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**Frank D'Andrea**

Vice President  
Regulatory Affairs

BY COURIER

June 22, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON, M4P 1E4

Dear Ms. Walli,

**EB-2017-0049 Hydro One Networks Inc. 2018-2022 Distribution Custom IR Application  
(the“Application”) – Undertaking Responses**

Please find enclosed responses to undertakings J5.02 to J5.04 and J7.01 from the oral hearing in regards to the above noted proceeding.

This filing has been submitted electronically using the Board's Regulatory Electronic Submission System and two (2) hard copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Enc.

**UNDERTAKING – J 5.2**

**Reference**

B1-01-01 Section 1.3-A01

**Undertaking**

To file written material regarding the study objectives and information HONI wanted to obtain from ratepayers, or any written guidelines

**Response**

Please refer to Exhibit I-23-SEC-35 Attachment 1 for the terms of the agreement and work plan that was accepted by Hydro One from IPSOS.

**UNDERTAKING – J 5.3**

**Reference**

I-02-Staff-008

**Undertaking**

To provide the percentage dropoff of customer calls in the area of billing inquiries

**Response**

The volumes of calls answered by an agent are provided in Exhibit I-02-Staff-001. Based on this analysis, billing calls declined approximately 25% (108,000) in 2017 relative to 2016.

**UNDERTAKING – J 5.4**

**Reference**

I-33-Staff-179

**Undertaking**

To confirm the coverage period for the DRP

**Response**

Hydro One is unaware of a planned end date for the DRP in the legislation.

**UNDERTAKING – J 7.1**

**Reference**

N/A

**Undertaking**

Provide the document prepared for the board of directors.

**Response**

Hydro One was asked to produce presentations made to the “Good to Great” steering committee, which comprised members of Hydro One’s senior executive team. Hydro One has conducted a review of materials that were presented to the “Good to Great” steering committee. Based on Hydro One’s review, there were no presentations from individual work-streams presented at the steering committee. There were composite presentations, which combined work from multiple work-streams, that were used at steering committee meetings. Each of these composite presentations contain sections focused on particular work streams. Not each work stream presented at each steering committee meeting, and the level of detail and progressions of the work streams that did present varied. The steering committee presentations were all working documents, which were used to prepare the final PowerPoint presentation for the Board of Directors provided in response to undertaking J 2.4.

For context, the PowerPoint presentation for steering committee meeting 1 reflects a discussion of initial work, planning, and goal setting for the “Good to Great” initiative (Attachment 1). The PowerPoint presentations for steering committee meetings 2 through 4 reflect compilations of materials from work-streams, which were used by the Hydro One work-stream leads to present to the steering committee (Attachments #2 to #4). The PowerPoint presentation for steering committee meeting 5 is a debrief from a March Board of Directors meeting, and is largely focused on the transmission business (Attachment #5). There was no PowerPoint presentation for steering committee meeting 6, there was a single PowerPoint slide containing an agenda (Attachment 6), and the steering committee reviewed the Board of Directors presentation provided in response to undertaking J 2.4.

Hydro One has redacted portions of the attachments to this undertaking response where content falls outside the scope of this proceeding in black. Hydro One has redacted portions of the attachments that relate to sensitive, commercial information related to third party contract negotiations that has not been publicly disclosed, or staffing matters impacting unionized employees that has not been publicly disclosed and/or that could have an impact on labour negotiations in red.



Filed: 2018-06-22  
EB-2017-0049  
Exhibit J 7.1  
Attachment 1  
Page 1 of 78



# **Good to Great: Assessment of Full Potential**

## **Steering Committee #1**

Feb 9, 2016

THE BOSTON CONSULTING GROUP

# What we would like to accomplish today

## What would make for a great session

A short presentation of your content

A real discussion vs. a "marketing pitch"

Full engagement and participation from all

Peer review, questions, and input

Decisions on key issues

## What we would like to avoid

Not enough time for discussion

Avoiding the tough questions ... particularly for the key decisions we need to make

Getting too far into the weeds

Putting off key decisions or not having a path to resolve in a timely manner

### Three key decisions for today:

- ☐ Regulatory: Approval of transmission customer consultation plan
- ☐ Regulatory: Alignment on "Wave 1" invitees
- ☐ Quick wins: Approve \$9.2M in quick wins ready for execution

# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b>	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (2:00 – 2:10)
<b>Regulatory: Tx Filing consultation approach</b>	Oded Hubert	<b>30 min</b> (2:10 – 2:40)
<b>Hydro One performance: Metrics and aspirations</b>		
• Asset management (system performance)	Mike Penstone	<b>25 min</b> (2:40-3:05)
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# Where we are we in the process

## Today's focus

### SteerCo #1 Feb 9

#### Regulatory

- ☐ Review customer needs by segment
- ☐ Approve strategic approach to customer consultation (for Tx)

#### Hydro One Performance

- ☐ Define aspiration, metrics, and targets for performance
- ☐ Describe drivers to meet performance targets

#### OM&A Efficiency

- ☐ Review baseline and benchmark analysis
- ☐ Approve quick wins

### SteerCo #2 Feb 25

#### Regulatory

- ☐ Review investment scenarios and evidence for consultation

#### Hydro One Performance

- ☐ Review emerging Capital stage gate and delivery model plan
- ☐ Review detailing of near-term Customer initiatives

#### OM&A Efficiency

- ☐ Review opportunity sizing
  - Procurement
  - Org effectiveness
  - Labour policies
- ☐ Approve Procurement Wave 1
- ☐ Approve quick wins

### SteerCo #3 March 11

#### Regulatory

- ☐ Review emerging findings from Wave 1 consultation
- ☐ Approve Wave 2 consultation

#### Hydro One Performance

- ☐ Review 5 year asset mgmt plan
- ☐ Review 2016-2020 Customer plan
- ☐ Review proposed Capital stage gate and delivery model

#### OM&A Efficiency

- ☐ Review 2016-2020 plans
  - Org effectiveness
  - Labour policies
- ☐ Review O&M diagnostic
- ☐ Approve quick wins

### SteerCo #4 March 21

Review of materials for 3/31 board meeting

# Program status: Status of 8 core work streams

Workstream	Lead	Status	Status Comments
<b>Regulatory strategy</b>	Oded Hubert	<b>At risk</b>	<i>On track. Team progressing against elements of Tx rate filing. Critical path elements are Tx Customer Consultation input and Asset Management input into the Tx Capital plan – which are both being closely monitored</i>
<b>Asset management</b>	Mike Penstone	<b>At risk</b>	<i>Good overall progress. Main concern is aggressive Tx filing timeline - need to continue to manage interdependencies with regulatory work stream</i>
<b>Customer</b>	Rob Quail	<b>At risk</b>	<i>On track to original project plan except for clearly defined 2016 initiatives and targets for LDA and C&amp;I segments – team accelerating workplan to catch-up</i>
<b>Capital efficiency</b>	Brad Bowness	<b>On track</b>	<i>On track. Team identified 3 priority areas of focus. Workshop held on 2/3 to more clearly define scope, approach, and ultimate deliverables</i>
<b>Procurement</b>	Gary Schneider	<b>On track</b>	<i>On track. Spend cube validation complete with proposed actions to size opportunities underway for execution prioritization</i>
<b>Org effectiveness</b>	Judy McKellar	<b>At risk</b>	<i>Headcount baselining completed, but final validation by functional leads delayed – scheduled for next week with little/no impact on future milestones</i>
<b>Labour strategy</b>	Nadine O'Neill	<b>On track</b>	<i>On track. Labour cost baseline completed and assessment of levers underway</i>
<b>O&amp;M efficiency</b>	Jon Rebick	<b>On track</b>	<i>On track. Deep dive areas identified and data collection and preliminary analysis underway for all target areas. Initial field visits planned for later this week and next week to map &amp; observe work processes</i>

Not started

On track

At risk

Off track



Complete

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# Summary: Regulatory strategy

**Overall team is progressing against elements of Tx rate filing and is on track**

- Critical path elements are Tx Customer Consultation input and Asset Management input into the Tx Capital plan
- Team has developed a broader stakeholder engagement plan, to ensure consideration of input beyond Tx customers

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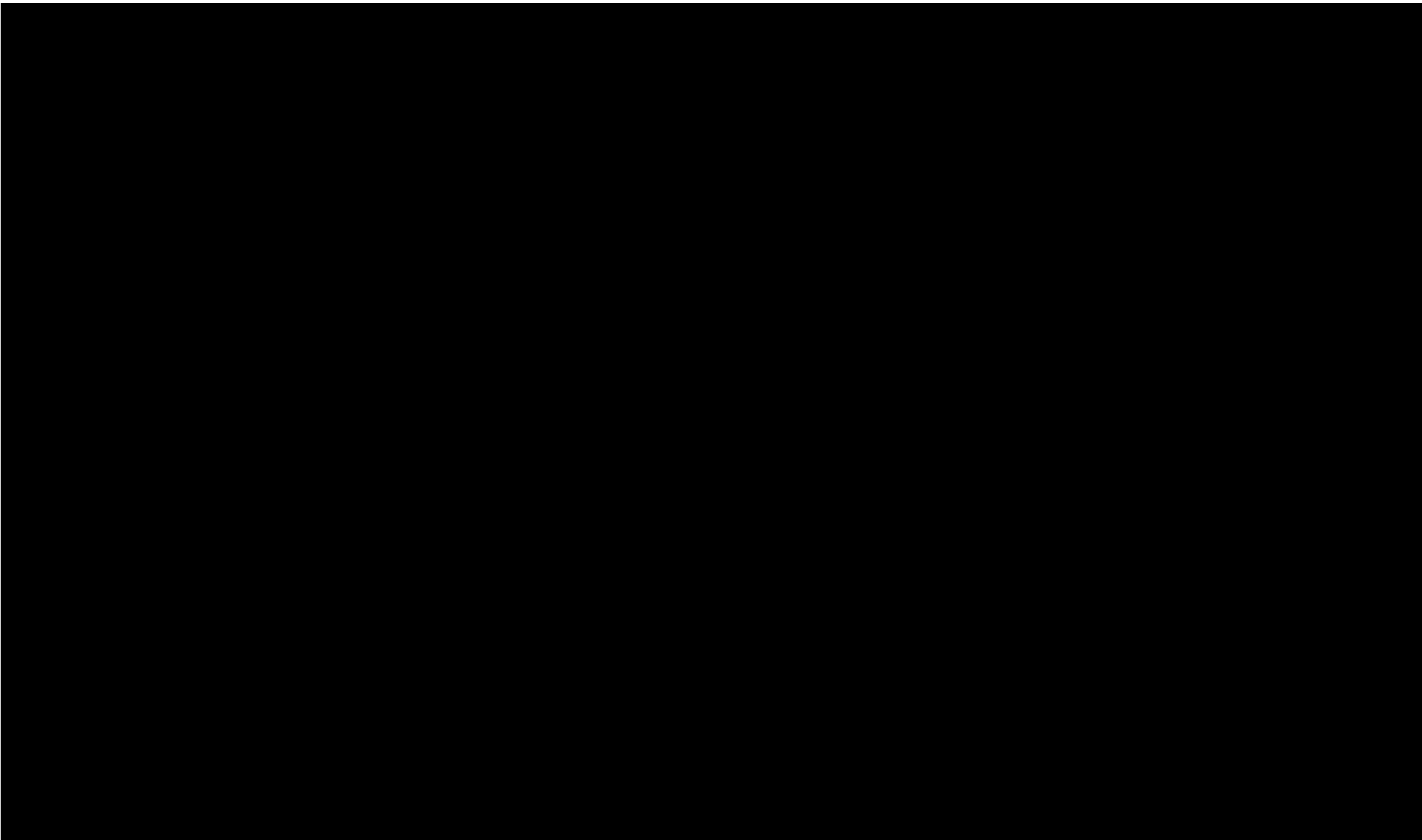
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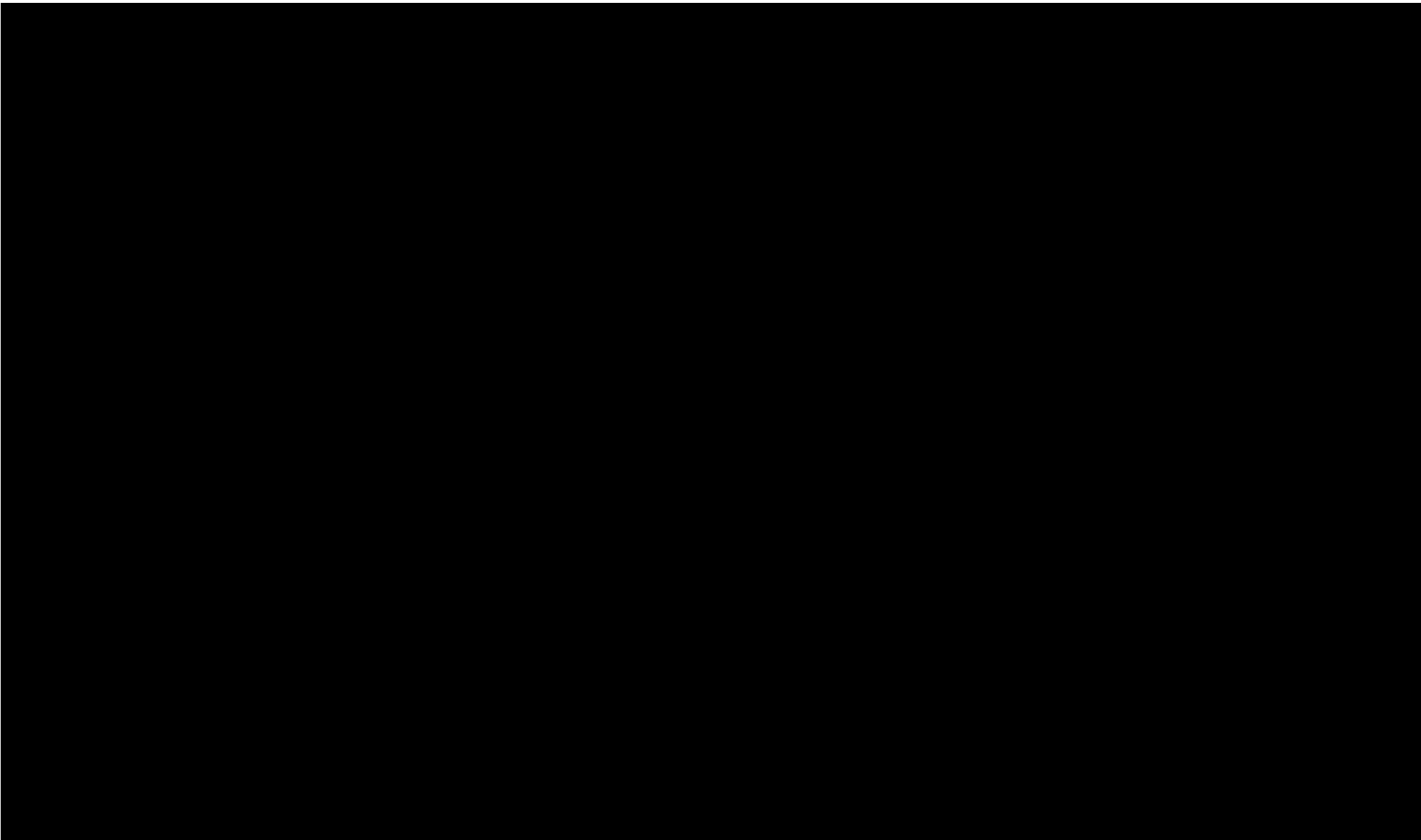
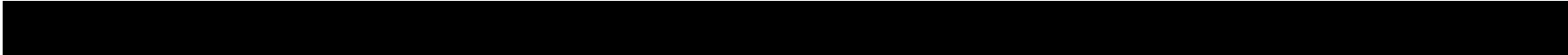
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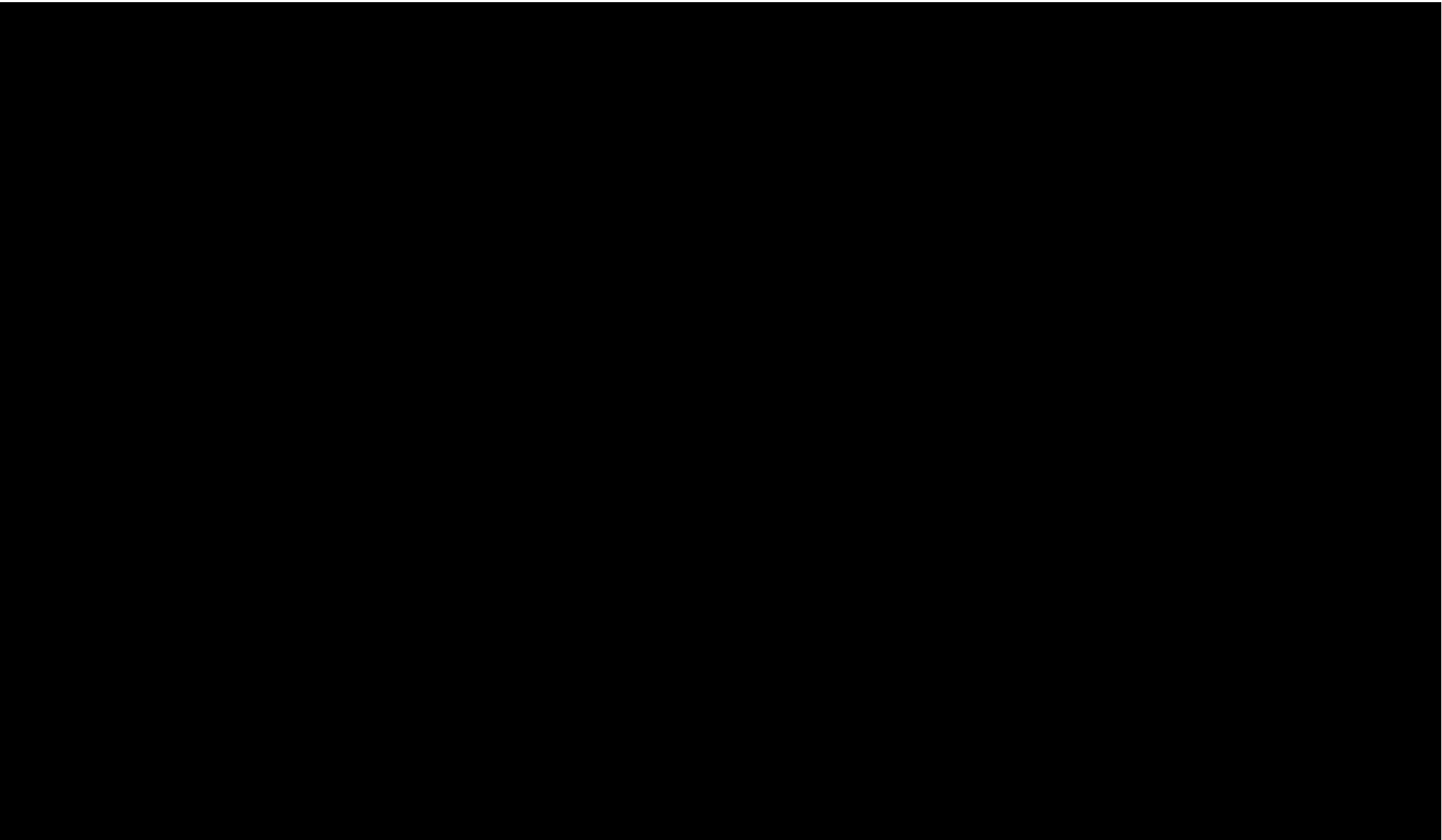
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# Summary: Tx system performance

