May 24, 2011

California Energy Commission
Docket Office, MS-4
Re: Docket Nos. 11-IEP-1E and 11-IEP-1G Transmission Planning for Renewables
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Re: California Energy Commission Docket Nos. 11-IEP-1E and 11-IEP-1G: Committee Workshop on Transmission Needed to Meet State Renewable Policy Mandates and Goals

To Whom It May Concern:

On May 17, 2011, the California Energy Commission ("Energy Commission") held a Committee Workshop on Transmission Needed to Meet State Renewable Policy Mandates and Goals (the "Workshop") in connection with the 2011 Integrated Energy Policy Report ("2011 IEPR"). Southern California Edison Company ("SCE") participated in the Workshop and appreciates this opportunity to provide these follow-up comments.

SCE is supportive of reforms to the transmission planning and interconnection process that reduce the time needed to permit, site, and construct transmission projects and applauds recent reforms and inter-agency efforts to align transmission planning and developer timelines. Such reforms will more efficiently interconnect generating resources to the California grid. SCE supports least-cost best-fit procurement methods. Furthermore, SCE does consider best-available information regarding transmission costs in its solicitation process. Any process that initiates the construction of transmission projects in advance of knowing the results of competitive solicitations and potentially in areas without substantial demand for such projects risks distorting the outcomes of a least-cost best-fit procurement activity.

SCE believes that the California Independent System Operator ("CAISO") should have the discretion to approve larger projects by "upsizing" beyond the current need demonstrated by individual interconnection requests. When longer-term needs are clearly apparent, this will create value for customers because approved transmission projects will eventually be utilized fully by least-cost best-fit sources of power. For example, building a double circuit line that has unused capacity available for future use when only one circuit would suffice based on the current queue may provide expanded access to low-cost competitive renewable energy zones ("CREZs") as identified by the Renewable Energy Transmission Initiative ("RETI") or areas with a history of successful solicitations. Issues such as how to optimally size network upgrades required by interconnection requests are being addressed by the CAISO in its current stakeholder process ("GIP2"). This type of pre-emptive investment can maximize the value of the land associated with already necessary transmission investments, avoid future, costlier upgrades needed to accommodate additional renewable development, and expedite the schedule for interconnecting future resources.

Additionally, SCE supports the following process reforms as outlined in its presentation at the Workshop. First, increase collaboration between state/federal agencies and the CPCN applicant. Second, conform regulatory agency-imposed mitigation measures with measures required by resource agencies, such as the Bureau of Land Management. For example, resource agencies set helicopter exclusion zones for the Tehachapi Renewable Transmission Project at a quarter mile from bird nests, but the CPUC required one mile. Third, limit information requirements and detail levels in California Environmental Quality Act ("CEQA") and National Environmental Policy Act ("NEPA") documents to meet, but not exceed, the legal requirements.

SCE also reminds the Energy Commission that many significant and unresolved issues remain surrounding the grid's ability to absorb large amounts of renewable energy safely and reliably. While the CAISO has indicated that under some assumptions enough transmission is underway to meet a 33% Renewables Portfolio Standard, the ability to operate the electric grid with such a large amount of variable resources remains untested. The Energy Commission should be mindful of the implications of moving beyond 33%. A careful planning process is necessary to ensure that electricity remains safe, reliable, and affordable for California customers.

Lastly, SCE reserves the right to address any issues related to south to north interconnection expansion. This issue surfaced the Workshop, but there was little information presented. Any expansion must be understood in the context of meeting the State energy goals in a safe, reliable and affordable manner.

