Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6
Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

August 20, 2014

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

Dear Ms. Walli:

Re: EB-2014-0158 - Consultation on the Effectiveness of Part II of the Energy Consumer Protection Act, 2010 - Written Comments of the London Property Management Association

On July 15, 2014, the Ontario Energy Board ("Board") posted a Board Staff Discussion Paper as the next step in the Board's initiative to establish distribution system reliability performance targets or standards.

Stakeholders were invited to provide written comments on the Board Staff Discussion Paper. In particular, the Board invited parties to provide comments on a number of questions. Stakeholders were also invited to comment on comment on any or all issues addressed in the Discussion Paper and identify any alternatives for achieving the objectives of the initiative.

These are the comments of the London Property Management Association ("LPMA") with respect to the questions posed and issued addressed in the Discussion Paper. These comments have been informed by the Staff Discussion Paper and the Pacific Economics Group Research LLC ("PEG") reports on reliability standards and customer specific measures.

LPMA submits that the performance targets for SAIDI and SAIFI need to evolve over time. As noted in the Staff Discussion Paper, the Board has already indicated that the current performance targets for these two reliability indicators will remain within the range of its historical performance. LPMA submits that it is unfortunate that the Board has made this determination that will initially be used on the Scorecard as distributor-specific targets.

The net result is that distributors that operate in the lower end of their historical range will have a satisfactory score on this performance measurement. This clearly does not meet the "continuous improvement" goal of the RRFE and certainly does not reflect customer expectations. Not only do costs continue to rise, but there is no certainty that there will any increase in value received by customers. In fact, the value could decline.

As a result, LPMA submits that the Board should implement new performance targets for SAIDI and SAIFI as soon as is possible. These new performance targets need to reflect improvement if there is to be any value to customers.

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

LPMA agrees with the conclusion of PEG that the data for Ontario distributors does not support the use peer -based group averages and the statistically-based SAIFI and SAIDI benchmarks. If the Board believes that either of these approaches may be appropriate in the future, then LPMA submits that the data to be collected needs to be standardized across the industry as soon as possible in order to allow the collection of data that may be useful in the peer group or statistical analysis.

LPMA submits that based on the current state of the industry and the information available and the reliability of this information, performance targets should be established based on historical performance.

After the Board has more history for the performance indicators, LPMA submits that the Board should review the possibility of establishing performance targets based on projected performance. This projection would be based on trends in historical data and capital expenditures and operating and maintenance expenses incurred and forecast to be incurred.

To ensure that customers are receiving value for the money being spent there should be a direct and positive link between increased rates based on capital expenditures and operating and maintenance costs and the reliability indicators. If distributors spend more and more on programs that are designed to improve reliability but the results do not show any such improvement, customers will rightly ask why there is need to continue to spend on programs that do not provide results. There would be no measurable increase in value to customers while rates would continue to increase.

LPMA notes that in survey after survey conducted for electricity distributors, the two most important issues for ratepayers are low rates and reliability. All other issues are significantly less important to customers. In some surveys low rates are more important than reliability, in others, the results are reversed. Some of this is due to the type of customers included in the surveys. Reliability is often more important to large commercial and industrial customers than it is to residential customers. This is due, in no small part, to the already existing high level of reliability experiences by the majority of customers of Ontario distributors.

In order to balance these two important issues for ratepayers, any increase in costs that are justified based on the improvement of reliability statistics need to show positive results. Failure to show positive results will result in no additional value to customers related to reliability since there would be no measurable improvement. At the same time, customers will experience a decrease in value with respect to rates. Rates that increase with no results to show for the additional costs will decrease value to customers.

By projecting increased performance levels based on programs undertaken by the distributor, stakeholders will be able to judge whether the money was well spent or not. If distributors fail to meet their forecasted targets, future expenditures will need to be reviewed under a critical light.

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

LPMA supports the use of distributor-specific SAIDI and SAIFI benchmarks for Ontario. This approach would ensure that each utility would be benchmarked against its own historical operating circumstances. This will ensure an easy comparison of the performance indicators in the future to determine if the distributor has shown improvement or not.

LPMA does not believe that comparisons on a regional or peer group basis is appropriate or possible. The operating circumstances and characteristics of each utility is different. The age of the equipment is specific to each utility. The geographical area served by each distributor is unique as is the makeup of customers.

LPMA also submits that the difference in weather, even between distributors in close proximity to one another makes comparisons irrelevant. Consider, for example, the flooding that occurred in Burlington in early August, 2014. While parts of Burlington received between 150 mm and 190 mm of rain in a short period, other nearby areas received little if any rain.

