

Meeting Summary



Distribution Network Investment Planning Working Group

Meeting Date: December 13, 2012 **Time:** 9:30 am – 3:00 pm

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

Board Staff: Leila Azaiez, Stephen Cain, Brian Hewson, Roy Hrab

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 second 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
- Briefing: Roy Hrab on the progress and general conclusions of the Smart Grid Working Group, which held its last scheduled meeting on November 29th.
- Draft Meeting Notes from December 6th Working Group meeting.

Main subjects of discussion and review:

Slide 18: key working definitions – capital expenditure plan

Re: Filings should identify the consequences for OM&A costs of the investments in the plan, ...in addition to the mitigating impact of investing in 'life extending' maintenance as a substitute for capital expenditure for asset replacements.

Discussion:

- routine OM&A costs do not always decline as a result of expenditures on 'life extending' maintenance or capital expenditure. Therefore, the FR should not be configured in a manner that presupposes such reductions; that is, filings should indicate OM&A impacts "as applicable", or "if any".

Slide 23: performance measurement & targets for continuous improvement

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
 - distributors can use the metrics they use now
 - metric for scorecard can be weighted measure of multiple metrics
 - for effectiveness of plan, planning and executing projects, the following could be considered
 - ‘approved vs. actual’ for comparable projects or activities within an investment category (comparability may be an issue);
 - ‘over/under’ benchmarks
 - should provide indication of “How good was your plan?”; “How well were the outcomes/objectives achieved?”; e.g.
 - trend in proactive vs. reactive outage hours

Slide 28: Asset management process – system assets managed

Re: “assessment of the current capacity utilization of existing system assets, referencing the distributor’s asset related objectives and targets”

Discussion:

- high capacity utilization is not always a significant capital expenditure driver; capacity utilization may be a useful indicator in an individual rate-application but less useful as a reporting requirement particularly for benchmarking purposes
- may not be as relevant for all utilities for capital expenditure planning purposes; or may be relevant but for different reasons; “appropriate” levels of capacity utilization will vary between urban/rural and dense/sparse service areas
- overall system utilization may not be representative of all subsystems

Slide 33: Capital expenditure plans – capital expenditure planning process

Re: “approach used to identify customer preferences; how this info is used in capital planning; and capex plan elements affected by it”

Discussion:

- FR guidance should recognize that “customer preferences” can be interpreted broadly to include what customers indicate they want, don’t want, and what other parties (e.g. municipalities) indicate is their preference on customers’ behalf.
- “Customer preferences” may also be identified in a broad range of formal and informal ways.

Slide 35: Capital expenditure plans – capital expenditure summary

Re: “table(s) summarizing annual capital & life-extending maintenance expenditures (historical / forecast periods)”; and “explain budget trends and changes, by investment type”.

Discussion:

- FR guidance should specify historical data to be included; e.g.
 - previous (CoS) capex plan vs. latest (IRM/RRR) annual update of plan
 - “summary” by investment project category vs. by ‘material’ project
 - comparative information on equivalent projects or programmes over time
- Investment categories and descriptions:
 - Hydro Ottawa described their framework; related comments included:
 - Any FR guidance on “investment types” must facilitate consistent and clear distinctions between capital and OM&A expenditures
 - categories should be consistent with Code definitions
 - categories should be configured so “subproject” components of a main project are included in the same category
 - identify main categories of system investment (e.g. A and B) and sort out component projects/activities, then determine best labels for main categories
 - project/subproject components must map to accounting classifications
 - if new DS/TS are “enhancements”, would transformation/regulation assets used for similar purposes but not housed in a “station” also be treated as such?
 - does “sustainment” refer to a distribution system’s ability to provide service to customers?
 - “System Demand” may be confused with load; “Customer Demand” conveys that driver is customer related request
 - investment sub-categories should align with terminology/classifications used in asset management plan information filed
 - manner in which each project/subproject costs are recovered must be clear (e.g. REI)
 - regardless of terminology that is ultimately used there needs to be a common understanding of the concepts they intend to capture
 - for next week, staff offered to synthesize information distributors may wish to provide on the categories/definitions currently in use

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

1. staff synthesis of investment categories and descriptions that distributors currently use
2. for performance scorecard consideration: distributors to outline relevant planning-related performance metrics now in use
3. system capability assessment methods/terminology (see Dec. 6 Meeting Notes)
4. plan ‘updates’: uses, form, content, timing, etc. (see Dec. 6 Meeting Notes)

Scheduled Date for Working Group Meeting #3: January 14, 2013