

FIT Coalition comments on SCE WDAT GIP draft tariff

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I. Introduction

The FIT Coalition appreciates this chance to provide comments on SCE's proposed WDAT tariff revision ("draft tariff"). We agree that there is a need to improve the process to handle what is a severely backlogged WDAT/SGIP/Rule 21 queue. However, we feel that SCE's proposed solutions - which mirror ISO's suggested SGIP reforms - are not in line with established FERC precedent and we hope our comments here will have some impact in improving SCE's final proposal to FERC.

We recognize and appreciate a number of improvements between SCE's WDAT reform principles, discussed at a workshop in October, and the draft tariff recently released by SCE. However, the changes made are largely cosmetic, so our concerns remain largely the same. The draft tariff does not, in its current form, represent a net improvement to the existing process. There are some benefits, to be sure, but the overall process is a step backwards because of the very lengthy timelines proposed.

Moreover, key parts of the proposal are still missing, including a definitions section and the Fast Track screens - the latter of which will be the topic of a conference call in January. The dispute resolution section is also missing. It is unreasonable for SCE to expect to file a final tariff with FERC at the end of January when the completed draft has not even been shared with stakeholders at this point.

With respect to the length of the proposed cluster study process, the FIT Coalition feels, as we made clear in the ISO SGIP reform process that preceded SCE's WDAT process, that the PTOs and ISO don't sufficiently understand the development cycle for 20 megawatt and under energy projects. Specifically, the ISO and PTO assumption throughout the ISO process and apparently this WDAT reform process has been that smaller projects follow a similar development cycle as that for larger projects, in which interconnection costs are simply accepted as a significant part of project costs and the

project itself is driven by concerns about location, not transmission. For smaller projects, this is, in actuality, reversed: interconnection costs are a major issue and interconnection analysis must be conducted at the beginning of the development cycle, not the end, to address economic viability early on. If interconnection costs are significant, the project will generally not be viable, so this must be known as early in the process as possible.

This misunderstanding of the development cycle for smaller renewable energy projects results in the untenable situation we are faced with under the recently approved ISO GIP, in which developers will have to wait up to two years just for the interconnection studies to be completed, let alone negotiating the GIA and then constructing any required upgrades.

Now SCE is proposing to enact the same “improvement” to the WDAT process. Despite the fact that ISO and SCE continue to discuss the proposed cluster process as though it is a 420 day process, this is simply not the case. With only one cluster study process beginning per year, up to a year will elapse before each study begins. We cannot ignore the time that it will take, up to a year, to merely begin the cluster study process.

Another 30 days may elapse before a meeting is scheduled to discuss Phase II study results with SCE. SCE also proposes a second cluster window, seven months after the first window each year, which seems to serve no purpose in the draft tariff. At the least, a fee-based feasibility study should be offered to those entering the first cluster window; and far more distribution system data should be shared with developers, in general, as discussed below.

Tallying the numbers under the draft SCE draft tariff, we reach a grand total of up to 815 days (up to 365 days to commence a study + 420 days to complete Phase I and II studies + 30 days for a meeting to discuss Phase II results) just for studies to be completed, and this assumes that the planned schedule is actually met, which is definitely not the case today. The draft tariff states only that “Reasonable Efforts,” which remain undefined because no definitions have been included in the draft tariff, will be pursued to ensure timelines are met by SCE. Even if we average the 0 to 365 days between annual cluster windows to 182 days, we are still left with an average of 632 days (182+420+30) to complete the study process – almost two years as an average study process timeline. This leaves out the additional time required for negotiating a GIA and then completing required upgrades, which will generally add at least a year to this already overly lengthy process.

Two years is far too long for small or new developers to hang on to projects without knowing if the chosen site is economically viable because options must be paid to landowners, at the least, and the biological study and permitting process is unlikely to start in earnest until the full costs of interconnection are learned in the cluster study process (due to the possibility that such activities would be mooted if the project could not be interconnected at a reasonable cost).

We offer below a number of constructive solutions that we feel would improve the current SCE draft tariff significantly and bring it more in line with FERC precedent. We propose many easy fixes to the draft tariff and then we propose some mid-term solutions that would dramatically improve SCE's proposed new process. In particular, we urge SCE to join with other PTOs and CAISO to conduct a thorough outside review of its interconnection procedures in order to identify areas for improvement. It is our hope that such a process will eventually allow two full cluster studies to be completed each year, which would allow for all of the benefits of cluster studies to be realized with none of the downsides.

