August 20, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

via RESS and courier

Dear Ms. Walli:

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

On July 15, 2014, the Ontario Energy Board (the "Board" or the "OEB") posted a Board staff Discussion Paper with respect to the Board's initiative to establish distribution system reliability performance targets or standards.

This is the submission of the Coalition of Large Distributors (the "CLD"). The CLD consists of Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc., Toronto Hydro-Electric System Limited and Veridian Connections Inc. This submission has been filed via the Board's web portal and three (3) requisite paper copies have been couriered to the Board.

General Comments

The CLD appreciates the opportunity to offer high-level comments on the proposed development of system reliability targets, customer-specific reliability measures and the impact of momentary outages. As further details evolve, the CLD looks forward to providing more specific feedback in support of these achievements. The following CLD comments are guided by the objectives of operational and cost effectiveness, and customer focus.

System reliability is a key driver of asset planning and customer satisfaction. Furthermore, system reliability is a major consideration towards establishing capital and maintenance expenditure priorities.

With reference to some of the key objectives set out in the Board's Renewed Regulatory Framework for Electricity ("RRFE"), standards and measures should:

- be reflective of customer needs and expectations;

- encourage year-over-year performance gains;
- reveal current performance and signal future performance;
- reflect a distributor's effectiveness in prioritizing and pacing investment (with regard to total bill impacts) and implementing its capital plan;
- be measurable and aligned with distributor reporting for internal purposes to the extent possible;
- consider the characteristics of a distributor's service territory; and
- be practical."[1]

For the purpose of establishing reliability targets, identifying and managing customer needs and pacing investment with regard to the total bill impacts are key factors.

According to the Pollara survey conducted in 2010, "Ontario's electricity market is highly cost-conscious and customer satisfaction levels, overall, are strong – with some caveats."[2] Aligning reliability strategies and planning with customer preferences can be challenging, as customer needs can differ or change over and with time (e.g., time of day). As a result, the relative value of the outcome may vary and change over time. Distribution system performance measures and the systems that track system reliability performance will, therefore, need to be robust and adaptable in order to keep pace with evolving technology and customer preferences in order to be beneficial, as the measure of customer value is a moving and non-homogeneous industry target.

Responses to Discussion Paper Questions

Performance Targets – SAIDI and SAIFI

1. *What approach should the Board take to established performance targets for SAIDI and SAIFI (i.e., historical or projected performance)?*

Response

Consistent with the Working Group ("WG") comments, the CLD believes a choice of approaches is necessary to establish a meaningful and stable performance target over time. While establishing performance targets for SAIDI and SAIFI based on actual results over the most recent five years may be appropriate for some distributors, for others it may lead to inferior or unsustainably-high target expectations

For example, setting targets at historical levels for distributors whose reliability results over the past five years have been very poor compared to the rest of the industry implicitly characterizes that poor reliability performance as acceptable, and encourages the poor level to be maintained in the future. This violates the spirit and intent of the RRFE. On the other end of the scale, excellent historical

[1] Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, page 59.
[2] 2010 Electricity Outage and Reliability Survey, Pollara, page 5.

reliability (compared to the rest of the industry) might be unsustainable for distributors, due to the high cost of maintaining such level of reliability, and may prove unacceptable to customers unwilling to pay for such future costly maintenance in rates. This potential outcome was identified by PEG, noting that "because price-reliability trade-offs differ among customers, such price increases imply that at least some customers will be paying for reliability improvements that they do not want."[3]

PEG further noted that "the conditions of a distributor's service territory and customer base can affect the cost and measured quality of service for the delivery networks that distributors construct and maintain"[4]. Additionally, "failure to control for these business conditions in a regulatory benchmark can expose utilities to arbitrary and unfair performance evaluations."[5]

To overcome these potential limitations, distributors should have the option to propose a different target to the Board, with rationale. Examples may include major distribution system investments or technology upgrades that are expected to materially change future reliability performance and reporting accuracy. Improvements in tracking systems will invariably capture reliability events that previous systems missed. In this context, benchmarking against historical results may create a disincentive to invest in more effective data capture systems.

The potential for major year-to-year variations is reflected in the requirements of the Board's Electricity Reporting and Record Keeping Requirements (the "RRRs"), Section 2.1.4.2.6 that requires "a distributor to report to the Board any new system reliability measuring and reporting practices or any new distribution system technologies that impacted its reported performance results for the current year in comparison to previous years." Further, the potential use of dead bands to account for year-to-year variations should be considered to make the reported results more insightful.

