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VIA COURIER AND *RESS* FILING

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: Renewed Regulatory Framework for Electricity Transmitters and Distributors – Defining and Measuring Performance of Distributors and Transmitters (EB-2010-0379)

Attached please find the Power Workers' Union's submissions on Board staff's Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors and on the questions posed by the Board in its July 4, 2013 Notice.

We hope you will find the PWU's comments useful.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



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**Staff Report to the Board on Performance Measurement and
Continuous Improvement for Electricity Distributors**

Comments of the Power Workers' Union

1 BACKGROUND

On October 18, 2012 the Ontario Energy Board (the "OEB or "Board") issued its report on *A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach* (the "RRFE Report"). The RRFE Report sets out what the Board describes as a comprehensive performance-based approach which places a greater focus on delivering value for money that puts emphasis on understanding customer satisfaction and the cost/value trade-offs that customers are willing to make. The RRFE is intended to help distributors better plan and leverage investments to improve performance in distribution business services and improve overall productivity, and help the Board assess the distributors' effectiveness in providing services that respond to identified customer preferences.

The RRFE Report identifies the need for standards and measures that are suitable for use by the Board in monitoring and assessing distributor performance against expected performance outcomes for consideration in the distributor's network investment plan, in comparing distributor performance, in identifying trends, and in supporting rate-setting. In order to facilitate performance monitoring and distributor benchmarking, the Board states that it will use a scorecard approach to link directly to annual performance.

On October 30, 2012, a stakeholder Working Group was established to assist Board staff in developing proposals in response to the performance-related matters identified in the Board's Report.

On July 4, 2013 the Board issued for stakeholder comment a Board staff report entitled *Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors* report (“Staff Report”), which provides Board staff’s advice to the Board on performance-related matters identified in the RRFE Report. In addition the Board sets out specific questions on which it seeks comment.

2 POWER WORKERS’ UNION’S POLICY POSITION

The PWU’s comments on Staff’s Report and the Board’s questions set out in the July 4th, 2013 Notice stem from its energy policy statement:

Reliable, secure, safe, environmentally sustainable and reasonably priced electricity supply and service, supported by a financially viable energy industry and skilled labour force is essential for the continued prosperity and social welfare of the people of Ontario. In minimizing environmental impacts, due consideration must be given to economic impacts and the efficiency and sustainability of all energy sources and existing assets. A stable business environment and predictable and fair regulatory framework will promote investment in technical innovation that results in efficiency gains.

The PWU’s vision for a sustainable and long-term regulatory regime for Ontario’s electricity distributors is one that focuses on customer value and establishes appropriate and transparent incentives based on Ontario distributors empirical data analysis, to achieve performance levels that align with customer expectations.

To achieve this vision it is necessary to recognize customer value as the key input to the regulatory framework. This key input needs to be obtained through robust customer Willingness to Pay (“WTP”) surveys that will establish the utilities’ service quality (i.e. customer service and service reliability) standards and provide the context for the utilities’ network investment planning and for the Board’s regulatory framework.

The PWU’s overarching position on the use of a performance scorecard is that its use should be limited to understanding individual distributor’s historic performance trends. There are many unresolved issues related to the comparison of performance amongst distributors’ that would render the comparisons flawed and unfair and in posting the performance scorecards the Board should clarify that the scorecards are intended to

provide historic performance trends and not comparisons of performance amongst distributors.

3 PWU COMMENTS ON STAFF REPORT

3.1 Minimum Standards for Service Reliability Performance

On page 5 of the Staff Report, staff states that it “considers the requirements set out in applicable law and a distributor’s licence, including the requirements set out in the relevant codes, to be minimum standards in the context of defining and measuring performance. As such, these minimum requirements establish core performance standards for each distributor. Among other matters, these core performance standards address quality of service to customers, distributor efficacy in delivery of service to customers, and cycle-times [i.e., the amount of time between the start and completion of a process or between events in the process] experienced by customers in certain processes.” The PWU is pleased to see that Board staff explicitly recognizes the Board’s guidelines on Service Reliability Performance set out in the Electricity Distribution Rate Handbook as distributor specific minimum service reliability standards in the scorecard illustration. Not to do so would miss a fundamental aspect of the Board’s regulatory responsibility and reduce the Board’s regulatory interest in service reliability to a reporting and monitoring initiative.

