

Leading the Way in Electricity™

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

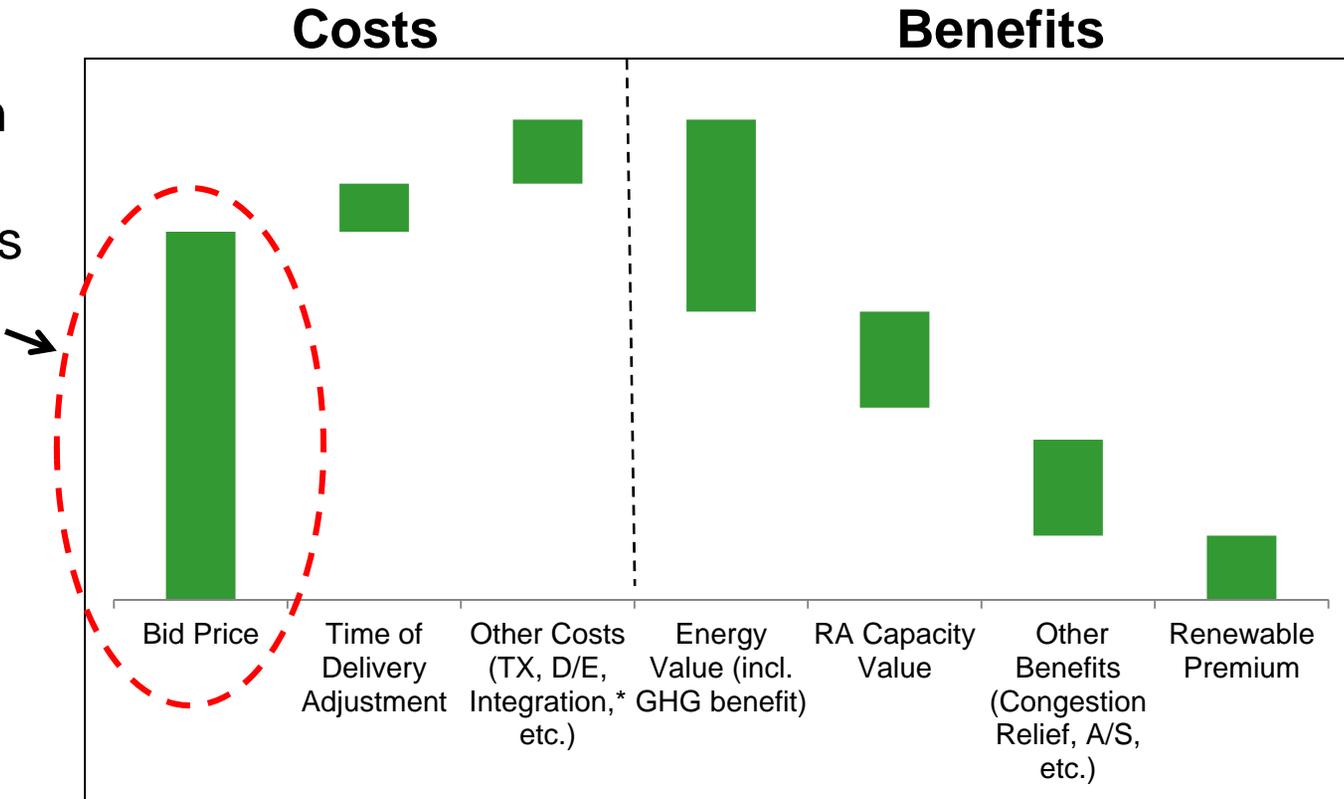


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SCE’s Least-Cost, Best-Fit evaluation methodology is designed to ensure that SCE’s customers get the best value for their renewables procurement dollars.

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

*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”