# H1's Tx performance aspirations: Customer centric model



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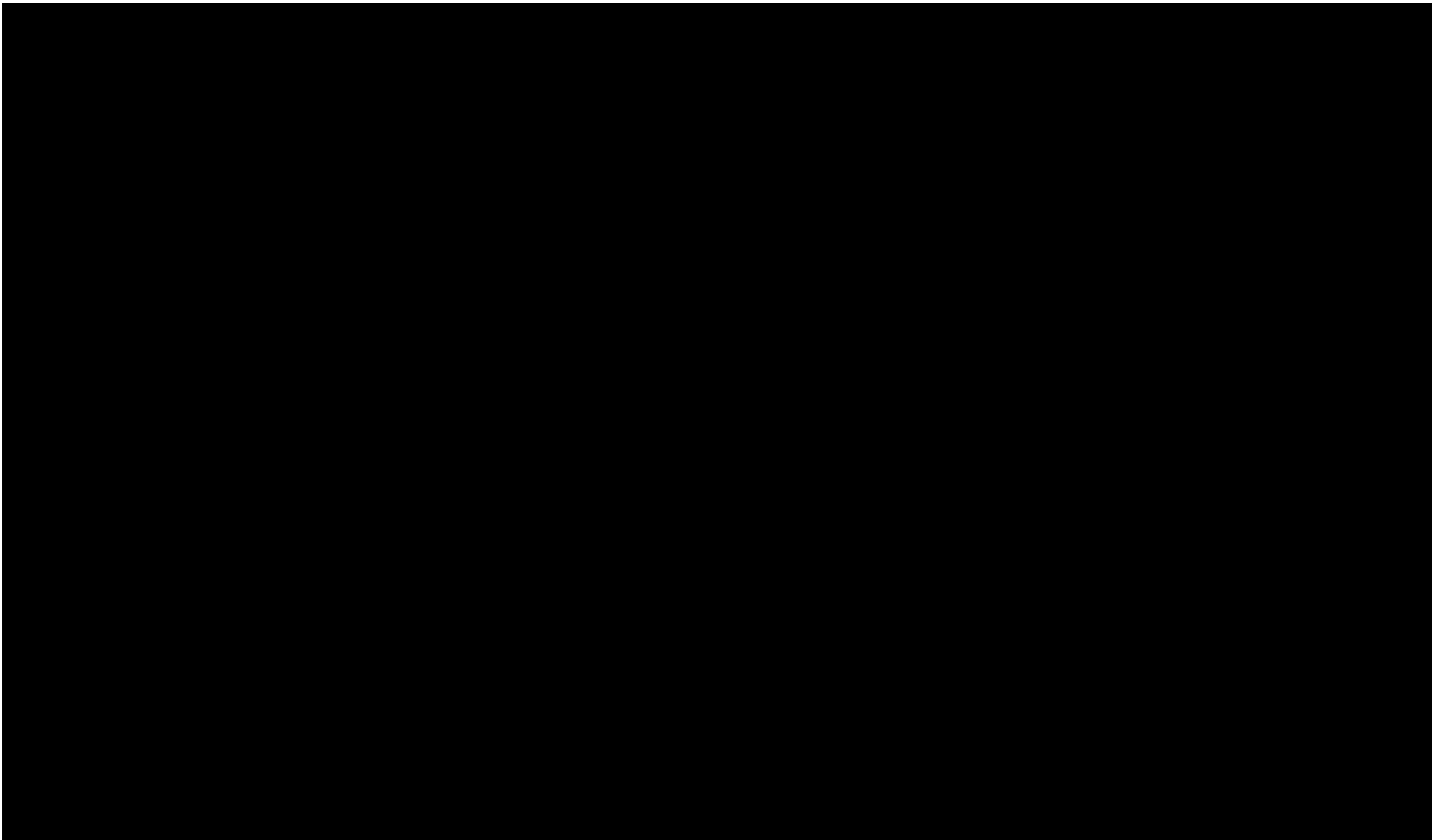
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# Summary: Dx system performance

## Work completed to date has focused on four key areas

- Defining the aspirations for Dx grid performance
- Identifying the right high-level metrics to both drive performance and align us with customer needs / expectations
- Analyzing key drivers of historical performance
- Identifying specific improvement levers

## Going forward, preliminary Dx aspiration is to achieve more customized service aligned with segmented customer needs

## Moving forward, recommend focused effort around SAIFI and CAIDI; with targets varying by customer segment

- SAIFI / CAIDI should be core metrics because they are directly tied to reliability and outage response performance
- Segmented tracking to be done for urban, rural, and LDA customers given difference in customer profiles (to be confirmed via customer segmentation)

## Historical reliability relatively poor, with rural performance significantly impacting system metrics

- 3 yr avg. ('13-'15) overall system SAIFI is 3.04<sup>1</sup>, fourth quartile when compared to CEA peers– driven by rural SAIFI of 8.62
- 60% of non-Force Majeure (FM) SAIFI outages driven by defective equipment, tree contacts, and scheduled outages

## Metric goals will be defined as team refines view around customer needs, optimization of current spend, and evaluation of prudent incremental investments

- BCG has performed conceptual impact estimates leveraging previous industry assumptions
- Unconstrained, preliminary analysis identifies potential for improvement, but need to refine for unique Hydro One system characteristics

1. Includes Loss of Supply, Excludes Force Majeure (FM)

# Dx grid performance aspirations

## From

Consistent **4th quartile reliability** and significant service / quality issues

Small number of **poor-performing feeders** drive disproportionate percentage of SAIFI

**Lengthy outage durations** with limited data on grid operations and low specificity about service restoration timeline

Imperfect visibility into **outage drivers** and **root causes**

## To

Provide **reliability and power quality** aligned with segmented customer needs

- LDAs
- Urban
- Rural

**Limit SAIFI** contribution from worst performing feeders

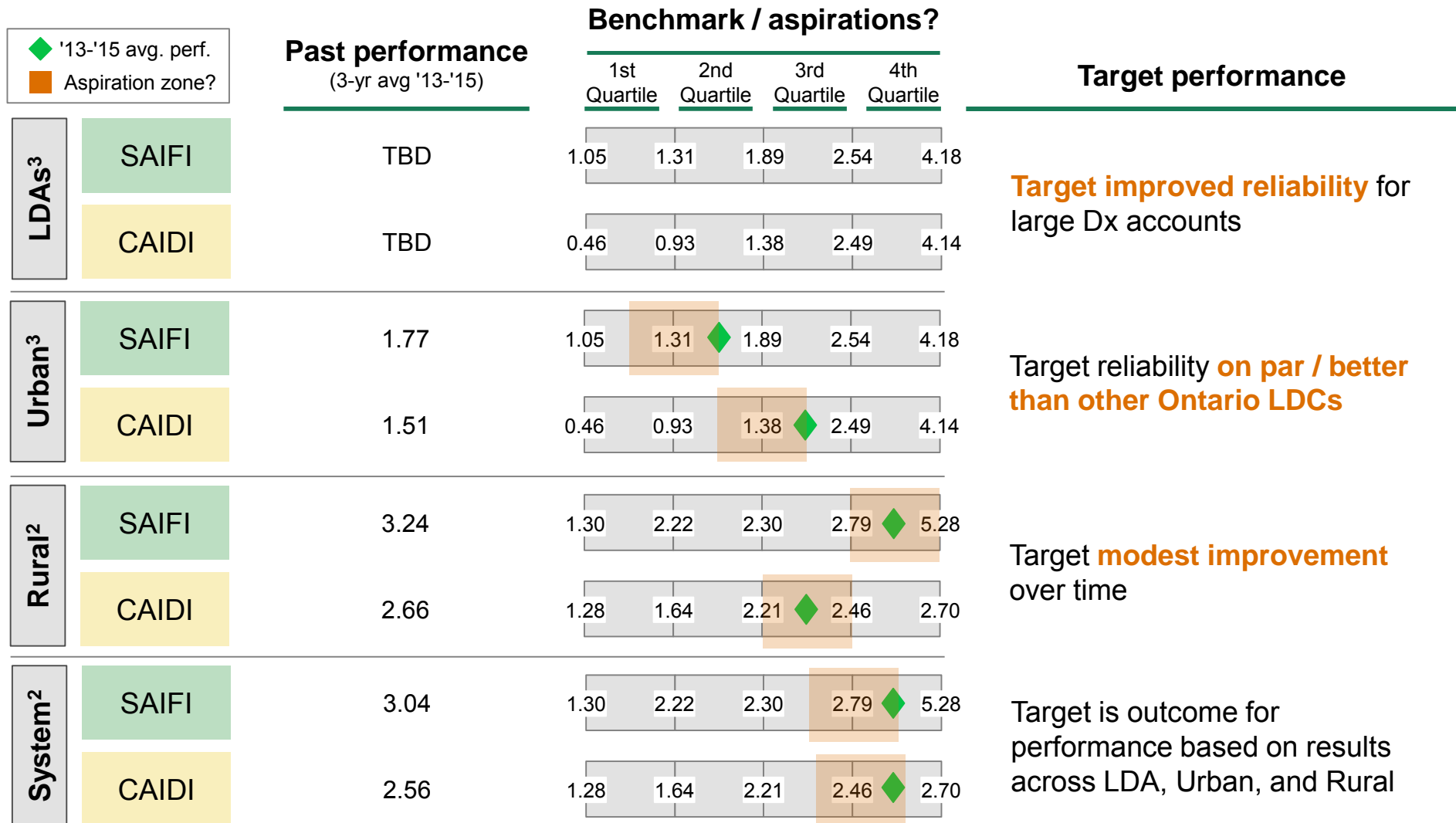
Improve **outage response** by leveraging grid modernization technology

- Reduce response time
- Improve accuracy and communication of Estimated Time of Restoration (ETR)

Enhance **data quality** for analytics

# What are Dx reliability metrics<sup>1</sup> and aspirations?

Depends on customer needs, optimization of current spend, and prudent incremental investment



1. Metrics exclude FM, include LOS, define interruptions as greater than 1 minute, and use the 10% methodology for calculating FM

2. Benchmark is a peer group of Canadian provincial utilities with similar, largely rural service territories as Hydro One

3. Benchmark is a subset of Ontario LDCs chosen because they have similar urban service territories as Hydro One

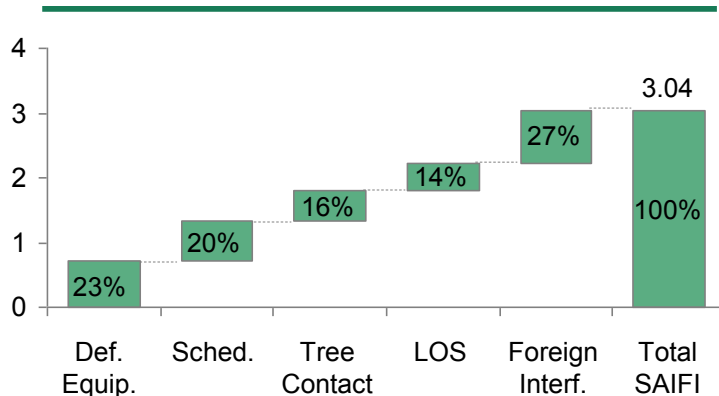


# Baseline performance of key SAIFI and CAIDI drivers

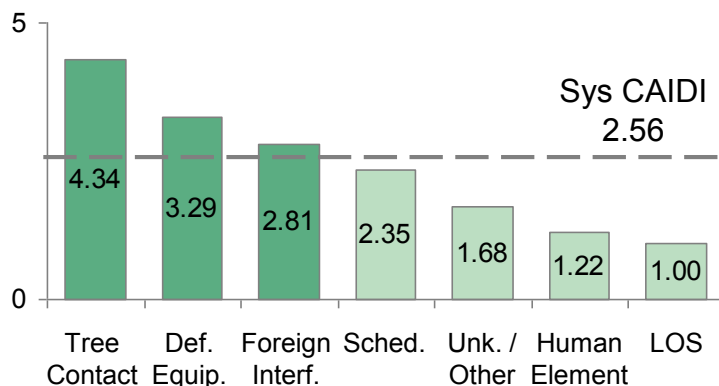
## Baseline performance

(3-yr avg '13-'15)

2015 SAIFI<sup>1</sup>



2015 CAIDI<sup>1</sup>



## Key levers

1 Targeted feeder improvement

2 Targeted vegetation management

3 Tx reliability programs

4 Corrective maintenance prioritization

5 Recloser installation

Other levers for analysis

## Rationale

- SAIFI concentrated in small % of feeders, largely due to defective equipment
- CapEx investments on worst feeders could greatly impact system SAIFI

- Veg outages concentrated in small % of feeders; strategic trim O&M could eliminate veg outages on high risk feeders
- Effective in combination with cyclical trim

- Prioritization by risk and customer impact could enable more efficient use of existing CapEx and O&M spend

- Could limit size and duration of outages
- One of the most cost effective ways to boost reliability in U.S. utility study

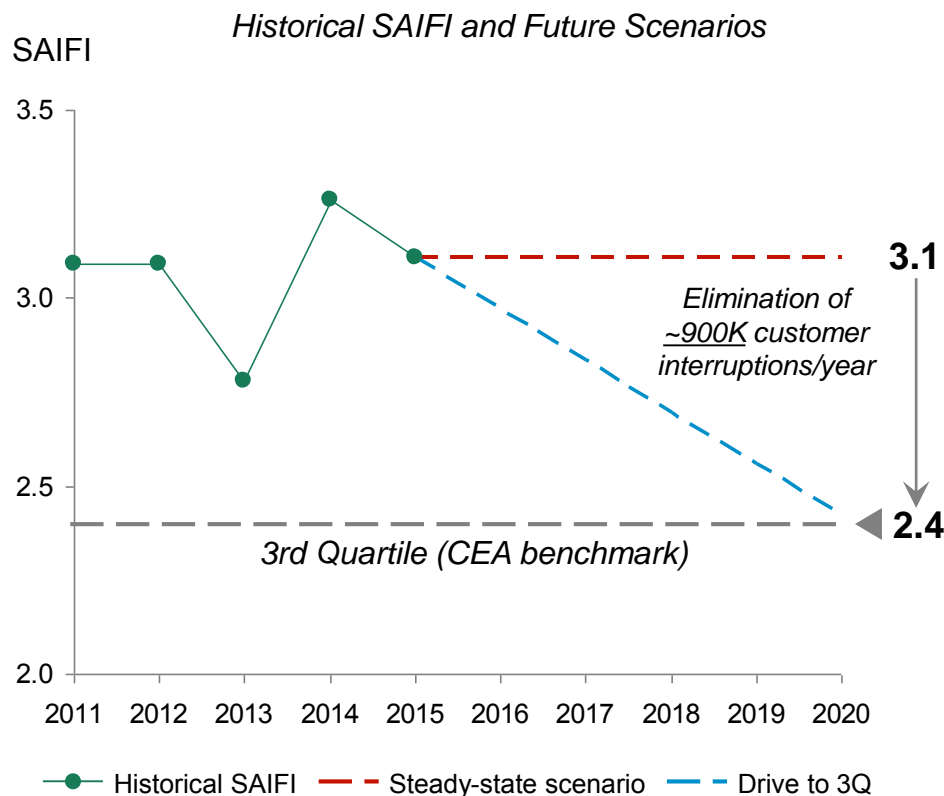
- Schedule optimization
- Grid modernization
- Outage response
- Feeder ties
- Private customer primary taps

1. Data based on a three year average ('13-'15) of historical performance

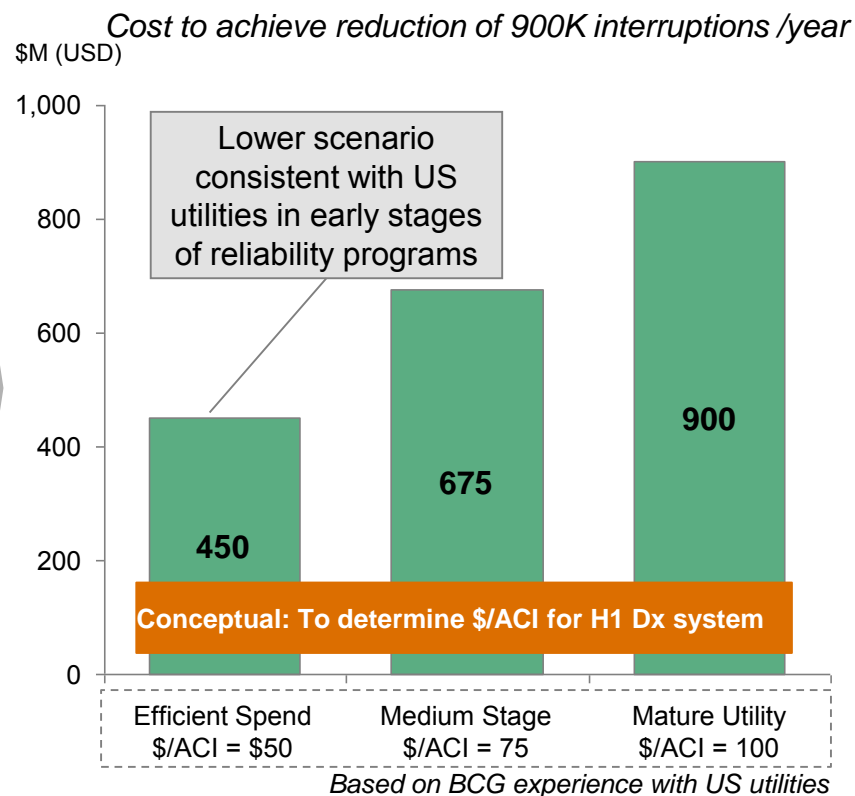
Note: Metrics exclude FM, include LOS, define interruptions as greater than 1 minute, and use the 10% methodology for calculating FM; Source: H1 OMS Data

