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June 30, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 2300 Yonge Street
Toronto, ON M4P 1E4

VIA E-MAIL

Dear Ms. Walli,

Re: OEB File No. EB-2016-0356
Hydro One Sault Ste. Marie LP Application for electricity transmission revenue requirement effective January 1, 2017
VECC Submission

In accordance with the procedure set out in Procedural Order No. 2 of the above-noted proceeding, the Vulnerable Energy Consumers Coalition (VECC) is pleased to provide its submission on Hydro One SSM's 2017 electricity transmission revenue requirement application.

Yours truly,

Alysia Lau
Barrister & Solicitor | Counsel for VECC
c/o Public Interest Advocacy Centre

Encl.

cc: Hydro One SSM, Intervenors

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.1998, c.15 (Sched. B)

AND IN THE MATTER OF an application by Hydro One Sault Ste. Marie Inc. on behalf of Hydro One Sault Ste. Marie LP for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* for 2017 transmission rates and related matters.

EB-2016-0356

SUBMISSION

ON BEHALF OF THE

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

June 30, 2017

1. BACKGROUND

1. On March 18, 2016 Hydro One Inc. (Hydro One) filed an application with the OEB seeking approval to purchase all of the issued and outstanding voting securities of Great Lakes Power Transmission Inc. (GLPT). In the same application Hydro One requested acceptance of a proposed 10 year rate rebasing deferral period, an earnings sharing mechanism, and a methodology to calculate GLPT's revenue requirement for 2019 and for each subsequent year during the rate rebasing deferral period[1]. This request was made in tandem with a rate application that GLPT filed, subsequent to the filing of its consolidation application, seeking approval for its proposed 2017 and 2018 revenue requirements[2].

2. In its October 13, 2016 Decision and Order (Decision)[3] the Ontario Energy Board (OEB) granted Hydro One leave to purchase all of the issued and outstanding voting securities of GLPT but did not fully accept the proposed rate setting framework. While the OEB accepted the proposals for a 10 year deferred rebasing period and earnings sharing mechanism, it did not accept the proposal to reset the rates at the beginning of the 10 year deferred rebasing period[4]. Rather, the Board found[5] that GLPT can continue with its existing revenue requirement and may bring forward a separate rate application to seek approval for the elements of a specific revenue cap index framework for the deferral period. The Board also indicated that such an application would be expected to encompass the following components as required by the Filing Requirements for Electricity Transmission Applications[6] (Transmission Filing Requirements): the annual adjustment (expected inflation, productivity, stretch factors) and proposed performance reporting and monitoring (draft scorecard, RRR filings, etc.).

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[1] EB-2016-0050 Decision and Order, page 1.
[2] EB-2016-0050 Decision and Order, page 13.
[3] EB-2016-0050 Decision and Order, pages 16 and 25.
[4] EB-2016-0050 Decision and Order, page 17.
[5] EB-2016-0050 Decision and Order, page 19.
[6] OEB, *Filing Requirements for Electricity Transmission Applications* (14 July 2016), chapter 2.

2. CURRENT APPLICATION

3. On December 23, 2016, Hydro One Sault Ste. Marie LP ("Hydro One SSM") — formerly known as Great Lakes Power Transmission LP[7] — applied to the Ontario Energy Board (the "Board") for an order or orders approving just and reasonable rates for the transmission of electricity in 2017. More specifically, the Application requested[8]:

- Approval for a 2017 base revenue requirement of $40,533,904, which was calculated using GLPT's 2016 approved revenue requirement adjusted by an annual adjustment under Hydro One SSM's proposed revenue cap index framework, to be included in the determination of the 2017 Uniform Transmission Rates (UTR) for Ontario.
- The proposed revenue requirement be reflected in rates effective January 1, 2017, and that if implementation occurs after January 1, 2017, the existing transmission rates be made interim.
- An accounting order to establish a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2017 until the proposed 2017 rates are implemented, if necessary.
- Approval to disburse, through the use of account 1595, balances in various deferral and variance accounts in 2017. Overall, the total debit balance for these accounts is $975,219[9] which would be recovered by increasing the annual revenue requirement for UTR in 2017 to $41,509,123[10].
- Approval for continuation in the test period of account 1508 and sub-accounts Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs, Property Tax and Use and Occupation Permit Fees, IFRS Gains and OEB Cost Assessment.

