

August 13, 2013

Ms. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0379 – Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors, July 4, 2013

I am a consultant to the Consumers Council of Canada ("Council"). Please find, attached, the comments of the Council regarding the above-referenced Board Staff Report. Please feel free to contact me if you have any questions.

Yours truly,

Julie E. Girvan

Julie Girvan

Cc: Joan Huzar, CCC

RE: Board Staff Report – Performance Measurement and Continuous Improvement for Electricity Distributors – EB-2010-0379

Comments of the Consumers Council of Canada

INTRODUCTION:

On October 18, 2012 the Ontario Energy Board (“Board”) issued its “Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach” (“RRFE Report”). On October 30, 2012, a stakeholder Working Group was established to assist Board Staff to develop proposals in response to the performance-related matters identified in the RRFE Report. The Working Group met over several months beginning in January 2013.

On July 4, 2013, Board Staff issued its “Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors” (“Staff Report”). At that time the Board also invited comments on the recommendations in the Staff Report. The Board set out a series of questions regarding some specific recommendations included in the Staff Report. In addition, the Board encouraged parties to address any other matters relevant to these issues discussed in the Report.

The Consumers Council of Canada (“Council”) was represented on the Working Group and provided input to Board Staff during that process. Below, the Council has addressed some of the questions set out by the Board in its correspondence on July 4, 2013. In addition, the Council has provided some additional comments regarding the Staff Report.

BOARD QUESTIONS:

Existing Service Quality Requirements:

Question 1 - The existing service quality requirements (whether 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 Council is of the view that the existing service quality requirements continue to be important. Service quality requirements are an integral part of any incentive regulation mechanism. It is important to ensure that LDCs do not compromise customer service levels while pursuing efficiency gains or productivity improvements. LDCs maybe incented to cut costs, but not at the expense of customer service. The service quality requirements currently in place in Ontario are common across incentive regulation plans in other jurisdictions. LDCs have

experience recording the data required for reporting on these service quality indicators and should continue to be required to do so going forward.

The Board has made it clear that it expects LDCs to demonstrate continuous improvement in understanding the needs and expectations of its customers. The current service quality requirements are targets, put in place to ensure an existing level of service is maintained and not degraded. Although useful on one level, they are not necessarily aligned with the needs and expectations of an LDC's customers. As LDCs get better at understanding the needs and expectations of their customers, through more enhanced customer engagement activities, the Board may want to develop service quality standards that more accurately reflect those needs and expectations.

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

In the Working Group discussions it became apparent that many LDCs outsource to a common firm with respect to customer surveys. This is likely to continue, so sharing is already taking place. We assume that the Electricity Distributors' Association ("EDA") could also take a lead role in assessing customer engagement practices undertaken by its members especially since the Board has expressed a desire that customer engagement should be a high priority for LDCs. In addition, the more experience LDCs have with surveying their customers, good survey practices will likely be enhanced. The Council submits that it might also be appropriate for the Board to establish a committee or working group comprised of various LDC and customer representatives that could be focused on customer engagement best practices.

Initially, it may be difficult for the Board to assess whether the surveys are meaningful. It will be up to the LDCs to describe their practices and demonstrate value in the Management Discussion and Analysis section of the Scorecard. When LDCs rebase, the cost, and value of the surveys can be carefully scrutinized by the Board and intervenors.

The Council is of the view that the key areas identified by Board Staff in its Report are relevant to all LDCs, and that these areas should be included in any surveys undertaken by the LDCs.

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?

The Council agrees with the recommendation that distributors should retain the discretion on how to conduct their customer satisfaction surveys (with the exception that key areas identified by Board Staff be included). Some LDCs have been doing these types of activities for a long period of time whereas others have not. In addition, as noted in the Staff Report, LDCs have different types of customer bases and different priorities regarding those customers. To mandate standard surveys would not be appropriate. The Council does not think it is necessary, or possible, to have customer survey results comparable across LDCs. As noted in the Staff Report LDCs are all different, with different customer mixes and priorities at any given time. In addition, the results of a survey could be very different depending upon when it was carried out. Surveys undertaken, for example, when bills are increasing significantly may differ from those undertaken in a relatively steady-state environment.

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.

No comments/NA

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" on relation to 1st Contact Resolution?

With respect to customer engagement activities we suggested that the EDA could take a lead role in assessing best practices among its members. In addition, we suggested that the Board, itself, may want to establish a committee or working group to consider these issues. We would suggest the same to deal with the issues regarding the measurement of 1st Contact Resolution. In addition, once the Board gets a better understanding from LDCs as to how they gather 1st Contact Resolution information it may be in a better position to prescribe a quantitative measure for the Scorecard.

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.

No comments/NA

Billing Accuracy:

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

No comments/NA

Regulatory Return on Equity:

Question 8 - Should the Board's allowed ROE be included as a "target" on the Scorecard? Why? 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; or the value of the ROE that is embedded in base rates? Please provide a rationale for your response.

