Distribution System Planning
Chapter 5: Consolidated Distribution System Plan Filing Requirements
Renewed Regulatory Framework for Electricity Workshop
Presenter: Stephen Cain
Overview

1. Background

2. Renewed Regulatory Framework
   - Objectives
   - Planning Policy
   - Expectations

3. Chapter 5
   - The role of Chapter 5 in the Board’s *Filing Requirements*
   - Filing Overview: who, when & how
   - Key Elements
   - Section Highlights
Consultants’ reports issued on regulatory approaches to asset management and current Ontario distributor asset management practices (2009)

RRFE launched in 2010

*DNIP Staff Discussion Paper* sets out current policy framework for planning and highlights potential opportunities for enhancement (2011)

*RRFE Report* provides policy objectives and framework for planning (fall 2012)

Working Group launched to review and advise staff on proposals for filing requirements on distribution investment planning (fall/winter 2012/13)

Chapter 5 issued (March 2013)
Distribution planning should adopt a longer term perspective to:
  - enhance predictability for stakeholder decision-making;
  - facilitate cost-effective and efficient capex implementation; and
  - help distributors manage consumer rate impacts

Planning should integrate all categories of investment; regional considerations; and smart grid development

Planning should provide the foundation needed for performance-based distribution rate-setting options; and

Planning should leverage asset management and capital expenditure planning policies and practices that enable robust regulatory assessment of distributors’ applications
• the Board expects that a distributor’s investment plan will
  – optimize investment across all categories of capital expenditure through a longer term, integrated approach
  – reflect regional and smart grid considerations
  – serve present and future customers
  – place a greater focus on delivering value for money
  – align distributor and customer interests
  – support the achievement of public policy objectives

• Good planning will ensure that the RRFE performance outcomes for distributors are being achieved

  Customer Focus
  Operational Effectiveness
  Public Policy Responsiveness
  Financial Performance
Chapter 5 implements RRFE policy on matters related to distribution network investment planning by providing electricity distributors with guidance on:

- the types and characteristics of distributor planning information needed to reflect an integrated, longer term planning approach;
- information on the distributor’s approach to asset management and capital expenditure planning that best enables robust regulatory assessment; and
- the qualitative & quantitative information on the distributor’s capital expenditure plan that can be used to support the Board’s assessment of proposed material project and activity expenditures.
Chapter 5: Relationship to Chapter 2

• Chapter 5 consolidates a distributor’s information
  – on system planning, focussing on the asset management and capital expenditure planning processes the distributor uses to identify, select, prioritize and schedule all types of investment; and
  – on the resulting integrated 5 year plan, detailing the investments for which costs are proposed for recovery

• Chapter 2 consolidates a distributor’s information
  – on the impact of their proposed capital expenditures (identified and explained in their Chapter 5 filing) on test year rate base and the revenue requirement
All licenced, rate regulated electricity distribution utilities in Ontario must include the information set out in Chapter 5 when filing a cost of service application for rebasing under the ‘4th Generation IR’ or a ‘Custom IR’ rate plans; within five years of the date of the most recent Board decision approving their rates in a cost of service proceeding if filing an application under the ‘Annual IR Index’ rate plan; or when filing a Leave to Construct, Incremental Capital Module or Z-factor application if required by the Board.
Chapter 5: How should Chapter 5 information be presented?

- A Chapter 5 filing should be in the form of a stand-alone document (i.e. “Ex 2-T#-S#”)
- Option 1: organize the information in the document by using the Chapter 5 section headings, beginning with section 5.2; e.g.

**Distribution System Plan**

1. Distribution System Plan Overview
2. Coordinated Planning with 3rd Parties
3. Performance Measurement for Continuous Improvement
4. Asset Management Process Overview
5. Overview of Assets Managed
6. Asset Lifecycle Optimization Policies and Practices
   etc.

or...
• Option 2: use a table of cross references to map Chapter 5 headings to the headings otherwise used in the stand alone document; e.g.

### Distribution System Plan

The table below maps the headings used in this document to the section headings used in Chapter 5.

<table>
<thead>
<tr>
<th>Chapter 5 headings</th>
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<tbody>
<tr>
<td>5.2.1 Distribution System Plan Overview</td>
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<td>5 Title E</td>
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<td>5.2.3 Performance Measurement for Continuous Improvement</td>
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<td>5.2.4 Asset Management Process Overview</td>
<td>1 Title A</td>
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<td>5.2.5 Overview of Assets Managed</td>
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<td>5.2.6 Asset Lifecycle Optimization Policies and Practices</td>
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<td>etc.</td>
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Key Elements: Regional Planning

- DSC amendments set out distributor obligations to participate in regional planning processes, including
  - integrated regional resource planning (IRRP) lead by OPA
  - regional infrastructure planning (RIP) lead by transmitter
- Distributors are to file the following documentation supplied by the transmitter:
  - the most recent *Needs Assessment* report if the distributor was not required to participate in the latest RIP process for their region; or
  - if they did participate in the latest RIP process, the *Regional Infrastructure Plan* prepared as a result; or
  - an RIP process *status letter* if a completed *Regional Infrastructure Plan* was not available at the time of filing
Key Elements: “REG Investments”

