



Regional Infrastructure Planning – Planning Process Working Group

Meeting Date: November 14, 2012 **Time:** 9:30 am – 4:30 pm

Location: 2300 Yonge Street, 25th Floor, West Hearing Room

Board Staff: Chris Cincar, Ashley Hayle, Andres Mand

Board staff explained that the purpose of the first Regional Infrastructure Planning Process Working Group (“PPWG”) meeting was to identify the objectives for the PPWG and to begin to address the ten elements of process set out in the Board staff Memorandum (the “Memorandum”) circulated to the PPWG prior to the meeting. The ten elements included the five key elements set out in the Board Report and the other five ‘potential’ elements identified by Board staff for PPWG consideration formed an important base for the PPWG discussions and the development of a more structured Regional Infrastructure Planning process.

Board staff explained how this working group process differed from others related to the RRFE in that this working group will be providing a report directly to the Board as opposed to input to Board staff and that Board staff’s role is to facilitate the preparation of the PPWG report in a timely manner given the tight timelines.

Staff also explained that this component of the RRFE has a strong relationship with the Distribution Planning component, as within the scope of this working group is the identification of the necessary Filing Requirements associated with Regional Infrastructure Planning. Those Filing Requirements will feed into the Distribution Planning working group process that follows as that working group will be focusing on developing Consolidated Filing Requirements related to distribution planning.

The regional planning process developed by the PPWG will be used by the industry to support future rate and leave to construct (“LTC”) applications.

Working Group Plan:

The PPWG agreed with Board staff's suggestion that the working group process involve two stages:

Stage One (Discussion Phase) – The purpose of the initial meetings was to discuss and strive to come to agreement on the various elements set out in the Memorandum. The PPWG will also identify if there are any additional elements that would need to be addressed in relation to the development of a more structured regional infrastructure planning process. Staff also requested that, if there is an element where there is not full agreement amongst the members of the PPWG, the PPWG members start putting some thought to how any lack of agreement would be reflected in the PPWG report.

Stage Two (Writing Phase) – Based on where the PPWG ultimately lands in relation to the various regional planning process elements, the PPWG will proceed to develop the PPWG report to the Board. The PPWG agreed that Board staff would prepare a first draft for the PPWG's review and comments in order to facilitate the preparation of the PPWG report in a timely manner given the tight timelines.

Staff clarified that Cost Responsibility and Asset Redefinition were not within the scope of this working group.

Asset Redefinition would be addressed by a separate working group established by the Board and Cost Responsibility matters would be addressed as part of a code amendment process.

General Discussion

Prior to discussing the elements in the Memorandum, members of the PPWG sought clarification on a number of matters.

What is regional infrastructure planning, along with the Board's expectation that the transmitter would lead that process and its relationship to the existing regional planning process led by the Ontario Power Authority (OPA)?

The PPWG felt that this needed to be clarified prior to the PPWG proceeding with addressing the various detailed elements. Clarity was also sought as to whether the process to be developed by the PPWG is part of the Regional Planning activities carried out by the OPA or will it be independent, i.e., whether it was to intended to be a one-step or a two-step process whereby the OPA is only an input into the regional infrastructure planning process.

Following a lengthy discussion, there appeared to be agreement that it should be a one-step process with the OPA taking the lead on determining the appropriate mix of generation, CDM and infrastructure, with the infrastructure element determined at a relatively high level. The transmitter would then take the lead on a more detailed assessment of the infrastructure element (e.g., appropriate mix of transmission and distribution solutions, more detailed cost estimates, etc.) for the purpose of supporting utility applications.

The PPWG also noted a concern related to how the process it developed should take into account and/or respond to any new Ministry directive(s) that may be issued. For example, if a directive was issued to address a regional issue/need solely through CDM and/or generation, then it poses challenges for the industry to follow through on the regional planning process.

The PPWG also requested clarification on what “infrastructure” was intended to mean in the Board Report. For example, both wires and generation are “infrastructure”. Board staff clarified that it was limited to transmission and distribution investments given the Board Report identified the purpose of the regional infrastructure plan will be to support LDC and transmitter applications.