I. Resource Adequacy

At the Workshop, the Energy Commission engaged Workshop participants regarding the rules for deliverability as part of the Resource Adequacy ("RA") program. In particular, questions were raised regarding the ability of resources located in IID's service area to count for RA. Under the current regulatory framework, in order for a new generators inside the CAIOS's balancing authority area ("BAA") to "count" for meeting RA obligations, the generator must be determined to be deliverable based on studies performed by the CAISO. In order for generators outside of the CAISO BAA to count for RA, such generators must secure firm transmission service, and CAISO load-serving entities must have sufficient import capability for RA purposes at the relevant intertie. An intertie's maximum import capability ("MIC") is currently determined annually by the CAISO based on the amount of energy that CAISO has imported historically during peak system load hours.[1] Under this methodology, some RA import paths have a value of zero (e.g., IID-SDG&E branch group), and thus, LSEs are not able to obtain RA import counting

[1] Maximum RA import capability for 2011 is posted at http://www.caiso.com/27c6/27c675b81c230.pdf

rights on such paths in order to count certain import resources towards meeting their RA requirements.[2]

Currently, the CAISO is engaged in a stakeholder process to revise the existing methodology, which is based on historical deliveries, to a methodology based on planning study. Through this process, SCE supports a methodology that relies on a forward looking system analysis that considers planned capacity upgrades, but cautions that such reforms will not address all of the uncertainties regarding SCE's ability to procure RA eligible resources outside of the CAISO BAA. For example, the CAISO's proposed methodology is dependent upon transmission planning studies and, if applicable, transmission upgrades being completed before the MIC can be increased. In addition, the amount of RA import counting rights an LSE can acquire on a given intertie is subject to the CAISO's annual allocation process, thus creating uncertainty regarding whether or not an LSE will have sufficient RA import counting rights for a given resource each year. SCE suggests that the Energy Commission engage in the above mentioned CAISO stakeholder process.

Another issue topic related to RA is that SCE's Rule 21, Generating Facility Interconnections, currently does not contain any provisions for such deliverability studies. As stated above, resources that are not deliverable are not eligible to count for RA under current CPUC rules. Nevertheless, there now may be an opportunity for addressing this issue since the California Public Utilities Commission ("CPUC") recently restarted the Rule 21 working group. The Rule 21 working group is a stakeholder group that periodically meets to discuss issues and solutions regarding Rule 21. The lack of deliverability provisions was raised at the recent April 29, 2011 meeting, and SCE intends to work with the CPUC and other stakeholders to further address the issue.

II. Interconnection

As SCE conveyed at the Workshop, a major challenge in meeting state renewable policy mandates and goals is the study of generation projects for transmission/distribution system impacts and associated processing of the large volume of project interconnection applications. SCE noted that as of mid-April 2011, SCE had approximately 865 renewable generation interconnection requests in the interconnection queue, excluding Net Energy Metering interconnection requests. Based on mid-May data, that number is updated to be 785 request in the interconnection queue. Additionally, of that total, approximately 536 are requesting interconnection to the distribution system.

At the specific request of the Commission, SCE further clarifies that the historically lower level of customer participation in the California Solar Initiative ("CSI") program in SCE's service territory (as compared with PG&E) is not a result of this large volume of interconnection applications. Historically, within the CSI program, SCE has interconnected only photovoltaic ("PV") solar systems of 1 MW or less—as limited by CSI program requirements. Thus, the interconnection of such systems has followed a separate, more streamlined interconnection

[2] The CAISO's Maximum RA import capability for 2011 shows that maximum RA import capability for the IID-SCE import path is 502 MW.

process. SCE adds that such streamlined study/interconnection process associated with the CSI program may need to be reviewed in the near future. With ongoing legislative and regulatory policy changes to increase the eligibility for CSI monetary incentives to systems of 5 MW or less, grid reliability and safety may be at risk without adequate study and potential system upgrades.[3] Similarly, as the quantity of small (1 MW or less) capacity solar systems on certain distribution circuits increases, grid reliability and safety also may be at risk without system re-design and upgrades.

III. Streamlined Permitting Process

At the Workshop, SCE also was asked for any comments regarding possible application of the Commission's CEQA functional equivalence model at the CPUC in its CEQA review. As stated at the workshop, SCE supports reforms that reduce overall permitting times and effort—including collaborative efforts between agencies and minimization of duplication of studies/analyses. However, SCE sees no advantages at this time to turning the CPUC's permitting process into a functional equivalent process, and instead suggests that efforts to streamline the existing CPUC CEQA process be given high priority.