- A distributor’s planned investments to accommodate renewable energy generation (“REG investments”) are to be integrated into the distributor’s capital expenditure plan
  - Chapter 5 (along with sections of Chapter 2) replaces previous requirement for stand-alone ‘GEA Plans’
- an OPA comment letter on a distributor’s planned REG investments is required
- material REG investment projects/activities assessed in same way as any other proposed investment
- costs of “eligible investments” recoverable through provincial cost recovery (incl. ‘Direct Benefits’ calculations) are included in Chapter 2 filing
• In its *Supplemental Report* on smart grid the Board determined that smart grid is
  – the modernization of the grid
  – integral to distribution system plans
  – a focus of grid-enhancing innovation; and
  – implemented on a regionally coordinated basis

• Material ‘grid modernization’ projects/activities will be assessed using the same criteria as would be applied to any proposed investment (i.e. efficiency, customer value, reliability, safety);

• Other criteria may also apply (e.g. cyber-security)
This section should establish the context of the distributor’s Plan and summarize the key elements of the Plan, including:

- a high level overview and ‘highlights’ of the plan (e.g. objectives; key drivers; priorities; significant or ‘one off’ investments; etc.) [5.2.1]
- a description of coordinated regional planning activities and impact on current plan [5.2.2]
- an explanation of the measures and methods the applicant uses to assess ongoing performance against objectives [5.2.3]
This section should set out information on the metrics you use to monitor and assess the effectiveness of your planning process (including ‘Scorecard’ metrics); i.e. how well the objectives of your Plans are being met.

Metrics should relate to your objectives; e.g.
- customer oriented performance
- cost efficiency and effectiveness
- asset/system operational performance

Information on trends in key indicators can be summarized and/or illustrated where applicable.
This section focuses on information about the process you use to manage system asset maintenance and replacement activities over the lifecycle of the assets, including:

- an overview of the AM process used [5.3.1]
- a high level summary of distribution assets in use [5.3.2]
- an explanation of how you make ‘replace vs. refurbish’ decisions; i.e. ‘asset lifecycle optimization’ policies & practices [5.3.3]
information describing the plan at a high level and identifying and explaining the rationale for significant capital expenditures for which cost recovery is sought:

- a summary of key plan information (e.g. significant projects, their respective main drivers and costs) [5.4.1]
- a brief explanation of the process the applicant uses to plan investments (referencing their asset management process where applicable) [5.4.2]
- information on the capability of a distributor’s distribution system to accommodate renewable energy generation; [5.4.3] and
- a ‘capital expenditure summary’ (Table 2) to organize previous and prospective capital expenditure information in a common framework using high level categories defined by investment drivers [5.4.4]
### Section Highlights: Capital Expenditure Summary

#### Table 2 / Appendix 2-AB

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#### Notes to the Table:
1. Historical "previous plan" data is not required unless a plan has previously been filed.
2. Indicate the number of months of 'actual' data included in year 'Test-1' (normally a 'bridge' year): [ ]

#### Explanatory Notes on Variances (complete only if applicable)

1. Aggregated expenditure by category
2. Amounts for each category from previous plan for each year
3. Blank (no previous plan) for initial Chapter 5 filing
4. Actual expenditures by category required

Notes on shifts in forecast vs. historical budgets by category

Notes on year over year Plan vs. Actual variances for Total Expenditures

Notes on Plan vs. Actual variance trends for individual expenditure categories
The information that will be used to assess whether the plan meets the Board’s expectations includes:

- for the plan as a whole, trends in the relationship between investment drivers and expenditures [5.4.5.1]
- for significant investments more in-depth information in proportion to the ‘materiality’ of the expenditure is required, including [5.4.5.2]
  - key characteristics of the investment [A]
  - information about the investment that addresses the applicable evaluation criteria the Board will use to assess the expenditure in terms of achieving the four RRFE performance outcomes [B]
  - provide category-specific information that could support the Board’s assessment [C]
Frequently Asked Questions

Q: Chapter 5 mentions REG investments, but where are ‘Direct Benefits’ calculations filed?
A: Chapter 2 (as revised) includes guidance (section 2.5.2.5) and tables (Appendices 2-FA through 2-FC) for this purpose.

Q: I have a documented distribution system plan that uses different section headings than those set out in Chapter 5. Can I use my existing format for my filing?
A: YES - indicate clearly in the Exhibit where the information for each section can be found.

Q: Does “Table 2- Capital Expenditure Summary” (also Appendix 2-AB) require project-by-project data?
A: No. This table would reflect / include aggregated data for all projects/activities in each category.
Q: Note 1 to Table 2 notwithstanding, can ‘plan’ data for the historical period (e.g. ‘total’ capex; system O&M) be included in my initial Chapter 5 filing if I have it?
A: Any information that supports your application can be included as appropriate

Q: For the purposes of the ‘Explanatory Notes’ on Table 2, what is a ‘marked’ variance?
A: Some variance is expected; a ‘marked’ variance is one that ‘stands out’ relative to the others in the series

Q: What’s the best way to organize information for sections 5.4.5.2 A, B and C (for material projects/activities)?
A: Applicants should consider consolidating all the information pertinent to each material project/activity in a manner that promote clarity and better understanding of the expenditure
Questions.....
Thank you

Need information?

Submit your enquiries via Email:
market.operations@ontarioenergyboard.ca