

Meeting Notes

Integrated Resource Planning Technical Working Group (EB-2021-0246)

Working Group Secondary Meeting #11

Meeting Date: September 13, 2022 Time: 2:00 p.m. - 4:00 p.m.
Location: MS Teams

Attendees

**Grey cells denotes IRPTWG DCF+ Subgroup members*

IRPTWG Members	Role
Michael Parkes	OEB staff representative (Working Group chair)
Stephanie Cheng	OEB staff representative
Chris Neme, Energy Futures Group	Non-utility member
Tamara Kuiken, DNV	Non-utility member
Cameron Leitch, EnWave Energy Corporation	Non-utility member
Jay Shepherd, Shepherd Rubenstein Professional Corporation	Non-utility member
Dwayne Quinn, DR Quinn & Associates Ltd.	Non-utility member
Kenneth Poon, EPCOR Natural Gas LP	Observer
Steven Norrie, Independent Electricity System Operator	Observer

Additional Attendees	Role
Rich Szymanski	Enbridge staff
Cara-Lynne Wade	Enbridge staff
Sue Mills	Enbridge staff
Candice Case	Enbridge staff

Regrets

IRPTWG Members	Role
Chris Ripley	Enbridge Gas representative
Whitney Wong	Enbridge Gas representative
John Dikeos, ICF Consulting Canada Inc.	Non-utility member
Amber Crawford, Association of Municipalities of Ontario	Non-utility member

Purpose

These notes are for the Working Group purposes only and do not represent the view of the OEB

These notes summarize the information discussed during the working group (WG) meeting on each of the key points presented in the published materials.

Meeting Agenda

1. Preliminary Matters

Further discussion on DCF+ Cost-Effectiveness Test:

2. Purpose/ Definition of Stages (Working Paper, Issue 1.2) and Additivity of Stages (Working Paper, Issue 1.3)
3. Aligning categories of costs/benefits with purpose of test (Working Paper, Issue 2.1)

1. Preliminary Matters

Item Description	Discussion Comments/Outcome	Action Items
<p>Meeting #9 Notes</p> <p>OEB staff asked if there were any comments on draft meeting #9 notes circulated with the pre-meeting materials</p>	<p>There were no comments on meeting #9 notes. Therefore, the notes are accepted by working group members.</p>	<p>OEB staff to post meeting #9 notes on IRP webpage</p>
<p>Action Items from Meeting #9</p> <p>As requested by WG members, OEB staff provided an update on the latitude the working group has in terms of refining the DCF+ test</p>	<p>OEB staff confirmed with its management and legal that the WG is guided by the interpretations of the IRP decision and terms of reference where:</p> <ul style="list-style-type: none"> • IRP decision accepts DCF+ test as the economic test to be used • IRP ToR calls for the working group to look at enhancements and/or provide additional guidance in using the DCF+ test <p>The OEB is not expected to provide further official guidance than what is set out by the existing IRP decision and ToR.</p> <p>OEB staff indicated its interpretation that the cost effectiveness test needs to preserve the overall principals of the approved DCF+ test but does not need to align with every word in Enbridge's AIC describing its proposed DCF+ test. WG members should identify methodological improvements to better achieve the intent and purpose of the DCF+ test in scope. Potential changes should be brought forth to Enbridge as</p>	

	<p>enhancements to the DCF+ test.</p> <p>Enbridge will ultimately bring forward an enhanced DCF+ test for review and approval by the OEB. This enhanced DCF+ test may not reflect all suggestions brought forth by WG members. Any proposals that Enbridge does not support or where consensus cannot be reached within the WG can be documented in the working paper.</p> <p>Key comments/ concerns from the WG:</p> <ul style="list-style-type: none"> • Under this structure, WG members are concerned that Enbridge does not have to be open to any of the working group's suggestions. In response, Enbridge affirms their intent to evolve the test by means of WG discussions so that results of each stage of the test can give answers to clearly understood questions. • WG discussions will be focused on things like 1) what question each stage of the DCF+ test is intended to answer, 2) what inputs are relevant and should be included in each of the stages, 3) how much emphasis to put on each stage of the test when deciding which alternative to move forward with 	
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2. Further Discussion on DCF+ Test: Purpose/ Definition of Stages (Issue 1.2) & Additivity of Stages (Issue 1.3)

