

**SCE Comments on ISO Whitepaper: Proposed Tariff Amendment to Address Low Voltage Transmission Revenue Requirement (LVTRR) Cost Recovery for Non-Load-Serving Participating Transmission Owners (NLS PTO), dated July 17, 2006**

SCE has reviewed the whitepaper issued by the ISO titled "Proposed Tariff Amendment to Address Low Voltage Transmission Revenue Requirement (LVTRR) Cost Recovery for Non-Load-Serving Participating Transmission Owners (NLS PTO)", dated July 17, 2006. SCE's comments are as follows.

SCE believes that a Tariff amendment is required to address the impending situation where Trans-Bay Cable LLC ("TBC") will not have its own End-Use customers from which to recover its Low Voltage Transmission Revenue Requirements ("LVTRR"). The current ISO Tariff has language that refers to a situation where one PTO uses the LV transmission facilities of another PTO, and requires the using PTO to compensate the providing PTO (section 26.1).<sup>1</sup> However, the current Tariff language is at best ambiguous as to whether it could address the TBC situation, as well as continuing to address the situation for which SCE believes it was written. The current tariff language addresses a situation that already exists, where a PTO with End-Use customers (a load-serving PTO) is directly connected to the ISO Grid through another load-serving PTO's LV facilities. The real-world example of this is the City of Banning, a PTO which is connected to the ISO Grid solely through SCE's LV ISO transmission facilities. Banning would be required to pay SCE's LV Access Charge were it not for the fact that Banning has Existing Contracts that already compensate SCE for service over these LV facilities.<sup>2</sup> The TBC situation is distinct from the Banning situation, and in SCE's opinion requires new ISO Tariff language to specifically address. SCE believes that this new ISO Tariff language to address the TBC situation should not alter the current language as it would apply to the Banning situation.

In addition to modifying the ISO Tariff to ensure the ability of a NLS PTO such as TBC to recover its LVTRR, SCE believes that the ISO Tariff also needs to be modified to ensure that such a PTO does not over-or under-recover its LVTRR. The current Tariff already has a provision that ensures that a NLS PTO does not over- or under-recover its High Voltage TRR over time. This is accomplished by requiring that such a PTO place any over- or under-recovery of its High Voltage TRR in its HV TRBA each year (Section 6.1 of Schedule 3 of Appendix F). An analogous provision to ensure that a NLS PTO with an LV component of its TRR does not

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<sup>1</sup> "If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO by such other Participating TO" (Section 26.1).

<sup>2</sup> "If a UDC or MSS Operator that is serving Gross Load in a PTO Service Territory has Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights" (Section 26.1).

over- or under-recover its LVTRR should be added to the ISO Tariff. This principle was agreed to by the LVTRR Stakeholder Working Group, although it is not mentioned in the Whitepaper.

SCE generally agrees with the points 1-5 listed on page 4 of the Whitepaper, but has two comments to attempt to clarify the intent:

- 1) Point 1 states: “To the extent a Load-serving PTO charges its own Load directly for its own LVAC, there is no settlement through the ISO. To the extent a UDC, MSS Operator, or Wheeling customer uses the Low voltage Transmission Facilities of a non-affiliated PTO, the settlement for the recovery of the LVTRR of the non-affiliated PTO would occur through the ISO’s settlement system.”

SCE agrees that this principle should apply to the TBC situation, so that the ISO settlement system should be used to assess and recover TBC’s LVTRR from the appropriate UDC or MSS. However, for the other situation described above where a PTO uses another PTO’s LV facilities (the Banning case), the settlement is described in the ISO Tariff as between the two PTOs, not through the ISO Tariff. In order to minimize the changes to the ISO Tariff and to focus attention on the situation at hand – NLS PTOs -- SCE believes that there is no reason to modify the procedures set forth in the ISO Tariff for load-serving PTOs.

- 2) Point 5 states “Each PTO that is charged the LVTRR of another PTO shall be allowed to net such payments with any revenues (e.g., proceeds from its own Low voltage Wheeling Access Charges to Wheeling Customers) in its Transmission Revenue Balancing Account for the annual true up of its own LVTRR recovery”.

SCE believes that the use of the word “net” is confusing in this context. The stated principle should be that the PTO that makes the payment of the LVAC should be allowed to recover these payments through its TRBAA. Such payments are netted only in the sense that most other amounts placed in the TRBAA happen to be of an opposite sign (i.e., they are revenues, not costs). Since the LVAC costs are Low Voltage, they should be considered as an LV component when the PTO which incurs the LVAC of a NLS PTO makes its annual TRBAA filing.

SCE is attaching in a separate document proposed ISO Tariff language that would implement the principles agreed to by the LVTRR Stakeholder Working Group, as clarified by SCE’s above comments.