3.2 Customer Satisfaction Surveys

The Staff Report notes that some members of the Working Group advised that the Board should carry out the type of research conducted through Pollara’s customer surveys, commissioned by the Board in its consultation on Electricity Distribution System Reliability Standards (EB-2010-0249), to help distributors understand what consumers value and to help identify customer preferences. The PWU submits that the Board needs to conduct such Pollara customer surveys (i.e. WTP surveys), or centrally guide the undertaking of such surveys by the distributors, to determine the value that

customers place on distribution service, to determine performance incentive levels and in establishing distribution rates. The PWU included a discussion in its submission on 4th Generation IR on the need to conduct WTP studies to determine customer value of distribution services.¹

The Staff Report emphasizes the need for customer satisfaction surveys to gauge customer satisfaction by asking the customer. WTP surveys will establish the service quality/reliability standards that customers value and thereby indicate performance levels that would be indicative of customer satisfaction.

3.3 Line losses

The PWU does not agree with Board staff's recommendation to exclude line loss performance from the scorecard. The PWU's expert, Dr. Frank Cronin, demonstrated in his June 13th, 2013² report filed in this consultation the impact of line loss performance on productivity. Given the significance of line loss performance on distributor productivity and the direct impact on customers' total bill amounts, the PWU believes that line losses should be included as a performance measure on the scorecard.

3.4 Overall Cost Performance

In its submission on 4th Generation IR, the PWU notes the error in the estimated data used in PEG's benchmarking relative to the actual data that distributors filed with the Board. To the extent that the establishment of cohorts and the ranking within a cohort is flawed as a result of the use of the estimated data, the use and reporting by the Board of PEG's total cost benchmarking and distributors' cost performance ranking can create damaging wrongful impressions that is destructive to the distributor's reputation with its customers. In addition the current proposed benchmarking ignores a key cost factor:

¹ PWU submission on 4th Generation IR for Ontario's Electricity Distributors and PEG Report to the Ontario Energy Board on Empirical Research in Support of Incentive Rate Setting In Ontario. http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/401457/view/PWU_Comments_20130627.PDF

² http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0379/PWU_submission_20130614.pdf

service reliability performance. It is highly unlikely that customers will intuitively understand the need to assess the distributor's cost benchmarking ranking relative to its service reliability performance reported on the scorecard.

Total cost rather than OM&A Cost and Net Capital Cost per customer, per kWh and per Circuit Km of line should be used on the scorecard. Distributors have work cycles that result in higher increases in OM&A costs compared to increases in Net Capital Cost in some years and higher increases in Net Capital Cost in other years. Neither year-to-year change in an individual distributor's OM&A and Net Capital Costs, nor comparison of changes in these costs amongst the distributors is therefore meaningful. Change in total cost (OM&A plus Net Capital Costs) would allow for trend analysis on an individual distributor's expenditures. Assuming the benchmarking is done correctly, amongst distributor comparisons would be provided by the results of the total cost benchmarking.

4 LIST OF QUESTIONS FOR WRITTEN COMMENT

Existing Service Quality Requirements

Preamble:

The Board has implemented a "standards approach" to service quality requirements for electricity distributors. Distributors are currently required by the Distribution System Code to meet prescribed customer service performance standards in relation to the following:

- **Connection of New Services;**
- **Appointment Scheduling;**
- **Appointments Met;**
- **Rescheduling a Missed Appointment;**
- **Telephone Accessibility;**
- **Telephone Call Abandon Rate;**
- **Written Response to Enquiries;**
- **Emergency Response; and**
- **Reconnection Standards.**

Under the "standards approach", compliance with the performance standard is mandatory and can be enforced through the Board's compliance process.

1. The existing service quality requirements (whether as mandatory requirements or as reported indicators) have been in place for a number of years. Do the prescribed performance standards set by the Board for distributors continue to be appropriate? Why? Why not?

