October 29, 2010

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

Re: Initiative to Develop Electricity Distribution System Reliability Standards (EB-2010-0249)

Dear Ms. Walli:

Chatham-Kent Hydro Inc. and Middlesex Power Distribution Corporation welcome the opportunity to comment on the "Initiative to Develop Electricity Distribution System Reliability Standards".

Please find attached the joint submission from Chatham-Kent Hydro Inc. and Middlesex Power Distribution Corporation ("CKH & MPDC").

If you have any further questions, please do not hesitate to call David Ferguson at (519) 352-6300 x 558 or email davidferguson@ckenergy.com.

Yours truly,

Cheryl Decaire
Co-ordinator of Regulatory and Rates
(519) 352-6300 x 405
Email: cheryldecaire@ckenergy.com

cc: Dave Kenney, President of Chatham-Kent Hydro & Middlesex Power Distribution
Chris Cowell, Chief Financial and Regulatory Officer
Dan Charron, Director of Engineering & Technical Services
David Ferguson, Director of Regulatory Affairs & Risk Management

Initiative to Develop Electricity Distribution System Reliability Standards

EB-2010-0249

Comments from:
Chatham-Kent Hydro Inc. and
Middlesex Power Distribution Corporation

Chatham-Kent Hydro and Middlesex Power Distribution Corporation ("CKH & MPDC") are pleased to comment on the "Initiative to Develop Electricity Distribution System Reliability Standards".

CKH & MPDC agree that the opportunity exists for some enhancements to the existing system reliability standards framework. However, CKH & MPDC believe that this is not the appropriate juncture to make fundamental changes to standards for the following reasons:

a) Current customer satisfaction levels are strong and Ontario's electricity market is highly cost-conscious; and;
b) The environmental objectives of the Green Energy Act

Point (a) above is supported by the September 2010 Electricity Outage and Reliability Study prepared by Pollara. Ontario customers appear satisfied with current reliability-to-cost balance.

Point (b) is driven by the emergence of embedded generation. Ontario's position as a leader in renewable generation and FIT / microFIT projects will add complexity to ageing distribution systems.

At the October 15 stakeholder conference, two key fundamental system reliability standard changes were discussed:

- The establishment of province-wide targets; and;
- The utilization of system reliability penalties and rewards

Province-wide targets are made complex by the differing degrees of overhead versus underground system design amongst distributors. In addition, service territory geographic size, as well as residential versus business mix, impact system reliability standards. A multifaceted cohort system would be required to normalize for these differences.

In terms of penalties and rewards, the September 2010 System Reliability Regulation Jurisdictional Survey conducted by the Pacific Economics Group ("PEG") noted the following levels of regulatory approaches to reliability standards: monitoring, targets and penalty & rewards. PEG noted that Ontario follows the targets approach to reliability standards. Currently, only two Canadian jurisdictions utilize penalty & rewards.

Given the implementation complexities involved in these fundamental changes, in tandem with the considerations stated above in (a) and (b), CKH & MPDC feel that Ontario should continue with the existing Targets approach. The following enhancements to the current approach are recommended:

(i) The use of a longer averaging period for targets;
(ii) The use of additional reliability measures;
(iii) Standardization of reliability definitions across distributors;
(iv) Standardization of normalization of results using IEEE 1366; and;
(v) Normalization to recognize the impact of embedded loss of supply

The above-noted points are expanded upon below.

The current Ontario targets are based on each distributor's 3-year average per measure. In order to reduce target volatility, CKH & MPDC recommend that the target basis be amended to a 5-year average.

There opportunity exists for additional reliability measures beyond the current SAIDI, SAIFI and CAIDI. CKH & MPDC comply with EB-2009-0161, which requires the submission of Momentary Average Interruption Frequency Index ("MAIFI"). A MAIFI target would serve to add perspective on the impact of short duration (momentary) outages. Further, the majority of distributors already report crew response times to the Board. As a leading indicator, crew response times are useful as a monitoring tool, in order to add context to the other system reliability targets.

It was evident in the initial comments submitted for this initiative that distributors employ a variety of approaches for measuring SAIDI, SAIFI and CAIDI. Some of the differences arise due to the use of more manual versus more automated protection and control systems. Other differences arise due to inconsistencies in interpretation of how to measure the duration of the outage. System reliability measures can be impacted when customers either delay making an outage reporting call, or do not make the outage call at all. CKH & MPDC believe that additional guidance needs to be provided to drive consistency across Ontario distributors. Smart meters will serve as useful tools for this initiative, since distributors can be notified of the time of outage occurrence in a consistent manner.

CKH & MPDC advocate the use of IEEE Standard 1366 for the normalization of results for force majeure or other major events impacting system reliability performance. IEEE Standard 1366 is an established methodology developed and refined over time. It provides both a consistent framework for benchmarking and clear viewpoint for performance, both on a daily basis and also during major events. To not utilize IEEE Standard 1366 and establish yet another normalization standard would be both time-consuming and redundant.

CKH & MPDC strongly believe that the Board should commence normalization for the impact of embedded loss of supply. The reliability statistics of embedded distributors are dependent upon upstream distribution. The embedded distributor has little control over upstream distribution outages, yet such events can have significant impact on their system reliability measures. An embedded distributor's reliability statistics should clearly be normalized for the impact of upstream distribution outages.