



August 12, 2013

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

Dear Ms. Walli:

**Re: Submissions on Staff Report to the Board on Performance
Measurement and Continuous Improvement for Electricity Distributors
(EB-2010-0379)**

On July 4, 2013, the Board published the Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors in the proceeding noted above ("Staff Report"). The Staff Report builds on the Board Report issued on October 18, 2013 which set out the Renewed Regulatory Framework for Electricity Distributors. The Staff Report has been influenced by various processes, including a January 2013 session open to all stakeholders and a period of three months during which a select group of stakeholders were invited by the Board to help advance this file. EnWin extends its appreciation to the Board and its staff and those stakeholders who have played an active role since the January stakeholder consultation.

Enclosed are EnWin's submissions on the Staff Report. EnWin offers some broad comments on the Staff Report, as the Board invited, but has made sure to address the questions posed by the Board in its letter which was issued with the Staff Report ("Board Letter").

EnWin's submissions are organized as follows:

- A. Reflection on Outcomes
 - i. Board Report
 - ii. Importance of Being Outcome-Oriented
 - iii. Core Questions about Outcomes
 - iv. The Scorecard
 - v. The Data

- B. Responses to Questions from the Board Letter
 - i. Existing Service Quality Requirements
 - ii. Customer Satisfaction Surveys

- iii. 1st Contact Resolution
- iv. Billing Accuracy
- v. Regulatory Return on Equity
- vi. The Scorecard

Without narrowing EnWin's assertion of all of its submissions, there are two recommendations worth highlighting in particular.

First, EnWin recommends that the Board include a Management Discussion and Analysis (MD&A) prepared by each LDC along with its published scorecard. This will bolster the scorecard user's understanding of the context and trade-offs associated with particular LDC results.

Second, EnWin recommends that the Board prepare to re-engage stakeholders on the RRR filings. Given that the RRFE data requirements are now almost entirely known and given that various RRR filings were perpetuated awaiting the finalization of the RRFE data requirements, such a process is warranted.

Again, EnWin appreciates the opportunity to participate in this process to assist the Board with better understanding the perspectives of sector stakeholders.

Yours very truly,

ENWIN Utilities Ltd.



Per: Andrew J. Sasso
Director, Regulatory Affairs

P.O. Box 1625
787 Ouellette Avenue
Windsor, ON N9A 5T7

T: 519-255-2735
F: 519-973-7812
E: regulatory@enwin.com

SUBMISSIONS OF ENWIN UTILITIES

A. Reflection on Outcomes

i. Board Report

In the Board Report, the Board provided a helpful characterization of the outcome-oriented approach of the renewed regulatory framework:

The renewed regulatory framework is a comprehensive performance-based approach to regulation that is based on the achievement of outcomes that ensure that Ontario's electricity system provides value for money for customers. The Board believes that emphasizing results rather than activities, will better respond to customer preferences, enhance distributor productivity and promote innovation.

The outcomes for distributors were specifically listed:

- 1) Customer Focus: Services are provided in a manner that responds to identified customer preferences;
- 2) Operational Effectiveness: Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
- 3) Public Policy Responsiveness: Utilities deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
- 4) Financial Performance: Financial viability is maintained; and savings from operational effectiveness are sustainable.

ii. Importance of Being Outcome-Oriented

The renewed regulatory framework is at a nascent stage of the development and implementation. During this period it is particularly crucial that the Board underscore its philosophical focus on outcomes and its commitment to the four outcomes specifically prescribed in the Board Report.

For a utility, being outcome-oriented is about presenting appropriate value propositions to customers and then performing in alignment with those value proposition. The regulator is tasked with ensure this takes place prudently and sufficiently.

Utilities have critical interests in an outcome-oriented regime. Utilities have a vested interest in satisfying the needs and wants of their customers. This is especially true in Ontario where electricity LDCs are particularly close to their customers as a result of typical:

- ownership structure (municipal),
- board composition (community members),
- size (small), and
- geography (community-centric).