# What you would need to believe: Conceptual reliability improvement scenarios in different investment assumptions

To reach 3rd quartile, H1 would need to avoid ~900K customer interruptions / yr



Based on BCG data, possible to achieve through dedicated reliability spend

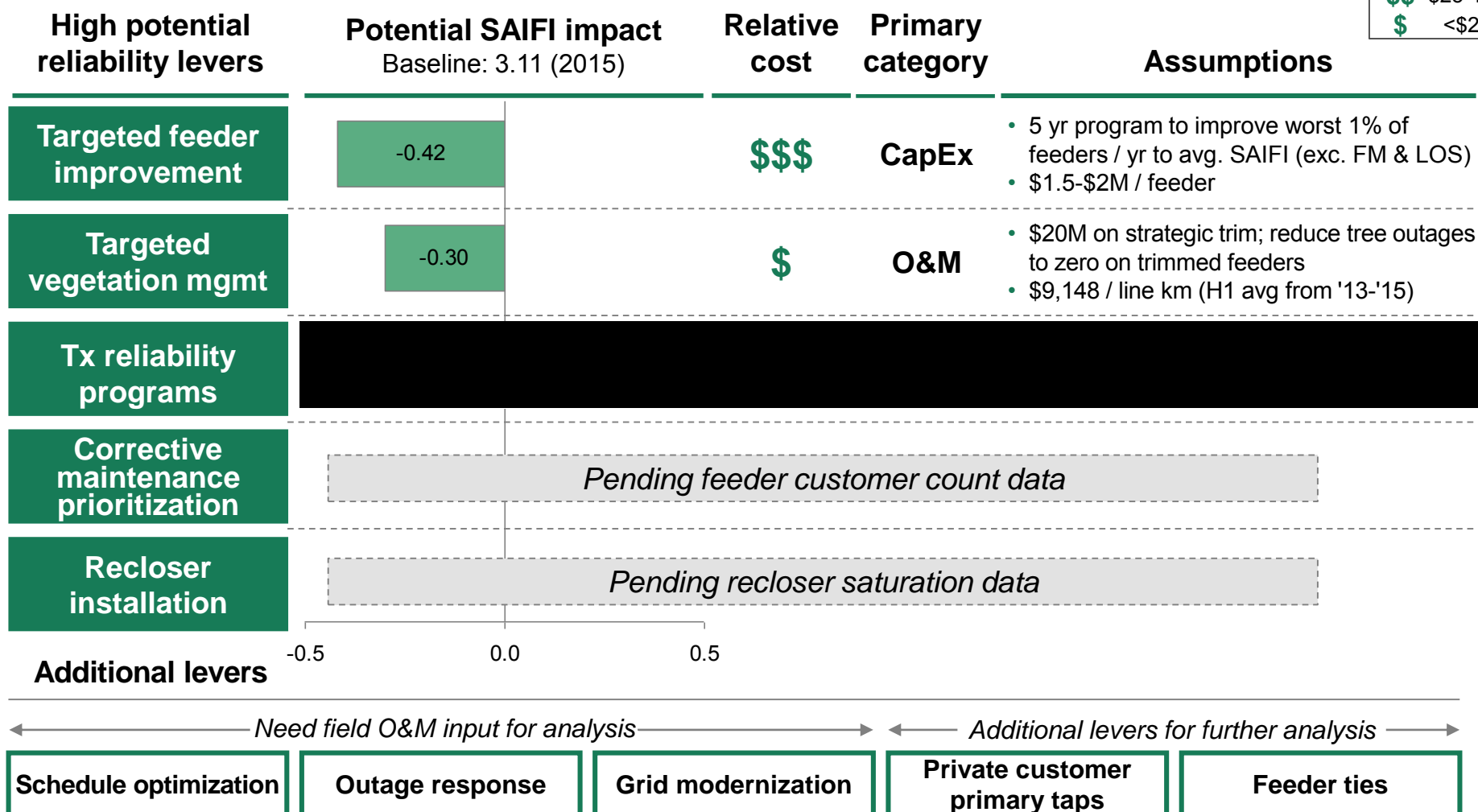


Spend is not fully incremental – may be achieved through re-focusing of existing spend as well as new programs

# What you would need to believe: Reliability levers and potential impact

Conceptual: currently assessing \$/ACI for H1 Dx system

\$\$\$ >\$150M  
 \$\$ \$25-150M  
 \$ <\$25M



1. Worst feeders defined as those with highest average SAIFI over 2013-2015, not including Loss of Supply outages (as LOS is highly variable and not tied to feeder-specific performance)
2. Peer set of 28 Ontario LDCs selected due to similar density to H1 (e.g. Toronto Hydro not included due to high density); Source: Ontario Energy Board 2014 Yearbook
3. \$/ACI estimate based on benchmark of five U.S. utilities; need to perform further analysis to determine most appropriate figures for Hydro One

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# Summary: Customer

## Where we are today

- Overall, Customer satisfaction has declined since '11; Improvement in every segment in '15 but we're not where we want to be
  - Brand perception is low across the board
  - Drivers of dissatisfaction differ by segment
- Internal Hydro One customer groups are at varying levels of advancement to address customer satisfaction
  - No single integrated strategy across segments but some initiatives are already under way for each segment
  - In addition to improving operational performance, we need to address gap between operational performance and customer perception, driven in part by brand perception

## Initiatives for 2016

- We have prioritized a few initiatives for 2016 in order to work towards our 2016 targets, and defined implementation plans
  - Dx satisfaction: Elevated customer commitments, guarantees and targets; launch integrated multi-channel program to close known perception gaps
  - Dx customer IT enablement: My Account eBilling and Advisory, Analytics & Smart Alerts tools



## Our plan for this phase

- Refine and clarify 2016 initiatives and impact aligned with 4 targets for 2016
- We are aligning the customer groups around an overall mission statement and supporting goals
- Each segment is defining the appropriate metrics and targets aligned with those goals, and will identify gaps and near/mid term initiatives to meet those targets

# Where we are today

## Key observations

**Overall, customer satisfaction has declined since '11; Improvement in every segment in '15 but we're not where we want to be**

- Brand perception low across the board
- Drivers of customer dissatisfaction differ by segment

**No single integrated customer strategy across segments**

- Varying levels of advancement by segment

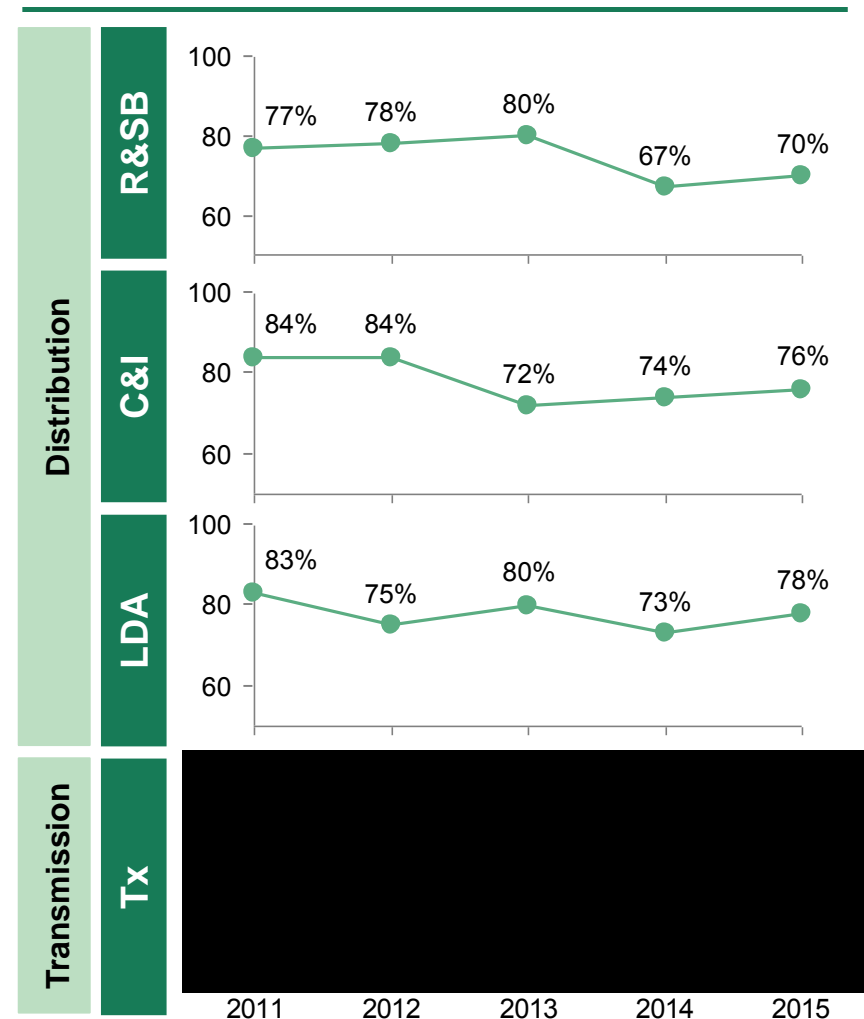
### R&SB and C&I

- Extensive segmentation and research exists
- Key drivers of dissatisfaction include cost and billing
- Focus in 2014 and H1-2015 has been on table stakes following 2013 CIS issues
- Digital engagement strategy developed and under way
- Large gap between operational performance and customer perception, which needs to be addressed

### LDA and Tx

- Current approach is more reactive one-on-one support
- Key drivers of dissatisfaction include reliability, proactive communications, costs and ability to keep commitments
- No formal strategy for improvement exists

## Customer satisfaction



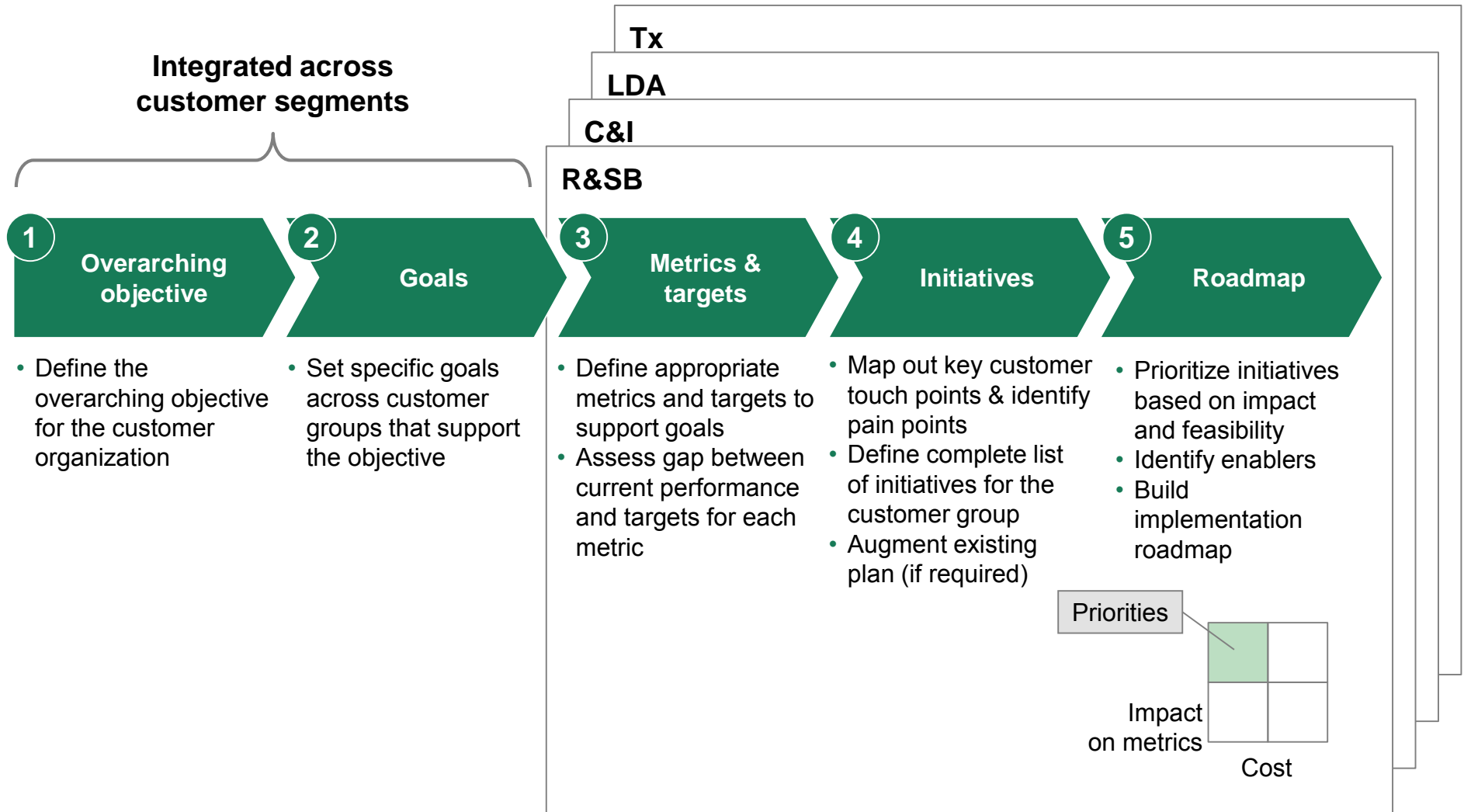
Source: Northstar and Ipsos customer satisfaction perception surveys 2015.

# Key metrics and priority initiatives for 2016

Metric	Measure	Current/Target /Stretch	2016 priority initiatives <sup>1</sup>
Dx Satisfaction	% satisfied of total surveyed (R&SB only)	70% / 73% / 79%	<ul style="list-style-type: none"> <li>Elevated customer commitments, guarantees and targets (e.g., flexible billing window, call center quality program, etc.)</li> <li>Launch integrated multi-channel program to close known perception gaps (e.g. rates/prices, billing and payment, bill accuracy, conservation, outage notification, etc.)</li> </ul>
Dx Customer IT Enablement	Provides Customers tools and technology	None / eBill & high bill alert / eBill & high bill alert & usage analytics	<ul style="list-style-type: none"> <li>My Account eBilling</li> <li>Advisory, Analytics &amp; Smart Alerts tools</li> </ul>
Tx Satisfaction			
Tx Commitments			

1. In addition to refinements to current customer engagement model, e.g., consultations, conference, etc.

# Overall approach for this phase and next steps





# Residential and Small Business Segment – Initiatives prioritization

Ingoing view for Dx pending review of customer pain points

## Customer initiatives

### Residential & Small Business (RSB)

Complete or In-Service:

- A. 'Conservation-First' Pgm
- B. Customer commitments, guarantees
- C. Flexible bill window
- D. Outage alerts (text and email)

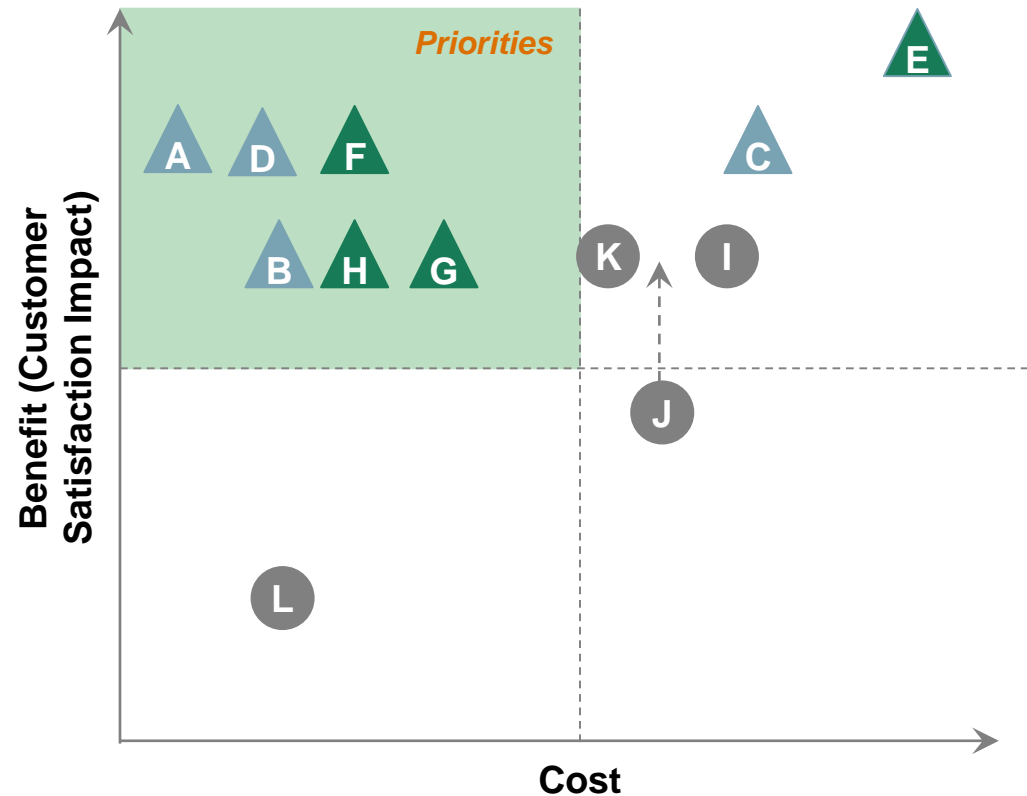
In-Progress

- E. Digital Engagement
  - eBilling (2016)
  - Alerts (2016)
  - Customer / agent analytics (2016)
  - My Account (2017)
- F. Call center quality (2015-2016)
- G. Employee Tools and Engagement (2016)
  - Immersion, call-a-customer
  - Customer-facing employee training program
  - Change management
- H. Journey Mapping (2015-2017)

Not Started

- I. Bill redesign (2017)
- J. Customer Data Analytics (2017)
- K. Regulatory Engagement (2017)
- L. Conditions of service (2016)
- M. Customer communications plan (2016)