While major weather events can be normalized for (tornadoes, ice storms, etc.) across distributors, this cannot be done for day to day differences in weather events. Indeed, the weather can be significantly different in one part of a distributors service area than it is in another, even for small and medium sized distributors.

Further, LPMA notes that performance targets that are based on a regional or peer group basis only results in information relative to others in the same group. There is no requirement in the scorecard approach for the group as a whole to improve. Again customers derive no value if their distributor improves its performance relative to others in its group, the group in aggregate has deteriorating performance. Indeed, such a utility could have a deterioration in its own performance targets, but because others had a larger deterioration, the distributor in question would look good relative to the group. However, to ratepayers, the distributor has clearly regressed. Customers receive no value for their distributor being better than other distributors while at the same time the reliability has decreased in absolute terms.

With respect to a single province-wide target for distributors, LPMA submits that this suffers from the same issues as regional or peer group targets.

However, LPMA submits that a province-wide target should be calculated based on an appropriate weighting of the targets of all distributors. Each year the actual results could be calculated based on the same weighting.

This would allow the OEB to determine the effectiveness of their approach in encouraging improvement in reliability metrics. This information should be made available to the ratepayers and the general public for their review and comment on the effectiveness of the proposals and the costs incurred to achieve them.

<u>Should performance targets be based on a specific target, or a target range?</u>

LPMA submits that a target range should not be used. Use a range allows distributors to underperform from their past average and still meet the requirements of the scorecard. LPMA submits that such a scorecard is useless and provides no value to ratepayers.

LPMA believes that a specific target should be set for each distributor and this target should be based on data for the last 5 years. However, LPMA does not support a target equal the average of the results over the last 5 years.

Setting a target equal to what has been accomplished in the past does not reflect any improvement. In fact, it reflects a status quo. If ratepayers are paying higher rates to fund capital expenditures and OM&A programs to improve system reliability, they deserve to see improvements for their money. No improvement means no added value for customers.

LPMA notes that Board Staff states that by using the historical average, customers will at a minimum continue to receive the level of service that they have come to expect from the distributor. LPMA strongly disagrees.

A key outcome of the renewed regulatory framework is the improvement of a distributor's operational effectiveness. The key outcome is not to maintain the same level of operational effectiveness at a higher cost to ratepayers. The goal is to provide an improvement in operational effectiveness that adds value to customers to offset the higher costs that are likely to be incurred to provide this improvement. Achieving the same results with higher costs to ratepayers is not acceptable under the renewed regulatory framework.

LPMA does not support the ability of a distributor to apply for a different reliability target. Some members of the working group were of the view that the operation of distribution system will be changing in the near future due to limits in capital spending and the implementation of smart grid technology. In their view these changes could significantly impact future reliability performance in comparison to historical performance.

LPMA submits that allowing distributors to set performance targets that are less than those historically achieved is at odds with the Board's renewed regulatory framework that sets expectations for improved operational efficiency.

LPMA believes that the performance targets should be set to encourage continuous improvement in operational efficiencies. Thus, using the 5 year average of historical results is not appropriate. LPMA also submits that the distributors with the worst performing statistics should have their targets increased more than those distributors that already have good statistics.

In particular, LPMA notes the staff review of reliability data on pages 12 through 15 of the Staff Discussion Paper. In that analysis staff found that 71% of distributors had a 5 year average of SAIDI of less than 2 hours. The remaining 29% of distributors had a 5 year average for SAIDI in excess of 2 hours.

Similarly for SAIFI, 86% of distributors had a 5 year average of less than 2 events, while the remaining 15% of distributors had an average of 2 or more events a year.

LPMA submits that the performance targets should be based on the difference in performance and reflect a target that is an improvement over the 5 year average.

For distributors that have a SAIDI of less than 2 hours (71%), LPMA submits that the SAIDI target going forward should be the average of the 4 best years out of the last 5 years of historical data. This will ensure that the target reflects some improvement over past performance.

Similarly, for distributors that have a SAIFI of less than 2 events (86%), the target SAIFI going forward would be the average of the 4 best years out of the last 5 years of historical data. Again, this would ensure that the target builds in some improvement over past performance.

For distributors that have a SAIDI of more than 2 hours (29%), LPMA submits that the SAIDI target going forward should be the average of the 3 best years out of the last 5 years of historical data. Not only will this ensure that the target reflects some improvement over past performance, but it will also reflect the need for a greater improvement.

Similarly, for distributors that have a SAIFI of more than 2 events (14%), the target SAIFI going forward would be the average of the 3 best years out of the last 5 years of historical data. Again, this would ensure that the target builds in some improvement over past performance and reflect the need for greater improvement than the majority of distributors.

