August 20, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Re: Initiative to Develop Electricity Distribution System Reliability Performance Targets – Board File No. EB-2014-0189

Dear Ms. Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to the Board's initiative to develop electricity distribution system reliability performance targets.

As you are aware, CHEC is an association of fourteen (14) local distribution companies (LDC's) that have been working collaboratively since 2000. The comments over the following pages express the views of the CHEC members regarding the Staff Discussion Paper. This submission also addresses the several questions outlined in the letter dated July 15, 2014, and follows the same format (Attachment A).

We trust these comments and views are beneficial to the Board's review process. CHEC looks forward to continuing to work with the Board in this matter.

Yours truly,

Gord Eamer

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CHEC Members

Centre Wellington Hydro
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Rideau St. Lawrence Distribution
Wellington North Power
COLLUS PowerStream
Lakefront Utilities
Midland Power Utility
Orillia Power
Renfrew Hydro
Wasaga Distribution
West Coast Huron Energy

ATTACHMENT A

ELECTRICITY DISTRIBUTION SYSTEM RELIABILITY PERFORMANCE TARGETS:

Question 1 – What approach should the Board take to establish performance targets for SAIDI and SAIFI (i.e. historical or projected performance)?

CHEC is generally not supportive of using SAIFI and SAIDI as system reliability performance targets. There are simply too many variables (weather, geography, host distributor, etc.), beyond the control of the Distributor, to use these indicators as a performance target for Distributors. However, CHEC is supportive of Distributors using information provided by SAIFI and SAIDI along with other metrics and system information to continue to improve maintenance activities and for informing a Distributor's Business and Distribution Systems Plans. The value of SAIFI and SAIDI, when used by the Distributor, is in identifying reliability issues and trends that are under a Distributor's control. By identifying these operational trends, a Distributor can plan effectively to improve system reliability, while reducing the impact of outages on the end customer.

Question 2 – Whether the performance targets should be distributor-specific, a single province-wide target for all distributors, regional or based on peer-groups?

As indicated above, CHEC does not see value of using SAIFI and SAIDI as reliability performance targets for regulatory purposes. The goal of performance targets are often focused at modifying approvals aimed at specific outcomes. With SAIFI and SAIDI many of the variables (weather, geography, host distributor, etc.) involved are beyond the control of the Distributor. Hence, the use of such metrics are not indicative of a Distributor's performance and are unlikely to provide the appropriate direction without a full understanding of the associated issues.

Question 3 –Should performance targets be based on a specific target, or a target range?

CHEC may be supportive of reliability performance targets providing they relate to factors under a Distributor's control and are focused on continuous improvement over time. SAIDI and SAIFI are not considered appropriate reliability performance targets for reasons previously outlined. Whether a target should be specific or a range cannot be determined until appropriate reliability performance measures have been established.

Question 4 – What is the appropriate time frame for performance targets to be in place, i.e. should targets be fixed for a five year period or should a rolling target be used to adjust for the most recent performance.

Within the current SAIDI and SAIFI framework appropriate reliability performance targets have yet to be developed. However, once appropriate reliability performance measures and the associated targets are developed, the Board should only consider implementing these targets following a Distributor's first Cost of Service rebasing that includes a Distribution

System plan. Assigning targets only after a Distributor has received the required rates to improve their system helps to ensure a Distributor is not penalized for lack of performance that is related to lack of proper funding. It also allows the Distributor to plan and report results that are consistent with the 5-year window from subsequent Cost of Services.

In regards to the time frame for performance targets, there are benefits to both a fixed 5-year target and a rolling target that is adjusted based on the Distributors most recent performance. A rolling target places the focus on continuous improvement and allows a Distributor to see the effectiveness of its efforts on a regular basis. Alternatively, targets that are fixed for a 5-year period allow a Distributor to better tie performance to their Business and Distribution System plans. The idea behind having targets is to provide an incentive to Distributors to invest in staffing, infrastructure, and development of new procedures in order to limit outages and speed up restoration efforts. A fixed target provides this incentive. In both cases, extenuating circumstances outside of the Distributors control that may take time to remedy would need to be accommodated.

Question 5 – Should the Board introduce a time line for the implementation of customer-specific reliability measures?

Given the significant number of challenges identified by PEG and Board Staff related to the introduction of customer specific reliability measures, implementation of such measures is not likely to be feasible at this time. Currently not all Distributors in the province have the capacity to measure reliability at a customer-specific level. The additional cost for such systems (for the sake of reporting to this level) may not be warranted and is unlikely to be supported by the customers. As technology and control systems develop within the LDC platforms such reporting will most likely be integrated as an operational benefit with limited additional cost. It is CHEC's perspective that the Board should not introduce a timeline for the implementation of customer-specific reliability measures.

Question 6 – Would it be useful for the Board to undertake a pilot project with a number of willing distributors to explore the implementation issues related to the introduction of customer-specific reliability measures? What should be the objectives and/or goals of this pilot project?

A pilot project may not be appropriate at this time. The PEG report is clear in identifying valid reasons for not proceeding with implementation based on the results or abilities of only a few Distributors in the province. Rather than undertaking a pilot project to explore the implementation issues, it may be more appropriate to have all the Distributors review their systems to identify their existing level of capability towards providing customer-specific reliability reporting. Further customer engagement should also be conducted to ensure that such capability is both desired and value added to the end customer. Once it has been established that the need is warranted and the technology is available, focus can be placed on establishing and implementing the appropriate reliability performance measures.

Question 7 – Should distributors be required to develop and implement written practices and procedures for responding to customer complaints about momentary outages as part of their Conditions of Service?

Distributors currently have processes in place to manage customer questions (written, calls, etc.) regarding outages. This is simply good business practice. It is therefore not necessary to add a requirement for responding to customer complaints about momentary outages as part of the Conditions of Service.

Additional Comments for Consideration:

Access to Information – It is important to note that if SAIFI and SAIDI are not used as reliability performance targets, customers will still have access to this information through the Distributor's scorecard. The scorecard provides both a rating and explanation (MD&A), which allows customers to better understand the reasons (both under and not under the Distributor's control) for system interruption.

SAIFI and SAIDI as a Tool – SAIFI and SAIDI represent a tool available to Distributors rather than a reliability performance measure. This tool, in concert with Business and Distribution System Plans, can be used during a Distributor's Cost of Service application to make appropriate decisions on rate approvals. It is detrimental to a Distributor and its' customers if the Board refuses a rate increase needed to upgrade a system and then penalizes that very same Distributor for not improving their outage issues. Utilizing SAIFI and SAIDI in the proper context will continue to assist with Distributor planning and the associated regulatory review.

Customer Centric – One of the main outcomes of the RRFE is to provide customer centric planning with respect to a distribution system. In this sense, a Distributor is required to develop a plan that meets the growth and maintenance requirements of their distribution system based on customer feedback and survey results. If customer feedback indicates they are satisfied with power quality and reliability then the focus should be on maintaining current established norms rather than responding to a predetermined measure. Increasing costs to achieve a higher performance target may not be reflective of the customers' needs and/or requirements.