

Meeting Notes

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

Working Group Secondary Meeting #7

Meeting Date: July 5, 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 Ripley	Enbridge Gas representative
Whitney Wong	Enbridge Gas representative
Chris Neme, Energy Futures Group	Non-utility member
Tamara Kuiken, DNV	Non-utility member
John Dikeos, ICF Consulting Canada Inc.	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
Amber Crawford, Association of Municipalities of Ontario	Non-utility member
Kenneth Poon, EPCOR Natural Gas LP	Observer

Additional Attendees	Role
Josh Wasylyk	OEB staff
Sue Mills	Enbridge Gas Staff
Pedro Torres-Basanta	Guidehouse
Andrea Roszell	Guidehouse

Regrets

IRPTWG Members	Role
Steven Norrie, Independent Electricity System Operator	Observer

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. Proposed approach to DCF+ subgroup work and work product/timelines (OEB staff, 30 minutes)
2. Key recommendations for DCF+ test from Guidehouse Report (Enbridge/ Guidehouse, 60 minutes)
3. Initial discussion on foundational questions for DCF+ test (all, 30 minutes)

1. Proposed approach to DCF+ subgroup

Item Description	Discussion Comments/Outcome	Action Items
<p>DCF+ Subgroup</p> <p>OEB staff discussed the proposed approach to DCF+ subgroup in terms of work and work product timelines</p>	<p>OEB staff confirmed that the WG agreed with staff's interpretation of the OEB's expectation from the IRP decision: that an enhanced DCF+ test with supporting guidance will be developed; that the onus will be on Enbridge to file an enhanced DCF+ test and guide for approval by the OEB; and that the WG will play a significant role in the development of this product.</p> <p>OEB staff laid out a proposed approach:</p> <ul style="list-style-type: none"> • WG will produce a written report with recommendations and advice on the enhanced DCF+ test and guide for Enbridge's consideration. • WG report will address/ comment on any points raised in the Guidehouse report, Chris Neme's presentation, and it will address specific topics in the OEB decision (e.g., carbon costs) and any additional issues identified through this working group • Goal is for the subgroup to generate a WG report to be endorsed by the broader IRPTWG then provided to Enbridge for consideration in drafting their enhanced DCF+ test and guide. • WG would then have opportunity to review and comment on Enbridge's test and guide before it is filed with the OEB. • WG report will be a public document (filed on IRP webpage) once submitted to Enbridge for 	

	<p>consideration. It may also be filed along with Enbridge's application for approval of the enhanced DCF+ test.</p> <ul style="list-style-type: none"> • Enbridge would like to strive for consensus with the WG on the enhanced DCF+ test. As such, step 2 and 3 of proposed approach will be done in parallel with open dialogue during WG meetings to give and receive timely feedback from the WG instead of waiting for the WG report before Enbridge starts drafting DCF+ Guide. Enbridge plans on incorporating results of discussions in the pilots and IRP plans. • <u>Drafting of WG report</u> – responsibility of writing the draft WG report is TBD based on how discussions go in the next few meetings. Could be OEB staff or a WG member(s), potentially in collaboration with Enbridge if consensus can be reached. • <u>Timing of WG report</u> – goal is to have the written report drafted by approximately end of 2022. Exact deadline is TBD based on how WG discussions go <p>Key Topics for WG Report:</p> <ul style="list-style-type: none"> • General agreement on topics to be covered in the report, as laid out by OEB staff. However, WG members did raise the importance of a few additional topics: <ul style="list-style-type: none"> ○ Determination of which costs/benefits are actionable, and which are not necessarily part of the calculation but are still important to be taken into consideration which requires multi-level decision making instead of performing a calculation and seeing which is the cheapest. ○ Addressing risk and uncertainty and how it is factored into the application of DCF+ test. For example: hedge value (societal impact), 	<p>OEB staff to create a table of contents for issues we want the DCF+ subgroup to cover and potentially provide more material on the 2 foundational issues discussed in item 3 (cost-effective relative to what? Purpose of the 3 tests) prior to next WG meeting to give more context.</p> <p>OEB staff to circulate the report of the BCA subgroup of FEI. Report will contain background info that will be useful to IRP</p>
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	<p>stranded assets (rate impact). WG members draw the distinction that stage 1 is a mathematical test. Whereas stage 2 and 3 are influential tests that aren't actionable but should be part of decision-making process.</p>	<p>WG in developing enhanced DCF+ test. *Circulated July 6</p>
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2. Key Recommendations for DCF+ Test from Guidehouse Report