[7] Letter dated January 27, 2017 regarding business name change.
[8] EB-2016-0356, Exhibit 1, Tab 2, Schedule 8, page 1.
[9] EB-2016-0356, Exhibit 5, Tab 2, Schedule 1, page 3.
[10] EB-2016-0356, Exhibit 6, Tab 1, Schedule 1, page 2.

3. PROPOSED RATE SETTING FRAMEWORK (ANNUAL ADJUSTMENT MECHANISM)

4. Hydro One SSM is requesting a single-year incentive rate (IR) setting plan (i.e., 2017) which involves adjusting its approved 2016 revenue requirement for inflation, productivity and stretch factors[11]:

   - For the inflation factor, the proposal is to use the 1.90% calculated by the OEB for Ontario distributor incentive rate setting for rates effective in 2017.
   - For the productivity factor, the proposal is to use the OEB-approved productivity factor of zero as established for Ontario distributors in the 2017 test year.
   - For the stretch factor, the proposal is to use a stretch factor of zero.

5. Hydro One SSM notes[12] that Hydro One Networks intends to file a Customer IR Transmission application in 2018 for rates for 2019 and beyond which will propose annual inflation, productivity and stretch factors appropriate to its circumstances. It also notes[13] that while Hydro One SSM will continue to operate as a stand-alone licensed transmitter in 2017, it is expected that Hydro One SSM and Hydro One Networks-Transmission would be operationally integrated by 2019 such that the same IR parameters would apply to Hydro One SSM. As a result, it is anticipated that the current framework – based largely on the IR parameters for Ontario distributors – would only be used for establishing the 2017 and 2018 revenue requirements.

VECC's Comments and Submissions

6. With regard to the inflation and productivity factors, Hydro One SSM notes that no specific inflation factor or productivity factors have been established by the OEB for transmitters. Given this circumstance, the Company asserts that it is appropriate to use the same inflation and productivity factors which apply to distributors since they

[11] EB-2016-0356, Exhibit 4, Tab 1, Schedule 1, page 1.
[12] EB-2016-0356, Exhibit 4, Tab 1, Schedule 1, page 2 and SEC-5. Note: These references do not specifically mention inflation factors specific to transmission but the response to VECC-17 suggests HON's application will also address the issue of a transmission-specific inflation factor.
[13] EB-2016-0356, Exhibit 2, Tab 1, Schedule 1,page 3.

both use many of the same inputs, and the opportunities for transmitters to realize productivity improvements are not greater than those of distributors[14].

7. Based on the expectation that Hydro One Networks will be filing a comprehensive Customer IR application for 2019 and beyond with transmission-specific inflation and productivity factors, and that Hydro One SSM will be operationally integrated with Hydro One Networks' transmission business by that time, VECC considers the proposal to utilize the inflation and productivity factors applicable to Ontario distributors as reasonable as an interim approach. However, Hydro One SSM should be directed, as part of its 2018 revenue requirement application, to provide an update on both the progress toward integration of the two transmitters by 2019 and the expectation that Hydro One Networks' application for a Customer IR starting in 2019 will indeed include transmission-specific proposals for the annual rate adjustment (which will also be applicable to Hydro One SSM). Furthermore, if the expectation is that Hydro One Networks' Customer IR application will not include adjustment factors that would also be applicable to Hydro One SSM, then Hydro One SSM should be directed to bring forth its own transmission-specific proposals as part of its 2018 (or at the latest its 2019) revenue requirement application.

8. With regard to the stretch factor, Hydro One SSM's rationale for using a value of zero is that[15]:
   - Its operating costs fall below the majority of its comparable peers;
   - Significant operational integration savings are not expected to occur in 2017 and 2018; and
   - The inclusion of a stretch factor would reduce its annual revenue requirement and thereby reduce the amounts of achieved cost savings available to the acquiring utility.

9. VECC disagrees with Hydro One SSM's proposal to use a stretch factor of zero.

[14] Exhibit 4, Tab 1, Schedule 1, page 1
[15] EB-2016-0356, Exhibit 4, Tab 1, Schedule 1, pages 2-3.

10. As part of the Application, Hydro One SSM filed a benchmarking report[16] by First Quartile Consulting (IQC) which compared its total Operations and Maintenance (O&M) and Administrative and General (A&G) expenses with those of a selected peer group. The cost comparison was done both for historic years (2013-2015) and for forecast years (2016-2019). The report considered a number of metrics (*e.g.* cost per gross assets, cost per customer, and cost per circuit kilometer) and concluded that, for the purposes of O&M costs, it was most appropriate to compare costs per gross asset[17]. On this basis, the report concluded that Hydro One SSM's O&M costs per asset were slightly outside (higher than) the first quartile cost level; its total OM&A costs per asset were between the first and second quartile cost values; and, in both cases, its costs per asset were below the average for the other companies in the peer group[18].

11. As was the case with inflation and productivity factors, the Board has not approved stretch factors for Ontario transmitters. Therefore, similar to Hydro One SSM's approach for developing proposals for the inflation and productivity factors, VECC considers it reasonable to look at the Board's basis for establishing the stretch factor for Ontario distributors in setting an appropriate stretch factor for Hydro One SSM. In its EB-2010-0379 Report, the Board determined[19] that "distributors will be assigned to one of five groups with stretch factors based on their efficiency, as determined through PEG's econometric total cost benchmarking model". The Board further determined that the stretch factor applicable to each distributor would be in accordance with the following table[20]:

[16] EB-2016-0356, Exhibit 3, Tab 1, Schedule 4, Appendix A.
[17] EB-2016-0356, Exhibit 3, Tab 1, Schedule 4, Appendix A, page 5.
[18] EB-2016-0356, SEC-6 and EB-2016-0356, Exhibit 3, Tab 1, Schedule 4, Appendix A, Figures 1 and 3.
[19] Page 19.
[20] EB-2010-0379 Report, page 19.

Group	Demarcation Points for Relative Cost Performance	Stretch Factor
I	Actual costs are 25% or more below predicted costs	0.00%
II	Actual costs are 10% to 25% below predicted costs	0.15%
III	Actual costs are within +/-10% of predicted costs	0.30%
IV	Actual costs are 10% to 25% above predicted costs	0.45%
V	Actual costs are 25% or more above predicted costs	0.60%

12. The Board also noted[21] that this would result in a relatively normal distribution of distributors across the five groups, such that less than 10% of the distributors would fall into either Groups I or V; just over 21% would fall into either Groups II or IV; and 45% would fall into Group III.

13. While the Board has not developed any predictive models for transmission costs, the same principles of looking at relative cost performance and assigning stretch factors based on five groups of transmitters so as to achieve roughly a "normal distribution" can be applied using the IQC results.

14. In response to SEC-4, Hydro One SSM provided a finer breakdown of the IQC Report's results by quintile (as opposed to quartile) and it shows that:
    - For Total OM&A costs, Hydro One SSM's results fall between the 2nd and 3rd quintile for 2014-2018. This means that at least 40% of the companies in the peer group perform better than Hydro One SSM, while Hydro One SSM performs better than at least 40% of the peer group. Applying the Board's "normal distribution" principle to these results would place Hydro One SSM in Group III of the above table, since 29% of distributors perform better[22], and 26% perform worse[23], than this group.

[21] EB-2010-0379 Report, page 22.
[22] I.e., 21 out of 73 distributors per EB-2010-0379 Report, page 22, Figure 1.
[23] I.e., 19 out of 73 distributors per EB-2010-0379 Report, page 22, Figure 1.

- For Transmission Line and Station O&M costs, Hydro One SSM's results fall between the 1st and the 2nd quintile, *i.e.* at least 20% of the peer group performs better than Hydro One SSM, while Hydro One SSM performs better than at least 60% of the peer group. Applying the Board's "normal distribution" principle to these results would place Hydro One SSM in either Group II or Group III. However, a closer inspection of the results set out in SEC-5, Figure 3, indicates that the Hydro One SSM results are closer to the Quintile 2 than Quintile 1 values, indicating it is more likely to fall into the Board's Group III.