We also note that FERC's standard of review for considering PTO tariff revisions is more stringent than that for ISOs like CAISO. FERC re-confirmed this regulatory point in its recent conditional approval of CAISO's GIP Proposal (133 FERC ¶ 61,223, Dec. 16, 2010, p. 25):

Multiple parties raise concerns that CAISO's GIP proposal could have adverse consequences if adopted by the California IOUs in their WDATs. This order, however, narrowly addresses CAISO's proposal for interconnection procedures for its transmission system and, thus, the IOUs' WDATs are not before the Commission at this time. Therefore, any concerns with the California IOUs' WDATs are outside the scope of this proceeding. Our acceptance of the GIP proposal recognizes the special accommodations we afford independent entities under our interconnection policies, for the reasons summarized above. Any utility proposing to utilize an approach that mirrors the GIP will have to justify its consistency with Order No. 2003 and Order No. 2006 and Commission precedent under the relevant standard, and it will not enjoy an independent entity variation accommodation.

I. Discussion

a. More data should be shared about the WDAT process

The FIT Coalition believes that any problem must be diagnosed clearly before solutions are proposed. As we highlighted in the ISO process, we believe much more information should be shared with parties so that we can accurately diagnose the problem. For example, will software and modeling improvements fix much of the delay? Will additional staff? Could improved software, with more staff and a cluster process dramatically improve the proposed process and allow studies to be completed in far less than 420 days (with over 800 days for the entire study process, as discussed above)? At this point, we can't say because we have so little information.

The FIT Coalition appreciates the additional information shared by SCE at the Oct. 18 workshop and on the Dec. 10 conference call. Specifically, SCE shared the aggregate active interconnection request data over the last few years, distinguishing Rule 21, WDAT, and LGIP applications. SCE also shared some information about the four transmission zones that generally determine study clusters for LGIP. SCE also shared more data about its distribution system and cluster study group determination on the Dec. 10 call. This is good additional data but we need far more data to accurately diagnose the problems and suggest optimal solutions.

A good model for data sharing is the California Solar Initiative program, which shares comprehensive data about every facet of the program each quarter. SCE should share far more information before FERC approves any dramatic changes to the current interconnection process and ANY new interconnection process should provide substantially more data than has been offered by SCE thus far, so that the interconnection process is auditable in the future and not the black box we have today.

Here is a list of the kinds of information we feel should be available to all stakeholders before major changes are made to WDAT:

- Number of WDAT applications in the SCE queue, with dates of entry
- Number successfully processed, time for processing and costs of studies
- Number of Rule 21 applications in the SCE queue, with dates of entry
- Number successfully processed, time for processing, and costs of studies
- Number of Fast Track applications in the SCE queue, with dates of entry
- Number successfully processed in Fast Track, time for processing and costs of studies. Information on rejected Fast Track applications, including specific screen that was failed (if relevant).
- Number of SCE staff working on interconnection issues, staff added in the last two years, planned staff additions over the next two years

- Actual cost to SCE of feasibility studies, system impact studies and facilities studies for all interconnection queues, with methodology for determining actual costs
- Cost of required upgrades for each project or cluster (PacifiCorp, for example, posts all of this information online as soon as it is completed)
- The online queue information also should be expanded dramatically and we request inclusion of these additional items for each project: date application deemed sufficient, date of scoping meeting, date of feasibility study, date of system impact study and date of facilities study. (Some of this information is included in the draft tariff's section 3.5.2 but not all of our requested data)

Prospectively, a good model for certain types of data availability is SDG&E's proposed solar PV program, which shows far more interconnection-relevant data than similar efforts. SDG&E has proposed to the CPUC its own version of a territory map and interconnection data for solar developers. SCE and PG&E have previously developed their own versions of this tool. However, SDG&E's proposal goes beyond SCE and PG&E and we urge SCE to consider SDG&E's proposal as a model for improving its data sharing for all distribution-interconnection issues.

b. Feasible fixes within the current stakeholder process

i. The final tariff should include a timeline diagram for the various deadlines and dates for the interconnection study process

The interconnection study process is highly complex. It would be very useful for applicants if SCE could include a timeline diagram in the final tariff showing the key deadlines and relevant time periods for each phase of the process.

Page 16 doesn't state whether the 134 days for Phase I studies refers to Calendar days, which is the term used on p. 20 with respect to Phase II studies. SCE should clarify this discrepancy.