The question posed assumes that the prescribed service quality standards (i.e. customer service performance standards), which have been in place for a number of years, were appropriate when introduced. The PWU notes, as it did in the Board's 2008 consultation on service quality regulation (EB-2008-0001),³ that the standards for the customer service performance metrics introduced in 2000 were "minimum" standards established based on the level of service that all distributors were able to meet at the time.

In paragraph 5.1.16 of the decision on the 2000 Electric Distribution Rate Handbook the Board states:⁴

The Board recognizes that electricity industry restructuring introduces many unknown factors that could impact on performance levels and customer expectations. Further, there is a lack of consistent information on historical performance. Therefore, the Board is of the view that, for first generation PBR, a cautious approach to introducing service quality performance indicators and standards is warranted. The proposed approach in first generation PBR appropriately focuses on data collection, reporting, and monitoring of service quality and reliability performance by all distribution utilities.

Paragraph 5.1.20 of the decision states:

The Board notes that, generally, parties representing electricity distribution utilities indicated that the proposed minimum standards are appropriate and achievable. As a result, the Board favours the minimum standards proposed in the draft Rate Handbook for first generation PBR. The Board notes that these standards represent the minimum acceptable performance; a utility should continue to establish its operating performance at any level better than the minimum standard, taking into consideration the needs and expectations of its customers and of cost implications.

While the OEB's First Generation PBR Implementation Task Force conducted a survey of the distributors to determine the reasonableness of the metrics and the minimum standards, no customer surveys were conducted. Therefore, there is a question around the context of the "appropriateness" of the standards on which the Board seeks input. Is it the appropriateness in focusing on data collection, reporting and monitoring of

³ PWU Comments on Proposed Amendments to the Distribution System Code – Regulation of Electricity Distributor Service Quality. EB-2008-0001. http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2008-0001/sub_PWU_20080410.pdf

⁴ <http://www.ontarioenergyboard.ca/documents/cases/RP-1999-0034/dec.pdf>

performance as it was in First Generation PBR, or is it the appropriateness with regard to customer value and expectations for 4th Generation IR?

Customer Satisfaction Surveys

Preamble:

In the Staff Report, Board staff recommends that distributor customer satisfaction surveys be centrally guided by the Board and undertaken by the distributors. Board staff believes this approach will:

- **build on existing surveys/practices (whether annual perception surveys, transaction surveys or other methods) that are already being conducted by distributors;**
- **avoid duplication of efforts (and therefore will be less costly in the long run); and**
- **encourage a distributor to “continuously improve its understanding of the needs and expectations of its customers and its delivery of services.” Distributors across the Province do not have the same customers and therefore may not have the same priorities with respect to continuous improvement. A distributor’s customer satisfaction results need to be internalized and operationalized by that distributor.**

Board staff recommends that distributors retain the discretion on how to conduct their customer satisfaction surveys (e.g., annual perception, on-going transactional survey, focus group, telephone, “in-house”, outsourced, joint, etc.). However, Board staff recommends that distributors be expected to follow good survey practices, and recommends that distributors be asked to describe how they conduct their surveys in the management discussion and analysis section of the Scorecard. In addition to helping the Board understand the distributor’s results, the sharing of this information may be beneficial to other distributors pursuing continuous improvement in their own approaches to customer satisfaction.

2. If Board staff’s recommended approach were implemented:

- a. **How might the sharing of information amongst distributors be facilitated to encourage “good survey practices”?**
- b. **How would the Board know that a distributor’s survey has been designed and implemented following “good survey practices”?**

3. The Staff Report notes that the results of locally undertaken customer satisfaction surveys may not be readily comparable across distributors. What are the implications, if any, of customer satisfaction surveys not being comparable across distributors?

4. To help the Board understand distributors’ existing practices, the Board asks all distributors to provide with their written comments an overview of how they conduct their customer satisfaction surveys.

For the Board to know whether a distributor’s survey has been designed and implemented following “good survey practices” requires the Board to set guidelines on

what constitutes good survey practice. Such guidelines will provide guidance to distributors in designing and implementing surveys that meets the Board's expectations while the distributors' consistency with the guidelines informs the Board on the surveys' consistency with the Board's definition of good survey practices.