15. Therefore, based on the cost comparisons in the IQC report and the Board's principles for establishing stretch factors for Ontario distributors, VECC submits that Hydro One SSM should be assigned a stretch factor of 0.30% – equivalent to that applied to Group III distributors.

16. In its consolidation application, Hydro One asserted, and the Board accepted[24], that the transaction would result in downward pressure on the cost structure of both Hydro One and GLPT. In other words, GLPT's costs would be further reduced under Hydro One's ownership than if GLPT had continued under separate ownership and was not integrated with Hydro One's transmission business[25].

17. However, VECC notes that the cost comparisons undertaken by IQC are based on GLPT's operations prior to any integration activity. Therefore, a stretch factor assessment based on IQC's results is reflective of GLPT's performance without the benefit of the consolidation transaction and the additional efficiencies expected to occur as a result of its integration with Hydro One's transmission business. Therefore, VECC submits that, contrary to Hydro One SSM's position:
    - Operational savings from integration are not required in order to justify the application of a 0.30% stretch factor – this would be the appropriate factor if there were no pending integration; and

[24] EB-2016-0050 Decision and Order, pages 8-9.
[25] EB-2016-0050 Decision and Order, page 8.

- Inclusion of a 0.30% stretch factor results in a reasonable revenue requirement against which an acquiring utility should be expected to achieve additional cost savings through integration.

4. EFFECTIVE DATE

18. Hydro One SSM is requesting approval for its proposed 2017 revenue requirement to be included in the UTR to be effective January 1, 2017. It also requests approval for an accounting order to establish a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2017 until the proposed 2017 revenue requirement is implemented[26].

19. Hydro One SSM notes that in the past the OEB has issued decisions establishing transmission rates with an effective date well after that effective date, citing GLPT's 2010 revenue requirement application (EB-2009-0408) as a precedent. Hydro One SSM also notes that the current Application was filed as expediently as possible once direction was provided in the Board's EB-2016-0050 Decision regarding Hydro One's MAAD application[27].

VECC's Comments and Submissions

20. VECC submits that the Board's EB-2009-0408 Decision should not be considered a precedent for Hydro One SSM's current request regarding the effective date. There are two reasons for this. First, in Procedural Order No. 1[28] of the EB-2009-0408 case (issued prior to the completion of the January 2017 billing period), the Board had declared that the current Uniform Transmission Rates as they related to GLPT would be made interim as of January 1, 2010 so as to allow for the effective date to be set as part of the subsequent process. VECC notes that in the current proceeding, despite

[26] EB-2016-0356, Exhibit 1, Tab 2, Schedule 5, page 1.
[27] EB-2016-0356, VECC-2 and Hydro One SSM's Argument-in-Chief, page 6.
[28] See page 2.

Hydro One SSM's request, the Board has not issued an Order making the current transmission rates interim as of January 1, 2017 (or for that matter any other date)[29].

21. Second, the January 1st effective date in the EB-2009-0408 case was part of an overall Settlement Agreement that the Board approved in its Decision. Thus, it would be inappropriate to consider the Board's decision in that case as a precedent for the appropriateness of approving an effective date for transmission rates well after the effective date. Indeed, in its EB-2009-0408 Decision the Board specifically stated that:

> This panel's decision accepting the Proposed Settlement Agreement should not be construed as binding on any other Board panel considering any future Test Year costs. While the Accepted Settlement Agreement is binding on the parties to the agreement, it cannot fetter the discretion of another Board panel considering a future application by GLPT.[30]

22. VECC submits that the most compelling reason for not making the proposed revenue requirement effective January 1, 2017 is that that there has been no Order by the Board declaring the current UTR (as they related to Hydro One SSM's revenue requirement) interim as of January 1, 2017 or any earlier date. Neither has there been an Order establishing the related deferral account requested by the Company.

23. In VECC's view, establishing the Applicant's 2017 revenue requirement effective January 1, 2017 would constitute retroactive ratemaking. The OEB Staff's Submission[31] on the Motion to Review Essex Powerlines' 2015 Rates (EB-2015-0240) provides an overview of the rationale for the rule against retroactive ratemaking. In VECC's view, a key reason for the rule is that consumers are entitled to certainty in the rates for which they are responsible and should not be required to "top-up" those rates after they have already been paid. There are some regulatory tools that allow for exceptions, such as the use of interim rate approvals and deferral/variance accounts. However, none of these have been approved by the Board in the context of this Application.

