

OEB Regional Planning Process Review Consultation

Regional Planning Process Advisory Group (RPPAG) – Meeting #3

EB-2020-0176

April 21, 2021

Agenda

- Welcome and Introduction
- OEB & IESO – Update on ‘Non-Wire’ Initiatives
- Expected Service Life (ESL) Proposal – Progress Update (from ESL sub-group)
- Overview of OEB Cost Responsibility Rules
- IESO Recommendation: *Better Consideration of Cost Responsibility*
- IESO Recommendation: *Standardize and Streamline Load Forecast development*
- Next Steps and Action Items

Overview of OEB Cost Responsibility Rules – Context (Wires)

- Underlying Guiding Principle – Beneficiary Pays
- Most ‘wires’ investments resulting from regional plans currently involve *transmission* assets
- Transmission investments involve either new or upgraded *Connection* or *Network* assets
 - Connection investments are typically funded by the customer(s), including LDCs, that caused the need for it
 - Network upgrades are typically funded by all Ontario ratepayers (except “exceptional circumstances”)
- Most transmission upgrades in regional plans involve *Connection* assets and, under the Transmission System Code (TSC), it is relatively straightforward – based on proportional benefit where multiple customers involved (e.g., relative *incremental* peak load requirements)
- [OEB 2006 Bulletin](#) attempted to clarify circumstances where a customer should pay costs related to a Network upgrade (i.e., serve a Connection function)
- Distribution System Code (DSC) consistent with TSC

Cost Responsibility Rules – Context (Non-Wires)

- Generators typically pay the costs related to their connection under the TSC & DSC (no rate revenues)¹
- For DER solutions, the OEB has had LDC cost recovery rules in place – *CDM Guidelines* – since 2015 that apply under certain circumstances
 - Focus on where LDC DER investments (e.g., storage) can be demonstrated to defer a wires investment (in areas of its distribution system where growth is anticipated and potential constraints exist)
 - Current OEB consultation – *Framework for Energy Innovation: Distributed Resources and Utility Incentives*² – is focused on building on CDM Guidelines (e.g., not LDC-owned)

¹ Exception includes renewable generators under the DSC.

² Combines former Utility Remuneration and Responding to DERs consultations.

Better Consideration of Cost Responsibility – *IESO Recommendation*

- IRRPs and RIPs do not currently address the allocation of costs (i.e., who pays)
- Technical Study Team members (LDCs, transmitter, IESO) are often unsure of the financial implications related to recommended solutions in the plans
- Greater understanding is needed to achieve a consensus on the most cost-effective solutions for all impacted parties
 - That understanding includes cost recovery mechanisms for ‘non-wire’ solutions (e.g., storage)
 - Contributing factor is lack of specificity in the TSC regarding when a specific customer is responsible for paying transmission *network* upgrade costs due to a *connection* upgrade¹

¹ Not identified in IESO Final Report but was discussed during IESO’s Advisory Group meetings

Better Consideration of Cost Responsibility – *Meeting #1 Discussion*

Discussion Outcome (Meeting #1)

- Members broadly supported IESO recommendation to incorporate a better understanding of cost responsibility as part of regional planning process
- Further discussion necessary related to *type of information* related to cost responsibility
- Also strong support related to OEB initiating Code amendment process to reflect 2006 Bulletin that addresses cost responsibility associated with transmission Network upgrades in TSC to make enforceable and increase awareness

Better Consideration of Cost Responsibility

- Need for “better understanding” is OEB staff’s experience. For example:
 - OEB Bulletin – Few aware (including consultants)
 - CDM Guidelines – Little LDC uptake over the years
 - TSC rules – Some LDCs surprised when required to pay a capital contribution. Believed connection asset costs socialized even though only they benefit
- IESO Report suggested indicating who would pay – not detailed estimates – as part of “discussions”
 - OEB staff agrees and believes any estimate should only be a ‘ballpark’
 - Actual total solution costs often differ significantly
 - Could be years after RIP completed when application submitted
 - Time spent debating accuracy of cost estimates *reduces* planning process *efficiency*

Streamline & Standardize Load Forecast development – *IESO Recommendation*

- *Base assumptions & methodologies* – Used by all Technical Study Team members (LDCs, transmitter, IESO) using agreed upon templates for consistency; e.g., net vs. gross
- *Formal annual review* – Assess forecast accuracy
- *Two potential options*
 - Option 1 – Occurs only once (same comprehensive forecast used for all stages to avoid duplication of work)
 - Option 2 – Occurs twice (10-year higher level forecast for Needs Assessment *and* 20-year comprehensive forecast for IRRP & RIP to evaluate options)
- Option 2 essentially represents the status quo with a comprehensive forecast done in cases where it is determined a regional plan is needed

Streamline & Standardize Load Forecast development – *Meeting 1 Discussion*

Discussion Outcome (Meeting #1)

- Members agreed with IESO recommendation to standardize LDC load forecasts and some form of Guideline should be established to address inconsistencies that currently exist
 - Consistency important in planning process as LDC load forecasts are critical in determining regional needs
 - OEB staff notes, the better the need is defined, the better it will inform the *type* and *size* of the solution to meet it
- Further discussion required on whether:
 - Option 1 or Option 2 is more appropriate
 - Annual review should be formalized

Streamline & Standardize Load Forecast development – *Meeting 1 (cont'd)*

Considerations identified (Meeting #1)

- About half of the 21 regions in Ontario did not require regional planning in the first cycle
- Under Option 1, all LDCs would have done a comprehensive long-term forecast (i.e., many not used again after 1st stage – Needs Assessment)
- Current approach (Option 2) uses shorter-term gross & net load forecast (without the need to submit more detailed information showing difference) as a *screening tool* to avoid imposing administrative burden where it's obvious regional planning is not needed
 - Comprehensive then done where regional planning needed
- Concern raised about accuracy related to using same comprehensive forecast throughout process (over 2 years)
 - Formal annual review could address that concern

Streamline & Standardize Load Forecast development – *Forecast Options*

- IESO report notes “*Option 1 could prevent duplication of work later in the process, but requires more effort during the Needs Assessment stage and earlier collaboration*”
- Would Option 1 increase efficiency or reduce it relative to status quo (i.e., Option 2) if applied to all regions?
- What material duplication of work would LDCs avoid under Option 1?
 - Is Option 2 essentially the same amount of work done in stages (i.e., regional planning needed, so now provide detailed information and do more detailed analysis)?
- Would a *hybrid* approach be appropriate with
 - Option 1 (where IRRP / RIP was required in prior cycle)
 - Option 2 (where regional planning was *not* needed in prior cycle)

Streamline & Standardize Load Forecast development – *Formalize Annual Review*

- Limited discussion of Annual Review recommendation at Meeting #1
 - To address reduced accuracy concern associated with Option 1 (i.e., single forecast used throughout process)
- For context, a new regional planning process is required at least every 5 years
- What would an annual review of load forecasts entail (not explained in IESO Report)?
 - IESO Report notes it is currently being done informally in some cases
- Was the intent to do a review for all regions including those where a Needs Assessment identified regional planning was not necessary? Or only those that proceeded to IRRP?

Next Steps and Action Items

- Address final 2 IESO Recommendations
 - Improve Integration & Coordination with Related Processes
 - Clarify process stages and products
- Address any outstanding matters related to IESO Recommendations
- If time permits, discuss preparation of report to OEB Executive team (i.e., CEO)
- Next meeting to be scheduled during week of May 17th

Questions / Comments?