Item Description	Discussion Comments/Outcome	Action Items
<p>Working Paper - Issues 1.2 Purpose/ Definition of Stages and 1.3 Additivity of Stages</p> <p>WG members continued discussion on the intended purpose of each stage in the test, and the methodological issues associated with adding stages.</p>	<ul style="list-style-type: none"> • Enbridge clarified that it plans to calculate each stage of the DCF+ test independently and to present the results of each stage separately. The summation of stages can be done if one chooses to do so. • Enbridge also indicated that the Panhandle LTC application (which adds stages 1 and 2 to determine overall benefits to Enbridge customers) was a standard DCF test (not DCF+) and the approach to 	<p>Enbridge to further examine the issue of additivity and purpose of stages 2 and 3 internally (including reviewing the Staff example) prior to the next DCF+ subgroup meeting. Chris Neme has offered to partake in a smaller discussion if Enbridge would find</p>



	<p>additivity may not apply the same way for the DCF+.</p> <p><u>Purpose:</u></p> <ul style="list-style-type: none">• WG members raised concerns that, under this approach, the purpose of Enbridge's individual stages 2 and 3 was unclear and therefore the results not that useful, e.g. stage 2 would capture some, but not all, of the relevant impacts to customers (as rate impacts to them would be excluded).• WG member indicated that Chris N.'s definition of Stage 2 would answer a similar question to Enbridge's Stage 1+2 (if the issue of additivity can be resolved). WG member noted that this test would answer the question as to what solution yields the lowest cost to all utility customers in aggregate, and that this a critical question for regulators to understand. <p><u>Additivity:</u></p> <ul style="list-style-type: none">• Enbridge reiterated that the OEB will have the results of each stage for interpretation and that the summation of stages could also be an aid to decide what is the best alternative and whether the IRPA is justified. WG members indicated that if there are logical inaccuracies in summing the stages, there is a risk that the summation could mislead the OEB into making an incorrect decision.• OEB staff's DCF+ example identifying the methodological issues with adding stage results was discussed. One WG member indicated that they agreed with the conclusion in the staff example that the categories added/subtracted at each stage in Enbridge's test would require modification to be logically consistent, and would like Enbridge's views. Another WG member	<p>this to be useful.</p>
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	<p>indicated that staff's proposal to "back out" certain inputs at later stages could work, if Enbridge wanted to continue with an additive approach where stage results could also be shown separately. Enbridge indicated they needed more time to examine this example.</p> <ul style="list-style-type: none">• Enbridge asked whether, under the categories of costs and benefits proposed by Chris N, there was a concern with double-counting, as the same inputs might apply at multiple stages. WG member noted the lists of costs and benefits applicable to each stage is tied directly to the approach on additivity. If each stage answers a different question, some stages may have overlapping components/ inputs to answer that question. This is OK as long as the results of each stage are not added together. <p>Results/ Conclusions:</p> <ul style="list-style-type: none">• To allow for forward progress to be made, Enbridge suggested that it look at the issue of additivity a bit more off-line, and that the group move on to take a look at a version of the stage 2 "customer test" that considers the impacts to all customers and is inclusive of rate impacts (converted into a revenue requirement, as that is how it will directly impact customers), and discuss the set of costs and benefits that would be pertinent to such a test. <p><u>Additional Comments/ Considerations:</u> <u>Cross Subsidization</u></p> <ul style="list-style-type: none">• Enbridge and some WG members mentioned the importance of being able to understand the impact of cross subsidization between customers through the DCF+ test.• It was agreed that, directionally,	
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	<p>differences between stage 1 and stage 2 results for different solutions are usually a signal of some degree of cross-subsidization. Enbridge indicated that its original proposal for stage 2 (including only the incremental costs and benefits to directly impacted customers) may provide a clearer indication of cross-subsidization than the modified stage 2 that would include total costs and benefits to all customers.</p> <ul style="list-style-type: none"> • In the standard EBO 188 DCF test for distribution expansion, a negative score on stage 1 is a strict barrier to cross-subsidization between new and existing customers, however, this may not be the case for the DCF+ test, and some degree of cross-subsidization between customers may in fact be desirable or necessary to drive a lower-cost solution. A WG member noted that some degree of cross- subsidization ends up applying in practice in regards to many investment decisions that don't directly connect new customers. • Enbridge indicated that it wanted to discuss with the group (in future) the interpretation of the test results where different stages/tests have different results (e.g. what level of positive overall benefit to customers might be needed to justify a solution that is not the best solution from a rates perspective). This will help determine if boundaries/ guard rails need to be put in place to limit the effects of cross subsidization. • WG members agreed to take this away and give more thought to cross-subsidization, to consider whether any changes were needed. 	
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3. Aligning Costs/ Benefits with Purpose of Test (Issue 2.1)