Board staff noted that during the consultation process, there appeared to be a general consensus amongst the OPA, transmitter and LDCs that regional planning was already taking place, that it was working well and that the only issue was the current cost responsibility rules were preventing the execution of the regional plans that had been developed to date. However, during the meeting there were some concerns expressed about the current regional planning process and it was noted by the OPA that it was still a work in progress as there had been lessons learned associated with the various current regional plans being undertaken.

Process Element Examination

Following the discussion of higher level issues, the PPWG focused on addressing the process elements in the Memorandum and discussed the five key elements set out in the Board Report.

(1) Appropriate predetermined regional boundaries and criteria to be used to establish them

There was agreement that the IESO zones were not appropriate to use as predetermined regional boundaries as the purpose of those zones was for planning the transmission network and that the boundaries for regional planning purposes needed to be smaller in nature. There was also agreement

that, while the predetermined regions should be defined on the basis of electrical boundaries as set out in the Board's expectations, there should be additional recognition of LDC boundaries (where practical).

The PPWG requested that Hydro One and the OPA work together on developing more appropriate predetermined regional boundaries for regional planning purposes. Hydro One and the OPA agreed to undertake that task and provide it in advance of the next PPWG meeting so that it could be circulated to all of the PPWG members for discussion at the next meeting.

There was agreement that within those broader predetermined regional boundaries, regional infrastructure plans would be developed at the sub-regional level based on need.

Another matter that was discussed was that not all regions in Ontario are same and the process would likely need to be flexible to accommodate those differences. The prime example identified was that the Northern region is uniquely different from the other provincial regions. For example, the uncertainties related to the mining industry in that region makes planning infrastructure much more difficult.

ACTION ITEM: OPA AND HYDRO ONE TO IDENTIFY MORE APPROPRIATE PREDETERMINED REGIONS AND PRESENT IT AT THE NEXT MEETING.

(2) Information an LDC should be required to provide to the transmitter and frequency it should be updated

There was agreement that the information provided needed to include a load forecast and an LDC's most recently approved GEA Plan to take into account renewable generation embedded within the distribution system (as well as all knowledge they have of potential non-renewable generation investments). However, there was not agreement that there was a need to provide the applicable land use planning documents as suggested by staff. For example, an LDC identified that they already took that information into account in developing their load forecast. There was no discussion regarding whether all Ontario LDC's take the same approach.

An LDC discussed providing 'net' and 'gross' load forecasts. However, the OPA identified that also having the information 'unbundled' is better for regional planning purposes. The transmitter also indicated that it was more ideal to have the information 'unbundled'.

It was also noted that LDC's develop two types of load forecasts. One based on energy and another based on demand, with the former used for rate application purposes and the latter used for planning. The demand forecast should therefore be provided for regional planning purposes.

It was suggested that additional information that would be useful for the transmitter was the LDC's distribution system plan and that matters such as short circuit capabilities and major end-of-life asset replacements need to be taken into consideration.

Also discussed was the information required for regional planning purposes was not limited to information provided by LDCs. The IESO's Ontario Resource and Transmission Assessment Criteria ("ORTAC") was also needed to ensure the resources identified in a final regional plan were adequate for system reliability and system security purposes and this is where the IESO's involvement in the regional planning process is required.

Following the discussion of "what" information was appropriate, some related matters were discussed.

- A transmitter raised concerns regarding reviewing the information from all LDCs at the same time and noted that some prioritization of studies is needed (i.e., LDCs in a region that had the most immediate need).
- There was also a discussion of "how" the information could be used. For example, it could be used as part of a "screening" process to determine if there was a need to develop a regional plan. The "screening" process could then, in turn, be used to establish the terms of reference for any required regional planning process.
- The OPA identified that the Board staff suggestions in the Memorandum appeared to suggest a 'bottom up' approach. However, they have been using a 'top down' approach in relation to using their own load forecast for the regional plans developed to date. There was no discussion amongst the group in relation to which approach was more accurate.
- A question was raised as to whether an embedded LDC should provide the information (e.g., load forecast) to the transmitter or to the host LDC. Board staff suggested that it would likely be more appropriate if it was provided to the host LDC and the host LDC would in turn take it account in terms of the load forecast it provided to the transmitter. There was agreement on that approach.
- The OPA also identified that information (e.g., load forecasts) are typically organized into three timeframes: *near term* (first 5 years), *medium term* (5-10 years) and *long term* (10-20 years) to identify: solutions to address *near-term* needs as action items for immediate deployment, solutions to address *medium-term* needs identified based on the anticipated lead time for implementation of longer lead-time options which is useful to initiate preliminary work to

preserve the option(s); and, for the *long term*, to ensure options remain available to address future needs if and when they arise.

