125 FERC ¶ 61,202
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Southern California Edison Company | Docket No. ER08-1567-000

ORDER CONDITIONALLY APPROVING TARIFF AMENDMENT

(Issued November 20, 2008)

1. On September 24, 2008, Southern California Edison Company (SoCal Edison) filed an amendment (WDAT Tariff Amendment) to its Wholesale Distribution Access Tariff (WDAT). The WDAT Tariff Amendment proposes changes to SoCal Edison's process for interconnecting large generating facilities to SoCal Edison's distribution system, including changes to its large generator interconnection procedures (LGIP) and large generator interconnection agreement (LGIA). The amendments are intended to improve the efficiency of SoCal Edison's interconnection process and eliminate backlogs in its interconnection queue. This order approves SoCal Edison's proposed tariff amendments, effective September 26, 2008.

I. Background

2. SoCal Edison states that its WDAT was developed in recognition that SoCal Edison has a transmission system under the operational control of the California Independent System Operator Corporation (CAISO), as well as a distribution system over which SoCal Edison is still the transmission provider.[1] The WDAT provides for interconnection to its distribution system.[2] SoCal Edison further states that WDAT interconnection requests can and do have network impacts, affecting the CAISO controlled grid. As a result, SoCal Edison claims that the study processes of interconnection requests to its WDAT must be coordinated with those of the CAISO in order to achieve the greatest level of efficiency in interconnection to both systems. Finally, SoCal Edison claims that without integration between the interconnection

[1] *See Southern California Edison Co.*, 110 FERC ¶ 61,176 (2005).

[2] SoCal Edison Transmittal Letter at 6.

requests to its distribution system and those of the CAISO controlled grid, the allocation of network upgrade costs and study processes become unworkable.[3]

3. SoCal Edison's current WDAT LGIP and LGIA were adopted to comply with the Commission's directives in Order No. 2003[4] to facilitate the interconnection of new generation while preventing undue discrimination, preserving reliability and increasing competitive energy supply in wholesale electricity markets. SoCal Edison's WDAT LGIP and LGIA were addressed and approved by the Commission in a series of orders in Docket No. ER04-435.[5]

4. The first step in SoCal Edison's process of reforming its interconnection queue management was completed when the Commission approved its Petition for Tariff Waiver on October 3, 2008.[6] The waiver authorized SoCal Edison to develop three study groups for interconnection requests: (1) a grandfathered serial study group in which interconnection requests will be studied serially; (2) a transition cluster group; and (3) an initial WDAT cluster study group to be studied under the reformed WDAT LGIP. Specifically, the Commission authorized SoCal Edison to temporarily suspend study obligations and timelines with respect to certain interconnection requests, pending the adoption of the reformed WDAT LGIP, and to extend beyond the currently allowed 180-day period the duration of the queue cluster window for certain interconnection requests.[7]

5. SoCal Edison states that it has seen a major increase in the number of interconnection requests to its distribution system. As of the date of filing its tariff revisions, SoCal Edison reports that it had 40 interconnection requests totaling more than

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[3] *Id.*

[4] *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

[5] *See e.g., Southern California Edison Co.*, 110 FERC ¶ 61,176 (2005).

[6] *Southern California Edison Co.*, 125 FERC ¶ 61,009 (2008) (SoCal Edison Waiver Order).

[7] *Id.* at P 7 - 9.

3,600 MW pending in its WDAT interconnection queue.[8] Including interconnection requests that seek interconnection to SoCal Edison's CAISO controlled transmission system, total interconnection requests to SoCal Edison as of the date of filing were roughly 65,000 MW. These requests far exceed SoCal Edison's historic peak demand of 23,303 MW.[9]

6. SoCal Edison states that the overall number and size of interconnection requests to both its CAISO-controlled transmission system and its distribution system has overwhelmed available resources and injected unreasonable delays and uncertainty into the interconnection process. SoCal Edison asserts that the delays and uncertainty found in its current interconnection process are attributable to the serial study nature of its interconnection process. Under the serial study approach, when a project that is higher in the queue drops out, all projects with a lower queue position generally must be restudied. The restudies result in delays and uncertainty in assigning costs of necessary system upgrades to be attributed to remaining projects.[10]

