

HQT's Network Upgrade Policy, Phase 2B

PRESENTED TO
Régie de l'énergie

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May 13, 2019
HQT-6, Document 2.2



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1. Scope of Testimony

I address two topics related to HQT's network upgrade policy:

- Whether the categories used by HQT to classify its transmission investments are adequate to properly allocate costs among HQT's categories of investments; and
- Whether HQT's treatment of transmission losses in considering its transmission investments is adequate.

2. Conclusions

- The categories used by HQT to classify its transmission investments are adequate to properly allocate costs among HQT's categories of investments.
- HQT's use of its investment categories is similar to that of other transmission system operators' use of their investment categories in meeting the objectives that their respective systems face.
- HQT's treatment of transmission losses, not as a separate investment category or as a separate investment trigger but as a factor in selecting among alternative transmission projects, is adequate. I am not aware of any transmission system operator that uses transmission losses as a stand-alone investment objective or trigger to initiate a transmission upgrade.

3. Categories of Transmission Investments

Appropriateness of the Set of Categories for Allocating Costs of Multi-Objective Investments

HQT's Régie-approved four categories are adequate and sufficient as a framework for allocating the costs of multi-objective investments.

1. Categories are exhaustive of the types of objectives relevant to Québec electric system.
2. Each of the categories are mutually exclusive (i.e., no overlap).
3. Any new subcategory within existing categories would be redundant for cost allocation.

3. Categories of Transmission Investments

HQT's Descriptions of Categories

HQT's descriptions of the four investment categories provide a transparent and clear explanation of the objectives served and types of investments in each category.

- Publicly available document: “Description synthétique des investissements et de leurs objectifs”
- Regulatory objective: sufficiently detailed and clear descriptions in order for Régie to oversee and HQT customers to understand HQT's classification of specific projects to categories.

3. Categories of Transmission Investments Comparison to Other System Operators

HQT's categories are similar to other system operators' for meeting objectives relevant in the context of HQT system.

HQT's categories are put to similar use as the categories of other system operators, that is, they serve both to identify the types of investments needed to maintain a reliable electric system responsive to their customers' needs, and to allocate the costs across investment categories.

4. Role and Treatment of Transmission Losses

HQT's Treatment of Losses

HQT considers transmission losses in its evaluation of alternative scenarios for a transmission project in any investment category.

Attachment D to HQT's OATT

- “losses as a factor considered to identify the least-cost transmission expansion plan” (article 1)
- “impact of losses on the Transmission Provider's system taken into account in the System Impact Study” (article 6)

HQT does not implement a transmission investment for the sole purpose of minimizing losses.

4. Role and Treatment of Transmission Losses Losses as a Stand-Alone Category or Stand-Alone Trigger for Investment?

Transmission losses are more properly considered as a relevant economic factor in the comparative review of multiple or competing scenarios, than as a stand-alone category or trigger for transmission investment.

- Most types of transmission projects have varying degrees of impacts on system transmission losses → losses are common to multiple investment categories.
- No system operator treats minimization of transmission losses as a stand-alone category or trigger for transmission upgrades.

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