EDA
The Voice Of Ontario's Electricity Distributors

October 29, 2010

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

Via web portal and by courier

Dear Board Secretary:

Re: Board File No. EB-2010-0249;
Developing Electricity Distribution System Reliability Standards

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (Distributors). The EDA represents the interests of the over 80 publicly and privately owned Distributors in Ontario.

The EDA would like to provide the attached submission on developing electricity distribution system reliability standards. The EDA's submission has been prepared in consultation with the EDA members of the Regulatory Council and the Operations Council.

The EDA would like thank the Board for giving the opportunity to provide comments on this important initiative and looks forward to working with Board members and staff in this regard.

Yours truly,

"Original Signed"

Maurice Tucci
Policy Director, Distribution Regulation

Attached: EDA submission

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EDA's Comments on the Developing Electricity Distribution System Reliability Standards

For many of the OEB stakeholders attending the consultation held on October 15, 2010, it was not clear as to the OEB's objectives in initiating a review of the distributor system reliability framework at this time.

Distributors believe they are consistently meeting or exceeding current CEA reliability targets. A distributor's current reliability performance is based, in part, on its current asset management practices and supportive rates. A change in framework requiring increased reliability standards will place upward pressure on asset investment and rates.

The results of the OEB initiated Pollara Customer Survey report clearly indicated that although there are improvements to be made, for Ontario's electrical customers, overall satisfaction levels are strong and customers are unwilling to increase rates to support increased reliability. This was also strongly reinforced by distributor and other stakeholders at the consultation.

Given this as a backdrop, EDA members believe that caution and measured action should be exercised in moving forward.

Impact of Smart Meters/Smart Grid

EDA members believe that the industry is at the early stages of a significant transition in the technology that will be used to deliver electrical supply to customers. The degree to which distributed generation will penetrate into distribution systems is also not fully understood at this time. Distributed generation has the potential of negatively impacting distribution reliability.

Led by smart meter / smart grid initiatives, new technologies will effectively change the landscape for addressing and measuring reliability. These new technologies offer the possibility of considerably more accurate detection and measurement of reliability. The setting of new reliability standards or changing practices during the reformation of distribution systems will be even more confusing for all stakeholders and may require a further framework change as these technologies take hold and mature.

Distributors believe there is value to all stakeholders to see some stability and maturity in the transformation of distribution systems before there is a change to the existing reliability framework,

Moving Forward

Distributors are not supportive of moving to another framework at this time and are concerned about additional and more complicated filing requirements that may not be useful until a number of issues are first resolved.

However, distributors do believe there is work that can done to improve the existing reliability framework, given there are recognized problems with it, such as inconsistencies with definitions, measurement and reporting.

Need for Consistency in Reporting System Reliability Measures

Distributors presently report on SAIDI, SAIFI and CAIDI. From reviewing the data filed and discussions with distributors, it is clear that the reliability data gathered to-date is inconsistently measured and reported between distributors. The data may be reported consistently from year to year from the same distributor, but there are differences in interpretation of each reliability measure. It has been recognized that understanding could be improved if explicit definitions and example calculations were provided to distributors for various situations.

There may also be inconsistencies caused by differences in judgment in determining the outage duration or its extent. One issue is when should distributors note the beginning of an outage, is it with the first call from a customer or should it now be based on smart meter data and smart meter signals (if available). In the past, estimating the number of customers impacted was essentially a rough estimate, but smart meter data could provide a more accurate estimation.

Presently each distributor is impacted differently by major events such as storms. Not all distributors are reporting data with major events removed and the approach for determining major events must be made consistent between distributors.

The net result of these inconsistencies is a recognition that more work needs to be done to make reliability data comparable, and as a result, it would not be practical to set province-wide benchmarks using currently available data. It will be impossible to make the old data comparable between distributors. In addition, as noted above, smart meter data will make new data not comparable to past data.

The focus in the near term should be establishing consistent measurement of reliability data going forward, recognizing that in effect distributors will be starting over with new data. There is also a need to establish clear direction on how to measure reliability using the data that will be available from smart meters.

Suggested Future Improvements to Current System Reliability Regulatory Regime

With the maturing of smart meter /smart grid technologies EDA members feel that further improvements to the reliability framework may be warranted, however there are a number of concerns.

