

VINCENT J. DEROSE  
T 613.787.3589  
vderose@blg.com

Borden Ladner Gervais LLP  
World Exchange Plaza  
100 Queen St, Suite 1300  
Ottawa, ON, Canada K1P 1J9  
T 613.237.5160  
F 613.230.8842  
blg.com



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August 20, 2014

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Initiative to Develop Electricity Distribution System Reliability Performance Targets**

**Board File No.: EB-2014-0189**

**Our File No.: 339583-000181**

Please consider this correspondence as the comments of Canadian Manufacturers & Exporters (“CME”) on the Staff Discussion Paper addressing Electricity Distribution System Reliability Measures and Targets dated July 15, 2014.

In preparing this correspondence, we have reviewed the Report of the Board Performance Measurement for Electricity Distributors: A Scorecard Approach issued on March 5, 2014. We have also reviewed the Reliability Standards and Customer Specific Measures Reports prepared by Pacific Economics Group Research LLC (“PEG”).

CME is also appreciative of the work accomplished by the System Reliability Working Group to assist and advise board staff in preparing its Discussion Paper.

**Performance Targets – SAIDI & SAIFI**

PEG recommended that the Board implement distributor specific performance targets using past performance over a 5 year period.

Board staff’s Discussion Paper recommends establishing reliability targets for each distributor based on the distributor’s 5 year historical average results. This is consistent with PEG’s recommendation. Generally speaking, this approach was also supported by the Working Group. To this end, CME supports this approach.

A related issue raised by board staff is whether the Board should permit distributors to seek specific reliability targets on the basis of information relating to their system and what a reasonable performance level would be. Put another way, should distributors be permitted to apply to the Board for a reliability target that is materially different than the target based on their five year historical average?

Board staff raised concerns about such an approach because the Renewed Regulatory Framework establishes the expectation that all distributors should be working towards improved operational

efficiency. Allowing distributors to establish reliability targets that are less than those historically experienced by customers would, on its face, not be aligned with the objective of that framework.

We share these concerns. As a general principle, the Renewed Regulatory Framework should not permit distributors to establish reliability targets that are lower than those historically experienced by customers. This alone, however, does not, in and of itself, exclude the possibility that a distributor may be able to justify a lower target.

We suggest that an appropriate approach would be to permit distributors with the option of seeking specific reliability targets on the basis of information relating to their system. However, the Board should expressly state, in advance, that such specific reliability targets would be the exception, and will be approved only in the most extraordinary circumstances.

Further, the evidentiary burden to establish targets that are less than those historically experienced by customers must be a heavy onus to meet. Distributors seeking Board approval of a specific reliability target which is less than those historically experienced by customers would need to demonstrate on a preponderance of evidence that there are extraordinary circumstances that justify the departure from the standard five year historical target.

Board staff has also asked that stakeholders address the issue of whether or not the Board should implement targets based on a range. We share board staff's concern that reviewing the reliability performance of a distributor within a target range may be less precise and more difficult to determine if a distributor is making real gains in performance. Moreover, distributors should not be permitted to operate at the poorer end of the range yet stay within the range and be considered to be performing successfully. On its face, such an outcome would not be consistent with the Renewed Regulatory Framework.

### **Customer Specific Reliability Measures**

As set out in the board staff Discussion Paper, the ability to monitor reliability performance at the customer specific level is not yet readily available among distributors in Canada. Recognizing this reality, board staff, in conjunction with the Working Group, has suggested the development of a pilot project with a number of willing distributors to work towards the goal of implementing the monitoring of outages at the individual customer level. CME does not oppose the initiation of such a pilot program.

That said, the pilot program should track the costs associated with the systems and processes required to implement Customer Specific Reliability Measures. The costs of implementing Customer Specific Reliability Measures on all distributors is something that the Board should consider before setting a deadline for any mandatory reporting. If what is required is a robust Outage Management System ("OMS") with a full "connectivity model", then we would like to better understand what the development and implementation of such a system would cost. If the costs associated with developing and implementing the necessary OMS are significant, then all interested parties will require more fulsome evidence to determine whether the achievement of Customer Specific Reliability Standards is worth the associated cost for customers.

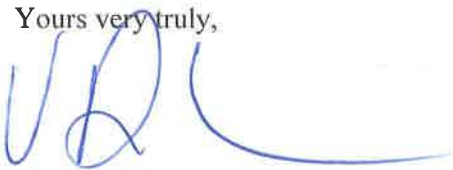
### **Responding to Momentary Outages**

We supports board staff's proposal to have distributors develop and implement written practices and procedures for responding to customer complaints about Momentary Outages. It would be beneficial for the Board to direct distributors to develop a formal process for responding to customer complaints about

Momentary Outages. It would also be appropriate for such written practices and procedures to be included in distributors' Conditions of Service.

Thank you for providing CME with the opportunity to comment on these issues. If you have any further questions or concerns, please do not hesitate to contact me at your convenience.

Yours very truly,



Vincent J. DeRose

c. Interested Parties EB-2014-0189  
Paul Clipsham and Ian Shaw (CME)

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