LPMA notes that in the Staff Discussion Paper that some members of the working group expressed concern with having targets set on an annual basis, rather than on a longer term basis. LPMA agrees with these concerns. The targets should be set and remain at the levels for 5 years, as noted in the response to the following question. However, the target can still be set based on the proposal noted above and maintained for 5 years.

LPMA notes that there were questions as to how reliability performance targets would be used by the Board and whether there should be a deadband applied to performance targets. Concern was expressed that a distributor would also be below or above the performance target on a yearly basis.

LPMA agrees with the staff comments that it is reasonable to accept that a distributor's yearly reliability performance will vary significantly on a year to year basis. It is the overall trend in the performance results that is important.

LPMA submits that for the first five year period of these performance targets, there should be no consequence of over performing. However, if a distributor under performs, then the Board should review the effectiveness of the spending undertaken by the distributor in an attempt to benchmark the results with the goal of the projects and programs. The Board should also consider reviewing future requirements to improve operational effectiveness.

Beyond the 5 year period, LPMA submits that the Board should conduct a review of potential consequences that the Board should impose of distributors that fail to meet their targets an fail to provide the associated value to their customers.

<u>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.</u>

LPMA submits that at the current time, performance targets should be fixed for a five year period. At the end of this period, the Board should review this approach and based on this historical data it would have at that time, it should consider whether moving to a time frame other than a fixed five year period should be used.

The use of a 5 year fixed target reflects the emphasis of the Board on 5 year capital expenditure plans and also recognizes that changes made to improve system reliability are often cumulative in nature and may not be fully reflected in one of year of data. Over the course of a 5 year period, however, these impacts will be reflected.

As noted above, LPMA submits that the target should be set based on the best 3 or 4 years in the last 5 years to ensure a target that reflects improvement. If the Board were to utilize a rolling target rather than a fixed target for five years, then the rolling average should be based on the results for the 3 or 4 best years over the last 5 years of historical data. The division of the distributors into each of these two groups, for each of SAIDI and SAIFI would be based on the same criteria proposed in the response to the previous question.

<u>Should the Board introduce a time line for the implementation of customer-specific reliability measures?</u>

LPMA submits that the Board should not set a time line for the implementation of customer-specific reliability measures as this time. In LPMA's view the Board should not mandate such a system of reporting customer-specific reliability measures in the absence of knowing what the associated cost is and without knowing if all customers value such a reporting system.

In particular, LPMA notes that customer specific reliability measures are of significant importance to larger customers. However, it is not clear that the value to residential and small commercial customers would be greater than the incremental cost of obtaining the data.

LPMA submits that the Board should take prudent steps before mandating the implementation of customer-specific reliability measures. If the costs exceed the value to customers, then the Board should not proceed with this measure at this time. Similarly the Board should determine if all rate classes or just some rate classes would receive value from this measure.

The Board should also consider whether providing performance measurement information at a feeder level would be an accurate indication of individual customer results.

It may be that only large customers value this type of information. Given the small number of these customers relative to the overall total customers, it may be significantly less costly to introduce customer-specific reliability measures for large customers (large use and GS > 50 kW). Not only could the cost to obtain this information be lower, but it would be provided to customers that value this type of information.

<u>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?</u>

LPMA submits that it would be useful for the Board to undertake a pilot project with a small number of distributors to explore the implementation issues related to the introduction of customer-specific reliability measures.

The objectives of this pilot project should include an assessment of the cost if such a system were implemented for all customers as compared to the cost if such a system were implemented only for GS> 50 kW and large use customers.

Equally important is an assessment of the value to the different types (sizes) of customers of the implementation of customer-specific reliability measures. This assessment should include a simple explanation that ordinary customers could understand as to the need and use of obtaining such detailed information and what potential benefits could result. This assessment should be made in the context of the additional costs that customers would have to pay.

In addition, LPMA submits that the pilot project should evaluate the potential of using performance measurement information at the feeder level as a proxy for individual customer results. The pilot could determine if this option is less costly and if it provides information that is a good proxy, especially for small customers.

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?

LPMA submits that distributors should be required to develop and implement written practices and procedures for responding to customer complaints about momentary outages as part of the Conditions of Service.

Good businesses, regardless of industry, have written practices and procedures for responding to customer complaints. LPMA submits that the written practices and procedures should not be limited to responding to customer complaints about momentary outages. It should encompass all customer complaints. Customers value prompt and complete responses to their complaints. This is especially true of a monopoly service provider.

If you require any further information or clarification, please contact me.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates