
Cornerstone Hydro Electric Concepts Association Inc.

August 9, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
P. O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: EB-2010-0379 Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors – Written Comments

Dear Ms Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to EB-2010-0379. These comments are submitted in response to the Board's request of July 4, 2013.

As you are aware, CHEC is an association of thirteen local distribution companies (LDC's) that has been working collaboratively since 2000. The comments over the following pages express the views of the CHEC members. They also address the nine (9) questions outlined in Attachment A of the Board's cover letter and follow the same format.

We trust these comments and views are beneficial to the Boards process with respect to performance measurement and continuous improvement for electricity distributors. CHEC looks forward to continuing to work with the Board in this matter.

Yours truly,

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CHEC Members

Centre Wellington Hydro	COLLUS PowerStream
Innisfil Hydro Distribution Systems	Lakefront Utilities
Lakeland Power Distribution	Midland Power Utility
Orangeville Hydro	Orillia Power
Parry Sound Power	Rideau St. Lawrence Distribution
Wasaga Distribution	Wellington North Power
West Coast Huron Energy	

ATTACHMENT A
To Letter Dated August 9, 2013

Existing Service Quality Requirements:

Question 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 noted service quality indicators are standards which have been in place for some time along with developed systems for reporting. They provide a good background measure and outline how well LDCs are meeting the prescribed standards and therefore continue to remain appropriate.

However, there is still some ambiguity in regards to interpretation of the service quality requirements (i.e.: What defines an emergency?, What defines a written enquiry?, etc.). Additional clarification and definition of terms would help to establish greater transparency and consistency between LDCs and increase the value of these standards as a performance measure. It would also be helpful for LDCs to be able to provide explanatory notes when reporting in order to clarify volatility caused by unique events. (i.e.: For example, when reporting SAIDI, the major ice-storm of April 12th could see some LDCs telephone call accessibility rate falling below 90%, which is an exceptional item that could result in a statistic beyond the required target.).

Customer Satisfaction Surveys:

Question #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”?

At its core, the CHEC model is focused on cooperation and the sharing of knowledge as the basis for improving efficiencies and providing value and lower costs to its member LDCs and our consumers. Other LDC's also encourage the sharing of information; therefore a formal structure through the OEB is not required.

b. How would the Board know that a distributor's survey has been designed and implemented following “good survey practices”?

CHEC is supportive of surveys being centrally guided and administered by either the OEB or by a third-party with influence by the Board. However, regardless of whether it is OEB staff or a third-party that conducts the survey, they must be suitably skilled in conducting surveys, knowledgeable in the electricity industry, and have a history of success in their field.

In addition to the above, please also note the following:

- Surveys undertaken could also include transactional customers (i.e.: municipalities, contractors, etc.). These customers are also part of a LDC's customer base and would add further to the customer satisfaction measure.
- In general, surveys are very costly measures for LDCs and results can easily be skewed based on timing of the survey (factors such as rate increases, power outages, etc. can influence the results if they occur close to when the survey is conducted). Furthermore, in some instances, customer satisfaction may not be in the control of the LDC (i.e.: gas plants; smart meters, smart grid, global adjustment prices, etc.). Dissatisfaction over an issue caused by a third-party may be reflected in the survey results of the LDC.

A survey professional that understands and executes good survey practices and is impartial can ensure issues such as these are mitigated during a survey.

Question #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?

Surveys cannot be used as a comparative measure unless the survey is consistent amongst all LDCs, regardless of size and geographic location. Locally undertaken surveys are, by their very nature, specific to a LDC and are therefore not comparable to other Ontario LDCs. The results of locally undertaken surveys should not be part of the proposed scorecard.

Question #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.

CHEC LDCS currently engage their customers through a variety of means (i.e.: individual surveys, face-to-face counter interactions, town hall meetings, billing inserts, community events, shareholder meetings, etc.). All of these methods allow CHEC LDCs to identify customer satisfaction as well as other issues that may require improvement.