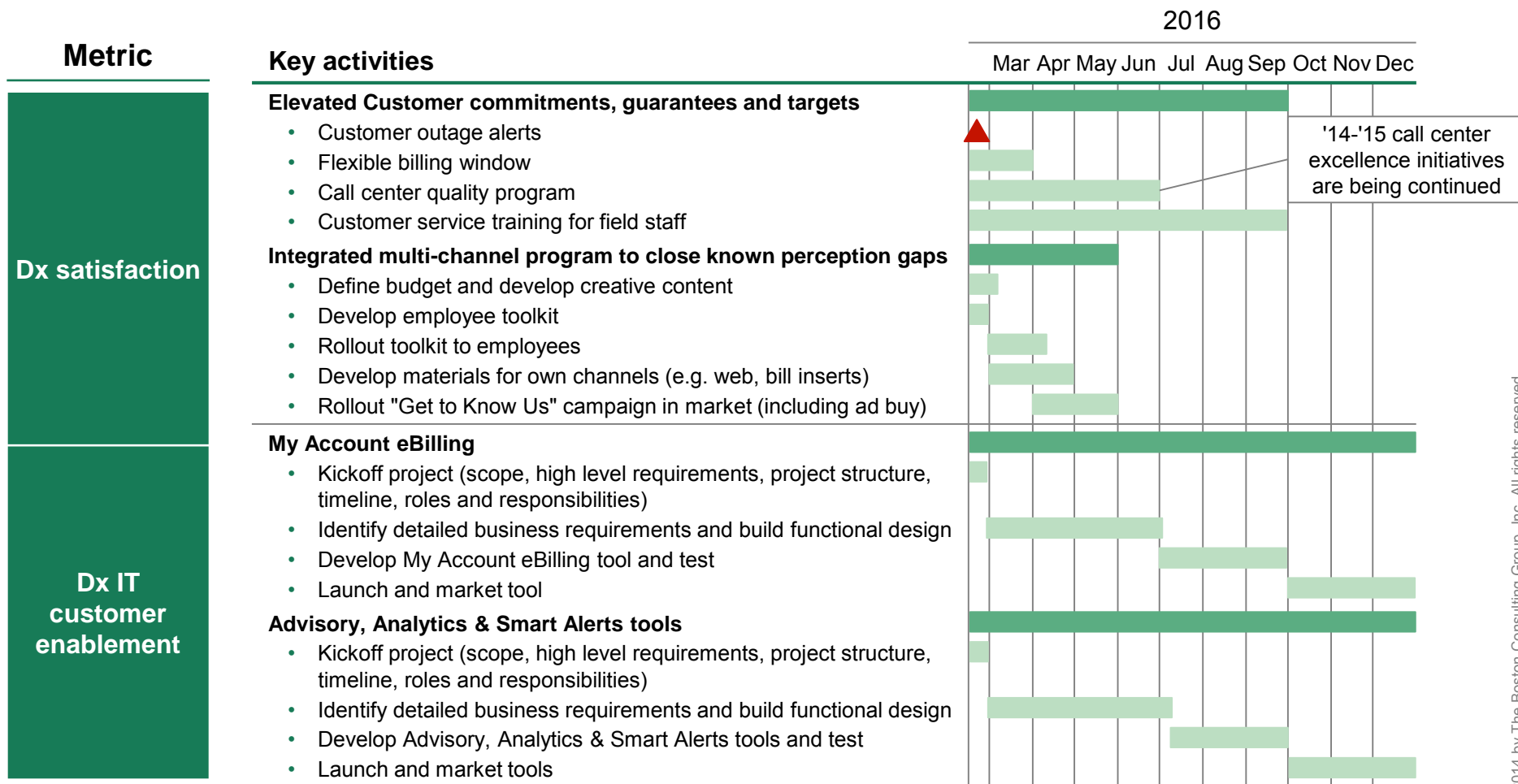
## Cost and expected benefit of in-plan customer initiatives



Equivalent exercise will be undertaken  
for C&I, LDA and Tx groups

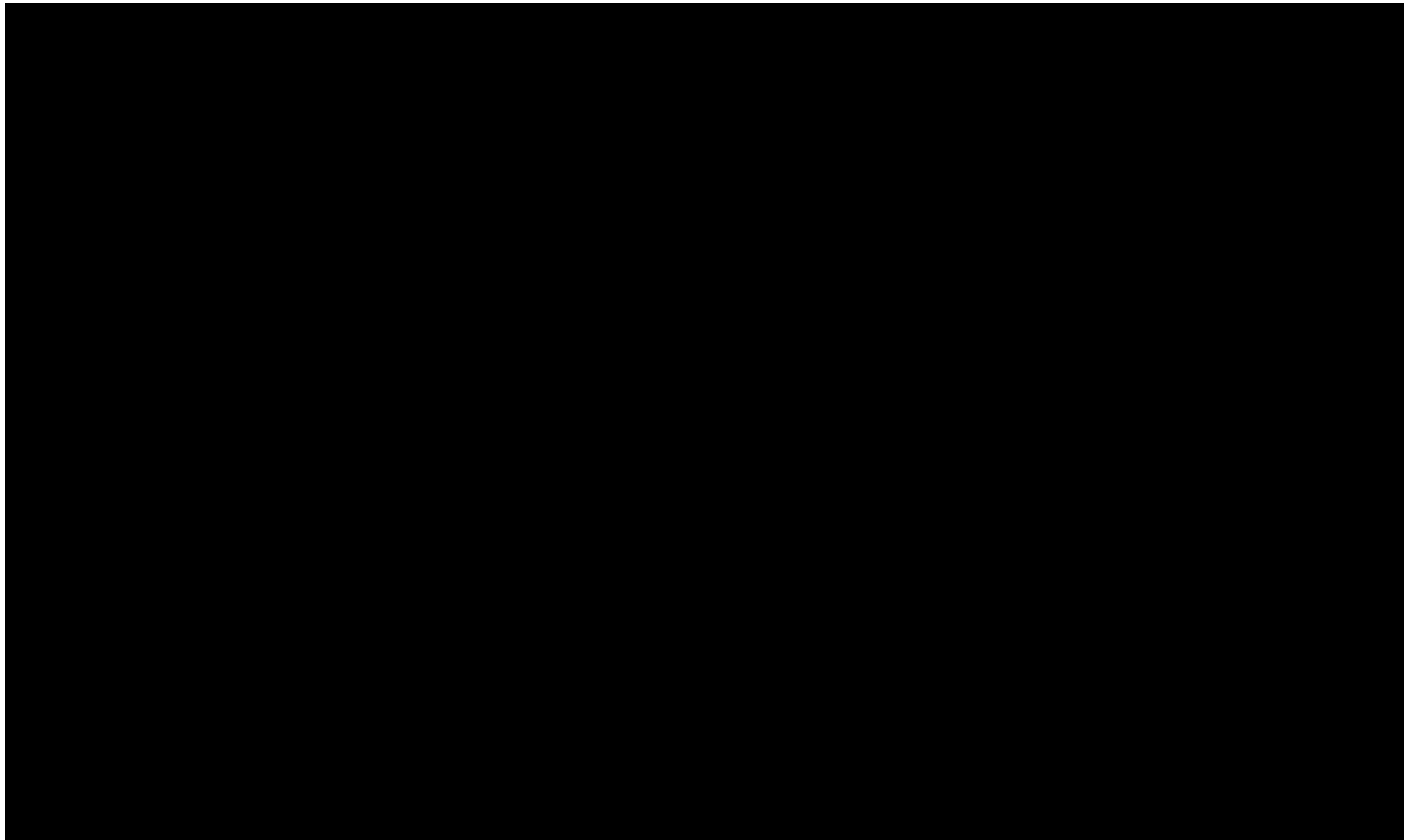
# Plan for 2016 priority initiatives – Dx

Good to Great may identify additional initiatives



# Plan for 2016 priority initiatives – Tx

Good to Great may identify additional initiatives



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• Org effectiveness	Andrew Loh (on behalf of Judy McKellar)	<b>15 min</b> (3:50-4:05)
• Labour strategy	Nadine O'Neill	<b>15 min</b> (4:05-4:20)
• O&M efficiency	Jon Rebick	<b>15 min</b> (4:20-4:35)
• Quick Wins	Stefanie Stocco / Frank D'Andrea	<b>15 min</b> (4:35-4:50)
<b>Wrap-up and next steps</b>	Stefanie Stocco	<b>10 min</b> (4:50-5:00)

# Summary: Capital efficiency

The Capital Efficiency work stream has 3 primary objectives:

- **Optimize the time** required to scope, plan, conceptually design, estimate and approve projects
- **Lower overall cost** to detail design, construct and commission projects
- **Reduce variability in scope, cost, and delivery timing** of projects

To accomplish these objectives, the team has identified three priority areas of focus

- Improve current "Stage Gate" process: Identify opportunities to improve current process for scoping, planning, conceptual designing, estimating and approving capital projects
- Update the "Delivery Model": Develop a strategic methodology to assess which portion of the project portfolio should be outsourced, including design of supporting contracting model(s)
- Enhance "Execution Efficiency": Identify prioritized list of areas for improvement across project execution processes (e.g. construction readiness (drawings / outage, staging and resource plan / material), field productivity, handoff to commissioning)

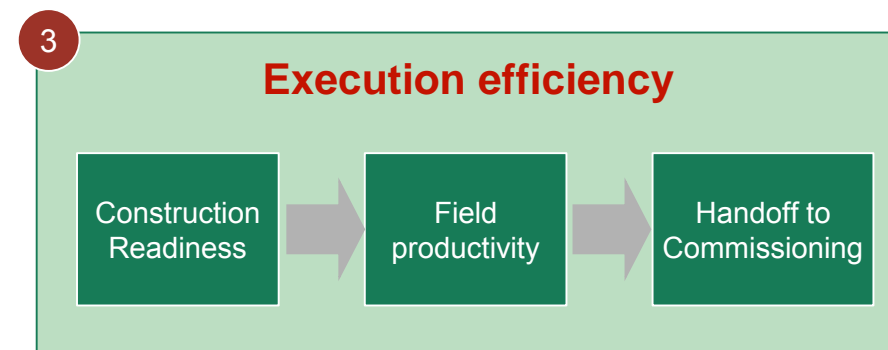
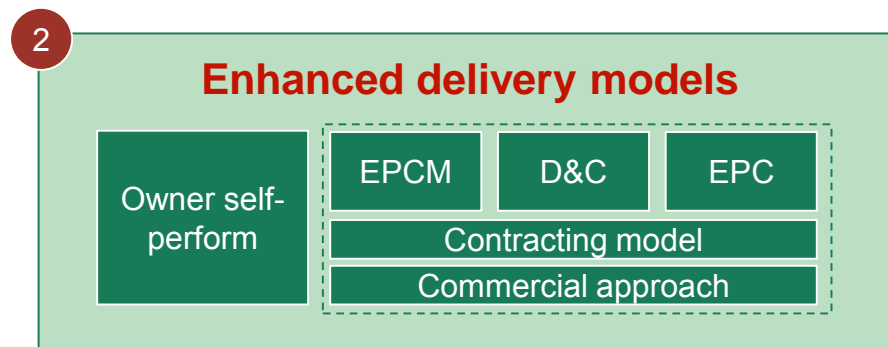
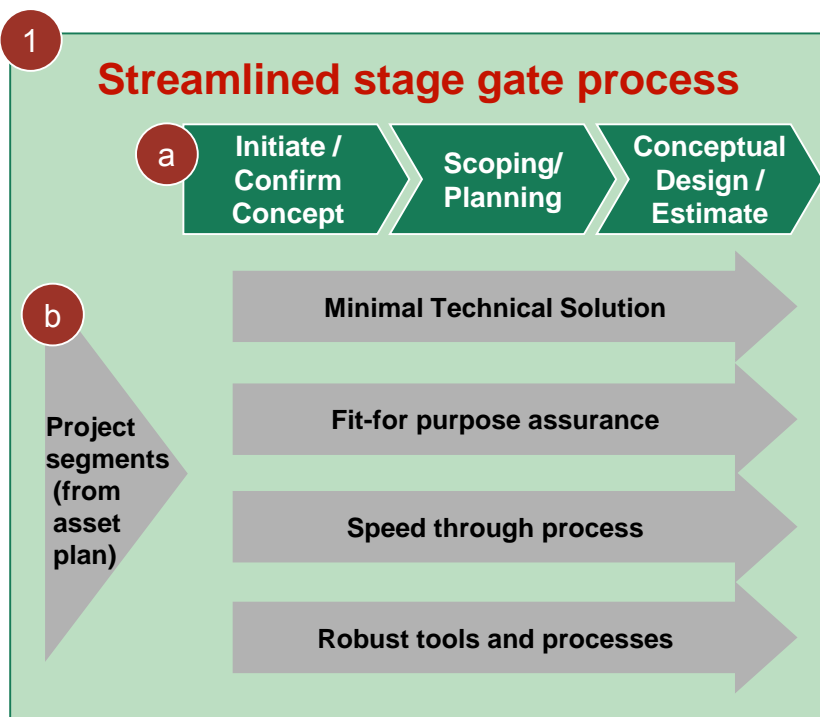
# Three areas of focus for the Capital Efficiency work stream

## Project development

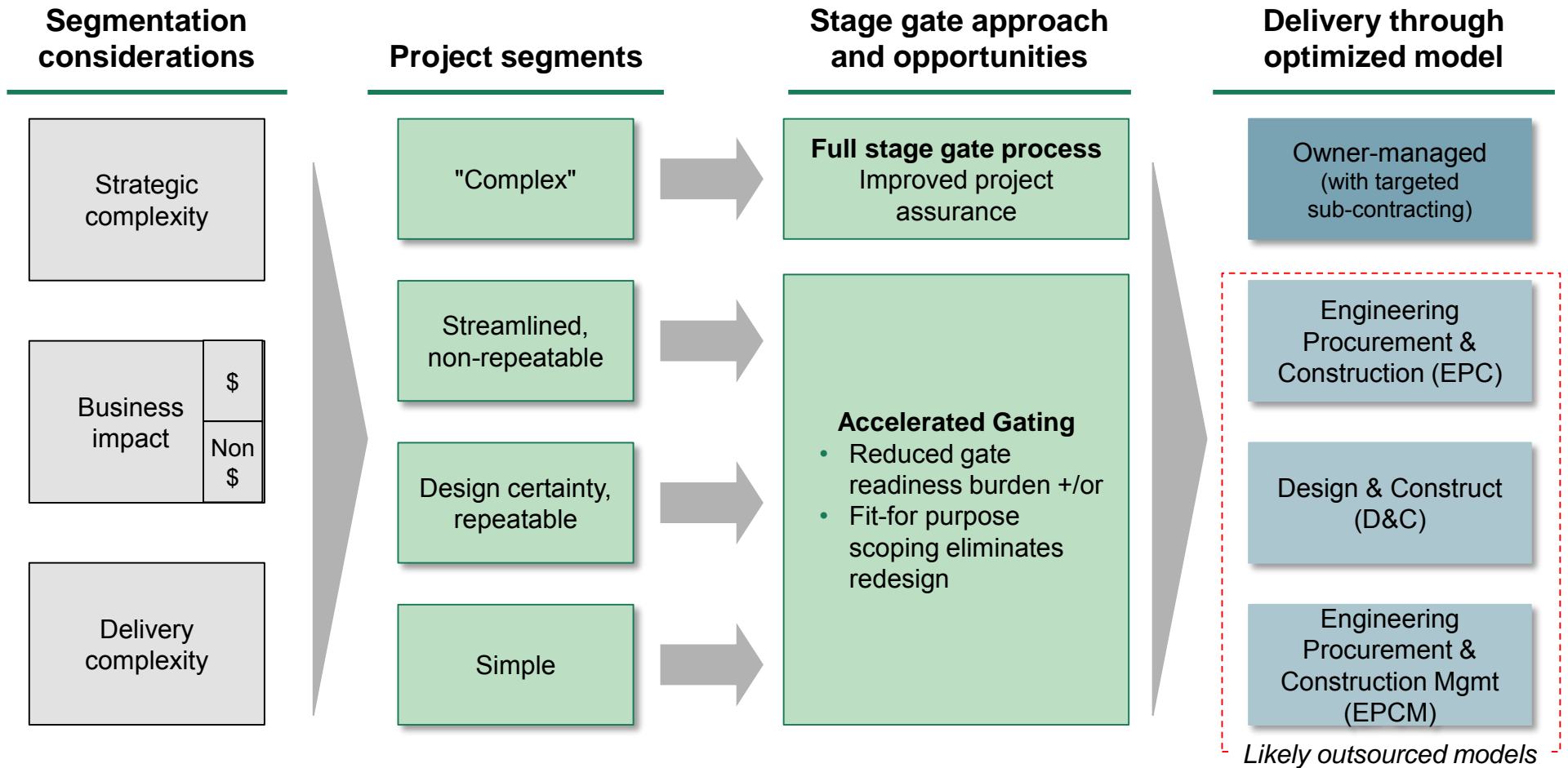
*More (predictable) projects through the pipeline*

