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Request from: Department of Energy and Environmental Protection

Question:

Refer to Exhibit CLP-TSP-1, p. 34. The Company's model that includes the past 20 years of upgrades and shows the benefits of every dollar invested in terms of SAIDI and SAIFI. Has the Company identified any trend on reliability improvement and money invested? Specifically, are there diminishing returns on investment at a certain point of reliably? Are there any inflection points?

Response:

The Company's reliability optimization model evaluates potential reliability projects by estimating their expected reliability benefits, including SAIDI and SAIFI improvements, relative to their cost. This model has identified that, over time, diminishing returns of reliability projects are expected.

The model ranks potential investments according to their cost effectiveness. Consistent with reliability planning principles, the projects with the greatest expected reliability benefit per dollar invested are generally identified first. As additional projects are considered, the incremental reliability benefit achieved per dollar invested typically declines. In other words, over time, progressively larger investments are generally required to maintain or improve reliability performance.

Not all projects that improve reliability should be identified through the ReBOT tool, whose focus is on zones with multiple feasible mitigations. Potential reliability improvements evolve over time due to factors such as asset aging, changing system conditions, weather impacts, vegetation growth, and the inherently stochastic nature of outage events. Also, as previously identified projects are completed, and updated reliability performance data are integrated into the tool, new opportunities for cost-effective reliability improvements may emerge. Consequently, the Company continually evaluates reliability investment opportunities and assesses their expected benefits and costs as part of its ongoing planning process.