full Interconnection Agreements are signed and additional security must be posted.

Potential Solution:

- Allow Security Postings to be adjusted to reflect modifications arising from Addendums, Letter Agreements or agreed upon changes in scope as reflected in draft LGIA's issued, or an initial distribution of "draft" Phase II results, by SCE.

**Reform Principal: Provides an early look at an IC's likely financial responsibility, with the ability to withdraw**

An IC should be able to look at the details of and basis for an estimate so that the IC can make an educated decision to further investigate an interconnection request or terminate the queue position. If this information is included in the Study report, then fewer questions need to be asked and less re-work or re-evaluation is necessary from the SCE team to understand the cost estimates, freeing them to maintain tariff timelines for all other necessary activities.

Potential Solution:

- Description of baseline assumptions for each estimate line item. For example, the EH&S line for each segment would identify the starting & end point of that component, the number of cultural sites, the assumption for land disturbance, the number and types of surveys that would need to be accomplished. See comments above regarding unit costs for telecom, SPS, EH&S, cost estimates.

**Reform Principal: Early Look at IC's financial responsibility and greater transparency in distribution upgrade tariff provisions**

We appreciate SCE putting forth diagrams, presented at the Stakeholders meeting, to simplify the understanding of how SCE proposes to allocate costs among the WDAT clusters.

SCE is taking strides so that the IC's are better able to understand financial responsibility from early in the process; and, as mentioned in previous comments Interconnection Customers are particularly sensitive to Distribution Upgrade costs that may not be reimbursed. To this end, it would be helpful to further clarify certain elements of the Distribution Upgrades portion of the tariff. We propose the following enhancements to the Distribution Upgrades tariff language:

- Define Distribution Upgrades vs. Network Upgrades,
- How the Distribution Upgrades will be allocated among a cluster of projects; and
- When they are refundable or non-refundable; and
- Any re-allocation methods and potential compensation (refunded costs or upgrade credits) for Retail or addition generation projects interconnecting the Distribution Upgrades; and

- Which upgrades are subject to ITCC; and
- Any additional fees, such as the O&M ongoing costs;

As discussed on the Stakeholder call, SCE's should provide additional examples of Distribution and Network Upgrade costs allocation for the clusters either in its tariff or in its Interconnection Handbook.