Reliability and costs are not mutually exclusive. "Distributors are expected to meet the Board's requirements and standards and achieve continuous improvements that reduce costs and deliver service levels that their customers value."[6] Presently, the cost/benefit trade-offs distributor customers are willing to make are not clear. For this reason, historical reliability results may not accurately reflect customer expectations. An alternative approach may be to adopt a hybrid target comprised of an LDC's historical performance and its relative performance within a relevant peer group (e.g., rural versus urban). The resulting target may represent a number of variables, making it a more stable and predictable target in the longer term. Distributors performing in the top range would have more latitude to redirect their distribution system investments, accordingly.

While some distributors track "loss of supply", the CLD recommends the exclusion of "loss of supply". In addition to being consistent with historical reporting in the RRRs, distributors do not have control over

[3] System Reliability Regulation: A Jurisdictional Survey, Pacific Economics Group Research, LLC, May 2010, page 40.
[4] Service Reliability Standards in Ontario: Analysis of Options, Pacific Economics Group Research, LLC, September 2013, page 4.
[5] *Ibid*, page 6.
[6] Report of the Board, Performance Measurement for Electricity Distributors: A Scorecard Approach, March 5, 2014, page 10.

loss of supply events. The inclusion of "loss of supply" would, otherwise, skew a distributor's reliability performance results and be inconsistent with historical reporting.

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

Response

As noted above the CLD supports a performance target based upon choice. Otherwise, a presumption is made that historical reliability results are representative of customer value within a distributor's service territory. Until distributors have opportunity to determine their respective customer needs and expectations, the relevance of historical performance is unknown. A provincial, regional or peer group grouping may be appropriately applicable for certain distributors' targets, but could add further complexities that may not be applicable to other distributors' service territories. Across-the-board targets may lead to capital investments that do not reflect the identified preferences of the distributor's customer base. Further, as PEG noted, "benchmarks should be as stable as possible during the regulatory plan. Stable benchmarks, therefore, promote more effective, longer-term service quality programs."[7] This goal would be more difficult to achieve on a peer-group, regional or provincial basis.

As technological advances are made to improve the efficiency and accuracy of reliability data capture and reporting, opportunities to compare distributors amongst their peer groups may be of value. For example, comparisons of rural and urban customer outages, per kilometer (i.e., minutes per customer per kilometer) may be insightful.

3. *Should performance targets be based on a specific target, or a target range?*

Response

The CLD recommends that performance targets be based on a range. As the Staff Discussion Paper notes, year-to-year reliability performance variability can be significant. It is an inherent reality of the distribution business environment. Due to the unpredictable nature and scale of weather and major events, a target range would offer a more realistic indicator of expected performance and provide more latitude for a distributor to fall within the reliability target range. This approach also supports the objective of establishing benchmarks that are as stable as possible. When exceptional events do occur, it would be informative for distributors to provide supplementary information and rationale for their irregular reliability target trend on the Management Discussion and Analysis section of the Scorecard. For example, environmental events, such as an ice storm, could cause the distributor to fall out of range

[7] Service Reliability Standards in Ontario: Analysis of Options, Pacific Economics Group Research, LLC, September 2013, page 6.

in a given year. Conversely, a distributor may achieve an unprecedented high level of reliability in one year that may not necessarily be indicative of future reliability performance.

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?*

Response

The CLD supports adopting a five-year rolling target, for reasons that it is a more relevant and timely indicator of reliability performance. By updating the target annually, distributors and their customers have more current information in which to set reliability expectations. A fixed five-year target carries the risk of becoming irrelevant to distributors and customers during years where major changes in reliability performance occur. Where the historical period includes major events, the impact of such events will persist under both the fixed or rolling five-year target methodologies, thereby influencing performance targets and results, where the historical period is greater than one year.

Customer-Specific Reliability Measures

1. *Should the Board introduce a time line for the implementation of customer-specific reliability measures?*

Response

The CLD believes more information needs to be gathered before an implementation timeline for customer-specific reliability measures can be reasonably determined. A cost/benefit analysis of the associated implementation and operational costs must be weighed in the overall assessment. Should customer-specific reliability measures be established, it is expected the industry would need, at a minimum, a five-year lead time to have the system upgrades and processes in place.

2. *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?*

Response

The CLD believes there is merit in undertaking a pilot project with willing distributors to fully explore implementation issues related to tracking reliability at a customer-specific level. The CLD cautions that the results may not be representative of each distributor's circumstances; however, a pilot study would be informative in identifying potential implementation issues and needs.