## Project delivery

*Enhanced capability to deliver*

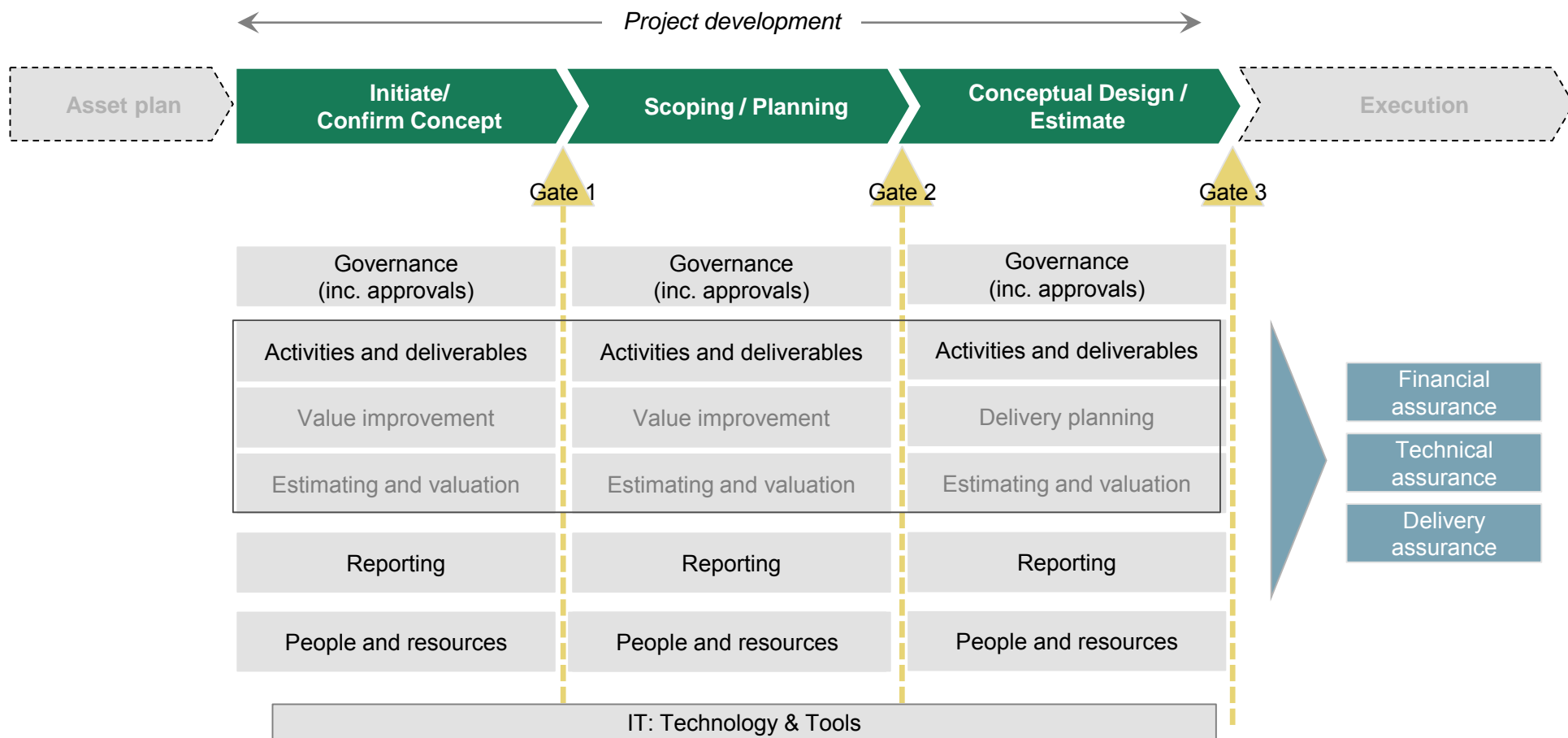


# Segmentation facilitates both a fit-for-purpose gating approach and targeted project delivery model decisions



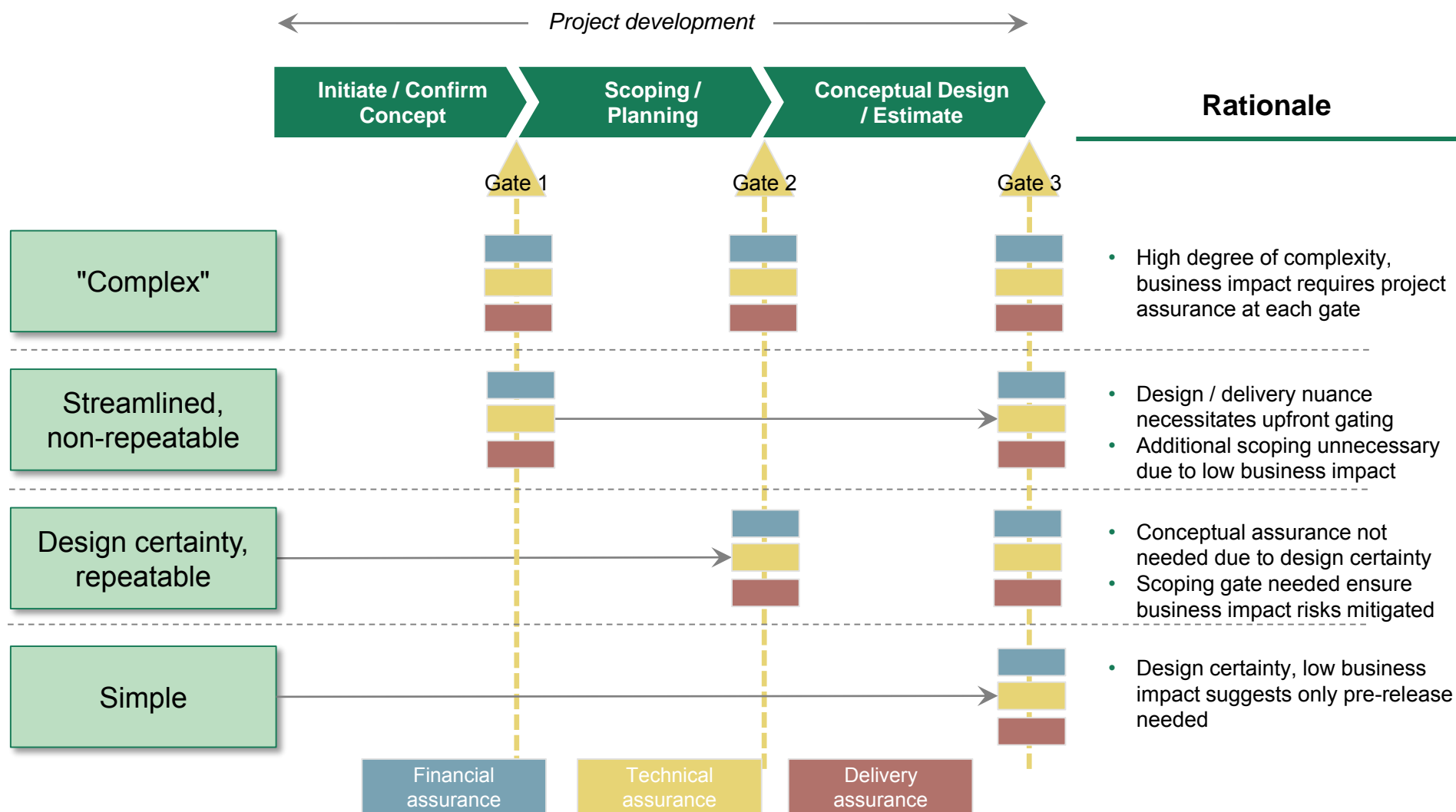
**The team has completed initial segmentation of the project portfolio and will begin developing approach for refinements to stage gate process and delivery model**

# Strengthened three stage gating process proposed





# Fit-for-purpose gating approach by segment



# Variety of appropriate delivery models considered

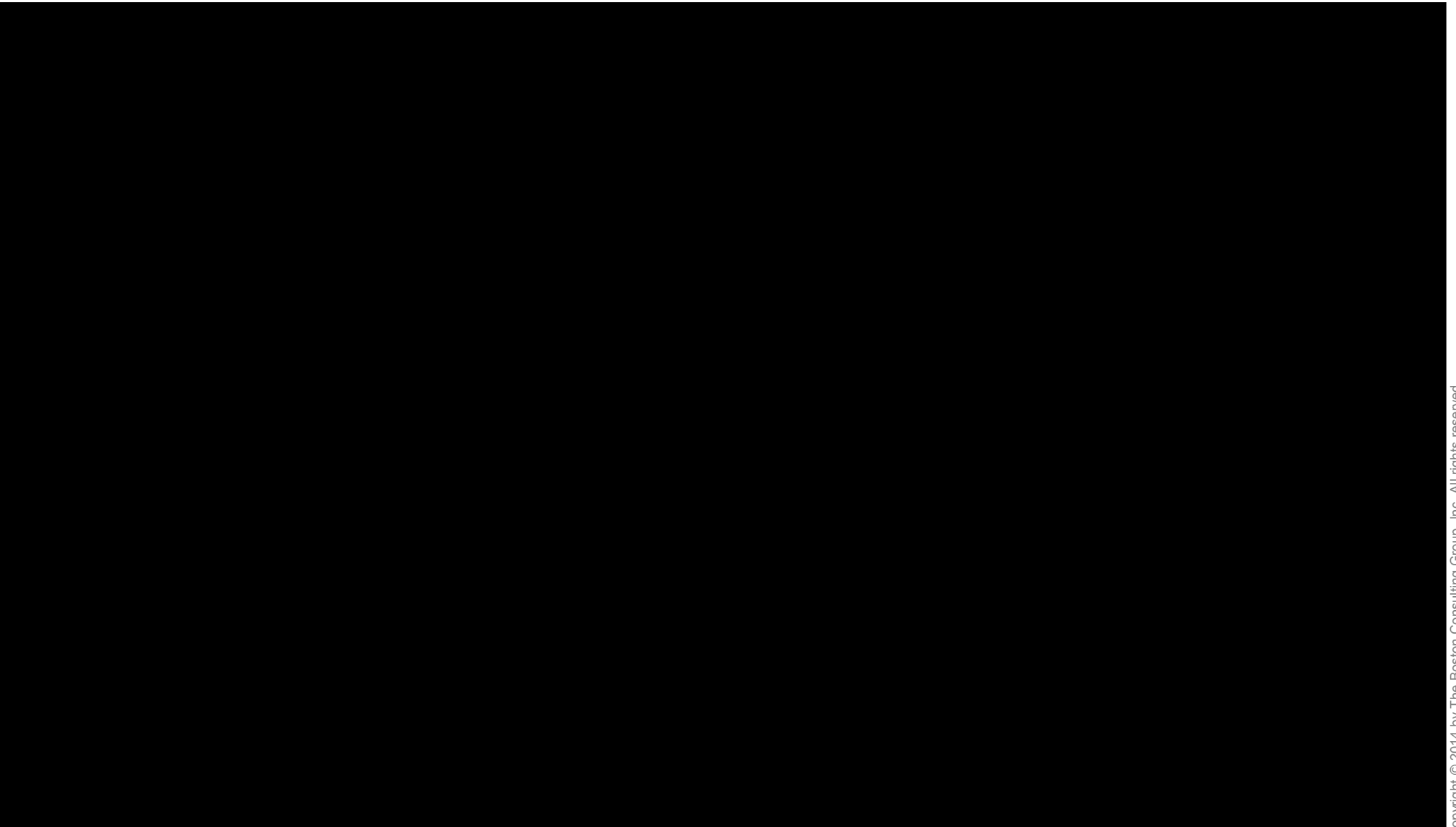
Delivery Activity	Traits	Owner-managed (OM) <sup>1</sup>	Engineering Procurement & Construction Mgmt	Design & Construct	Engineering Procurement & Construction	Build Own Operate / Build Own Operate Transfer
Overall	Typical value driver	System performance	System performance, schedule, cost	Schedule, system performance, cost	Schedule, cost, system performance	Moving scope off balance sheet
Engineering	Ability to influence design	High	High	Up to detailed design	Early design input only	Minimal
Procurement	Ability to influence procurement (e.g. free issue, strategic sourcing)	High	High	Medium	By exception	By exception
Construction	Transfer of productivity risk	Low – in contracting model only	Low – in contracting model only	Medium	High – market dependent	High – market dependent
	Ability to influence constr. methodology	High	High	Medium	Early input only	Low
	Ability to influence contract packaging	High	High	Low - by exception	Low	No
	Ability to influence schedule (e.g. early works, putting on hold)	Yes	Yes	Limited (claim implications)	Limited (claim implications)	Limited (claim implications)
O&M	Ownership of operations	Owner	Owner	Owner	Owner	Transfer over agreed time

Unlikely fit

1. Includes integrated team

# Opportunity to shift delivery model in certain segments

# Initial Tx Capital project segmentation: Detailed breakdown



1. Based on total project size 2. Annualized spend for programs

Good to Great SCM 1 PreRead 9Feb2016.pptx

# Our agenda for today

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# Procurement: Summary

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**The procurement team is working towards identifying opportunities to reduce procurement costs to support Hydro One's growth strategy**

**Procurement spend was bucketed into 22 sourceable categories to establish 2015 baseline and to identify level of controllable spend in each category**

**3 types of efficiency levers are being utilized to determine level of addressable spend in each category and to highlight high potential categories**

**Team has completed initial lever assignment for each category. Next steps will focus on identifying level of addressable spend for each category and initial prioritization**

**At the Feb 25 Steer Co, the team will present its recommendation for categories to be launched as part of Wave 1 in Q1 2016**

# Procured spend baseline: \$2.8B total, \$1.4B controllable

Defined 22 sourceable categories to structure waves of sourcing events

## 2015 Total Spend (\$M)

2,755

**Inergi  
(\$195M)**

**Uncontrollable<sup>1</sup>  
(\$1,200M)**

Taxes,  
Administrative,  
Independent  
Electricity System  
Operator (IESO),  
OEFC Debt  
Retirement,  
OEB Fees,  
Utility Charges

**Controllable  
(\$1,360M):**

**OM&A:  
~\$360M**

**CAPEX;  
~\$1,000M**

Category	Spend (\$M)	Description
<b>Equipment &amp; Hardware</b>	<b>259</b>	Hardware (e.g. cables, fuses, insulators, switches, conductors, etc.)
<b>Fleet</b>	<b>148</b>	Fuel and maintenance services (e.g. ARI contract), and all light and heavy duty vehicles
<b>Engineering Services</b>	<b>135</b>	Cost-plus engineering and project management services and turnkey contracts
<b>Transformers</b>	<b>118</b>	Power, station, pad, pole, and instrument transformers and transformer parts
<b>Construction Services</b>	<b>91</b>	Cost-plus construction services and turnkey contracts
<b>Telecom</b>	<b>73</b>	"Hydro One Telecom" network equipment and corporate telecom services
<b>Equipment Rentals</b>	<b>69</b>	Operated or non-operated equipment ranging from light equipment to cranes
<b>Professional Services</b>	<b>64</b>	Finance, HR, legal, marketing, consulting and other professional services
<b>Staff Augmentation</b>	<b>60</b>	External contract staff utilized across IT, finance, legal, etc.
<b>Facilities Management</b>	<b>51</b>	Upkeep and management of Hydro One properties, primarily Brookfield
<b>Environmental Services</b>	<b>42</b>	Environmental services including hydrovac and remediation services
<b>IT Software</b>	<b>40</b>	Software applications, licenses, maintenance, and support
<b>Meters &amp; Parts</b>	<b>37</b>	Metering equipment and additional parts, primarily Trilliant
<b>IT Hardware</b>	<b>29</b>	Servers, personal computers, cables, and other hardware
<b>Transportation Services</b>	<b>27</b>	Transport and freight costs including trucking, rail, air, and barge
<b>Remotes Supply Fuel</b>	<b>27</b>	Fuel consumed by power generation for Remotes
<b>Wood Poles</b>	<b>20</b>	Wooden utility poles, supplied by Stella Jones
<b>Steel Fabrications</b>	<b>18</b>	Steel fabrications and parts for transmission towers and structures
<b>Travel &amp; Entertainment</b>	<b>17</b>	Air, rail, and vehicle transportation, hotels, and other reimbursable travel expenses
<b>PCT in a box</b>	<b>16</b>	PCT equipment and control panels, primarily by Virelec and Custom Control Panels
<b>Mailing &amp; Courier Services</b>	<b>13</b>	Postage and shipping services primarily for billing
<b>Office Products &amp; Supplies</b>	<b>6</b>	Furniture, printing, and office supplies

**As part of spend cube development, team was able to:**

- review and categorize ~\$160M of previously uncategorized spend
- correct over 350 suppliers that were partially or entirely mis-categorized

1. Items where no procurement event occurs  
Source: Hydro One Jan 1, 2015 – Dec 31, 2015 total spend

# 3 types of levers will be explored to identify addressable spend and to prioritize categories

Lever Type		Description	Select Hydro One examples	
			Category	Lever
1	1a Contract Negotiation	Go to market to negotiate lower cost contracts leveraging competition and volume where possible	Equipment & Hardware	Consolidate spend through a <b>single competitive basket RFP</b> , leveraging distributor scale for General Hardware
	1b Contract Optimization	Identify opportunities to reduce costs in existing or captive contracts	Fleet	<div></div> <div></div> <div></div> <div></div>
2 Specification or Service Level Rationalization		Lower costs by rationalizing material /component specifications, lowering complexity of goods or by reducing scope of services	Transformers	<b>Standardize / rationalize</b> specifications of high volume transformer components to "fit for purpose" levels
3 Demand or Consumption Controls		Decrease the internal demand or consumption of goods or services	IT Software	<b>Decrease active software licenses</b> across ~60 software suppliers (e.g. remove dormant accounts or functionally duplicative items)

**Hydro One already utilizes many of these levers, but we are exploring where opportunities exist to improve further**








# Potential actions across range of sourcable categories (I/II)

Key next step is to size and validate savings opportunity

	Spend (\$M)	OM&A %	Proposed actions	
Equipment & Hardware	259	5%	General Hardware	<ul style="list-style-type: none"> <li>Assess opportunity to consolidate spend in <b>single competitive RFP</b>, leveraging distributor scale</li> <li>Establish <b>standard catalog pricing</b> (e.g. "off the shelf") for high volume items</li> <li>Investigate <b>spec harmonization</b> to leverage fewer specs at higher volumes</li> <li>Develop policies to <b>reduce P-Card spend</b> and to enforce <b>contract compliance</b> through preferred vendors</li> </ul>
			Electrical Hardware	
			Engineered Equipment	<ul style="list-style-type: none"> <li>Assess opportunity to consolidate spend in <b>single competitive RFP</b>, leveraging distributor scale</li> <li>Investigate opportunities to leverage <b>lowest cost country sourcing</b></li> <li>Utilize <b>volume discount agreements</b> to maximize strategic supplier savings</li> </ul>
Fleet	148	10%		<ul style="list-style-type: none"> <li>Review potential to <b>rationalize light vehicle fleet</b> by utilizing telematics systems</li> </ul>
Engineering Services	135	0%		<ul style="list-style-type: none"> <li>Support development of <b>E&amp;C business model and commercial strategy</b> by informing range and economics of <b>external market supply options vs. current mix</b></li> <li>Investigate opportunities to reduce change order costs by utilizing a <b>budget based cost-plus model with incentives</b> for project execution</li> </ul>
Transformers	118	0%		<ul style="list-style-type: none"> <li>Assess opportunity to <b>launch competitive RFP</b> across sub-categories to consolidate supplier base and leverage scale; develop / enhance <b>strategic supplier contracts</b> where appropriate</li> <li>Review options to <b>standardize / rationalize</b> specifications of high volume transformer components</li> <li>Increase utilization of <b>volume discount agreements</b> to maximize strategic supplier savings</li> </ul>
Construction Services	91	20%		<ul style="list-style-type: none"> <li>Investigate potential to consolidate vendors across regions to <b>leverage volume discounts</b></li> <li>Assess opportunity to <b>launch competitive RFP</b> leveraging "best-of-best" across base rates, overheads, accessorial charges, and profit margins</li> <li>Ensure <b>coordination with Engineering Services</b> business model and commercial strategy</li> </ul>