To the extent that their customers are increasing in number and growing in size and scope because of favourable safety, reliability, service, and rates, utilities experience revenue benefits.

To the extent that their customers have a positive associations with the utilities and the utilities enjoys positive reputations within its community, utilities benefit from healthy recruitment and retention of board members, officers and staff in a competitive labour market.

To the extent that the government and regulator observe utilities keeping customers satisfied and attaining public policy objectives, utilities benefit from less prescriptive provincial frameworks, which allows for greater innovation and operating flexibility.

To the extent that financial outcomes are reasonably attainable, utilities benefit from greater access to less expensive capital and face less prescriptive shareholder and lender frameworks, which also allows for greater innovation and operating flexibility.

In short, utilities have much if not everything to gain, and little if anything to lose, by embracing and pursuing an outcome-oriented approach. It is quite likely that utilities are already overwhelmingly approaching their roles from an outcomes perspective.

iii. Core Questions about Outcomes

In simplest terms, the regulator, on behalf of customers, wants to know the answers to a few outcome-oriented questions in relation to each distributor:

1. What do your customers want and need? Are they getting it?
2. What does the Government want and need from you? Is it getting it?

3. Will you be able to afford to keep satisfying the wants and needs of your customers and the Government?

The first two questions involve stakeholder interest assessments and gap analyses in respect of on operational performance. The third question is a financial performance and sustainability assessment.

The difficulty that prompts the need for a performance scorecard instead of a simple three question / three answer response is that these wants and needs and the financial demands of meeting them are conflicting. They conflict from the micro level of individual customers (e.g. high reliability vs. low rates) right up to the most macro levels (e.g. competing governmental objectives). The best that customers, the Government, the Board, and LDCs can hope for is performance that satisfies most outcomes, for most customers, most of the time, and that this is being done prudently and without unreasonable exceptions.

iv. The Scorecard

EnWin supports the Board's decision to implement a performance scorecard centred on outcomes. The scorecard will provide some balance to efficiency benchmarking, which is a very limited but relatively heavily publicized form of regulatory performance measurement and comparison.

EnWin strongly endorses the Board Staff recommendation that the Board invite each LDC to prepare and file a Management Discussion and Analysis (MD&A) in relation to its scorecard and that these MD&A reports be published along with the scorecard. LDCs, Intervenors and others have long recognized that "every LDC is different". While a scorecard must be generic to be of use, accompanying MD&A reports will allow the LDC to provide operating context, explain aberrations, and discuss the trade-offs that are implicit in the numbers. EnWin expects that the inclusion of the MD&A would benefit customers, the Board, other LDCs, and other stakeholders. Numbers often do not "speak for themselves" and therefore some commentary would be instructive, just as it is when financial statements and other sets of numbers are published in standard form.

It would be important that the MD&A be optional, that it be of the form and length of a LDC's choosing and that it always accompany the publication or circulation of the scorecard (e.g. website, hard copies sent by the OEB to requesting customers).

There is relatively little attention given to the MD&A in the Staff Report, but EnWin anticipates that the MD&A may be the most informative part of the scorecard initiative, if LDCs are given the latitude to make the document their own, as is typically the case for an MD&A.

v. The Data

EnWin notes that in the Comprehensive Review of the Electricity Reporting and Record Keeping Requirements (EB-2012-0062) there was an explicit recognition by distributors, Intervenors and Board Staff that once the data requirements to implement RRFE were determined it would be prudent to revisit the opportunity for the elimination of additional RRR filings. The group observed that much of the data being gathered dated back to the 2000-2002 reregulation of the sector, first generation PBR and market opening, and that in many cases the data was not being used and had never been used by the Board. There was consensus that it would be prudent to delay recommending the elimination of the gathering of much of this data until the data requirements of RRFE were finalized (est. late 2013). As performance benchmarking and various other components of RRFE have reached or are now near completion, in the coming months, the Board may wish to resurrect EB-2012-0062 or initiate a new proceeding with a similar mandate to ensure that these identified regulatory process efficiency gains are realized.