II. SoCal Edison's WDAT Tariff Amendment

7. In the current filing, SoCal Edison proposes revisions to its WDAT LGIP and LGIA that are designed to conform to the tariff revisions in the CAISO's Generation Interconnection Process Reform (GIPR) LGIP and LGIA, approved by the Commission on September 26, 2008.[11] During the transition, interconnection requests in the grandfathered serial study group will continue to be studied under SoCal Edison's current WDAT. Accordingly, the tariff revisions include the filing of a new tariff appendix to implement the interconnection queue reforms. SoCal Edison designates the new appendix as the clustering large generator interconnection procedures (CLGIP) and the associated interconnection agreement is designated the clustering large generator interconnection agreement (CLGIA).

8. Consistent with the CAISO's GIPR tariff amendments, SoCal Edison will generally use a clustering approach to study distribution system interconnection requests. SoCal Edison will open the same two queue cluster windows as the CAISO in order to

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[8] SoCal Edison Transmittal Letter at 3.

[9] *Id.* at 3-4.

[10] *Id.* at 4.

[11] *California Independent System Operator Corp.*, 124 FERC ¶ 61, 292 (2008) (September 26 Order).

study distribution interconnection requests at the same time as the CAISO studies interconnection requests to the CAISO-controlled grid.

9. SoCal Edison's CLGIP proposal incorporates the range of elements adopted by the CAISO in connection with its GIPR LGIP. As in the CAISO's proposal, interconnection customers would be required to submit increased study deposits to initiate an interconnection request. Most interconnection customers initiating an interconnection request would pay a $250,000 deposit, while interconnection customers seeking to increase the capacity of a pre-existing facility by less than 20 MW would pay a $100,000 interconnection study deposit. During the study process, interconnection customers would also be required to post an interconnection financial security in two stages to ensure adequate financing for network upgrades.[12] Other elements of SoCal Edison's proposal include (1) a requirement to provide additional technical information in order for an interconnection customer to submit a valid interconnection request, (2) site exclusivity provisions that parallel the CAISO's, including a $250,000 site exclusivity deposit, (3) grouping of interconnection requests that electrically affect one another for study purposes, (4) consolidation of three interconnection studies into a Phase I Interconnection Study and a Phase II Interconnection Study, (5) pro rata allocation of costs for network upgrades among interconnection requests studied as a group, (6) binding cost estimates for network upgrades (both reliability network upgrades and delivery network upgrades) based on analysis in the Phase I Interconnection Studies, (7) specified timelines for posting of interconnection financial security and staged refundability, along with specified conditions for partial recovery, (8) a process for accelerated processing of interconnection requests meeting specified conditions, and (9) specific terms for treatment of the transition cluster under the CLGIP WDAT.[13]

III. Notice and Responsive Pleadings

10. Notice of the Application was published in the *Federal Register*, 73 Fed. Reg. 57,617 (2008), with interventions or protests due on or before October 15, 2008. The CAISO filed a motion to intervene, and the City of Santa Clara, California (Santa Clara) filed a motion to intervene and protest. SoCal Edison filed a motion for leave to answer and answer.

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[12] Ninety days after the publication of the Phase I Study Report, an interconnection customer would be required to post a security totaling 20% of its cost responsibility for network and distribution upgrades. The remaining 80% would be due 180 days following the publication of the Phase II Study Report. (Proposed CLGIP sections 8.2 and 8.3)

[13] SoCal Edison Transmittal Letter at 9 – 19.

11. In its protest, Santa Clara states that "overall [SoCal Edison's] proposal appears to be reasonable and consistent with revisions proposed by CAISO and approved by the Commission."[14] However, Santa Clara contends that SoCal Edison's proposal relies too much on the CAISO's proposal and does not contain sufficient detail to support a finding that the proposal is just and reasonable.

12. Santa Clara states that the increase in the total deposit requirements from $100,000 to $250,000 has not been supported by SoCal Edison. Santa Clara notes that the CAISO stated that its increase in deposits struck an appropriate balance between ensuring that interconnection customers are adequately capitalized while not unduly discriminating against those seeking access to the grid. Santa Clara states that SoCal Edison has provided no such justification. Santa Clara also states that SoCal Edison has not adequately explained how it will address any portion of the security deposit that becomes non refundable and exceeds the costs incurred in studying the interconnection request.