A customer satisfaction survey used by a distributor to understand its customers' satisfaction with its standard of service and service performance is likely to cover local concerns. Given differences in local concerns and differences in customer expectations between distribution service territories, differences in results of locally undertaken surveys would not be unexpected. Ensuring that surveys are comparable across distributors' therefore can compromise a distributor's ability to gauge its customers' satisfaction, expectations and value around service performance. It is more important that a distributor's survey provides it with a good appreciation of its own customers' expectations than that the survey is comparable across distributors.

Question 4 appears to be directed at the distributors and the PWU therefore leaves it to the distributors to respond to.

1st Contact Resolution

Preamble:

In the Staff Report, Board staff recommends that a measure of 1st Contact Resolution be reported on the Scorecard. Board staff acknowledges that information to assess this measure may be gathered in different ways. Furthermore, Board staff does not believe it necessary for the Board to prescribe how 1st Contact Resolution information is gathered at this time. Rather, Board staff thinks that establishing a 1st Contact Resolution expectation will encourage distributors to focus on what they are expected to achieve, not a prescriptive "how" to achieve it. However, Board staff recommends that distributors be asked to describe how they are gathering 1st Contact Resolution information in the management discussion and analysis section of the Scorecard. In addition to helping the Board understand the distributor's results, the sharing of this information may be beneficial to other distributors pursuing continuous improvement in their own approaches to 1st Contact Resolution.

- 5. If Board staff's recommended approach were implemented, how might the sharing of information amongst distributors be facilitated to encourage the pursuit of "best practices" in relation to 1st Contact Resolution?**
- 6. To help the Board understand distributors' existing practices, the Board asks distributors that currently measure 1st Contact Resolution to provide an overview of their approach in their written comments.**

These questions appear to be directed at the distributors and the PWU therefore leaves them to the distributors to respond to.

Billing Accuracy

Preamble:

In the Staff Report, Board staff recommends that a measure of Billing Accuracy be reported on the Scorecard and notes that a measure would need to be developed.

- 7. To help the Board understand distributors' existing practices, the Board asks distributors that currently measure Billing Accuracy to provide an overview of their approach in their written comments.**

This question is directed at the distributors and the PWU therefore leaves it to the distributors to respond to.

Regulatory Return on Equity

Preamble:

In the Staff Report, Board staff recommends that a distributor's achieved Regulatory Return on Equity (ROE) be reported on the Scorecard; however, Board staff does not recommend that a "target" for the ROE be displayed on the Scorecard.

- 8. Should the Board's allowed ROE be included as a "target" on the Scorecard? Why?**
 - a. If the Board's allowed ROE were included on the Scorecard, which value would be appropriate: the recent value determined by the Board in its annual Cost of Capital Parameter Update (e.g., in the illustration of Board staff's recommended Scorecard, this would be the value for 2011); or the value of the ROE that is embedded in the distributor's base rates? Please provide a rationale for your response.**

The Board's allowed ROE is not a Board target and therefore should not be characterized as such on the scorecard. However, the inclusion of the allowed ROE to provide a reference point for the achieved ROE would be reasonable.

The Scorecard

Preamble:

In the Board Report, the Board concludes that a Scorecard will be used to monitor individual distributor performance and to compare performance across the distribution sector. The Board Report further explains that “the Scorecard effectively organizes performance information in a manner that facilitates evaluations and meaningful comparisons [year-over-year and across the sector], which are critical to the Board’s rate-setting approach under the Renewed Regulatory Framework.” The Board Report also states that distributors will be required to report their progress against the Scorecard on an annual basis.

In the Staff Report, Board staff notes that it drafted its recommended Scorecard with this direction in mind.

9. The Scorecard has to be relevant and meaningful to all, including consumers. How might the results presented on Board staff’s recommended Scorecard be summarized in a manner that might be most easily understood by consumers?

Board staff’s scorecard illustration presents the information well. However, a separate page with descriptions/explanations of the performance measures and how the results should be interpreted is necessary in order for the scorecard to be understood by consumers.

All of which is respectively submitted.