The Council submits that although it should not necessarily be viewed as a target, the Board's allowed ROE should be included on the scorecard. The first reason is that Board's off-ramp trigger is a dead band of +/- 300 basis points around the ROE built into rates. The second reason is that it is an indicator to the Board and intervenors as to whether an LDC is over or under earning relative to its allowed ROE. The value embedded in rates is the one that is compared to the actual ROE for the two reasons set out above.

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?

The Staff Report states, "To facilitate performance monitoring and distributor benchmarking, the Board also states in its Report that it will use a scorecard approach to link directly to the performance outcomes. Distributors will be required to report to their progress against the scorecard on an annual basis. The scorecard will be used to monitor individual distributor performance and to compare performance across the distribution sector. The scorecard effectively organizes performance information in manner that facilitates evaluations and meaningful comparisons, which are critical to the Board's rate-setting approach under the renewed regulatory framework. In particular, it will be used to provide a signal to the Board if mid-way corrective action is needed. Finally, the Board acknowledges that the Scorecard will evolve as appropriate standards and measures are developed to assess distributor performance against performance outcomes." (p. 2)

This implies that the Scorecard is being developed as a regulatory tool for the Board to monitor and assess utility performance over time and as compared to other LDCs. The Council questions the extent to which the Scorecard, as proposed, will be a

meaningful tool for the average residential consumer. Residential customers are primarily concerned with the level of their bills, and how those bills may change over time. They also want to ensure that the lights are kept on, so reliability is also a relevant issue. The measures set out in the proposed scorecard are complex and for industry outsiders, largely incomprehensible. They are meaningful for regulatory purposes, and for LDC management, but beyond that we question the value of the Scorecard. The Council does not believe it is critical to provide residential customers with a summary form of the Scorecard. LDCs should be required to provide the Scorecard on their websites, so customers that are interested in the detailed performance metrics can access them. The Scorecards should also be placed on the Board's website to allow for comparisons where relevant.

The Board undertakes consumer education and provides a great deal of information for consumers through brochures, and on its website. LDCs also regularly communicate with their customers. To the extent the Board is of the view that LDCs are not adequately communicating with their customers, especially regarding performance, it can undertake initiatives aimed at enhancing the information being provided to utility customers.

OTHER COMMENTS:

1. (p. 2) The Report indicates that the Board acknowledges that the Scorecard will evolve over as appropriate standards and measures are developed. The Council agrees that over time the Scorecard should evolve, and not be set in stone. It will be come apparent over time what information is most useful in terms of assessing utility performance. Some measures may be dropped and new ones developed.
2. (p. 9) The Scorecard is arranged according to four performance outcomes: Customer Focus; Operational Effectiveness; Public Policy Responsiveness; and Financial Performance. The Council agrees with the four performance outcomes proposed. However, given customers are most concerned with rate levels, and how those change over time it is important to include a metric within the Customer Focus section that deals with rate levels. We suggest including annual percentage distribution rate increases (or decreases). This would be relevant for the Board to see over time, for intervenors, and for customers.
3. (p. 32) The Council supports the recommendation that the Board initiate further work to develop an implement a measure that deals with billing accuracy. Billing accuracy is important to consumers and LDCs should be encouraged to improve upon billing accuracy to the extent possible.
4. (p. 37) The Council supports the recommendation that the Board initiate a consultation process to consider options for the development of a quantifiable public safety measure for the Scorecard.

5. (p. 41) Board Staff has recommended the with respect to Conservation and Demand Management ("CDM") two measures be included: Net Annual Peak Demand Savings (MW) and Net Cumulative Energy Savings (GWh) as reported by the Ontario Power Authority. We would expect that these values would be attributable to LDC-specific CDM programs. In effect, it is important that the results reported are those reductions attributable to an LDC's own programs, and not reductions due to other factors. There well may be other measures that could more accurately reflect an LDC's performance with respect to CDM like how well it is doing compared to its Board approved CDM "target".
6. (p. 42) The Council agrees that there should not be any measures related to LEAP funding as it does not relate to utility performance in any way. LDCs are mandated to provide LEAP funding and required to report on the various aspects of the program. They have no choice about whether to provide the funding, and the level of funding is based on customer needs outside of the control of the LDCs.
7. (p. 48) Board Staff has recommended that any distributor-specific targets, the achievement of which is funded through distribution rates, be included on the Scorecard. It is not clear how those targets will be determined and/or approved by the Board. Will the Board develop a template to be completed by the LDCs?
8. (p. 51) Board Staff has developed a flow chart setting out how the Annual Scorecard Process will work. The Council is of the view that the Scorecard development and approval process needs to be clearer. Are the Scorecards going to be "approved" by the Board in this process? What process will the Board undertake to ensure LDCs comply with the Board's directions or rules regarding the Scorecards? How do the Scorecards fit into the annual rate-setting proceedings? Some clarity in this area would be helpful.