

Meeting Summary



Distribution Network Investment Planning Working Group

Meeting Date: January 14, 2013 **Time:** 9:30 am – 3:30 pm

Location: 2300 Yonge Street, 25th Floor, ADR room

Board Staff: Rachel Anderson, Leila Azaiez, Stephen Cain, Brian Hewson

Meeting Subject: Staff proposals on consolidated capital planning filing requirements as per the Board's [*A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach; Report of the Board*](#); October 18, 2012.

The purpose of this third meeting of the DNIP Working Group was to continue discussions of staff's proposals for filing requirements in relation to distributor capital investment plans.

- Welcome; Agenda for the day
- Draft Meeting Notes from December 13th Working Group meeting
- Review and discussion of staff's proposal

Note: where applicable, slide references indicate the Working Group meeting number and number of the slide in the slide deck presented at that meeting.

Main subjects of discussion and review:

Straw man: investment categories & descriptions for FRs (WG3 Slides 4-7)

Re: Four investment categories are proposed, differentiated by the general purpose of the expenditure, where each is linked to types of investment defined in the Code.

Discussion:

- Proposed categories generally accepted by the group with some minor adjustments.
- FRs must recognize that certain projects/investments may serve multiple purposes and therefore cross two or more categories.
 - it may be possible to identify one category as 'primary' and others as 'secondary' (e.g. a proposed investment is primarily a category A type investment however, the utility has taken this opportunity to incorporate category B and C type investments in order to cost effectively optimize the network).

- While it is useful to link investment categories with Code defined activities for cost allocation purposes, Code language need not be relied upon for the purposes of providing clear descriptions of the projects and activities proposed for cost recovery in a distributor's capital plan.

Performance measurement & targets for continuous improvement (WG#1 Slide 23):

Re: "links back to four RRFE outcomes; identifies targets, metrics, and performance track record used to monitor the effectiveness of the asset management and capital expenditure planning and execution"

Discussion:

- performance metrics/targets
 - three broad dimensions of measuring performance in regards to asset management and capital planning:
1. Did I achieve the intended outcomes of my plan?
 - this may be difficult to determine because some outcomes may only be observable/measurable after a significant amount of time has passed e.g. reliability improvements
 - each utility will have its own set of intended outcomes, including project level outcomes and plan/system level outcomes; both could be complex to measure and track
 - broad outcomes for a number of planning related metrics are to be included on the scorecard; a planning focused metric must therefore be simple, and not redundant with the other information provided on the scorecard
 2. Did I execute my plan within scope, on time and on budget?
 - If there is a significant departure from plan on any of these three items than there are either problems with the original plan or problems with the execution – the latter can be identified through reporting to assist in determining whether a utility is a good planner;
 - What is the threshold level whereby a variance in planned versus actual spending is considered material? That is, what degree of deviation from plan (either in terms of costs or project execution timing) triggers a requirement to provide information in a filing?
 3. What's the 'health' of my system? e.g. a composite metric with indicators such as the average age of assets
 - There will not be a target number that is reasonable for all distributors. These numbers should be contextualized according to each distributor's circumstances and compared against past performance.
 - There is recognition that metrics around planning may evolve over time and become more sophisticated and/or holistic as the industry gains more experience with standardized asset management and capital planning requirements.

Capital Plan Updates (no slide reference):

Re: form and content of capital plan updates

Discussion:

- a main goal of updating capital plans is preventing “surprises” when a distributor’s plan is filed in a rate application
- plan updates should be simple and relatively high-level:
 - explain significant variances from plan (mostly in relation to cost, but possibly in relation to projects) only
 - update planning assumptions (e.g. forecasts, economic indicators such as inflation)
 - include discussion of how plan has been refined according to new circumstances or information
- timing: updates could be filed through either RRR or IRM applications

Wrap up discussion: topics for discussion at the next working group meeting(s)

1. framework and proposed elements for investment planning information updates
2. design for a planning ‘scorecard’ metric: criteria and straw man proposal
3. staff proposal for general framework for FR guidance on ‘tools & methods’

Scheduled Date for Working Group Meeting #4: January 24, 2013