# Potential actions across range of sourcable categories (I/II/III)

Key next step is to size and validate savings opportunity

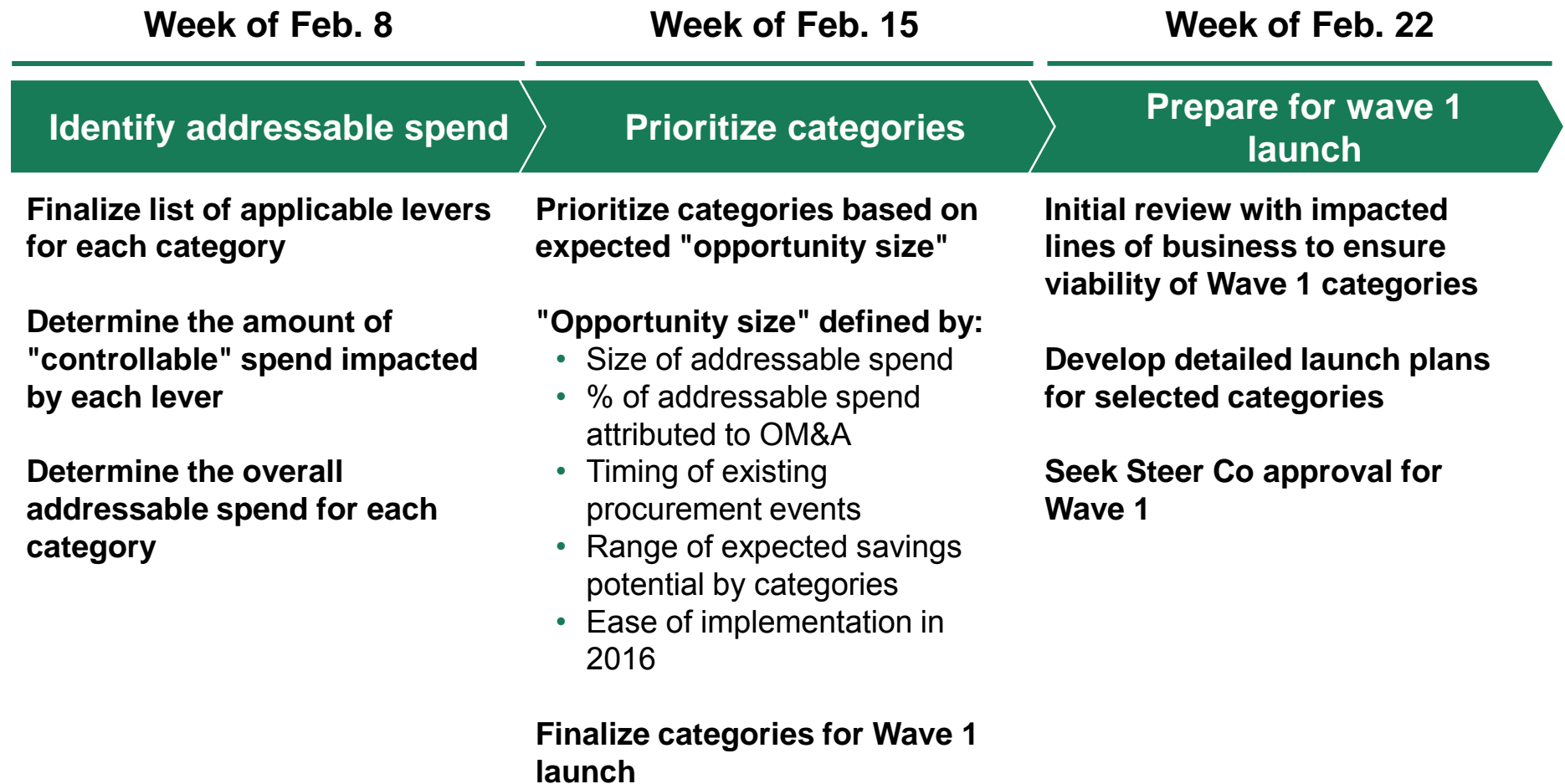
	Spend (\$M)	OM&A %	Proposed actions	
Telecom	73	75%	Corporate Telecom Usage	<ul style="list-style-type: none"> <li>Identify opportunities to <b>disconnect dormant equipment, lines, and services</b></li> <li>Assess <b>telecom policies</b>, e.g., hardware and reimbursable services</li> <li>Assess ability to move to <b>lower cost enhanced services</b> (e.g. enable remote access)</li> </ul>
			Hydro One Telecom Network	<ul style="list-style-type: none"> <li>Determine ability to <b>leverage full volume</b> across "Hydro One Telecom" network to negotiate better rates for carrier services and network equipment</li> </ul>
Equipment Rentals	69	15%		<ul style="list-style-type: none"> <li>Assess opportunity to <b>consolidate vendors</b> and <b>negotiate better rates</b> with preferred suppliers</li> <li>Develop policies to <b>enforce sourcing from preferred vendors</b> to ensure best price</li> <li>Assess <b>utilization of equipment rentals</b> to identify opportunities to decrease demand</li> </ul>
Professional Services	64	95%		
Staff Augmentation	60	20%		<ul style="list-style-type: none"> <li>Review ability to <b>rationalize discretionary spend</b> (as part of "quick wins" stream)</li> </ul>
Facilities Management	51	65%		<ul style="list-style-type: none"> <li></li> <li></li> <li></li> <li>Evaluate opportunity to run <b>competitive RFP</b> on services not provided by </li> </ul>
Environmental Services	42	35%		<ul style="list-style-type: none"> <li>Assess opportunity to <b>launch competitive RFP</b> leveraging "best-of-best" across base rates, overheads, accessorial charges, and profit margins</li> <li>Identify projects or services where it is possible to <b>negotiate fixed prices</b> for well defined work scopes</li> <li>Ensure <b>coordination with Engineering Services</b> business model and commercial strategy</li> </ul>
IT Software	40	85%		<ul style="list-style-type: none"> <li>Assess potential to <b>rationalize software licenses</b> (e.g. dormant accounts or functionally duplicative) across ~60 software suppliers</li> <li>Assess potential to <b>switch to cloud solutions</b> (in particular enterprise applications)</li> </ul>
Meters and Parts	37	20%		<ul style="list-style-type: none"> <li>Limited opportunity due to  contract</li> </ul>

# Potential actions across range of sourcable categories (II/III)

Key next step is to size and validate savings opportunity

	Spend (\$M)	OM&A %	Proposed actions
IT Hardware	29	20%	<ul style="list-style-type: none"> <li>Develop policies to <b>ensure best negotiated vendor rates are utilized</b> and reduce P-Card spend</li> <li>Assess ability to <b>decrease hardware requirements</b> by data center consolidation, data center cloud outsourcing, standardization of servers and platforms, virtualization, and increasing utilization</li> </ul>
Transportation Services	27	20%	<ul style="list-style-type: none"> <li>Assess opportunity to <b>consolidate vendors</b> and <b>negotiate better rates</b> with approved suppliers</li> <li>Assess opportunity to <b>improve utilization</b> (e.g., backhaul) to improve cube volume efficiency</li> <li>Examine ability to <b>improve fuel model structure</b> in trucking contracts based on decomposed rates</li> </ul>
Remotes Supply Fuel	27	100%	<ul style="list-style-type: none"> <li>Limited impact due to remote limitations</li> </ul>
Wood Poles	20	0%	<ul style="list-style-type: none"> <li>Evaluate options to identify competitors and <b>run competitive RFP</b></li> <li>Evaluate options to <b>optimize contract with</b> [REDACTED]</li> <li>Assess potential for <b>warehouse / inventory optimization</b></li> </ul>
Steel Fabrications	18	0%	<ul style="list-style-type: none"> <li>Assess opportunity to <b>consolidate vendors</b> and <b>prenegotiate rates</b> for most common structures and parts</li> <li>Introduce consultation in buying process of less common parts to <b>increase competitiveness</b></li> </ul>
Travel & Entertainment	17	100%	<ul style="list-style-type: none"> <li>Review opportunity to <b>establish preferred vendor agreements</b> with key carriers and travel providers</li> <li>Develop <b>travel &amp; expense policies</b> (e.g. class of fare) that match to benchmark levels</li> <li>Enforce usage of travel portal to <b>ensure travel policy compliance</b></li> </ul>
PCT in a box	16	0%	<ul style="list-style-type: none"> <li>Examine ability to <b>optimize contracts</b> ([REDACTED]) to <b>ensure pricing competitive</b> ("should-cost" benchmarks)</li> </ul>
Mailing & Courier Services	13	100%	<ul style="list-style-type: none"> <li>Accelerate <b>shift to electronic billing</b></li> </ul>
Office Products & Supplies	6	95%	<ul style="list-style-type: none"> <li>Assess opportunity to <b>launch competitive RFP</b> across: Furniture, supplies, printing</li> </ul>
<b>Total</b>	<b>1,360</b>	<b>~25%</b>	

# Path to Feb. 25th steering committee



# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b>	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (2:00 – 2:10)
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# People baseline: ~\$1.4B labour across ~8,300 headcount

Based on regular + non-regular + outsourced employee base







		Regular only <sup>1</sup>		Regular + non-regular <sup>2</sup>		Regular + non-regular + outsourced <sup>3</sup>			
		\$M <sup>5</sup>	Headcount <sup>6</sup>	\$M <sup>5</sup>	Headcount <sup>6</sup>	\$M <sup>5</sup>	Headcount <sup>6</sup>	Validation	
Corporate functions	IT <sup>10</sup>	32.0	165	32.8	175	114.8	475	✓ <sup>6</sup>	
	Finance <sup>7</sup>	22.1	126	23.2	142	38.7	239	✓	
	Health, Safety and Env.	33.8	185	34.6	196	34.8	197	✓	
	Supply Chain	7.2	44	8.1	60	41.9	148	✓	
	HR <sup>8</sup>	9.5	58	10.0	66	10.0	66	✓	
	Real Estate	7.6	48	8.7	63	9.0	65	✓	
	Corporate Relations <sup>9</sup>	5.8	33	6.6	46	6.6	46	✓	
	Other <sup>4</sup>	22.3	102	22.7	110	23.5	114	✓	
Corp. functions		140.3	761	146.8	858	279.3	1,350		
Operations	Lines and Forestry	449.2	2,329	484.4	2,822	484.4	2,822		
	Construction	35.4	196	153.6	1,540	153.6	1,540		
	Stations	236.7	1,210	245.8	1,345	245.8	1,345		
	Fleet	12.3	68	14.8	99	57.8	390	✓	
	Engineering	62.1	353	64.2	383	64.3	384		
	Planning	37.9	211	39.7	239	44.1	257		
	Customer Service	25.7	134	32.9	208	32.9	208		
	Remote Comm.	9.9	46	10.4	52	10.4	52		
	Operations	869.1	4,547	1,045.7	6,688	1,093.3	6,998		
Total	\$1,009.4M		5,308	\$1,192.6M		7,546	\$1,372.7M		8,348
		+ \$183M 2,238 HC		+ \$180M 801 HC				Excludes expected non-regular hires of ~2000 in peak months	
		+ \$363M 3,040 HC							

1. Includes Regular and Executive employees only 2. Includes all employee types: Regular, Executive, Casual, Temporary and Probationary employees as of Jan. 15 2016 3. Adds Inergi and staff augmentation to H1 total for all employee types 4. Includes Strategy, Risk, Pension, Business Performance, Legal, Board Relations, Regulatory and Executive 5. Fully loaded people cost including all additional pay, pension and benefits 6. Headcount represents people within functions as of Jan. 15 2016 6. IT baseline validation underway 7. Excludes Regulatory, which is allocated to Other 8. Excludes Health, Safety and Env. 9. Excludes customer service 10. Excludes Telecom

Note: Data as of Jan. 15 2016. Includes employees on LOA. Relief and rotations allocated to function where employee sits as of Jan. 15 2016. Does not include vacant positions. Telecom excluded from total. HC refers to Headcount.

Source: Hydro One, BCG Analysis

# Org effectiveness analysis being completed

	Spans & Layers	FTE benchmarking	Effectiveness diagnostic
	Assess and benchmark spans of control of people managers to identify areas of focus for mgmt consolidation	Conduct benchmarking of support ratios to identify focus areas for efficiency assessment	Identify pain points and specific actions to improve org. effectiveness and achieve productivity gains
Corporate Functions			
Operations			 <p>Effectiveness diagnostic for Operation on management structure only. Field workforce covered by other work streams:</p> <ul style="list-style-type: none"> <li>• Asset management</li> <li>• Customer</li> <li>• O&amp;M efficiency</li> <li>• Capital efficiency</li> </ul>

# What to expect next

## Sequence of upcoming org. effectiveness workshops

		Discuss opportunities Feb 15-19	Develop "end state" plan Feb 21-24	Develop 2016-2020 plan Feb 29-Mar 9
<b>Objectives:</b>		<ul style="list-style-type: none"> <li>Discuss and validate baseline, org analysis, and benchmarks</li> <li>Discuss productivity opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Discuss and refine "end state" view of potential actions and headcount impact</li> </ul>	<ul style="list-style-type: none"> <li>Prepare 2016-2020 view of potential based on considerations for capabilities, severance, and labour contracts</li> </ul>
Function	Headcount <sup>2</sup>			
Corporate Functions	IT	486	To be scheduled	To be scheduled
	Finance	207	To be scheduled	To be scheduled
	HS&E	191	To be scheduled	To be scheduled
	Supply Chain	126	To be scheduled	To be scheduled
	HR	91	To be scheduled	To be scheduled
	Real Estate	68	To be scheduled	To be scheduled
	Corp. Relations	46	To be scheduled	To be scheduled
	Other <sup>1</sup>	121	N/A	N/A
Operations	Lines & Forestry	2,823	To be scheduled	To be scheduled
	Construction	1,543	To be scheduled	To be scheduled
	Stations	1,346	To be scheduled	To be scheduled
	Fleet	465	To be scheduled	To be scheduled
	Engineering	383	To be scheduled	To be scheduled
	Planning	239	To be scheduled	To be scheduled
	Cust. Service	208	To be scheduled	To be scheduled
	Remote Comm.	52	N/A	N/A

### SCM 2 (Feb 25)

Summarize end-state view of org. effectiveness potential

### SCM 3 (Mar 11)

Summarize 2016-2020 view of org. effectiveness potential

1. Includes Strategy, Risk, Pension, Business Performance, Legal, Board Relations, Regulatory and Executive 2. Total headcount include all regular, non-regular and outsourced

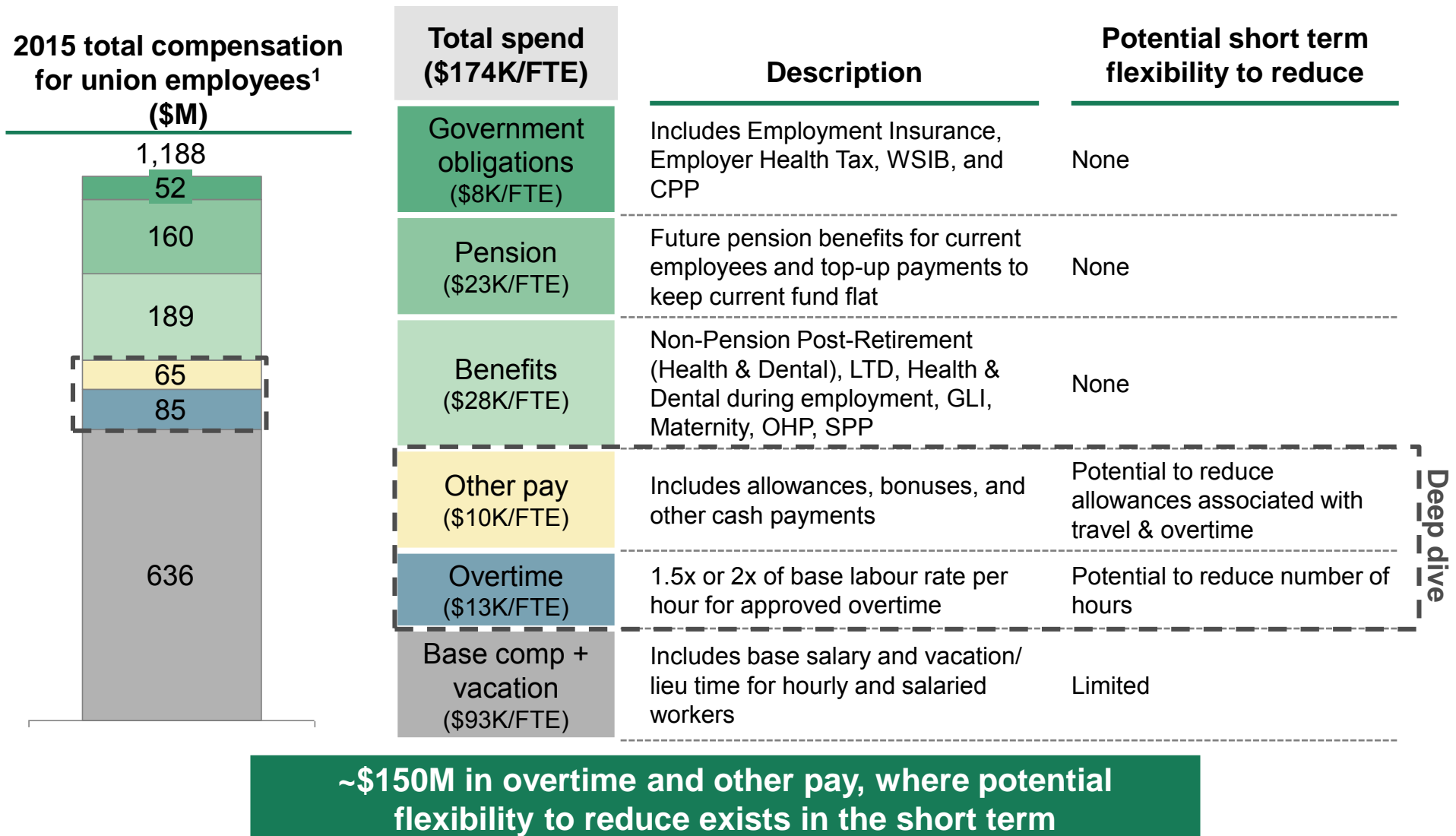


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• Org effectiveness	Andrew Loh (on behalf of Judy McKellar)	<b>15 min</b> (3:50-4:05)
• Labour strategy	Nadine O'Neill	<b>15 min</b> (4:05-4:20)
• O&M efficiency	Jon Rebick	<b>15 min</b> (4:20-4:35)
• Quick Wins	Stefanie Stocco / Frank D'Andrea	<b>15 min</b> (4:35-4:50)
<b>Wrap-up and next steps</b>	Stefanie Stocco	<b>10 min</b> (4:50-5:00)