13. In addition, Santa Clara states that SoCal Edison has not adequately justified its proposal to require interconnection financial security. Nor has SoCal Edison justified its proposal to distribute forfeited interconnection financial securities to scheduling coordinators in proportion to their contribution to the grid management charge. Specifically, Santa Clara states that SoCal Edison has not explained why this proposal is reasonable for entities that do not have a grid management charge.

14. In its answer, SoCal Edison states that Santa Clara has not shown that it has an interest in this proceeding and that it should not be allowed to intervene.[15] SoCal Edison notes that Santa Clara does not have any generation connected with SoCal Edison's distribution system, nor does it have generation in SoCal Edison's distribution queue. SoCal Edison argues that to the extent Santa Clara is interested in the reliability of the system, its interests can be represented by the CAISO.

15. SoCal Edison also argues that it has shown that the proposed reforms are consistent with or superior to the pro forma LGIP and LGIA. SoCal Edison states without such reforms, there would be a disparity between SoCal Edison's interconnection process and the CAISO's interconnection process. SoCal Edison argues that this would lead to generators seeking to interconnect at the distribution level rather than at the transmission level because of the relatively low cost of entering the queue. SoCal Edison

[14] Santa Clara at P 8.

[15] SoCal Edison Answer at 3.

states that this "forum shopping" would lead to innumerable restudies resulting from generators being in the queue without sufficient financial commitment.[16]

16. SoCal Edison states that its proposal to increase interconnection study deposits is superior to the pro forma LGIA. SoCal Edison states that the deposits strike a reasonable balance between the actual cost of performing studies and the need to ensure that generators demonstrate that they have the financial resources to pursue viable projects before entering the queue. SoCal Edison also notes that it is in the process of determining what the best process would be for crediting excess funds from non-refundable study deposits, and that it will set forth a process which will benefit all of SoCal Edison's customers in a subsequent compliance filing.

17. Finally, SoCal Edison states that its proposal to refund excess interconnection financial security through CAISO's grid management charge is just and reasonable. SoCal Edison states that it is consistent with how CAISO treats these funds, and is a fair and equitable way to benefit the entire CAISO-controlled transmission system.

IV. Discussion

A. Procedural Matters

18. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

19. Rule 214 (a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 214 (a) (2)(2008), prohibits an answer to a protest or another answer unless otherwise ordered by the decisional authority. We will accept SoCal Edison's answer because it provided information that assisted us in the decision-making process. We deny SoCal Edison's request that we reject Santa Clara's request to intervene.

B. Substantive Matters

1. Standard of Review

20. SoCal Edison notes that the Commission has directed that all transmission providers should be evaluating whether changes are needed to their queue management practices to ensure that the expediency called for in Order No. 2003 is achieved.[17] SoCal

[16] SoCal Edison Answer at 4.

[17] SoCal Edison Transmittal Letter at 7, citing *Interconnection Queuing Practices*, 122 FERC ¶ 61,252, at P 4 (2008).

Edison indicates that it filed its WDAT tariff amendment to achieve needed consistency with the changes contained in the CAISO's GIPR LGIP and LGIA.[18] SoCal Edison further indicates that the changes proposed are justified as consistent with or superior to the Commission's Order No. 2003 *pro forma* large generator interconnection procedures and large generator interconnection agreement.[19]

21. In the SoCal Edison Waiver Order, the Commission explained that SoCal Edison must provide specific justification for the proposed changes to its WDAT LGIP and LGIA including explanations as to why the variations from the *pro forma* LGIP and LGIA, or from its currently approved WDAT LGIP and LGIA, are consistent with or superior to those provisions.[20] Accordingly, we will apply the "consistent with or superior to" standard of review in making our determinations with respect to SoCal Edison's proposed CLGIP and CLGIA. And we conclude here that, on balance, SoCal Edison's proposed revisions result in an interconnection process and agreement that are consistent with or superior to those in the Commission's Order No. 2003.