EDA members believe a provincial standard for system reliability could incent some distributors to lower their reliability performance to meet the standard and cause others to move up performance even if it was not desired by local customers. Distributors have different conditions of service reflecting local priorities and needs. These local differences in service are also reflected in expected reliability performance in local service areas. Reliability performance should be different based on customer density, topography, local weather and the other factors specific to the local service territory.

EDA members believe the reliability service targets should continue to be on the local distributor's performance using the current three year average. Members suggest that a five year

average could be implemented going forward, once the reliability data is updated to achieve consistency and reflect smart meter data when available.

In addition, members suggest that the five year average should be normalized using IEEE standard 1366.

Using the criteria of 10% of customers impacted to identify major events would not always be appropriate as it could be a more frequent occurrence for a very small distributor with a small service territory.

EDA members also suggest that other IEEE standards for reliability should be considered for Ontario as that is the direction utilities in North America are moving to, and adopting these standards will permit Ontario data to be more comparable with other jurisdictions in the future.

In addition to the normalized data, it may also be useful to continue to provide pre-normalized data to understand the total impact on customers from all causes.

Customer Communication

With respect to customer communication, distributors believe standards are not required as distributors are well aware of the expectations and needs of local customers for information during outages, and will strive to improve communication where necessary. Distributors note that the OEB's Survey for this proceeding revealed that a majority of customers do not call in during an outage, and, thus, the implementation of standards would create unnecessary additional regulatory burden.

Other Reliability Measures

EDA members believe the current measures of SAIDI, SAIFI and CAIDI are adequate for measuring changes to overall reliability performance.

Distributors do not believe that restoration standards should be implemented. The length of the outage depends on many factors and can vary considerably based on local circumstances. Presently distributors target to restore power as soon as safely possible reflecting good utility practice.

Measuring unsupplied energy is a complex and labour intensive exercise that is not anticipated to provide any additional benefit.

MAIFI is measured and reported by some distributors but many members may not have the technology in place to accurately and consistently report MAIFI at this time.

Strategy for Managing System Reliability

EDA members believe it is not appropriate at this time to implement a reward /penalty system which uses only a few reliability measures to measure reliability performance. Maintaining

reliability performance is a complicated task and incenting distributors to focus only on a few measurers, such as SAIFI and SAIDI, could incent behavior that is inconsistent with good utility practice. For example replacing and maintaining aging assets often causes an increase in outages temporarily due to planned outages. Reliability is impacted by vegetation management practices, and often local customer preferences for more attractive trees impacts reliability.

Good utility practice considers the different needs of different customers (e.g. Hospital versus billboards), with respect to prioritizing restoration and asset replacement. Good utility practice could consider the cost of customer interruptions and cost of emergency repairs, versus costs of early asset replacement. Good utility practice also recognizes how the length of the outage has different impacts on different customer groups (e.g. long outages cause companies to send employees home, cause spoilage of food in refrigerators, etc). In addition, reliability improvements are closely tied to asset management approaches and protection and control philosophies by the distributor.

As a result, the EDA believes that managing reliability performance is complicated and that good utility practice should be the benchmark that distributors adopt. The SAIDI, SAIFI and CAIDI reliability indicators would continue to be used to signal whether reliability performance is worsening but it should not be the only focus for distributors.

The EDA believes the focus on the near term should be to establish clear direction on how to define measurement of existing reliability indicators and take into consideration the new capabilities provided by smart meters. In the interim, until 3-5 years of new data is gathered, distributors will continue with the existing reliability regime, comparing distributor's current performance with past average performance.

Summary of Recommendations

In summary, the EDA is recommending the OEB work with distributors to:

1. Continue with the existing reliability regime, which compares a distributor's current performance with the past; however, over a five year average period rather than the current three year period.

2. Publish specific definitions for all components of the reliability indicators consistent with a recognized standard such as IEEE 1366, including a defined normalization process.

3. Put in place a process to recognize and reconcile the differences caused by the introduction of new or more specific definitions, and smart meters, which cause changes to the data that distributors currently report today.

4. Hold back on introducing new service reliability standards, which are deemed premature in light of the installation of smart meters, and because it may add regulatory costs and burden, with little benefit in the eyes of the customers, at a time when sharper focus on the total cost to consumers should be considered.