The objectives of a pilot project should include:

i. An exchange of data and ideas by pilot members to compare actual performance trends and econometric results, in order to propose an appropriate Customers Experiencing Multiple Interruptions ("CEMI") target;
ii. A detailed cost/benefit analysis of both the associated implementation costs, as well as, ongoing operational and reporting costs. The anticipated benefits that apply to the distributor and the distributor's customers in the short and longer-term;
iii. A determination of realistic implementation time lines;
iv. A risk analysis;
v. A determination of tracking and reporting needs; and
vi. An assessment of customer preferences (if available).

Investments in Outage Management Systems ("OMS") and Geographical Information Systems ("GIS") are significant. As noted by the WG, the benefits of such investments must extend to planning, restoration and asset investment activities of the distributor to be justified.

Even robust OMS and GIS rely on some manually-reported activities, to accurately capture certain types of outage events. Reporting accuracy also depends on timely GIS updates. Further, not all SCADA recorded events are captured in OMS, such as momentary outages. Distributors' business processes would need to be modified to ensure all customer-specific events are accurately captured and reported. These are costs that would need to be factored into the value assessment, as part of the cost/benefit analysis for ratepayers.

Responding to Momentary Outages

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?

Response

The CLD does not believe there is a need to establish a separate customer complaints process for momentary outages, other than to ensure that agents are able to respond to customer concerns effectively. Distributors currently have in place formal tracking and reporting protocols for responding to customer complaints, inquiries or escalations. Their Conditions of Service also provide customers with contact information and guidance for making inquiries or filing a complaint. The impact of momentary outages differs among customers. As the Board previously noted, "it is more beneficial to encourage distributors to focus on momentary outage performance where it is critical to customers."[8] Normally, distributors are aware of customers who experience critical impacts from momentary outages and take

[8] Notice of Amendments to the Electricity Reporting and Record Keeping Requirements, Phase 2, Initiative to Develop Distribution System Reliability Standards, page 5, issued June 13, 2013.

proactive steps to work with those customers to mitigate further impacts. These are typically large use or commercially-sensitive customers who rely on highly-technical utility staff for assistance.

The CLD supports educating all customers on momentary outages and options they may take to mitigate potential impacts. In doing so, customers will gain insight into the reasons momentary outages occur and manage their needs accordingly. It is important that any advice offered is predicated on the basis that a continuous supply of electricity can never be guaranteed.

Distributors should have discretion in determining what communication approach is necessary and most effective. One option would be the distributor's website.

Relatively-few utilities have the technical ability to capture momentary outages and even fewer have the ability to do so accurately at this time. There may be significant costs associated with tracking momentary outages accurately, which would need to be weighed relative to the customer benefits. Depending upon the customer mix of a distributor, momentary outages may not be a key concern of its customers. As a result, the number of momentary outage complaints could vary widely among distributors.

For clarification, momentary outages and power quality are not equivalent terms. Power quality issues are much broader in scope and impact, which may include momentary outages, but, typically relate to other effects emanating from the power system, which are much more complicated and difficult to identify and measure.

Conclusion

The CLD supports the objective of establishing reliability targets for the purpose of measuring reliability performance and encouraging year-over-year performance gains. As set out in the RRFE, reliability targets must be practical, be measurable, reflect customers' needs and expectations and have regard for total bill impacts. Customer needs are diverse and variable, therefore, reliability targets must strike an acceptable balance between cost and outcomes, as determined by customers.

The CLD would welcome the opportunity to continue to work with its peers and the Board to define how targets could be set and effectively utilized to accomplish this objective. Thank you for the opportunity to offer comments on this key customer initiative.

Yours truly,
(Original signed on behalf of the CLD)

Patrick J. Hoey,
Director, Regulatory Affairs
Hydro Ottawa Limited

Gia M. DeJulio
Enersource Hydro Mississauga Inc.
(905) 283-4098
gdejulio@enersource.com

Indy J. Butany-DeSouza
Horizon Utilities Corporation
(905) 317-4765
indy.butany@horizonutilities.com

Patrick J. Hoey
Hydro Ottawa Limited
(613) 738-5499 X7472
patrickhoey@hydroottawa.com

Colin Macdonald
PowerStream Inc.
(905) 532-4649
colin.macdonald@powerstream.ca

Amanda Klein
Toronto Hydro-Electric System Limited
(416) 542-2729
regulatoryaffairs@torontohydro.com

George Armstrong
Veridian Connections Inc.
(905) 427-9870 x2202
garmstrong@veridian.on.ca