2. <u>Increased Financial Commitments</u>

22. We disagree with Santa Clara that SoCal Edison has failed to explain the increase in the level of deposits and the existence of an interconnection financial security. In its filing, SoCal Edison states that it proposes more stringent application requirements for interconnection requests because "it will ensure that only commercially viable generators request interconnection."[21] This justification is consistent with the order accepting the CAISO's revised LGIP provisions, where the Commission accepted identical levels of financial commitments "to reduce the opportunity for speculative projects to enter and remain in the queue."[22]

23. Moreover, given the integrated nature of SoCal Edison and the CAISO's systems, it is appropriate to accept SoCal Edison's increase in the deposit level and its addition of an interconnection financial security requirement to deter speculative projects. As SoCal Edison points out in its answer, without such increased financial commitments, prospective interconnection customers with speculative projects would use SoCal Edison's current, relatively lenient financial commitment requirements as a way to avoid

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[18] *Id.*

[19] *Id.*

[20] SoCal Edison Waiver Order, 125 FERC ¶ 61,009 at P 21.

[21] SoCal Edison at 8.

[22] September 26 Order, 124 FERC ¶ 61,292 at P 58.

the more stringent requirements approved for the CAISO.[23] Accordingly, we accept the increased financial commitments in SoCal Edison's proposal.

24. We find SoCal Edison's proposed method for distributing forfeited portions of the interconnection financial security to be reasonable. SoCal Edison witness Mavis states that the CAISO's interconnection process and SoCal Edison's WDAT process have operated in an integrated manner under the serial study approach and would continue to do so under the proposed clustering approach.[24] It is therefore reasonable that forfeited portions of the interconnection financial security be treated in the same manner as forfeited security in the CAISO's interconnection process.

25. In response to Santa Clara's statement that this method for distributing forfeited securities may not be fair to entities without a grid management charge, the Commission acknowledges, as we did in the September 26 Order, that such a distribution method may not be ideal.[25] However, the method proposed by SoCal Edison is a nondiscriminatory way to distribute the forfeited securities that does not weaken the interconnection customer's incentive to ensure that a project is commercially viable before proceeding with the interconnection process. Santa Clara has not met its burden of showing that SoCal Edison's method for distributing the forfeited funds is unjust and unreasonable.

26. SoCal Edison acknowledges that its proposal contains no provision specifying the treatment of forfeited portions of interconnection deposits that are not used in the interconnection study process.[26] Therefore, the Commission directs SoCal Edison to file a provision detailing the treatment of these forfeited deposit amounts in a compliance filing to be made within 30 days of the issuance of this order.

3. <u>Effective Date and Waiver</u>

27. SoCal Edison requests, pursuant to section 35.11 of the Commission's regulations,[27] waiver of the 60-day prior notice requirement specified in section 35.3.[28] Should the Commission grant the requested waiver, SoCal Edison requests that its

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[23] SoCal Edison answer at 6.

[24] Testimony of Steven Mavis at 6 and 10.

[25] September 26 Order, 124 FERC ¶ 61,292 at P 159.

[26] SoCal Edison answer at 6.

[27] 18 C.F.R. § 35.11 (2008).

[28] 18 C.F.R. § 35.3 (2008).

WDAT tariff amendments be assigned an effective date that corresponds with the effective date assigned to the CAISO's GIPR tariff amendment, which SoCal Edison anticipated would be September 29, 2008.

28. SoCal Edison states that good cause exists for such a waiver in this case because it will allow SoCal Edison to align its large generator interconnection process with the CAISO's GIPR tariff amendment as soon as possible and because the waiver will facilitate and expedite the interconnection of generation in the wholesale market. SoCal Edison further states that the granting of this waiver will not have any impact on its other rate schedules, and that it has mailed copies of its transmittal letter and all attachments to the California Public Utilities Commission, the CAISO and all interconnection customers with current, valid large generator interconnection requests to its distribution system, as well as posting the transmittal letter and all attachments on its website. No party opposed SoCal Edison's request for waiver.

29. Based on SoCal Edison's representations, we find that good cause exists to grant the requested waiver. The proposed tariff amendments requested will be conditionally accepted, effective September 26, 2008, which is the effective date assigned to the CAISO's GIPR tariff amendment in the September 26 Order.

The Commission orders:

(A) The proposed tariff amendments are hereby conditionally accepted, effective September 26, 2008, as discussed in the body of this order.

(B) SoCal Edison is hereby directed to make a compliance filing within 30 days of the issuance of this order modifying its proposed tariff revisions as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.