Leading the Way in Electricity®

SCE's Perspective on Evaluating and Capturing Benefits of Renewable Energy for California

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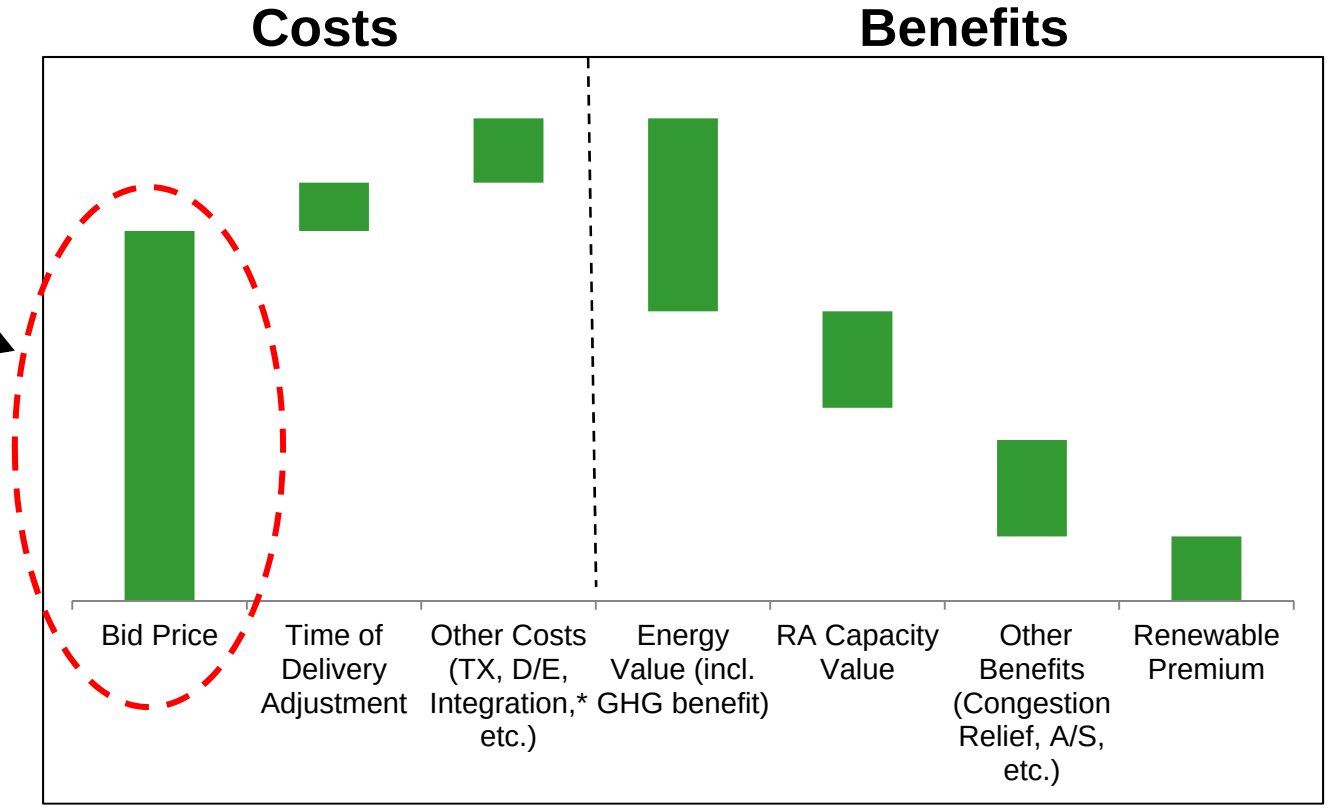
SCE's Least-Cost, Best-Fit evaluation methodology is designed to ensure that SCE's customers get the best value for their renewables procurement dollars.

Generators can enhance their competitiveness by focusing on their project-specific costs



Avoid imposing "adders" and "carve-outs" which distort the market, obscure true value, and ultimately increase costs

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*SCE and the other IOUs are prohibited from using a nonzero integration cost adder in their evaluations.

The Myth of "Deferred/Avoided Costs"

Example

- Project A costs $70/MWh ($63/MWh is project cost and $7/MWh is return)
- Project A also allows utility to defer certain T&D upgrades for 5 years,* and suppose the value of this deferral is worth $20/MWh.

With Deferred Cost Redistribution		**Without Deferred Cost Redistribution**	
• Utility pays Project A contract price of $70/MWh plus $20/MWh "avoided cost"		• Utility pays Project A $70/MWh	
Total Customer Payment	**$90/MWh**	Total Customer Payment	**$70/MWh**
Project A Return	**28.5%** ($90/$70)	Project A Return	**11.1%** ($70/$63)
Customer Benefit	**$0/MWh** ($90 - $90)	Customer Benefit	**$20/MWh** ($90 - $70)

Not all "local" or "distributed" generation have zero upgrade costs

Paying "deferred cost" as a benefit to generators no longer makes it "deferred"

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* Hypothetical case. Many projects trigger transmission upgrades and may also trigger distribution upgrades.