This agenda item was presented by Guidehouse consultant, Pedro Torres-Basanta.

Item Description	Discussion Comments/Outcome	Action Items
<p>Guidehouse clarified and discussed their rationale and recommendations to the DCF+ test enhancements proposed in the Guidehouse report</p>	<p>Foundation of Recommendations</p> <ul style="list-style-type: none"> Primarily based off OEB's EB-2020-0091 findings. Did not include a review of the perspectives from Chris Neme's earlier WG presentation. Guidehouse reviewed tests in other jurisdictions (some resembling the TRC test), however their recommendations to improve cost benefit parameters were focused on modifications which fall within the umbrella of the 3 phase DCF+ test approved by the OEB <p>General Concerns raised by WG members: There are foundational items that need to be resolved and key questions left unanswered in Guidehouse report. They are as follows:</p> <ul style="list-style-type: none"> What is the purpose of the 3 phases? Is it reasonable to add results from each phase together? WG member contends that each phase answers a different question therefore results should not be aggregated. Some categories of impact should also be added/removed from stages 2 and 3 that don't belong for the purpose of the question stages 2 and 3 are intended to answer. <ul style="list-style-type: none"> Guidehouse confirms a project is deemed economically feasible if the resulting NPV of the 3 phases of the test summed together is greater than 0. Guidehouse did not question this assumption. There are categories of costs/benefits that were left out from Guidehouse 	<p>Enbridge to share updated Guidehouse slide deck with updated explanations to the WG *deck received and circulated to WG on July 6/22</p> <p>OEB staff to create and circulate a table summarizing Guidehouse recommendations with a column for WG member comments. This will be used to facilitate further discussion at upcoming DCF+ meetings and as feedback to Guidehouse and Enbridge.</p>

