



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **Distribution Network Investment Planning**

(EB-2010-0377)

Materials for Working Group Meeting 4

January 24, 2013

- *welcome*
- review of Jan. 14<sup>th</sup> WG discussions
- investment planning information ‘updates’
- a ‘planning’ Performance Scorecard metric
- general framework for FR guidance on ‘tools & methods’
- matters for follow-up
- next meeting
- *adjourn*



investment planning information ‘updates’:  
*framework & proposed information elements  
for discussion*



# investment planning information ‘updates’ – framework

- from previous WG discussions:
  - 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

# investment planning information 'updates' – elements

## content elements for discussion:

- data:
  - five year forecast data (updated), where the first year is the year in which the update is being filed
  - data for 'planned' vs. actual for most recently completed year
    - e.g. 1<sup>st</sup> annual filing after rate approval will show results for the Bridge year; 2<sup>nd</sup> will report on Test year; etc.
  - planned/actual variances tabulated:
    - by level 1 category (i.e. A to D)
      - plus system related routine maintenance? or
    - by level 1 subcategory?
      - standardized? for variances only?
  - align with 'planning metric' for Perf. Scorecard (TBD)
  - other data/features?

# investment planning information 'updates' – elements

- text:
  - explanations of variances
    - threshold?
  - where warranted, updates of:
    - planning assumptions
    - planning objectives/priorities
    - business conditions
    - other?
  - where applicable: indicate how plan has been affected by circumstances or information
- time of filing:
  - options: with RRR (if CIR or AIRI) or in IRM
    - should align with Performance Scorecard filing
    - not required in year plan otherwise filed in CoS application
- other elements?

a 'planning' Performance Scorecard metric:  
*criteria and straw man proposal*



# a planning 'Performance Scorecard' metric: criteria

## Design criteria for a planning performance metric

1. suitable for use by all utilities
  - metric(s) already in use; or for which base data is readily available
2. comprehensible to all stakeholders
3. means the same thing for all utilities
4. captures planning quality
5. captures implementation effectiveness
6. emphasizes recent performance
7. other criteria?
8. meets Performance Scorecard criteria for any performance metric (next slide)

## Performance scorecard criteria for metrics

Criterion	Description (from Board Report)
Customer-oriented	<i>be reflective of customer needs and expectations</i>
Encourages Improvement	<i>encourage year-over-year performance gains</i>
Trend Analysis	<i>reveal current performance and signal future performance</i>
Measurable	<i>be measurable by each distributor, and be aligned with their reporting for their own internal purposes to the extent possible</i>
Considers Business Conditions	<i>consider the characteristics of a distributor's service territory</i>
Practical	<i>be practical</i>

from Legend to staff proposal for [List of Measures](#)

# a planning 'Performance Scorecard' metric: straw man

*actual network capex % variance from plan:*

$$= |(\text{var B} + \text{var C})/(\text{plan B} + \text{plan C})| \times 100$$

- interpretation: 0 = good → 10+ = bad
- expected value: 0
- evaluation of the metric:
  - meets criteria for planning metric (slide 8)
  - accommodates uncertainty ( $\pm$  variances cancel)
  - provides indication of cost estimation quality
  - with  $\Delta\text{SAIFI}_2$  captures asset management quality (i.e. reliability is B + C focus or consequence)
  - trend analysis (with SAIFI and MAIFI) can capture quality of planning/implementation over longer term

# a planning 'Performance Scorecard' metric: evaluation

Criterion	Description (from Board Report)	Score
Customer-oriented	<i>be reflective of customer needs and expectations</i>	<i>L</i>
Encourages Improvement	<i>encourage year-over-year performance gains</i>	<i>M</i>
Trend Analysis	<i>reveal current performance and signal future performance</i>	<i>M</i>
Measurable	<i>be measurable by each distributor, and be aligned with their reporting for their own internal purposes to the extent possible</i>	<i>H</i>
Considers Business Conditions	<i>considers the characteristics of a distributor's service territory</i>	<i>H</i>
Practical	<i>be practical</i>	<i>H</i>

staff proposal:

*general framework for FR guidance  
on 'tools & methods'*



# general framework for FR guidance on 'tools & methods'

- goal is to enable a distributor to demonstrate how the costs of proposed investments have been controlled through appropriate expenditure optimization, prioritization and pacing
- focus is on 'material' investments proposed for cost recovery in rates
  - individual projects
  - activities or programs (e.g. pole replacement; feeder voltage upgrades)
  - similar 'non-material' projects or activities in the same category/subcategory the total cost of which meets the materiality threshold

## general framework for FR guidance on 'tools & methods'

- guidance could also be applied to 'non-material' projects/activities proposed for cost recovery in rates to better enable the Board's assessment
- responses to specific requirements should reflect (i.e. be proportional to) the materiality of the investment
- the types of information used to demonstrate that a proposed project or program/activity costs are justified may vary depending on the purpose(s) (i.e. category) of the investment

- the results of analyses of a proposed investment and where available feasible alternatives, options should be provided, including as applicable:
  - design, implementation scheduling, funding and/or ownership, non-system options, etc.
  - quantitative analyses where primary benefits and lifecycle costs can be valued
  - qualitative analyses (e.g. descriptions and explanations) where the ranking of alternatives by quantitative measures would be affected by consideration of benefits and costs that cannot feasibly be quantified

- matters for follow-up
- next meeting: February 7
- *adjourn*