More generally, we request that SCE standardize its "days" as either Calendar days or Business days throughout the document – it's confusing to have different types of days used in different places, with some "days" left unspecified as to whether they are Calendar or Business days.

ii. SCE should offer a feasibility study to first cluster window applicants

Page 7 of the draft tariff describes how SCE will allow two cluster windows per year in normal years, but only one window for the first year (2011) of this new process. The first window will close on Nov. 15 of each year and the second on March 31 of the following year (the year the studies are to commence). However, the sole benefit in applying for the first cluster window instead of the second is obtaining a scoping meeting. SCE should also offer a feasibility study for entities entering the first cluster window (as is available under today's WDAT), to be completed by SCE within 60 days, with a choice upon the close of the second cluster window as to whether the applicant wishes to proceed or not with Phase I of the cluster study process. Costs for this feasibility study should be reasonable and paid for by the applicant.

iii. Clarify what "site exclusivity" means

Page 7 of the draft tariff describes the requirements for submitting an application for the cluster study window, including demonstrating Site Exclusivity. No detail is provided, however, on what is required for this demonstration so we request that SCE clarify what will be required. We recommend that an option be demonstrated, at the least. Page 37 contains the same language with respect to the Independent Study Process. We note the CAISO's GIP tariff includes additional detail on this point.

iv. Reduce 60 days for Scoping Meeting to 30 days

Page 9 of the draft tariff states that the Scoping Meeting shall occur within 60 days of the close of the cluster study window. We request that SCE reduce this figure to 30 days.

v. More detail should be provided with respect to Study Group determination

Page 11 of the draft tariff states that "engineering judgment" will be used to determine Study Groups. Because the Study Group determination will be highly important for applicants, we recommend that objective criteria be added to this process - in the tariff itself. A major problem with interconnection procedures today is the "black box" that

the whole process represents due to lack of transparency. “Engineering judgment” is a recipe for continuation of the black box approach. The diagram and examples provided by SCE for the Dec. 10 conference call are helpful, but the tariff itself needs to contain objective criteria if we are to avoid the black box of “engineering judgment.”

vi. Define “contribution” for pro rata cost sharing

The draft tariff states that each applicant shall share pro rata distribution upgrade costs, based on their “contribution.” (P. 15 and p. 21). This term is not defined, however, so a definition should be included.

vii. The section 4.18 accelerated Phase II interconnection study process should be eliminated

Section 4.18 provides for a 46-day reduced timeline for Phase II studies if two criteria can be met: 1) Phase I showed the project was a cluster of one; 2) the normal 196-day timeline would not allow the applicant to meet the desired COD.

A 46-day improvement in a 630-840 day process is negligible. Accordingly, we recommend that this section be eliminated.

viii. Section 4.20 should be modified

Section 4.20 is also highly problematic. We understand that re-studies may occasionally still be required even in a cluster process. However, to require applicants to pay for re-studies that are required due to no fault of their own is unjust and unreasonable. If re-studies are required, SCE should bear the cost burden. Re-studies should require far less work than initial studies because the large majority of relevant data should already be inputted into the models.

ix. ISP improvements

- 1. The dispute resolution deadline for ISP should be extended**

Section 5.3.2 provides only two business days for applicants (Interconnection Requests) to dispute a notice of invalidity for the Independent Study Process (ISP). This is far too short and should be extended to 14 days. This will allow applicants sufficient time to confer with consultants or legal counsel and decide on a course of action.

2. Subsection ii of Section 5.4.1 should be eliminated from the ISP criteria

Subsection ii of section 5.4.1 requires applicants seeking ISP treatment to demonstrate a purchase order or contractual arrangement for the purchase of equipment for the proposed facility.¹ This requirement ignores the nature of renewable energy project development for most types of developers. Only vertically-integrated developers, which use their own manufactured equipment for projects that they also develop, will be able to meet this criterion. With almost two years as the average time for interconnection studies to be completed (let alone negotiation of the GIA and then construction of any required upgrades, which will add a year or more to the process), it is highly unlikely that any non-vertically-integrated developer will be able to demonstrate a purchase order or contractual arrangement for equipment.

Renewable energy equipment costs are volatile and such purchase orders are made only when the large majority of project uncertainty is removed. Making such orders or entering into contractual arrangements two or more years before such equipment is needed is almost never going to happen for companies that aren't vertically integrated. **Accordingly, the FIT Coalition strongly recommends removal of this criterion.**

The Section 5.4.2 criterion of electrical independence is sufficient in itself to ensure that no negative grid impacts result from projects going through the ISP process.

3. Clarify "sufficient size"

Section 5.5.1 discusses "sufficient MW size" as a criterion for sending projects for ISO review. The draft tariff should clarify what this means - with objective criteria.

¹ There is also an "of" missing in this subsection.

