

1 **Q: Reference: “Review of Existing and Proposed Network Additions Policies for**
2 **Newfoundland and Labrador Hydro,” The Brattle Group, November 19, 2019,**
3 **p. 22, paragraph 1.**

4
5 **Concerning network upgrades, the beneficiary pays concept is**
6 **not well defined and is lacking clear foundational rules,**
7 **implementation methodologies, and proposed calculations and**
8 **formulas. Its application within the context of network upgrades**
9 **and additions would be problematic, challenging, and unduly**
10 **subjective.**

11
12 **In 2017 the Ontario Energy Board (“OEB”) completed a comprehensive**
13 **review of cost responsibility for network additions and released a “Notice of**
14 **Proposal to amend its Transmission System Code and Distribution System**
15 **Code.” On October 1, 2018, Hydro provided the OEB review and the proposals**
16 **resulting from their policy review as Attachment 1, Appendix B to its**
17 **“Network Additions Policy Review”.**

18
19 **a) Please confirm that the OEB accepted Beneficiary Pays as a guiding**
20 **principle to be used in determining the appropriate approach to allocating**
21 **the costs associated with distribution and transmission connection**
22 **investments based on the following definition:**

23
24 **Beneficiary Pays – Beneficiaries of an infrastructure investment will**
25 **contribute to the cost of an investment. Cost allocation will be determined**
26 **based on the customer’s proportional use of the connection asset set out in**
27 **a regional plan. Costs should not be allocated to any load customer**
28 **(consumer or distributor) or generator that will not benefit from the**
29 **investment.**

30
31 **b) What are Brattle’s views of the rules implemented by the OEB, in**
32 **consideration of Brattle’s conclusion that the application of the Beneficiary**
33 **Pays concept within the context of network upgrades and additions would**
34 **be problematic, challenging, and unduly subjective?**

35
36 **c) Does Brattle believe that the proposed Labrador Interconnected System**
37 **Network Additions Policy rules are problematic and unduly subjective? If**
38 **yes, please highlight the sections of the policy that create these concerns.**

1 A. a) The OEB document provided in Attachment 1 states three “guiding principles”
2 for determining the cost allocation. The first is the “Optimal Infrastructure
3 Solution,” the second is the “Beneficiary Pays” and the third is “Open,
4 Transparent and Inclusive.” The definition cited excludes footnote 5 from the
5 OEB document, which states “In the RRFE Report (p. 43), the OEB identified
6 that “a shift in emphasis away from the ‘trigger’ pays principle to the
7 ‘beneficiary’ pays principle is appropriate.” Brattle notes that the OEB’s
8 beneficiary pays guiding principles specifically states “Costs should not
9 be allocated to any load customer (consumer or distributor) or generator
10 that will not benefit from the investment.” We also note that our “but for”
11 approach is consistent with this aspect of the beneficiary pays as under
12 our approach costs are not being allocated to customers who do not benefit
13 from the investment.
14

15 b) From Brattle’s review of the OEB policy included as attachment 1, Appendix
16 B to its Network Additions Policy Review, the rules implemented by the OEB
17 are more akin to guidelines and importantly, are to be determined on a case-by-
18 case basis and may not be reproducible in each case. Specifically, the report
19 states (at 7):
20

21 “The OEB is therefore proposing to amend the TSC by adding sections 6.13A
22 and 6.13B to allow costs associated with transmitter-owned connection
23 investments to be apportioned between the customer(s) that caused the need for
24 the connection investment and all ratepayers, based on the proportional benefits
25 between the connecting customer(s) and the overall system.
26

27 The OEB believes there would be a need for an OEB adjudicative process to
28 review requests for such apportionment, on a case by case basis, to ensure there
29 is not an over-allocation to the network pool (i.e., all consumers).
30

31 A case by case application approach would also be necessary as the
32 apportionment would be expected to change based on the specific
33 circumstances. The methodology relies on proxy to estimate the cost to address
34 each need individually, which provides the basis to determine the
35 apportionment. The OEB expects the proxy and/or associated values to differ
36 in each case. The proxy is therefore critical to this methodology. Whether the
37 proxy used was the most appropriate (and the associated estimated cost) would
38 therefore need to be tested. Such applications should be supported by three
39 documents: a regional infrastructure plan, an integrated regional resource plan
40 (IRRP), where applicable, and an independent assessment by the IESO that is

1 similar in nature to the assessment that was provided in support of Hydro One's
2 SECTR application."

3

4 Please refer to the response to NLH-PUB-010. Further, as described in section
5 III.4 in the Report, the OEB policy applies only to a subset of the assets that the
6 proposed Hydro NAP would apply to, and provides significant latitude for
7 application of beneficiary pays principle as discussed above.

8

9 c) As described in the responses to NLH-PUB-010 and NLH-PUB-013, Brattle
10 finds the use of advancement costs for uncertain future investments, the use of
11 a generic "Expansion Cost per kW" to charge customers regardless of cost
12 causation, and the methodology used to calculate and inclusion of "reliability
13 benefits" to be problematic.