

Maritime Electric Co.Ltd. (MECL) Updated 2021 Capital Budget Application
(UE20731) - February 1, 2021

Comments to the Island Regulatory and Appeals Commission

Introduction

This Updated 2021 Capital Budget Application was submitted some six months after the original application and now contains over two times the volume of documentation. Despite the extensive and expanded explanations the important issues remain unchanged.

Capital Expenditure Justification Criteria” (CEJC)

During my twenty plus years of industrial senior management experience, I have not encountered the exclusively subjective approach that MECL has now adopted in justifying a capital budget. One Grant Thornton conclusion from a similar exhaustive MECL 2019 Rate Application process was to recommend a Master Format for future Rate Applications to reduce the volume of the application and ensure that all the pertinent data is complete and coordinated. I suggest that a similar Master Format for Capital Budget Applications be sought to recapture the five (5) detailed objective evaluation criteria as detailed in UE17-03. This Master Format should restrict the subjective text and set objective justifications, costs and reliability data as central and prominent requirements.

Y119 Transmission Line Proposal - \$4,000,000:

As described in my November 2020 commentary to the Commission I raised issues with the process adopted by MECL around the Y119 proposal. Particularly, I identified that the preemptive February 2020 public meeting and subsequent accelerated Environmental Impact Assessment process should be of some concern to the Commission. This public meeting incorrectly suggested that the Clyde River substation had a dependency of supply upon Y119 and this descriptive linkage has continued through the two budget applications. Even the current MECL public posting of February 2021 repeats this theme and now appears to preempt the Commission’s project approval informing that the “Transmission Line Project has received approval to proceed from IRAC”.

The single objective for constructing Y119 and energizing it in 2023 is that it starts the sequential replacement of the aging Y109 and Y111 transmission lines and finally enables the construction of a new third west to east transmission line, estimated to be required around 2030 when the peak load is forecasted to be 375MW. This sequenced ten year program is the most significant proposed transmission project since the new undersea cables were installed in 2016 and will likely cost in excess of \$40M. Approval of the Y119 project effectively signals conditional approval for a transmission line program that does not have planned routes or any committed estimates of cost.

Y119 Transmission Line Proposal - \$4,000,000.....\cont.:

A major change for the Y119 project since the first budget application, which described a multi-year project, is the proposal to condense the construction from three years to one. By replacing the \$4M previously allocated to the delayed PEI Broadband project with a \$4M allocation to the construction of Y119 accrues no customer benefit; the benefit is for MECL in maintaining a capital budget in excess of \$40M. By accelerating the construction of Y119, a capital asset is delivered two years earlier than necessary and presents customers with a premature increase in rates. Revealing that Y119 can now be constructed within one year suggests there is adequate time for MECL to plan and propose the content and estimates for the whole sequential transmission program before any Y119 construction begins and still be able to energize Y119 by 2023.

The Exclusion of a “Smart Meters” Category in the 2021 Capital budget and the 2020

Integrated Resource Plan (IRP):

The MECL Integrated System Plan (ISP) shows that both the historical and forecast future growth in PEI peak load is around 8MW each year. As a minimum this increase drives the cost of load capacity up by \$2M each year. This peak load growth also affects the NB-NS/PEI transmission interface which has a New Brunswick (NB) to PEI export limit of 300MW. Despite the assistance of PEI generated wind, the PEI peak import load from NB has been 260MW since 2019 which suggests that an import margin of only five years exists before the NB-NS/PEI interface capacity is exhausted! (Note that the justification for the proposed Y119 project is due to an estimated peak Load of 375MW around 2030). The single most important opportunity to control this load growth is the selective adoption of system metering that provides segmented load data and enables target customers to participate in reducing peak loads. This opportunity will be missed if MECL continues on the described path of pursuing “the full range of AMI technology benefits”; there are interim actions that can be taken. Using a serial approach of first installing a new customer information system (CIS), then making “AMI investments” and then introducing TOU rates and then taking, as reported “four years from regulatory approval” before peak load control can start is an inappropriate cautious approach rather than a “call to action”. MECL is not taking any action towards controlling peak load.

As with previous commentaries to the Commission, I propose that within the Order pertaining to this capital budget application, a directive is issued to MECL to resubmit a 2021 ISP to include a “System Metering” plan that urgently starts a drive to control peak load. The first section should summarize the recently expanded data on customer energy-use and the status of the current deployment of Bridge Meters, the roll-out plan for deploying more pilot smart meters and the specific plans to pilot new TOU tariffs,. The second section should describe the future plans for the next metering system and supporting IT infrastructure, to delineate the current meter replacement schedule and to set out the required changes to the billing and customer databases.

I thank the Commission for the opportunity to present my assessment and hope that it assists with the consideration and disposition of the MECL 2021 Capital Budget Application.