B. Responses to Questions from the Board Letter**i. Existing Service Quality Requirements**

The current ESQR provide the Board and LDCs with regulatory certainty and a historic reference point. Customers likely have little experience with them. As customer expectations are further examined over time, it will be prudent to test their on-going appropriateness.

The ESQR have been amended several times over the past 5-6 years and EnWin submits that there is value in introducing new ESQR and eliminating other ESQR to balance the need for regulatory certainty and a historic reference point with evolving customer needs and wants.

The ESQR should represent the public interest for all ratepayers. The current mix is particularly heavily focused on services of greatest interest to low volume ratepayers. To the extent that ESQR does not account for the services of interest to high volume ratepayers, either the ESQR may need amendment or other approaches to assessing the quality of service to, for example, industrial customers, may be warranted.

ii. Customer Satisfaction Surveys

To the extent that the Board is seeking to establish a common measure of LDCs through surveys, the Board ought to either administer the surveys directly, provide the survey for LDCs to administer or provide LDCs with standard criteria for the

LDCs to apply in administering the surveys. It is not enough that the surveys be created in accordance with “good survey practice”; the surveys need to be very carefully constructed to ensure comparability.

Survey results will certainly be impacted by local as well as non-local factors and it is appropriate that LDCs have the opportunity to discuss the results in the MD&A to provide context and other information that may be relevant to stakeholders.

The lack of comparability among survey results may become an issue because of the unintentional or intentional uses of the results. For an unintentional perspective, stakeholders may draw conclusions that are unwarranted by assuming that survey results should be comparable. The Board can mitigate this by providing clear caveats and disclaimers in the survey results document and elsewhere on the Board’s website or other place of publication. The Board can provide stakeholders with a clear statement of the purpose of the surveys, such as advising stakeholders that the purpose is to encourage conversations about LDC performance and to provide LDCs with a basis for comparing their service with the sector.

The intentional use of the results to directly compare LDCs on a quantitative basis that disregards the significance of caveats addressed in the MD&A would be inappropriate and can be avoided by the Board not engaging in those activities and admonishing or disregarding the advocacy and submissions of those who choose to ignore or diminish the significance of context.

The survey is a new tool that should be approached as a positive development, but one that is still in its infancy and is thus likely to be prone to any number of known and unknown imperfections. It is a welcome innovation and may eventually be a very useful tool. At this stage it is experimental and should be approached with all due caution. Because it will be administered in a very public way and likely reported in a similarly public way, it will be important for the reputation of the sector that the Board actively remind the public of these cautions and caveats.

EnWin has approached surveys using a number of different techniques from very inexpensive surveying at CDM booths to professional surveying by a private vendor used by numerous other LDCs. EnWin expects that it would continue to survey its own customers irrespective of the regulator’s survey.

iii. 1st Contact Resolution

EnWin actively pursues first contact resolutions through very capable, competent and well trained and supervised Windsor-based EnWin-employed Customer Service Representatives. These CSRs are the customers’ first point of contact and are well poised to respond to a wide range of customer inquiries. However, EnWin

recognizes that there are other models for customer service, including more conventional call centre operations which employ less qualified first contact staff that may or may not be LDC or affiliate staff and that may not even be Ontario-based.

It is not clear to EnWin what premium customers are prepared to pay to guarantee first contact resolution. Even in EnWin's service delivery model, there are certain specialized questions, such as microFIT connections or detailed CDM program information that EnWin would generally provide as a second stage – which may or may not correspond with the first call, but certainly would not be addressed by the first person reached at the LDC. Assigning and escalating calls provides benefits to cost and quality of service. EnWin would be surprised if the Board Report's referenced survey results show that customers would choose higher distribution prices or a lesser quality of service in return for first contact resolution.