In addition to these measures, CHEC undertook UtilityPULSE's 2013 Annual Electrical Utility Customer Satisfaction Survey. One survey was completed for 12 CHEC LDCs providing a combined evaluation of performance. UtilityPULSE was chosen as the vendor of choice as they are a professional survey organization with over 15 years of experience conducting surveys in the Ontario electrical industry. UtilityPULSE utilizes a qualified, telephone based methodology that speaks directly to the utilities end consumer, along with a combination of best practices and a minimum of 400 sample observations to ensure the results are statistically significant. The results of this year's survey helped CHEC LDC's to better understand customer satisfaction as well as several other key elements as they pertain to the CHEC Group.

1st Contact Resolution:

Question #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?

As indicated in Question #2, CHEC’s focus since 2000 has been on cooperation and the sharing of knowledge between LDCs. Other LDC’s also encourage the sharing of information; therefore a formal structure through the OEB is not required.

As for “best practices”, CHEC is in agreement with the Staff Report to the Board that in order to encourage the pursuit of “best practices” in relation to 1st Contact Resolution, the Board must first consider a formalized way to define and measure this standard. A consistent standard amongst the industry will help to enforce best practices and standardization.

However, it should be noted that establishment of a standard must take into account technical limitations on how this measure can be tracked and recorded.

Question #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.

CHEC LDCs currently measures 1st Contact Resolution by how many calls get escalated to higher levels of management. This may or may not be the standard established by other LDCs.

Billing Accuracy:

Question #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.

CHEC LDCs utilize a variety of checks and balances to measure billing accuracy. Some use billing audits before and after each billing run and before and after a change in rates. Some manage by exception through the use of system reports. Others analyze billing adjustments to determine if the cause is due to error or for some other reason. Most CHEC LDCs use a combination of these methods to determine billing accuracy.

Again, CHEC would reiterate that if billing accuracy is going to be part of the Board’s proposed scorecard, a standard for defining and measuring this criterion must be established. Without a standard, performance among LDCs cannot be properly established.

Regulatory Return on Equity:

Question #8 – Should the Board’s allowed ROE be included as a “target” on the Scorecard? Why?

The Board’s allowed Return on Equity (ROE) should not be included as a “target” on the proposed scorecard. ROE for any LDC is determined by the business planning for the LDC within the guidelines of the Board. To show a target on the scorecard can send mixed messages as noted in the Staff Report to the Board. Furthermore, ROE is basically a regulatory tool to determine if a Cost of Service Application is warranted, therefore there is no value to having the Board’s allowed ROE included as a target on the scorecard.

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.

If the Board’s allowed ROE were to be included on the scorecard, the most appropriate value would be the most recent value as determined by the Board in its annual Cost of Capital Parameter Update. The ROE value embedded in a distributor’s base rates may not be the same as current Board Allowed ROE.

The Scorecard:

Question #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?

Any Scorecard number which cannot be understood, or where the interpretation of the results is dependent on the management comments should be removed from the scorecard presented to consumers. With this in mind, the format of the scorecard on page 53 of the Staff’s Report to the Board would not be useful for a consumer.

CHEC suggests tallying up the current measures into one rating for each of the four divisions (or at least for the subdivisions) would be more appropriate for consumers. For example, translating the ratings into categories such as A+, A, A-, B+, B, B-, etc. may be appropriate to allow reporting of the measures in each division. Hence, the scorecard could look like this:

Performance Outcomes	Measure
Customer Focus	A
Operational Effectiveness	A+
Public Policy Responsiveness	A+
Financial Performance	B+

Regardless of the methodology used to summarize a public scorecard, CHEC recommends it must be independent of management comments in order to avoid customer confusion. CHEC also strongly suggests that any and all scorecards not be presented to the public until the entire process surrounding the development and publishing of a scorecard has been adequately established and tested. For example, the Board might want to consider keeping the proposed scorecard internally for a minimum of three (3) years prior to releasing to the public.

Furthermore, CHEC strongly suggests the proposed scorecard not be used to benchmark LDC to LDC. The primary purpose of a scorecard is to effectively “keep score” as to how business activities are tracking to strategic visions or goals over time. Strategic visions or goals will vary by LDC, thereby mitigating its use as a benchmarking tool. Instead, a scorecard should be used to track a LDC’s year after year diminishing returns as it approaches an expected target. This concept should be fully understood both internally as well as externally on a go forward basis.