	<p>consideration and/or recommendation (e.g., hedge value, market price effects, stranded assets).</p> <ul style="list-style-type: none"> • WG agreed it would take a broader lens than Guidehouse, and would consider foundational issues such as the purpose of the 3 stages and the concept of adding them together. Guidehouse agreed with WG members that it may be beneficial for Guidehouse to do a follow up report/analysis to provide its perspective on items/ concerns raised by WG members here that were left out of consideration in their initial report. • WG member concerned that Guidehouse approach is biased on risk by adding a subjective multiplier (for derating factors of oversubscription) in stage 1 of the technical evaluation before getting to the economic assessment using the enhanced DCF+ test. Guidehouse notes they did not specifically address this as it is part of OEB's findings. <p>GH rec - Phase 1 – Utility benefits and costs</p> <ul style="list-style-type: none"> • Guidehouse recommends the inclusion of avoided or incremental utility carbon cost to reflect federal carbon pricing act. However, there is no recommendation on what rate to use 2030 onwards. <p>GH rec - Phase 2 – Customer benefits and costs</p> <ul style="list-style-type: none"> • Guidehouse recommends inclusion of avoided or incremental customer carbon costs. Guidehouse noted that this would be set at the actual cost paid by the customer (which is lower for large industrials subject to the Output-Based Pricing System). If desired, broader societal carbon impacts could be captured in phase 3, but this was not part of the GH recommendation. • Guidehouse recommends inclusion of net equipment costs (customer contribution to IRPA measure costs) to increase transparency by distinguishing net equipment costs from other costs incurred by customers. WG members 	
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	<p>confirmed that this was already done in the standard DCF test, and was more of a clarification than a new item.</p> <ul style="list-style-type: none"> • Guidehouse confirmed that based on their current recommendation, any customer/ participant non energy benefits (NEB) are captured in phase 3 not phase 2 <ul style="list-style-type: none"> ○ WG members question whether this is conceptually correct. WG members highlighted the importance of separating participant NEBs from societal NEBs and capturing participant NEBs in phase 2, instead of putting them all in phase 3. As such, WG members emphasize the importance of nailing down what question each phase of the test is supposed to answer to determine what costs/benefits should be included/excluded and in which phases. <p>GH rec - Phase 3 – Societal benefits and costs + NEB adder</p> <p>Guidehouse recommends the inclusion of non-energy benefits (NEB) to society that are qualified but not quantified in phase 3 of the enhanced DCF+ test. This is captured using a 15% NEB flooring mechanism and a 15% NEB Accentuating mechanism. The 15% is independent and recommended by Guidehouse based on current jurisdictional review and trends in Ontario and North America. The percentage should be revisited and revised based on the expected advances in quantifying NEBs over time.</p> <ul style="list-style-type: none"> • <u>15% NEB flooring mechanism</u>: a flexible adder flooring mechanism ensures that phase 3 NEBs are at least equal to 15% of the known gross benefits identified for the IRPA in phase 1 and 2. If NEBs in phase 3 can be quantified and are > 15% of phase 1 and 2 gross benefits, the flooring mechanism does not need to be used. If they are < 15%, NEBs are immediately elevated to become 15% of phase 1 and 2 benefits. 	
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	<ul style="list-style-type: none"> • <u>15% NEB Accentuating mechanism</u>: used to elevate the quantified NEB by another 15% to account for NEBs that we know are there but cannot be quantified. Accentuating mechanism is always used if there are known NEBs that cannot be quantified. • WG members asked clarifying questions on the NEB flooring/acceltuating proposals but did not express a preference for or against the proposals 	
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3. Initial Discussion on Foundational Questions for DCF+ Test

Item Description	Discussion Comments/Outcome	Action Items
1) Cost effectiveness relative to what? Facility solution or “do nothing”	<ul style="list-style-type: none"> • OEB and WG members seek clarity from Enbridge on the mechanical execution of the DCF+ test on cost effectiveness since there appears to be a discrepancy in the way Enbridge described the test and some examples provided in the IRP hearing – whether Enbridge is running separate DCF+ tests for facility and IRPA to “do nothing”, and comparing the results, or running 1 DCF+ test comparing the IRPA to the facility • WG members attest that “do nothing” is not actually a viable option for most needs, and Enbridge representative Chris R. confirms this to be true. • WG members agreed that, in principle, the approach of running two DCF+ tests to “do nothing” could likely work, but most expressed a preference that running 1 test comparing the IRPA to the facility was logically preferable. • Time did not permit discussion of the next foundational item – number and purpose of stages and approach to adding them together. 	Enbridge will confirm with internal Enbridge team on testing approach and report back to the WG with a clear example at the August meeting.

List of Action Items

Action Item	Assignment/ Owner	Due Date
Post meeting #7 notes	OEB staff	As soon as possible
Generate a table with Guidehouse recommendations and a column for	OEB staff	As soon as possible

WG comments to facilitate further discussion at upcoming meetings and to provide feedback to Enbridge and Guidehouse for consideration.		
Create a table of contents for issues we want the DCF+ subgroup to address and provide more material on the 2 foundational issues discussed (cost-effective relative to what?; purpose of the 3 tests) to give more context for discussion	OEB staff	Prior to August WG meeting
Clarify execution of cost effectiveness test with clear example	Enbridge	August WG meeting
Establish agenda for meeting #9 (DCF+ subgroup)	OEB staff (with input from Enbridge Gas)	Prior to August WG meeting