As for encouraging LDCs to share information about best practices, the sector is faced with a contradiction in objectives. On the one hand, the regulator, customers, LDCs, and others would like to see more open sharing and implementation of best practices. On the other hand, LDCs are being ranked against each other with financial and reputational advantages and disadvantages at stake. Similarly, there is broader pressure to force consolidation, which results in LDCs seeking to protect their advantages in order to preserve shareholder value. While LDCs have monopolies within their service areas, they are still commercial businesses and subject to gain and loss as a result of a variety of factors that disincline them to engage in free sharing of all information.

It would be interesting to hear from Board Staff on the degree to which Enbridge and Union Gas have been encouraged or required to engage in the sharing of best practices.

LDCs do voluntarily engage in the sharing of information where the cost/benefit of participating in such an exchange adds value to all those that participate. Presumably, LDCs that do not participate are also prudently protecting their value because the costs would outweigh the benefit of participating.

To the extent that LDCs wish to publish best practices in relation to first contact resolution or any other practice, there are many ways for LDCs to voluntarily do that today. LDCs can present their information at industry events, publish the information in industry literature, engage in commercial transactions to sell or trade that information, disclose the practice in depth during public town halls, hearings, or other settings, etc.

The Board should not compel the disclosure of trade secrets or other information with potential commercial value. To do so would adversely impact previous

investments in new processes and technology and have a deleterious impact on future innovation, neither of which are in the public interest.

Rather, the Board should continue to reward performance so that LDCs have the incentive to reach out to leading performers (in Ontario and elsewhere, and inside and outside the sector) and use commercially prudent means to learn about and implement techniques to improve their performance.

iv. Billing Accuracy

EnWin measures the number of rebilled customers to determine billing accuracy. Importantly, as a single utility providing multi-utility billing services, those metrics are generally inclusive of rebilling in relation to any of three billing segments (electricity, water and waste water).

v. Regulatory Return on Equity

The ROE embedded in an LDC's current rates should be included as a reference point on the Scorecard as should the 600 point range of expected ROE outcomes. For example, EnWin has a ROE of 8.01% built into rates and would recommend including that figure and the range of 5.01%-11.01% as a reference point. It would miscommunicate the LDC's performance to not include this information. LDCs with embedded ROE rates of, for example, 9.50% should be expected to have ROE performance well in excess of EnWin's and those with an ROE of, for example, 7.00% would meet the expected outcome with a lesser ROE result.

vi. The Scorecard

The individual boxes on a scorecard are meant to speak for themselves. Any attempt to create a Grand Unified Digit would be inappropriate and have the effect of making the scorecard less meaningful to all stakeholders.

A stakeholder that chooses to develop its own combinations and mathematics from a scorecard can always do that on their own initiative. The Board has seen various stakeholders create charts and metrics using other publicly available information. Where those creations are offered to the Board in a proceeding, the Board, LDC and others involved have the opportunity to comment on the creation and, if the Board finds it has merit, ascribes it some weight in the proceeding.

At this juncture, there is no obvious or even leading approach to crunching dozens of metrics (or even a few of them) into a "bottom line" result.

EnWin submits that the inability to perform some sort of magic bullet blending is actually a golden opportunity for the Board and stakeholders to remind ourselves

and the public that LDC performance and the customer experience is multi-faceted and nuanced. There ought not be a single statistic because LDC performance and the customer experience is not about a single outcome, it is about many outcomes being assessed, evaluated, balanced, pursued, and ultimately performed with some measure of success. The success will likely never be perfect to any one customer because their values will not be identical to the abstract notion of public interest that is the basis for the Board and LDC in shaping the regulated activities.

The scorecard invites the reader to consider that there are many competing expectations put on LDCs and the bottom line that matters is the bottom line for each customer according to their own values and experience.

If the scorecard itself is not summary enough for the Board or the public, then the scorecard is likely too long or too complicated. EnWin submits that this is a work-in-progress that will get better with time, use and feedback from stakeholders. It would be best to keep the format and function as simple as possible at this early stage.