4. “Engineering judgment” should be replaced with objective criteria

Section 5.5.2 also refers to “engineering judgment” for establishing what projects are electrically independent. We urge SCE to also substitute this phrase with objective criteria. The grid is not a subjective system. It is physical and objective and is modeled with software simulations. Accordingly, any judgments about electrical independence should be made using objective criteria instead of undefined engineering judgment.

5. Section 5.5.3’s twelve-month limitation should be reduced to six months

A twelve-month limitation on a new ISP application seems overly draconian. We recommend a six-month limitation.

The FIT Coalition appreciates SCE’s accommodation of ISP applicants seeking deliverability studies (Section 5.6).

x. Fast Track improvements

1. Increase Fast Track eligibility to at least 5 MW

Section 6.2 limits Fast Track to 2 MW, with no rationale provided. The rationale provided at the Dec. 10 conference call was, however, that most SCE circuits can’t handle more than 2 MW because this is approximately 15% of the peak load on most of SCE’s radial circuits, which are generally 12 kV and below. This latter limitation is, however, unpublished and previously undisclosed by SCE – nor does the draft tariff specify that only radial circuits are eligible. We strongly recommend that SCE revise this limitation and we will provide additional information on the January 7 conference call on this issue.

Most importantly, with CAISO proposing, and FERC approving, expansion of Fast Track from 2 to 5 MW, we are now faced with the situation in CA that developers in PG&E and SDG&E territory can apply for Fast Track on 69 kV and higher lines for projects up to 5 MW, but only apply for Fast Track for projects 2 MW and below on radial lines in SCE territory, some of which will be larger than CAISO’s lines in PG&E and SDG&E territory. This discrepancy arises, of course, because SCE has control of all

lines 220 kV and below whereas the other two IOUs have control over lines smaller than 69 kV only. This is a strange situation and we recommend that SCE raise its Fast Track limit to 5 MW and consider eliminating any limit because the screens themselves act as a sufficient limit on size – no artificial additional size limits are required.

We shall have more specific recommendations on the Fast Track screens after the Jan. 7 conference call. We note preliminarily that Screen 1's Distribution System is undefined because no definitions are included in the draft tariff. It appears from other parts of the draft tariff, however, that Distribution System refers to 33 kV and below. If this is the case, we again urge SCE to consider allowing Fast Track eligibility for higher voltage non-radial lines because the other screens will automatically screen out projects that are likely to cause reliability problems to the grid. Forbidding projects on lines higher than 33 kV is simply unnecessary if the other screens are doing their job.

The FIT Coalition does appreciate the “or” statement that is the second half of Section 6.2, allowing SCE under its discretion to seek Fast Track for larger projects in certain situations. The criteria offered are, however, very amorphous and given SCE's record on previous rejections of Fast Track applicants we are not at all optimistic that SCE will allow this discretionary exception to lead to any Fast Track approvals over 2 MW.

2. Fast Track projects should also be allowed to obtain full deliverability ex post

As with the ISP process, we request that SCE allow Fast Track projects to seek full deliverability after the fact. No rationale is offered as to why Fast Track projects shouldn't be treated the same as ISP projects (which can seek deliverability ex post) and we can think of none. Section 6.3 should be modified accordingly.

3. Section 6.4.2's dispute deadline should be extended

Section 6.4.2 provides only two Business days to dispute SCE's determination that the Fast Track application is incomplete. This is far too short and should be extended to 14 days.

4. Section 6.7 should be clarified

SCE has in recent years eliminated WDAT Screen 10 for Fast Track projects, in practice, thus eliminating Distribution Upgrades or Network Upgrades as a barrier to Fast Track.

The draft tariff seems to backslide on this issue, however, because where CAISO essentially eliminated Screen 10 in its revised Fast Track process, the draft tariff states that Fast Track projects must not require any “Distribution Upgrades or Network Upgrades.” **It seems that SCE’s modification of the CAISO tariff may have missed some key language.** Whereas CAISO’s GIP tariff specifies (Section 5.3.4) that a customer options meeting shall be provided when the screens are PASSED and upgrades are reasonably anticipated, the SCE draft tariff does not discuss this option in sections 6.7-6.9. Rather, it only discusses situations where the screens are failed and upgrades are reasonably anticipated. It then goes on to discuss, however, supplemental review procedures, which may allow projects that pass the screens but also require upgrades to still qualify for Fast Track. **We request that SCE modify these sections to make it clear that requiring distribution or network upgrades does not necessarily disqualify projects from the Fast Track process.**

We also request that SCE clarify what “any required operational or technical studies, such as to identify and determine the cost of any Distribution Provider’s Interconnection Facilities required by the Generating Facility” refers to – in detail, because this seems to be an important limitation and these terms are not defined in the draft tariff (no terms are defined in the draft tariff).