SCE believes that the most effective way to reduce the time needed for transmission development is to consider land-use issues on a long-term corridor planning basis as well as a short-term project-specific basis. In SCE's experience, issues surrounding public opposition and environmental impact review are the biggest drivers of construction delays and require both near-term and long-term solutions. In the near-term, it is essential that utilities build public support and consider relevant environmental issues early in the planning stages. While a planning process cannot ensure a project's success, it will be useful in narrowing the options before key decision makers. Also, planning agencies should consider "upsizing" projects required through the generator interconnection process as outlined above.

In the long-term, the Energy Commission should facilitate corridor designation, which will give utilities the opportunity to begin building public support, initiate programmatic, broad environmental studies, and utilize cooperative planning methods for siting corridors in advance of initiating significant investment. Such activities will expedite licensing, permitting, and construction when it is determined that a project is needed. RETI identified potential corridors, but could not pursue a detailed analysis of each potential corridor. Utilities will need to conduct additional research to identify corridors with the highest potential. Also, the Energy Commission staff suggested the utilities to utilize the Desert Renewable Energy Conservation Plan, which is expected to be completed by 2012-13 in order to coordinate next steps. To facilitate this, we suggest that CPUC become more involved with the DRECP process. Finally, a key element to corridor designation will be an extension of the time that utilities are allowed to hold undeveloped land in rate base. Until that is clearly established, SCE is unlikely to apply for corridor designation at the Energy Commission. The CEC should support holding such land in rate base for longer terms.

[3] AB 2724 (Blumenfield) was chaptered in 2010. Increased monetary incentives only apply to state agency renewable generators. Additionally, the CPUC is required to limit such additional incentives to an aggregated amount of 26 MW. AB 2724 sunsets on January 1, 2013.

IV. Project Development: Economic Land Acquisition

The Commission requested that SCE provide additional information regarding the need for a utility to keep real estate acquired for transmission projects in its rate base kept for a longer period of time than currently allowed. At present, a utility is allowed to classify undeveloped land in the plant held for future use category for five years without a planned project if approved by the CPUC. However, in practice, the limited timeframe essentially allows a public utility to include land in rate base for planned transmission projects but not for projects that might be expected to be needed beyond the current planning horizon. This is especially problematic when one takes into consideration that it takes approximately seven to eleven years to develop a "new" transmission project from the initial planning stage to placing it into service. The purpose of transmission corridor planning is to provide a timeframe within which utilities can work with local jurisdictions on siting corridors and preserve the ability to hold open a corridor until a transmission line is eventually needed, perhaps within the next twenty years. If property can be acquired by a utility and included in rate base for a longer, more appropriate period of time, these corridors can be preserved until siting issues can be fully resolved in an actual Certificate of Public Convenience and Necessity ("CPCN") proceeding.

V. ARRA Generation Projects Connecting to SCE's System: Status

Regarding ARRA projects, all but one of the Large Generation Interconnection Applications ("LGIAs") have been executed and approved by the FERC. The exception currently is in the final stages of negotiation, and SCE anticipates its execution by May 31, 2011.

Additionally, the FERC approved SCE's request for 100% abandoned plant recovery and construction work in progress for various identified network upgrades. This includes Colorado River Substation ("CRS") expansion, West of Devers, Coolwater-Lugo, and Whirlwind substation expansion, associated with the ARRA generators. A project team has been launched at SCE for the West of Devers Project, and the targeted in service date is December 2017. Work is underway at SCE for long lead time material procurement, detailed engineering and schedule development for various transmission upgrades associated with the ARRA generators. The permitting process also is currently underway for both CRS and Red Bluff substations at the CPUC and BLM, and SCE has finalized the site selection process for both substations. Project development activities for the Coolwater-Lugo substation have also commenced. Additionally, SCE provides monthly updates to ARRA generators connecting at CRS and Red Bluff substations on all engineering, licensing/permitting open issues.

Thank you again for the opportunity to offer these comments. Please feel free to contact me if you have any questions concerning the matters addressed herein.

Sincerely,

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