



Ontario Energy Board Commission de l'énergie de l'Ontario



Distribution System Planning Chapter 5: Consolidated Distribution System Plan Filing Requirements

Renewed Regulatory Framework for Electricity
Workshop

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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

Background

- 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)

RRFE: Distribution Planning Policy

- 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



Chapter 5: Purpose and Function

- 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

Chapter 5: Who is Required to File & When?

- 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.

	Filed: YYYY-MM-DD
	EB-2013-###
	Exhibit 2
	Tab #
	Schedule #
Distribution System Plan	
1	Distribution System Plan Overview
2	Coordinated Planning with 3 rd 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...

Chapter 5: How should Chapter 5 Information be Presented?

- 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.

Filed: YYYY-MM-DD
EB-2013-###
Exhibit 2
Tab #
Schedule #

Distribution System Plan

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

Chapter 5 headings		Current Document	
5.2.1	Distribution System Plan Overview	6	Title F
5.2.2	Coordinated Planning with 3 rd Parties	5	Title E
5.2.3	Performance Measurement for Continuous Improvement	4	Title D
5.2.4	Asset Management Process Overview	1	Title A
5.2.5	Overview of Assets Managed	3	Title C
5.2.6	Asset Lifecycle Optimization Policies and Practices	2	Title B

etc.

- 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

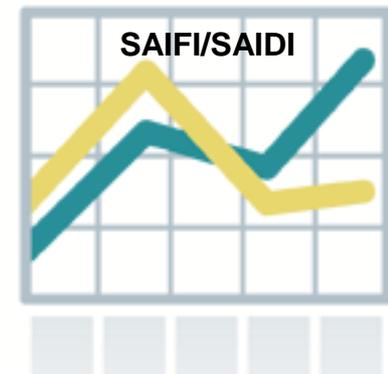
- A distributor’s planned investments to accommodate renewable energy generation (“REG investments”) are to be integrated into the distributor’s capital expenditure plan
 - Chapter 5 (along with sections of Chapter 2) replaces previous requirement for stand-alone ‘GEA Plans’
- an OPA **comment letter** 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]

Section Highlights: *Measuring Plan Results*

- 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 focusses 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

[5.4.4]

Table 2 / Appendix 2-AB

CATEGORY	Historical (previous plan ¹ & actual)															Forecast (planned)				
	2009			2010			2011			2012			2013			2014	2015	2016	2017	2018
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
System Access																← 2				
System Renewal																				
System Service																				
General Plant																← 2				
Total																				
System O&M																				

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):

1
 aggregated expenditure by category

Explanatory Notes on Variances (complete only if applicable)

Notes on shifts in forecast vs. historical budgets by category

2
 amounts for each category from previous plan for each year

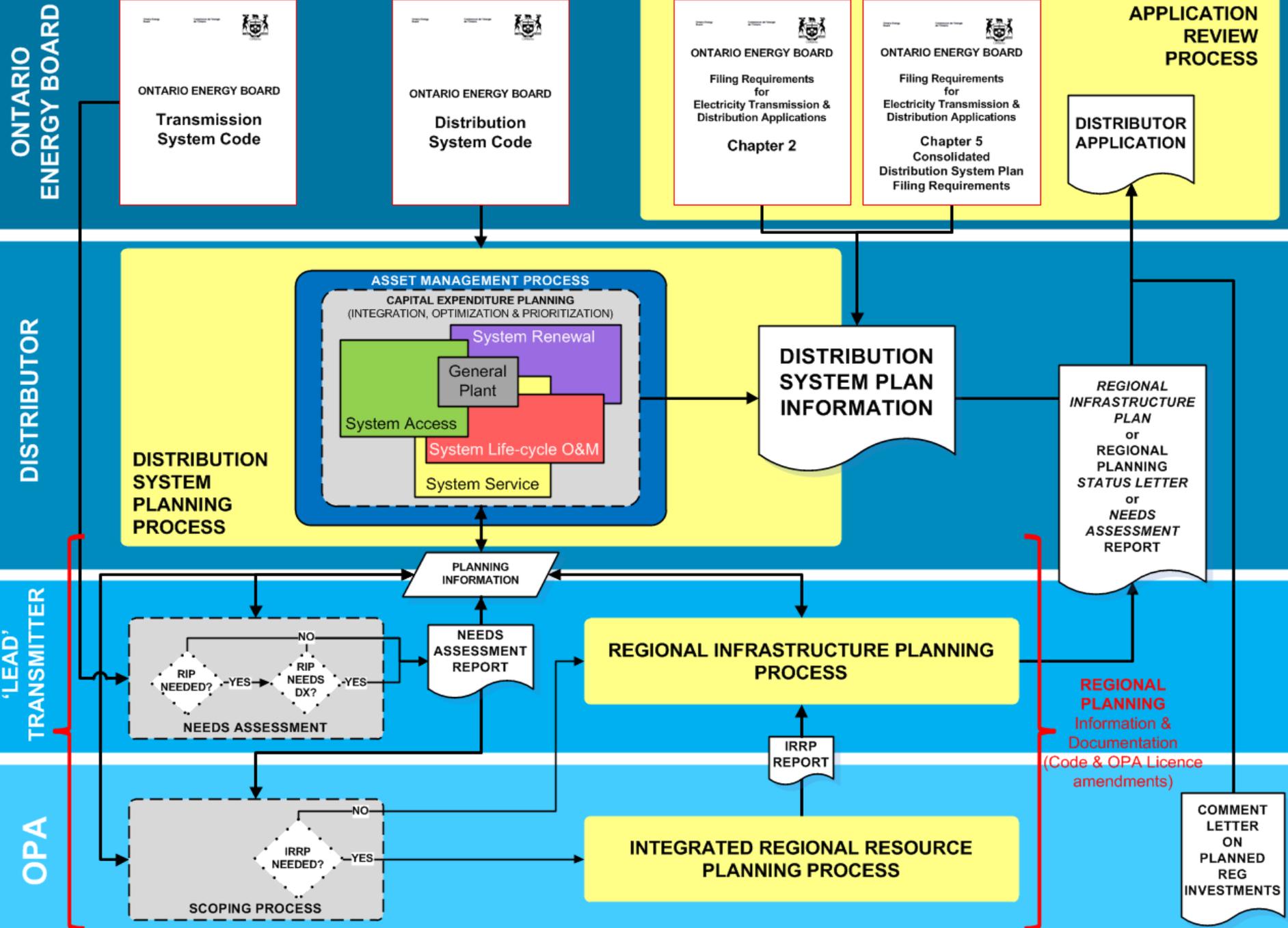
Notes on year over year Plan vs. Actual variances for Total Expenditures

3
 blank (no previous plan) for initial Chapter 5 filing

Notes on Plan vs. Actual variance trends for individual expenditure categories

4
 actual expenditures by category required

- 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.

Frequently Asked Questions

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:

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