# Unionized labour: \$1.2B unionized labour spend in 2015

Two potential areas for policies deep-dive: Overtime and Other pay



1. Includes all employees, including regulars, casuals, and probationary employees across PWU, Society, and all trades including H1 telecom, remotes, HONI, and HOI, but excluding MCP.  
Source: Hydro One HR Payroll data per employee, pulled Jan 26, 2016

# Overtime: 50% of overtime hours (\$44M) Planned and Admin

Both activities with potential to address level of overtime hours used

Type of overtime	Definitions	Overtime hours (000's hours for 2015)				Total (K hrs)	Overtime cost <sup>1</sup> (\$M)	
		Lines & Forestry	Stations & Operating	Eng.	Const- ruction			
Demand	Customer-driven requests that can be completed in a timely manner	82	12	~0	3	98	\$8M	Partially covered by O&M workstream
Emergency	Repairs needed immediately due to storm damage or safety concerns	363	30	~0	5	397	\$32M	
Planned	Overtime not demand nor emergency driven within Hydro One work program	130	118	21	167	434	\$35M	To be further explored
Admin	Overtime not charged directly to a project or not project-related	56	39	2	22	119	\$9M	
External	Work performed outside of Hydro One's boundaries and charged on pass-through basis	1	11	0	0	12	\$1M	
Total		631	208	23	197	1,059	\$85M	

1. Assume \$81/hr for overtime costs based on average spend across all employees for overtime

Source: Hydro One overtime hours vs. total hours December 2015, segmented by business line, BCG analysis

# Potential drivers and approach to identify actions

Potential drivers	Description	Approach to identify potential actions	Potentially actionable?
Inadequate planning	<ul style="list-style-type: none"> <li>Overtime resulting from poor planning and scheduling</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark overtime by zone across relevant functions</li> <li>Assess view over time to normalize for abnormal events</li> <li>Identify best vs. worst practices for labour planning</li> </ul>	✓
Supervisor oversight	<ul style="list-style-type: none"> <li>Lack of oversight on supervisor-level decisions</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark overtime by supervisor across relevant functions</li> <li>Assess view over time to normalize for abnormal events</li> <li>Conduct review of over time approvals and isolate root causes related to supervisor oversight</li> </ul>	✓
Serial users	<ul style="list-style-type: none"> <li>Staff targeting overtime outside of normal conditions</li> </ul>	<ul style="list-style-type: none"> <li>Identify heavy users of overtime</li> <li>Assess view over time to understand consistency of usage</li> <li>Investigate areas of extra-ordinary use (e.g., outside labour policy and/or health &amp; safety guidelines)</li> </ul>	✓
Limited supply of skilled workers	<ul style="list-style-type: none"> <li>Lack of available labour leads to increased overtime</li> </ul>	<ul style="list-style-type: none"> <li>Leverage benchmarking of overtime by zone</li> <li>Assess whether planned overtime is a result of systemic, unaddressable labour shortage vs. labour planning issues</li> </ul>	Unlikely

**Potential actions to be assessed for February 25 SteerCo**

# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b>	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (2:00 – 2:10)
<b>Regulatory: Tx Filing consultation approach</b>	Oded Hubert	<b>30 min</b> (2:10 – 2:40)
<b>Hydro One performance: Metrics and aspirations</b>		
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# Summary: O&M Efficiency

## We have completed development of a baseline of all field O&M processes

- Baseline captures key process areas across Provincial Lines, Forestry and Stations
- Allocates budget and FTEs to each process, broken down by zone
- In addition, we have taken inventory of recently completed, in-flight and planned initiatives

## Based on initial assessment of spend and opportunity, 3 processes selected for deep dives

- [REDACTED]
- [REDACTED]
- Stations Preventive Maintenance: Budget of ~\$21M; opportunity to improve planning process

## For each process, the team is conducting deep dives along two dimensions:

1. Planning, scheduling and workforce strategy
2. Execution of day-to-day work activities

**Over the next four weeks, will build on early progress to identify, validate and quantify potential improvement opportunities in these areas**

# Three process areas selected for deep dive on basis of spend and preliminary validation of opportunities

Deep dive processes compose  
~40% of total O&M spend

Department	Process	Cost 2015 (\$MM)	2015 % of total O&M	Rationale for deep dive
<b>3</b> Stations	Preventive Maintenance - Planned	21.2	4%	Large spend; Opportunity in outage planning; work planning & scheduling; synergies w/corrective maint.
Lines	Cable Locates	20.8	4%	
Forestry	Tx Brush Control	17.8	4%	
Stations	Corrective Maintenance - Demand	16.0	3%	
Stations	Corrective Maintenance - Planned	13.0	3%	
Lines	Disconnect/Reconnect	12.7	3%	
Lines	O&M Costs - Storm Response	12.3	3%	
<b>1b</b> Forestry	Dx Brush Control	7.7	2%	Large historical & planned spend (\$23.9 MM in 2014; can be evaluated in conjunction with Dx Line Clearing)
All	Other	210.6	43%	
All	Total	487.6	100%	

☐ Selected for deep dive

# Deep dive analysis will help to validate and quantify preliminary hypotheses in each area

*Planning, scheduling and workforce strategy*

Process	Main Hypotheses	Approach to test hypotheses
1 Dx Line Clearing & Brush Control		
2 Trouble Calls		
3 Stations Preventive Maintenance		



# Field visits kicked off to diagnose execution efficiency

## Execution of day-to-day work activities

### Activities for execution diagnostic

#### Build robust process map of day-to-day activities of field workers (lineman, forester, maintenance tech) through interviews

- Obtain input from multiple levels of field organization ("do-ers" and supervisors)
- Identify time spent on each activity and highlight process pain points
- Test and validate opportunities from previous diagnostic work such as M2M, KPMG study

#### Conduct field observations to validate process maps and assess use of best practices

- Observe pain points encountered in the field and sources of non-value-added time (e.g. travel time, rework, etc.)
- Observe use of best practices such as standard work, 5S, visual mgmt, and kitting
- Gather insights from field workers regarding daily challenges, potential improvements

### Plan for field engagement

#### 1 Dx Line Clearing & Brush Control

- ✓ Execution process mapping (2/3)
  - Initial field visit – Barrie (2/11)
  - Follow-up field visits to observe crews and processes in action (TBD)

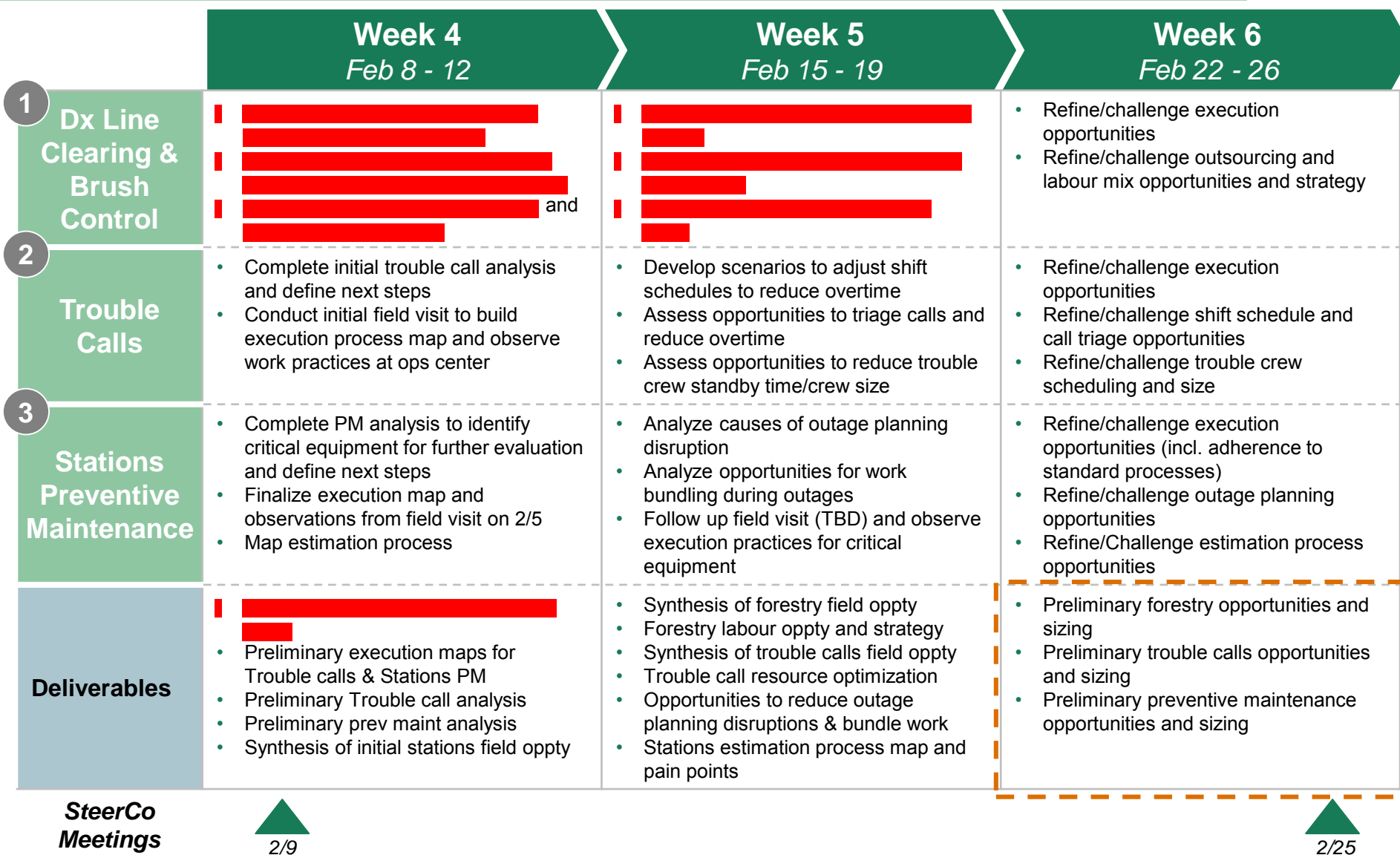
#### 2 Trouble Calls

- ✓ Initial field visit and execution process mapping – London (2/5)
  - Follow-up field visits to observe crews and processes in action (TBD)

#### 3 Stations Preventive Maintenance

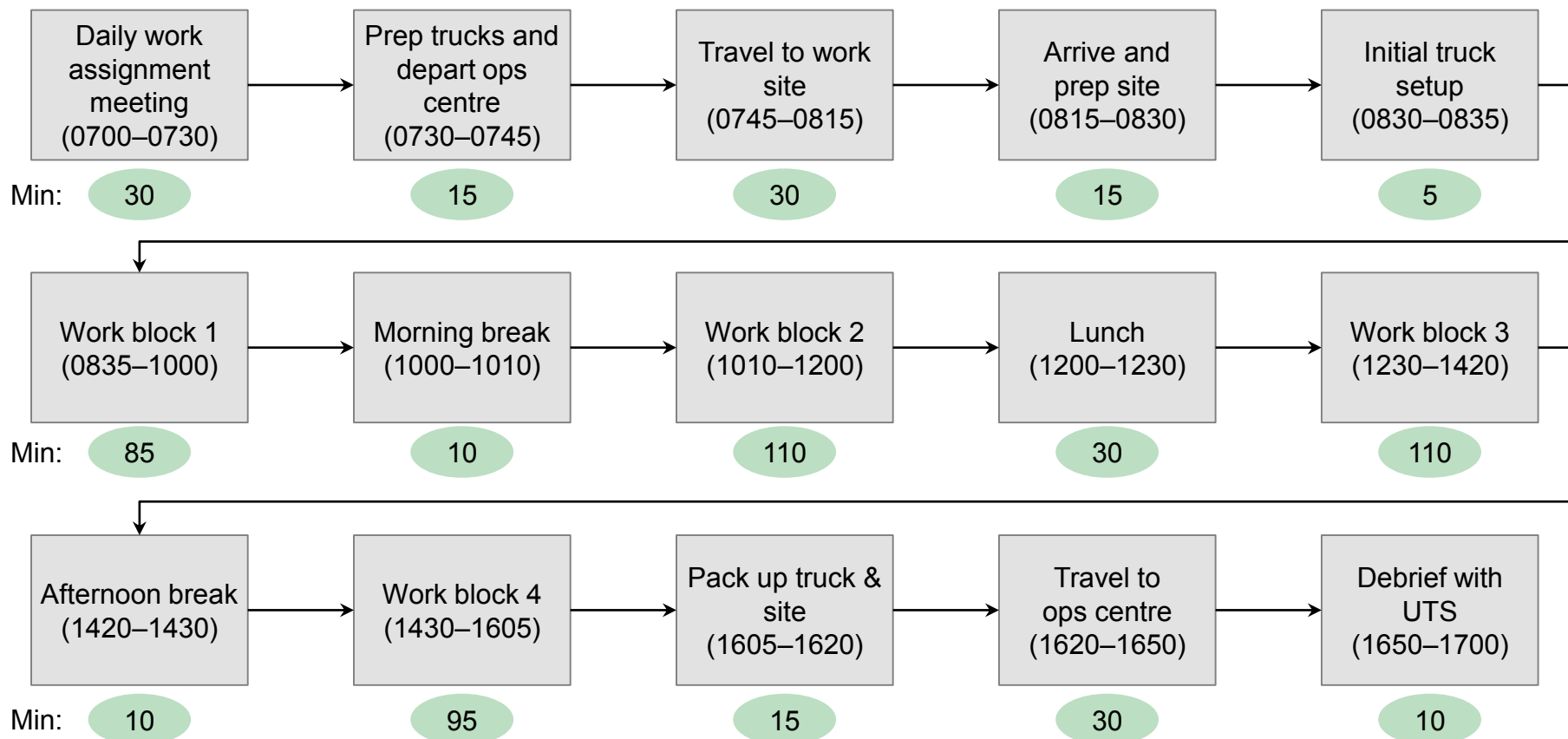
- ✓ Initial field visit and execution process mapping – Barrie (2/9)
  - Follow-up field visits to observe crews and processes in action (TBD)

# Next 3 weeks focused on defining & sizing preliminary opportunities for the next SteerCo (Feb 25)



# Typical day for a forester performing Dx line clearing

Preliminary



**Next step is to observe work practices in the field and gather additional input on pain points and lost time**

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# Four "quick wins" initiatives being pursued

	What is included	Nature of opportunity	Total baseline	
			OM&A	Capital
<b>Inergi</b> (D'Andrea)	<ul style="list-style-type: none"> <li>Base charge (resource unit volume x base unit price or fixed fee)</li> <li>Transformation projects</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate or reduce base charges (low-value or no longer required)</li> <li>Can take up to 35% reduction on RUs without "penalty"</li> </ul>	\$129M	\$16M
<b>Corporate projects &amp; IT</b> (Penny)	<ul style="list-style-type: none"> <li>Total capital and OM&amp;A budgets of corporate projects for various LOBs</li> <li>~70% non-discretionary (e.g. OEB driven, project underway w/ value card)</li> <li>Also includes non-Inergi 3<sup>rd</sup> party spend</li> </ul>	<ul style="list-style-type: none"> <li>Cancel or delay projects without clear value card</li> <li>Reduce charges for non-Inergi 3<sup>rd</sup> parties (no longer required)</li> </ul>	\$72M	\$138M
<b>Other discretionary</b> (Scott)	<ul style="list-style-type: none"> <li>Professional services: Finance, IT, HR, Legal, etc. (\$34M total<sup>1</sup>)</li> <li>Staff augmentation (\$27M total<sup>1</sup>)</li> <li>R&amp;D and memberships (\$7M total<sup>1</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate or reduce scope of services (low-value or no longer required)</li> </ul>	\$37M	\$31M
<b>LDC Integration</b> (TBD/Stocco)	Scope and opportunity not yet defined			

1. Includes OM&A and Capital spend; Note: may be some overlap in spend between categories (e.g. Inergi spend or staff augmentation roles within individual corporate project budgets)

# Emerging view of "quick win" opportunities

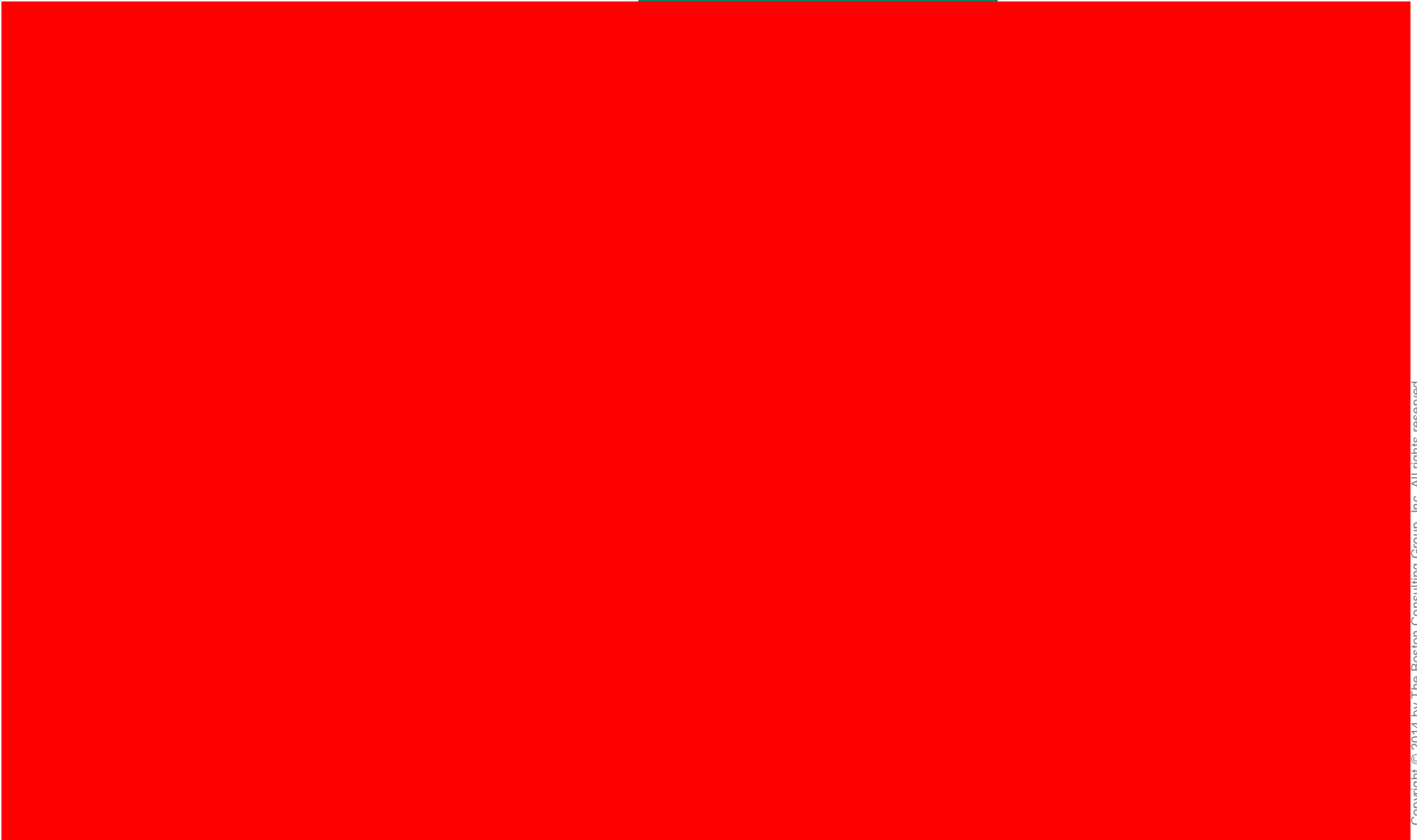
\$7.9M in 2016 in-year savings identified