xi. Section 13 refers to a non-existent Section 9

Section 13 refers to an empty section 9. Section 9’s dispute resolution procedures need to be included. This is a very important issue because current dispute resolution procedures are highly inadequate. Developers have communicated to the FIT Coalition on numerous occasions that SCE is simply ignoring deadlines in existing tariffs – with no recourse for developers. As such, the dispute resolution procedures in the draft tariff must be fleshed out and commented upon before SCE submits for FERC approval.

xii. Add a feasibility study option for 20 MW and below at any time of the year, for a reasonable fee

Another improvement would be for SCE to offer a “for fee” feasibility study, available anytime to developers of projects of 20 MW and below. This would allow a developer to get an early read on a project and determine whether the project merits entering the proposed WDAT cluster process or seek a different option – which is available in the current WDAT.

Information provided in the feasibility study would not be definitive, by any means, because cost projections can change dramatically from the feasibility study through the end of the facilities study process. However, having relatively easy access to feasibility studies, combined with ready access to up-to-date online interconnection data, would help developers make decisions about potential projects without wasting a lot of money and time.

xiii. Track key data for ISP and Fast Track

FERC conditionally approved CAISO's GIP Proposal by requiring that CAISO report key data on ISP and Fast Track to FERC, to assess how well these procedures work over time (133 FERC ¶ 61,233 at ¶ 97-98). We urge SCE to do the same and to include the details of the kind of data that will be collected in the final tariff proposal.

c. Mid-term improvements

i. Provide detailed circuit maps to developers under NDA

At the least, SCE should provide detailed circuit maps to developers under NDA. Such maps would allow developers to perform their own feasibility studies in-house or through consultants. Much of this information is readily available already because of SCE's solar PV program, but we seek more detail than is currently provided by SCE. SDG&E's new solar PV program includes an enhanced data-sharing component and we urge SCE to emulate SDG&E in this regard, as discussed above. If security concerns are presented by sharing this kind of information with developers, NDAs should be required.

ii. Retain an Independent Evaluator

Additionally, SCE should retain an Independent Evaluator, similar to the one used in SCE's SPVP program. We believe that the presence of an Independent Evaluator could substantially ease the concerns of smaller developers and ensure that the new GIP process is constantly evaluated in terms of SCE's internal procedures, allowing for incremental improvements that are communicated clearly to all stakeholders.

iii. Hire an outside consultant to conduct a detailed process audit of SCE's interconnection procedures

The FIT Coalition believes that the proposed WDAT cluster study process could be improved such that two full clusters are completed each year. With two full clusters per year, the proposed new process would present clear benefits compared to the present WDAT.

In the July 27 ISO workshop, PTOs informed stakeholders that additional staff would not help improve the current SGIP very much because of the software used for interconnection studies, which allows only one interconnection engineer at a time to work on a document. The obvious solution to this problem seems to be to modify the software – and then add more staff. Staff are paid for by applicant fees, so there is not a cost issue because PTOs are struggling with the number of applications – and thus enjoying significant increases in revenue to pay for staff. Similarly, software costs and modification costs are paid for by applicants. This is not a temporary increase from a temporary bullish streak in the renewable energy market; this conclusion is supported by a number of recent events, including Governor-elect Brown's election and the existing 33% by 2020 renewable energy mandate, approval by CARB of the AB 32 cap and trade program, and approval of the 1,000 MW RAM program by the CPUC on Dec. 16.

Accordingly, we recommend again that SCE retain a consultant to audit its interconnection operations and make detailed recommendations for streamlining the process.

We are not engineers, but it seems that the 420 day timeline for the study process is far longer than should be required. This conclusion is supported by many of the bullet items in the detailed list of the proposed 420 day timeline provide in the ISO GIP Proposal. Many of the items seem largely ministerial and yet a month or more is provided for completion in many cases. Assuming that SCE's new WDAT process will be very similar to the proposed ISO GIP process (as it apparently will be), surely the full cluster study process could be compressed from 420 days to 180 days or so, particularly with a combination of additional staff and software and other process modifications? If this is the case, two full clusters could be completed each year, making the draft tariff an unequivocal improvement over the current WDAT process.

In sum, we again urge SCE to hire a third party consultant, as described above, to fully examine methods for streamlining the cluster study process to achieve two full cluster studies per year. With two full clusters per year, and up to a year waiting period for studies to begin, the timeline could be reduced from the 630-840 day timeline described above (SCE's proposed new procedure under the draft tariff) to 180-540 days, approximately.