Item Description	Discussion Comments/Outcome	Action Items
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<p>WG members discussed which items should be considered for inclusion at each stage of the DCF+ test.</p>	<p>Members considered a version of the stage 2 “customer test” that would consider the complete set of costs and benefits to all customers (not just those directly participating/impacted by an IRPA), and that is inclusive of rate impacts (converted into a revenue requirement, as that is how it will directly impact customers). Members discussed the set of costs and benefits that would be pertinent to such a test. After some discussion, it was agreed that the scope of this test would encompass not just existing customers, but any newly connected customers as well.</p> <p>WG members discussed the categories of costs and benefits proposed by Enbridge, the modifications proposed by Chris Neme, and those proposed by Guidehouse, and reached a general consensus as to which categories of costs and benefits would be applicable in principle to this framing of the customer test, and also to the rates test and the societal test:</p> <ul style="list-style-type: none">• All items that directly impact revenue requirement will impact customers and should also be considered in the customer test.• Incremental/lost revenues should be netted out in the customer test.• Rates test should include utility commodity, other fuel and carbon costs. Customer test should include these items as well as customer commodity, other fuel and carbon costs (consensus not reached yet as to whether any impacts on commodity rates arising from changes in commodity costs should also be part of the rates test).• Risk can impact rates and should be considered in the rates test (and higher-level tests)• Non-energy benefits should be separated, if possible, into customer non-energy benefits (applicable in the customer test and societal test), and societal non-energy benefits (applicable in the societal test).	<p>OEB staff to update Working Paper (including updating tables of costs and benefits) to reflect discussion</p>
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	<ul style="list-style-type: none"> All tax impacts should be netted out and treated as a transfer in societal test <p>In response to question from WG member, OEB staff indicated that inclusion on this list did not necessarily mean that the WG agreed that an item would have a material impact for an IRPA, with further discussion as to whether and how to value the impact. One WG member specifically mentioned impact on gas supply costs as an item that they were not convinced would have an impact.</p> <p>OEB staff asked if there were any additional categories not identified to date that WG members felt were important to give consideration to. No additional categories were identified by members.</p> <p>OEB staff indicated that deeper discussion of the approach to valuing some of the categories of costs and benefits can begin at next WG meeting.</p>	
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List of Action Items

Action Item	Assignment/ Owner	Due Date
Post meeting #9 notes	OEB staff	As soon as possible
Enbridge to further examine the issues of additivity and purpose of stages 2 and 3 internally (including reviewing the Staff example), with discussion with staff and Chris N as needed	Enbridge	As soon as possible
Update Working Paper to reflect meeting #11 results and prime meeting #13 discussion	OEB staff	Prior to October subgroup meeting
Establish agenda for meeting #13 (DCF+ subgroup)	OEB staff (with input from Enbridge Gas)	Prior to October subgroup meeting