

# Meeting Summary



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## Distribution Network Investment Planning Working Group

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**Meeting Date:** February 7, 2013 **Time:** 9:30 am – 3:30 pm

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

**Board Staff:** Stephen Cain; Rachel Anderson; Brian Hewson; Leila Azaiez

**Meeting Subject:** Staff proposal on consolidated capital planning filing requirements (including reporting requirements) and performance monitoring 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 the fifth meeting of the DNIP Working Group was to continue discussions of key elements of filing requirements in relation to consolidated distributor capital investment plans.

- Welcome
- Matters arising from recent discussions
- Review: capex plan updates
- Follow-up: 'planning' Performance Scorecard metric
- Discussion: planning 'tools & methods' currently in use

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:**

#### **Common 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:**

- the intent of using common investment categories for filing is to foster a shared understanding of the drivers and objectives of each type of investment
- if a distributor uses different categories for internal planning purposes, filings would involve 'mapping' those investments to the common category bucket they fit into

- greater consistency will be achieved even if there are minor differences across utilities in how individual investments are mapped to categories

### **Slide 3: capex plan update**

Re: “is a variance ‘materiality threshold’ triggering explanations needed; should ‘notable’ plan revisions be explained?”

#### **Discussion:**

- the content of the update should depend on what the Board will use the information for
  - this may depend on the rate setting plan a utility chooses
- generally, the data envisaged is high level (i.e. investment category) dollar amounts; if explanations for planned/actual variances in these amounts are expected, there should be a variance ‘threshold’ that indicates that an explanation is expected
  - the level of detail required for such explanations should be clear

### **Slides 4 – 6: capex plan update**

Re: “forecast window duration”

#### **Discussion:**

- ‘rolling’ vs. ‘truncated’ depends on what the purpose of the information provided
  - ‘rolling’ extends the forecast information out an additional year each year
  - ‘truncated’ with one additional forecast year (slide 6: ‘5 year fixed +1’) could serve the ‘no surprises’ purpose

### **Slide 7: ‘planning’ Performance Scorecard metric**

Re: “how well was the plan implemented? (e.g. work complete vs. plan)”

#### **Discussion:**

- a metric that provides an indication of how much planned work was actually completed and at what cost compared to the planned amount creates a productivity incentive
  - productivity trend is normally assessed in a CoS context; scorecard is year over year
  - how ‘completed work’ is tracked may differ by utility
    - can also differ by type of investment; e.g. category A: budget amounts not assigned to specific projects can account for a significant share of planned spending
    - can also differ by type of project or stage of project development
  - the use of project management metrics for ‘planned vs. completed’ are relatively common; the scorecard requires an aggregate measure

- what is the appropriate scorecard entry for asset management/planning at this stage of scorecard development:
  - one that focusses exclusively on planned vs. actual?
  - one that shows planned vs. actual and implementation productivity?

**Slide 10: planning ‘tools & methods’: questions on current practice**

Re: “by investment category/driver, what types of information/data and analyses are used to plan projects/activities” with respect to timing, options and pacing?

**Discussion:**

- prioritization can be an iterative process involving planning individual projects in the context of the entire investment portfolio
  - planning criteria can be interdependent so prioritization involves trade-offs
  - projects identified to respond to drivers are identified and evaluated first; then prioritized on a portfolio level
- explaining the prioritization process in a filing may affect the need to provide information on the options considered and why they were rejected
  - consistent application of the prioritization process is important
  - material ‘one-off’ projects planned in response to external drivers (e.g. category C projects) may require information on options analysed (i.e. a ‘business case’ including a benefit-cost analysis)
    - regionally planned projects may be an example
    - smaller utilities are more likely to encounter ‘one-off’ investments than larger utilities and are less likely to have in place an evaluation framework for producing a business case analysis for them
  - for asset renewal (category B) projects, priority can be affected by the assessed level of risk
    - e.g. ranking candidate projects using a ‘failure probability x consequence’ measure (number/types of customer; outage duration; etc.)
    - equipment failure related interruptions data can play a role
    - ‘worst performing circuit’ analysis
- the timing of investment in one category can be influenced by investments in another category; e.g. executing a category A project may provide an opportunity to advance the timing of a project in category B
- ‘pacing’ of investments is largely a function of risk (e.g. deteriorating reliability) and bill impacts
- ‘load at risk’ (i.e. risk of prolonged outage) can be used in combination with other indicators to optimize pacing

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

1. Follow-up: discussion of 'Tools & Methods' by investment category and for portfolio prioritization and pacing
2. Summary: 'planning' metric for Performance Scorecard
3. Other matters of interest

***Scheduled Date for Working Group Meeting #6:*** February 12, 2013