Regardless of what information is determined to be necessary, the PPWG acknowledged that the industry would need to ensure consistency in relation to the information provided due to the following:

- The sources (forecasting methodology) used differ for LDCs, transmitters and the OPA, as well as across LDCs.
- Based on this understanding, the PPWG is concerned that this variance in forecasting poses a new layer of challenges as the results may conflict and compromise an LDC's success when providing the regional plan in support of its future rate application to the OEB. Further to this, the PPWG questions what the appropriate methodology is that should be included in the PPWG's report.

The PPWG concluded that it needs to explore how this forecasting variance can be reconciled. The frequency that information should be provided was not discussed.

(3) OPA Participation

This element was addressed during the general discussion.

(4) Evaluative Criteria

The PPWG agreed that an NPV calculation was necessary in relation to comparing potential solutions. The PPWG also identified that a number of other qualitative criteria, such as social acceptance and environmental impacts as well as other reliability and risk benefits, needed to be considered. It was noted that the criteria should be consistent with those that must be addressed in LTC applications.

(5) Broader consultation before Regional Infrastructure Plan is finalized

The PPWG would like to see that there is better identification early in the regional planning process as to who will be consulted and for what purpose. The timing of consultation can be crucial to the final regional plan. For instance, if the broader consultation occurs after all of the assessment of options is complete, the parties may feel that the industry is presenting its final recommendation without further consideration. This can create new challenges.

The PPWG differentiated between two types of consultation – “plan” and “project” – with the latter involving the citizens in the community once the optimal solutions in a regional plan have been

identified. In contrast, the “plan” consultation occurs before that and there were some concerns expressed that broader consultation already took place at the stage such as during LTC and/or EA processes. As such, adding another layer of consultation may result in duplication and therefore unnecessary delays associated with execution of regional plans.

The PPWG expressed the view that the regional planning process should define when broader consultation is needed and when it is not in terms of contributing to the regional plan. In other words, broader consultation should not be a requirement in every regional planning process. The need for broader consultation should be identified early in the process at the screening stage or terms of reference stage.

Board staff identified that this element would need to be further discussed, as key PPWG members in relation to this element had not been part of the discussion; specifically, Cathie Brown (AMO) and Julie Girvan (CCC).¹

Other elements

Accountability – Steps and Timelines

The PPWG identified the need to identify the entity that was accountable at the various stages of the regional planning process. As a result, the various stages and related factors at each stage need to first be identified.

The regional planning process will define who the lead is at what phase and clearly define what indicators trigger when the lead entity in the process is transferred.

The PPWG identified the need to get documentation related to the existing regional planning plans that set out the various stages in the process. It was identified that this had not yet been formally documented. The PPWG requested that the OPA and Hydro One prepare a document (matrix or flowchart) for the next meeting that set out the stages to facilitate the discussion related to this matter. The OPA and Hydro One agreed to do so.

¹ Cathie Brown of AMO was unable to attend the afternoon portion of the meeting due to technical problems associated with the conference call.

ACTION ITEM: OPA AND HYDRO ONE TO PREPARE “DRAFT ACCOUNTABILITY DESCRIPTION FOR THE VARIOUS PLANNING STEPS” AND PRESENT IT AT THE NEXT MEETING.

Other matters

Board staff suggested that, at a future meeting, it would be helpful to staff and other members of the PPWG if the OPA, Hydro One and the relevant LDC member (of the PPWG) could discuss one of the existing regional planning processes (e.g., York region or KWCG). For example, the steps in the process, the lessons learned, etc.

Next Scheduled Meeting

November 21, 2012