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[29] EB-2016-0356, SEC-1 and VECC-5.
[30] Page 3.
[31] See pages 5-7.

24. In VECC's view, unless the Board issues an Order declaring the 2017 UTR (as they relate to Hydro One SSM) interim prior to its Decision, the effective date should be the same as the implementation date. Should the Board issue such an Order, VECC submits that – consistent with the rule against retroactive ratemaking – the earliest possible effective date should be July 1, 2017, assuming the Board Order is made before the end of July 2017.

5. RECOVERY OF EXISTING DEFERRAL AND VARIANCE ACCOUNT BALANCES

25. Hydro One SSM currently has seven active sub-accounts for Account 1508 – Other Regulatory Assets[32]. Of the seven, five have forecast outstanding balances as of December 31, 2016[33]:

- Comstock Claim account[34] – approved as part of the EB-2014-0238 Settlement Agreement to capture costs related to the Comstock claim – has a forecast debit balance of $97,222;
- Property Tax and Use and Occupation Permit Fee Variances[35] – continuation approved as part of the EB-2014-0238 Settlement Agreement to capture variances in payments in lieu of taxes paid to First Nations as compared to the base cost embedded in the revenue requirement – has a debit balance of $17,454;
- IFRS Gains and Losses – approved as part of the EB-2014-0238 Settlement Agreement to record costs in respect to gains and losses resulting from premature asset component retirements[36];
- BES – continuation approved as part of the EB-2014-0238 Settlement Agreement to capture incremental costs related to addressing the upcoming

[32] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, page 1.
[33] EB-2016-0356, Exhibit 5, Tab 3, Schedule 1, page 4.
[34] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, pages 2-3.
[35] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, pages 3-4.
[36] According to the Application (Exhibit 5, Tab 3, Schedule 1, page 1, there were losses on disposal in 2015 and additional losses forecast for 2016. However, these are not reported in the Application as recovery is not being sought.

change to the definition of the Bulk Electric System ("BES") – has a debit balance of $20,170; and

- OEB Cost Assessment Variances[37] – established by the Board to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the new cost assessment model effective April 1, 2016 – has a balance owing to ratepayers of $32,896.

26. With the exception of the IFRS Gains and Losses account, Hydro One SSM is proposing to disburse the balance in all of these accounts by increasing its annual revenue requirement for UTR in 2017[38]. The IFRS Gains and Losses account has been excluded as Hydro One SSM's rate base is not being re-based as part of this application[39].

27. In addition, Hydro One SSM is currently collecting a deferral account balance from ratepayers and, as of December 31, 2016, has one year left in the recovery period. The amount remaining to be recovered is $871,990, which the Applicant is also proposing to recover in 2017 by increasing its 2017 revenue requirement[40].

28. Overall, the total deferral and variance account balance amount sought for recovery (including carrying charges for 2017) is $975,219[41].

<u>VECC's Comments and Submissions</u>

29. VECC has no issues with the deferral and variance account balances Hydro One SSM is seeking to disburse, nor its proposal to do so in one year by increasing the 2017 revenue requirement.

[37] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, pages 6-7.
[38] EB-2016-0356, Exhibit 5, Tab 2, Schedule 1, page 1.
[39] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, page 5.
[40] EB-2016-0356, Exhibit 5, Tab 2, Schedule 1, page 1.
[41] EB-2016-0356, Exhibit 5, Tab 2, Schedule 1, page 3.

6. CONTINUATION OF DEFERRAL AND VARIANCE ACCOUNTS

30. Of the seven currently existing deferral and variance accounts, Hydro One SSM is seeking approval for continuance of four of them[42]:

- Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs – in the event eligible costs may be incurred in the future;
- Property Tax and Use and Occupation Permit Fees – Hydro One SSM is still negotiating with at least one First Nations group in respect to payments in lieu of taxes;
- IFRS Gains and Losses – recovery of the existing balance is not being sought in current Application; and
- OEB Cost Assessments – as variance will continue to occur relative to the base costs included in the 2016 revenue requirement.

