

Meeting Summary



Distribution Network Investment Planning Working Group

Meeting Date: December 6, 2012 **Time:** 9:30 am – 4:00 pm

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

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

Meeting Subject: Staff proposal 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 initial meeting of the DNIP Working Group was to initiate the work by discussing staff's proposals for filing requirements in relation to distributor consolidated capital plan filing requirements. Specifically, staff sought advice from the working group on:

- key working definitions
- distribution system plan contents, including
 - information on the asset management process the distributor employed to develop its capital expenditure plan
 - information to be filed on the distributor's capital expenditure plan

Key working definitions [slides 16 – 19]

Slide 17: key working definition – asset management process

Discussion:

Differentiating between an 'asset management process' as defined in the proposal and an 'asset management plan' as stipulated in the Chapter 2 FRs at present.

Comments:

- an AM plan is an output of the asset management process; it includes future expenditures on both OM&A and capital
- if a 'capital plan' is a subset of the asset management plan; perhaps 'OM&A expenditure plan' should also be defined and specified in the FRs
- asset management plans often connote the management of existing assets, while staff's proposed approach also considers future assets.
- a 'capital expenditure plan' should be broad, integrating capital, life extending capital, and routine OM&A; the working definitions should reflect this integration.

Slide 18: key working definitions – capital expenditure plan**Discussion:**

Distinguishing between and recognizing the role of ‘routine’ vs. ‘life extending’ maintenance expenditures in capital expenditure plans

Comments:

- Just as ‘life extending maintenance’ can have an impact on capital investment (by deferring it), capital investments can have consequences for spending on routine system related maintenance (generally, by reducing costs). Routine maintenance and capital are highly integrated (to lesser or greater degrees depending on the asset).
- Filings should identify the consequences for OM&A costs of the investments in the plan, as well as the OM&A implications of not proceeding with the investments identified in the plan.
 - This is in addition to the mitigating impact of investing in ‘life extending’ maintenance as a substitute for capital expenditure for asset replacements.

Distribution system plan: general [slides 20 - 24]**Slide 21: distribution system plan – overview**

Discussion: information on date and internal approval of distribution system plan

Comments:

- FRs should accommodate the possibility that distribution system plans, including capital plans and/or elements thereof may be subject to approval by different internal authorities depending on the utility

Slides 23 - 24: Performance measurement & targets for continuous improvement**Discussion:**

Information on the metrics a distributor uses to measure its own performance against objectives in relation to planning, and how this information is used in asset management and planning.

Comments:

- Identifying appropriate ‘standardized’ planning performance measures should consider regulatory performance targets
- System plans are ‘living documents’ that are often updated on an annual basis; evaluating performance against the plan as it stood in a given year five years later may not be useful.
 - performance metrics could be reported annually but form and content would have to be straightforward
- FRs should include guidance as to expectations for elaboration where performance reporting identifies ‘deviations from plan’:

- Is there a threshold for variances beyond which the need for increased explanatory information is triggered and if so, how much detail is appropriate?
 - General observation: plans based on asset management processes should yield smaller variances between ‘actual’ and ‘planned’

Distribution system plans: asset management process [slides 25 – 30]

Slide 26: Asset management process – process map

Discussion:

The form and level of detail required for a distributor’s asset management ‘process map’

Comments:

- FRs should include guidance on what the Board needs to understand about an applicant’s asset management process in order to better comprehend the capital/OM&A plan and on where general vs. detailed information about how plans are developed is appropriate.
 - may reduce use of IRs to augment information filed
 - too much detailed process information can be counterproductive but high level information on process inputs and outputs should be included

Slides 27 - 28: Asset management process – system assets managed

Discussion:

The characteristics of a distributor’s assets & service area pertinent to understanding a distributor’s asset management process and capital expenditure plan

Comments:

- FRs should include guidance as to the relevant asset and service territory characteristics and requisite level of detail for each
 - is a forward looking view (now vs. over the plan duration) of assets managed needed?
- FR guidance should recognize that current ‘capacity utilization’ is an important but not definitive indicator of future requirements
 - spatial detail may be appropriate when a capital expenditure plan includes material ‘enhancement’ expenditures
 - spatial (as distinct from revenue) load forecast may also be required to explain some investments
- Guidance would also be useful on the level of detail on an applicant’s approach to “asset lifecycle optimization”; e.g. sufficient to show the trade-off between spending on new capital and life extending maintenance

Distribution system plans: capital expenditure plans [slides 31 – 38]**Slide 33: Capital expenditure plans – Capital expenditure planning process****Discussion:**

Approach used to identify customer preferences; how this info is used in capital planning; and capex plan elements affected by it

Comment:

- FRs should include guidance in relation to the types of information sought and the level of detail expected on how this information has informed the applicant's capital expenditure planning process

Slide 34: Capital expenditure plans – System capability assessment**Discussion:**

Summary of the spatial (feeder/DS) load and renewable energy generation connection forecast; information identifying specific system locations where constraints are expected and why

Comments:

- Important to use standard language to describe system capability characteristics
 - next meeting: compare distributor capability assessment methods/terminology
- FR guidance is required on the level of information detail commensurate with the complexity of a distributor's system and main planning drivers

Slide 35: Capital expenditure plans – Capital expenditure summary**Discussion:**

'Non-system' capital expenditures; capex terms and definitions

Comment:

- FRs should reference planned expenditures on non-system capital assets ('general plant', 'fleet', etc.) for completeness

Discussion:

Investment categories and expenditure project/activity terminology and definitions

Comment:

- Terminology varies among distributors; common understandings of standard terms would be useful
 - next meeting: compare distributor capex concepts/terminologies

Slides 36 - 38: Capital expenditure plans – Capital expenditure detail**Discussion:**

Capital expenditure project/activity detail; differentiating capital expenditures from additions to rate base

Comments:

- FRs should provide guidance on data presentation so as to distinguish capital expenditures from in-service additions to rate base (i.e. pacing of investments versus pacing of rate impacts).
- Re: “comparative cost and performance info on similar past projects”
 - these data are already built into the plan in so far as this is part of what utilities base capex project cost estimates on
 - cost comparisons conditioned by differences between past and planned projects
 - typically, this kind of information is reviewed at a very high level (e.g. unit costs) due to the case by case differences in projects of a similar type.
 - costs per customer might be a good proxy for a certain project types
 - a general description of how capital cost estimates are developed will serve this purpose by demonstrating the use of ‘good practices’
- FR guidance may be needed on how expenditures related to projects/project elements specific to accommodating renewable energy generation connections are to be identified and justified.

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

1. system capability characteristics: information and terminology
2. terminology and definitions for capex categories and project/activity types
3. planning related performance metrics currently in use; consideration of performance scorecard
4. priority areas for guidance to ensure materiality and level of filing detail match
5. plan ‘updates’: uses, form, content, timing, etc.

Scheduled Date for Working Group Meeting #2: Dec. 13, 2012