31. The three accounts of which Hydro One SSM is not seeking continuation are:

- Comstock Claim – the matter has now been resolved and no further costs anticipated;
- BES – Hydro One SSM is compliant with all applicable NERC standards, including those associated with the updated BES definition; and
- In-Service Addition Net Cumulative Asymmetrical Variance Account – established as part of the EB-2014-0238 Settlement Agreement to capture the revenue requirement amount which would arise if the total capital in-service additions forecasted by GLPT for the test years 2015 and 2016 were higher than the actual total capital in-service additions for 2015 and 2016.

32. Hydro One SSM is also proposing to continue the following accounts, as required by Board policies[43]:

- Account 1595 – related to previously approved regulatory asset recovery; and
- Account 1592 – sub-account to capture any 50/50 sharing of the impacts of legislated tax changes from the tax rates embedded in the OEB-approved base rates.

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[42] EB-2016-0356, Exhibit 5, Tab 1, Schedule 1, page 1.
[43] EB-2016-0356, Exhibit 5, Tab 1, Schedule 1, page 1.

<u>VECC's Comments and Submissions</u>

33. VECC generally agrees with Hydro One SSM's proposals regarding the deferral and variance accounts that should be continued or discontinued, with one exception. VECC notes that, as of December 31, 2016, there is no balance in the In-Service Addition Net Cumulative Asymmetrical Variance Account, as Hydro One SSM's forecast cumulative in-service additions for 2015 and 2016 are equal to the Board-approved amount of $19,228,700[44].

34. However, VECC notes that actual in-service additions for the year 2015 were only 92% of the OEB approved plan[45]. VECC submits, therefore, that this account should not be closed until the final actual cumulative capital additions for 2015 and 2016 have been established, and either the current forecast zero balance is confirmed or the recovery of any non-zero balance that may occur has been dealt with.

7. PERFORMANCE MEASURES AND REPORTING

35. In its Transmission Filing Requirements, the OEB indicated[46] that it expected two elements of the *Renewed Regulatory Framework for Electricity*[47] (RRFE) policy to begin to be incorporated into all applications for transmission revenue requirements: (1) enhanced reporting on customer engagement, and (2) a proposed scorecard to measure performance. It also noted that performance monitoring and reporting are key elements in moving towards an outcomes-based regulatory framework. This expectation was also reflected in the Board's EB-2016-0050 Decision[48] regarding Hydro One's application to acquire GLPT.

[44] EB-2016-0356, Exhibit 5, Tab 1, Schedule 2, page 8.
[45] EB-2016-0356, Exhibit 3, Tab 1, Schedule 2, Appendix A, page 7.
[46] OEB, *Filing Requirements for Electricity Transmission Applications* (14 July 2016), chapter 2, Page 2.
[47] OEB, *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (18 October 2012).
[48] Page 19.

36. In its Application, Hydro One SSM has provided[49] a proposed scorecard. The performance categories and associated measures build on the annual key performance indicators (KPIs) that GLPT has historically developed for business performance measurement[50]. The scorecard also includes additional performance categories and measures related to customer focus and customer satisfaction in terms of: (i) satisfaction with Outage Planning Procedures and (ii) Overall Customer Satisfaction[51]. In order to gauge these additional performance categories, Hydro One SSM intends to develop and implement a customer survey during the test period to measure overall customer satisfaction, including satisfaction with its outage planning process[52].

37. In the Application, Hydro One SSM also identified a number of initiatives it was undertaking to improve the measurement of its performance and improve its ability to record achieved results in its scorecard[53]. However, many of these initiatives will only be implemented following the Applicant's integration into Hydro One Networks in 2019.

VECC's Comments and Submissions

38. VECC notes that many of the improvement initiatives identified by Hydro One SSM are subject to the future plans and process of integration with Hydro One Networks in 2019[54]. Similarly, when Hydro One SSM was asked for the proposed targets for each of its scorecard measures, its response in virtually every case was: "Currently there are no target set for this measure as Hydro One SSM intends to work with HONI to determine target as part of the integration process."[55] Furthermore, in the limited instances where there was currently a KPI target, the response indicated – "a target

[49] EB-2016-0356, Exhibit 3, Tab 1, Schedule 2, Appendix A.
[50] EB-2016-0356, Exhibit 3, Tab 1, Schedule 2, pages 1-3 and AMPCO-2 & AMPCO-5.
[51] EB-2016-0356, Exhibit 3, Tab 1, Schedule 2, Appendix A, page 9 and Exhibit 3, Tab 1, Schedule 6, page 7.
[52] EB-2016-0356, Exhibit 3, Tab 1, Schedule 6, page 7.
[53] EB-2016-0356, Exhibit 3, Tab 1, Schedule 2, page 5.
[54] EB-2016-0356, Staff-4 a).
[55] EB-2016-0356, Staff-5 a).

as it related the scorecard has not been established as Hydro One SSM intends to work with HONI to determine target as part of the integration process".

39. When the Board launched the its 3rd Generation IR Plan for electricity distributors, it also committed to implementing a regime of service quality requirements which would work to ensure that consumers continue to receive a high level of service from their distributors during the term of an IR plan[56]. The need for performance measures, monitoring and targets was reaffirmed as part of the Board's more recent Renewed Regulatory Framework for Electricity Distributors[57] and put into effect through the development of the scorecard for performance measurement and monitoring. As transmitters move to implement Custom IR or Revenue Cap approaches to rate setting, VECC considers the need to ensure continuing and improving service quality as equally important for their customers, with the transmitter's scorecard being the primary tool for monitoring transmitter performance.

40. In Hydro One SSM's case, VECC submits that the proposed scorecard is essentially a "work-in-progress". This is not meant to be a criticism of Hydro One SSM as this is its first application under the Board's new February 2016 Filing Requirements. However the result is that there are no targets set for the performance measures in its proposed scorecard, nor has Hydro One SSM proposed any minimum performance standards based on historical performance. In some cases, there are no historical results available for the performance measures[58]. With respect to the measures that deal specifically with customer satisfaction, Hydro One SSM has just started to develop the customer survey that will support them.

41. VECC submits that the Board should only accept Hydro One SSM's proposed scorecard as appropriate for the year 2017, subject to the following being provided as part of its 2018 Revenue Requirement Application:

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[56] OEB, Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, page 43.
[57] OEB, *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (18 October 2012), pages 55 and 57-59.
[58] EB-2016-0356, Staff-5.

- For those measures that are currently quantifiable, Hydro One SSM should report the results for 2016 and up to the end of the most recent quarter available for 2017. This would apply to all of the Scorecard measures except: i) Satisfaction with Outage Planning Procedures; ii) Overall Customer Satisfaction; and iii) System Unavailability.
- Explanations for any reported results for 2016 or (year-to-date) 2017 that are less favourable than the three-year average for 2013-2015. This would apply to all of the Scorecard measures except: i) Satisfaction with Outage Planning Procedures; ii) Overall Customer Satisfaction; iii) System Unavailability; and iv) NERC/NPCC Reliability Standards Compliance. In the case of NERC/NPCC Reliability Standards Compliance, Hydro One SSM should be required to supply explanations for all instances of non-compliance.
- A report on its progress in developing the necessary surveys and processes for implementing the measures related to: i) Satisfaction with Outage Planning Procedures; ii) Overall Customer Satisfaction; and iii) System Unavailability.
- Hydro One SSM's views, based on the foregoing results, as to whether there has been any deterioration in the company's performance and, if so, whether the deterioration was due to factors within management's control.

42. Finally, VECC is concerned that Hydro One SSM's Scorecard (and specifically the measures used) will evolve and change as a result of it integration with Hydro One Networks. It is important that there be a standard set of performance measures over the next 10 years in order to determine whether the quality of service received by customers is deteriorating over the IR period. To this end, while Hydro One SSM may seek to add additional performance measures to its Scorecard, the Board should direct that the measures currently proposed be maintained and reported on annually.

8. CONCLUSION & COSTS

43. VECC is pleased to provide the submissions above in respect of Hydro One SSM's 2017 electricity transmission revenue requirement application.

44. VECC respectfully submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

All of which is respectfully submitted.

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