	Recommended		Under review		Not recommended		Not yet assessed		Total
	OM&A	Capital	OM&A	Capital	OM&A	Capital	OM&A	Capital	
Inergi	\$4.8M	\$1.4M	\$5.0M	-	-	-	\$118.4M	\$14.6M	~\$145M
Corporate projects & IT	\$1.7M	-	-	-	\$68.3M	\$77.6M	\$1.2M	\$61.0M	~\$210M
Other discretionary	-	-	-	-	-	-	\$36.9M	\$30.8M	~\$68M
LDC Integration	-	-	-	-	-	-	Scope and opportunity not yet defined		TBD
\$6.5M in OM&A & \$1.4M in Capital savings identified for immediate action		\$5M in potential OM&A savings identified for further review		\$68.3M in OM&A and \$77.6M capital found to be non-discretionary		\$156.5M in OM&A and \$106.4M in capital still to be assessed			

# Proposed reductions in Inergi and other 3<sup>rd</sup> party scope

Recommendations of LOB managers for SteerCo review

For Steerco approval



# Other opportunities requiring further review

Note: run-rate savings estimates presented below are very preliminary

Opportunity	LOB	Approximate run-rate savings	What is required to achieve
Develop additional "Smart Forms" to reduce number of complex data management transactions by Inergi	PAY	~\$0.2M	<ul style="list-style-type: none"><li>Create business case and secure funding for development work</li></ul>
In-source vendor relationship management for top 40 contracts	S2P	TBD	<ul style="list-style-type: none"><li>Further analysis to understand costs and competencies required to do work internally</li></ul>

Next step to investigate these further while identifying additional "Quick Win" opportunities



# Our agenda for today

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# Did we accomplish what we set out to accomplish?

## What would make for a great session

A short presentation of your content

A real discussion vs. a "marketing pitch"

Full engagement and participation from all

Peer review, questions, and input

Decisions on key issues

## What we would like to avoid

Not enough time for discussion

Avoiding the tough questions ... particularly for the key decisions we need to make

Getting too far into the weeds

Putting off key decisions or not having a path to resolve in a timely manner

### Three key decisions for today:

- ☐ Regulatory: Approval of transmission customer consultation plan
- ☐ Regulatory: Alignment on "Wave 1" invitees
- ☐ Quick wins: Approve \$9.2M in quick wins ready for execution

## Where we are we headed next

## Next two weeks' focus

SteerCo #1 Feb 9	SteerCo #2 Feb 25	SteerCo #3 March 11	SteerCo #4 March 21
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review customer needs by segment</li> <li>Approve strategic approach to customer consultation (for Tx)</li> </ul> <b>Hydro One Performance</b> <ul style="list-style-type: none"> <li>Define aspiration, metrics, and targets for performance</li> <li>Describe drivers to meet performance targets</li> </ul> <b>OM&amp;A Efficiency</b> <ul style="list-style-type: none"> <li>Review baseline and benchmark analysis</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review investment scenarios and evidence for consultation</li> </ul> <b>Hydro One Performance</b> <ul style="list-style-type: none"> <li>Review emerging Capital stage gate and deliver model plan</li> <li>Review detailing of near-term Customer initiatives</li> </ul> <b>OM&amp;A Efficiency</b> <ul style="list-style-type: none"> <li>Review opportunity sizing               <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Approve Procurement Wave 1</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review emerging findings from Wave 1 consultation</li> <li>Approve Wave 2 consultation</li> </ul> <b>Hydro One Performance</b> <ul style="list-style-type: none"> <li>Review 5 year asset mgmt plan</li> <li>Review 2016-2020 Customer plan</li> <li>Review proposed Capital stage gate and delivery model</li> </ul> <b>OM&amp;A Efficiency</b> <ul style="list-style-type: none"> <li>Review 2016-2020 plans               <ul style="list-style-type: none"> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Approve quick wins</li> </ul>	Review of materials for 3/31 board meeting



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EB-2017-0049  
Exhibit J 7.1  
Attachment 2  
Page 1 of 83



# **Good to Great: Assessment of Full Potential**

## **Steering Committee #2**

Feb 25, 2016

THE BOSTON CONSULTING GROUP

# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Stefanie Stocco	<b>10 min</b> (9:00-9:10)
<b>Regulatory:</b> Tx Filing consultation materials	Oded Hubert & Mike Penstone	<b>35 min</b> (9:10-9:45)
<b>Service delivery</b>		
• <b>Customer:</b> needs assessment & prioritization of R&SB initiatives	Rob Quail	<b>30 min</b> (9:45-10:15)
• <b>Capital efficiency:</b> delivery model options (rapid update)	Brad Bowness	<b>10 min</b> (10:15-10:25)
<b>OM&amp;A efficiency</b>		
• <b>Procurement:</b> opportunity sizing summary & proposed waves	Gary Schneider	<b>15 min</b> (10:25-10:40)
• <b>Org effectiveness:</b> benchmarks & bottom up sizing summary	Judy McKellar	<b>30 min</b> (10:40-11:10)
• <b>Labour strategy:</b> diagnostic findings (rapid update)	Nadine O'Neill	<b>10 min</b> (11:10-11:20)
• <b>O&amp;M efficiency:</b> initial diagnostic findings (rapid update)	Jon Rebick	<b>10 min</b> (11:20-11:30)
• <b>Quick Wins:</b> confirmed wins to-date & launch of initiative tracking	Stefanie Stocco	<b>10 min</b> (11:30-11:40)
<b>Wrap-up and next steps</b>		
• <b>Communications:</b> plan overview & manager's toolkit	Laura Cooke	<b>15 min</b> (11:40-11:55)
• <b>Next steps:</b> SteerCo 3	Stefanie Stocco	<b>5 min</b> (11:55-12:00)

# Where we are we in the process

## Today's focus

SteerCo #1 Feb 9	SteerCo #2 Feb 25	SteerCo #3 March 11	SteerCo #4 March 21
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review customer needs by segment</li> <li>Approve strategic approach to customer consultation (for Tx)</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Define aspiration, metrics, and targets for performance</li> <li>Describe drivers to meet performance targets</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review baseline and benchmark analysis</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review investment scenarios and evidence for consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Review emerging Capital stage gate and delivery model plan</li> <li>Review detailing of R&amp;SB Customer initiatives</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review opportunity sizing <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Review <ul style="list-style-type: none"> <li>Procurement Wave 1</li> <li>Quick wins</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review internal plan and share Manager's Toolkit</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Updated on emerging findings from Wave 1 consultation</li> <li>Approve Wave 2 consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Update on Dx investment plan</li> <li>Review large Customer segment initiatives</li> <li>Review proposed Capital stage gate and delivery model</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review 2016-2020 full potential <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> <li>O&amp;M efficiency</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review external plan</li> </ul>	<b>Review of materials for 3/31 board meeting, including:</b> <ul style="list-style-type: none"> <li>Key outputs reviewed in previous SteerCo meetings</li> <li>5 year asset management plan</li> <li>Change management approach</li> </ul>

# Program status: Status of 8 core work streams

Workstream	Lead	Status	Status Comments
<b>Regulatory strategy</b>	Oded Hubert	<b>At risk</b>	<i>Progressing against elements of Tx rate filing but distribution of Wave 1 invites has been delayed, putting schedule at risk.</i>
<b>Asset management</b>	Mike Penstone	<b>At risk</b>	<i>Delay in initiation of customer engagement process introducing some risk in developing a customer informed view of Tx investment plan in time for March Board meeting</i>
<b>Customer</b>	Rob Quail	<b>On track</b>	<i>Unmet needs diagnostic and initiative definition complete for R&amp;SB segment. Initial assessment completed for larger customer segments (Tx, LDA, C&amp;I) but additional analysis required for finalizing 2016 priority initiatives.</i>
<b>Capital efficiency</b>	Brad Bowness	<b>On track</b>	<i>Stage gate process opportunities have been identified, with next steps focused on future state. Progress made on delivery model and specifics on go-forward contracting models and commercial approach are next key deliverables.</i>
<b>Procurement</b>	Gary Schneider	<b>On track</b>	<i>Approach to each category defined, with addressable spend and savings potential estimated based on category profile. Initiatives prioritized into 4 waves. Wave 1 to launch immediately.</i>
<b>Org effectiveness</b>	Judy McKellar	<b>On track</b>	<i>Completed baseline, corporate function benchmarking and spans and layers diagnostic. Identified bottom-up opportunities across LoBs and quantified potential gains. Now preparing to do a 2<sup>nd</sup> wave of assessment in select LOBs.</i>
<b>Labour strategy</b>	Nadine O'Neill	<b>On track</b>	<i>Overtime opportunity assessment completed. Defined path forward to tackle OT through planning &amp; productivity, and communication around 'serial users'. Focus going forward on labour strategy and attrition potential.</i>
<b>O&amp;M efficiency</b>	Jon Rebick	<b>On track</b>	<i>Investigation and sizing completed for a few priority opportunities (e.g. Forestry labour mix, Stations preventive maintenance execution, trouble call overtime) and remaining opportunity sizing and vetting on track for completion by mid-March.</i>

Not started

On track

At risk

Off track



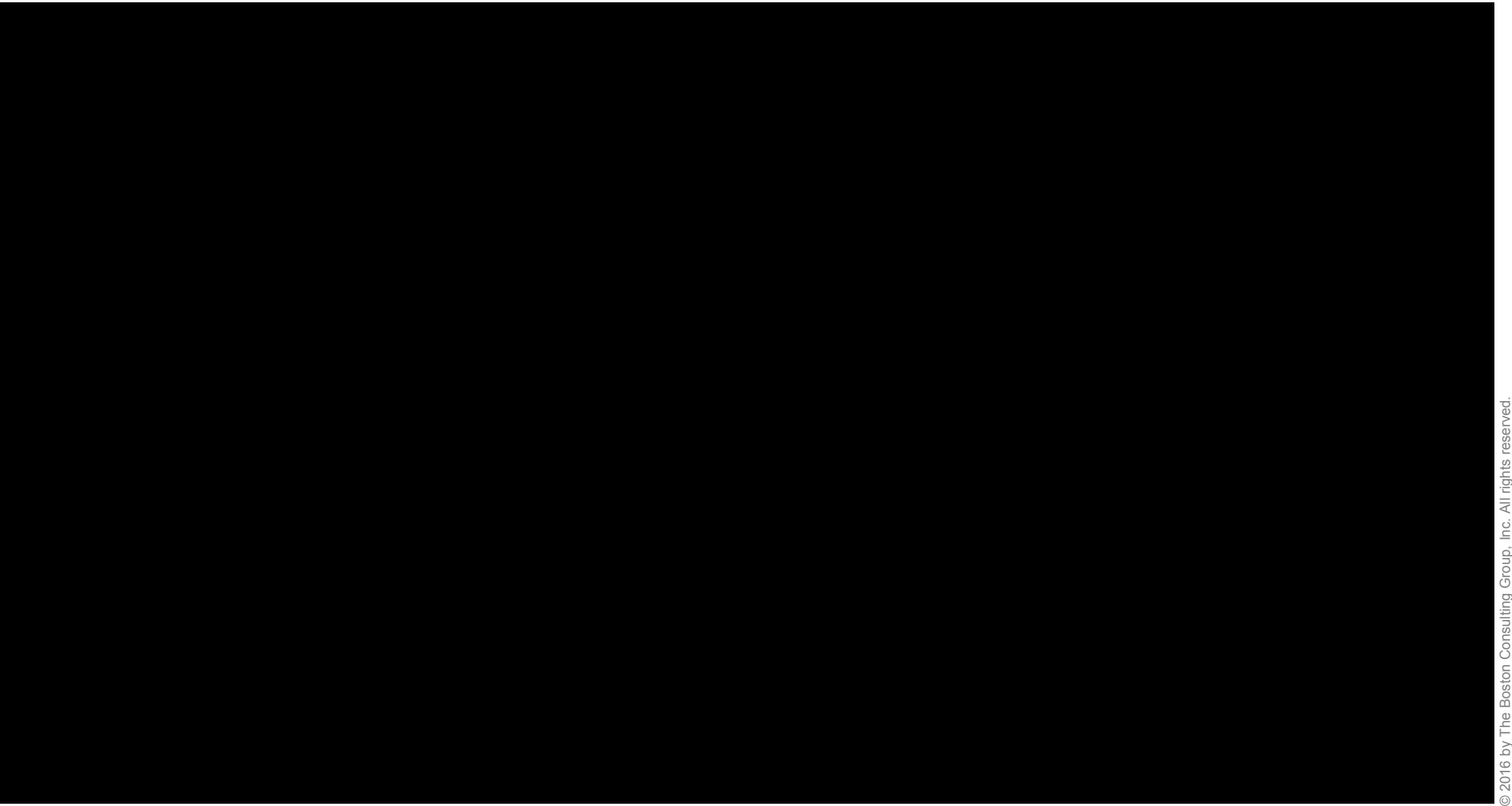
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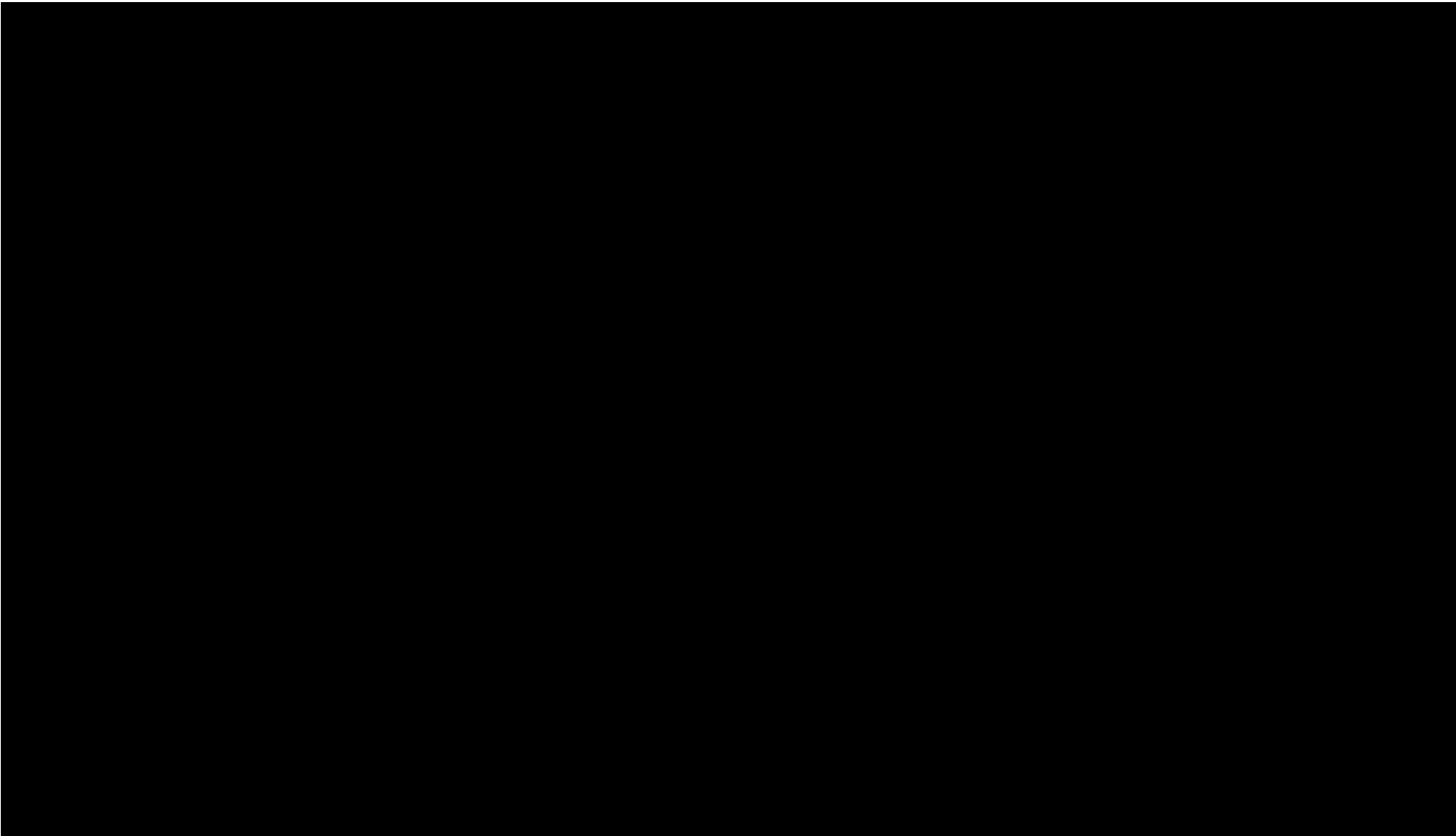
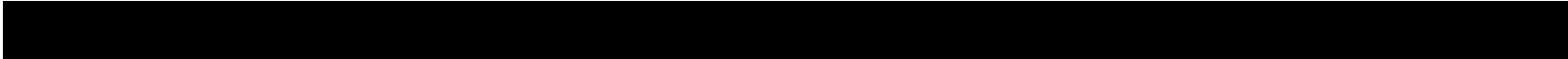
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<b>Wrap-up and next steps</b>		
• <b>Communications:</b> plan overview & manager's toolkit	Laura Cooke	<b>15 min</b> (11:40-11:55)
• <b>Next steps:</b> SteerCo 3	Stefanie Stocco	<b>5 min</b> (11:55-12:00)



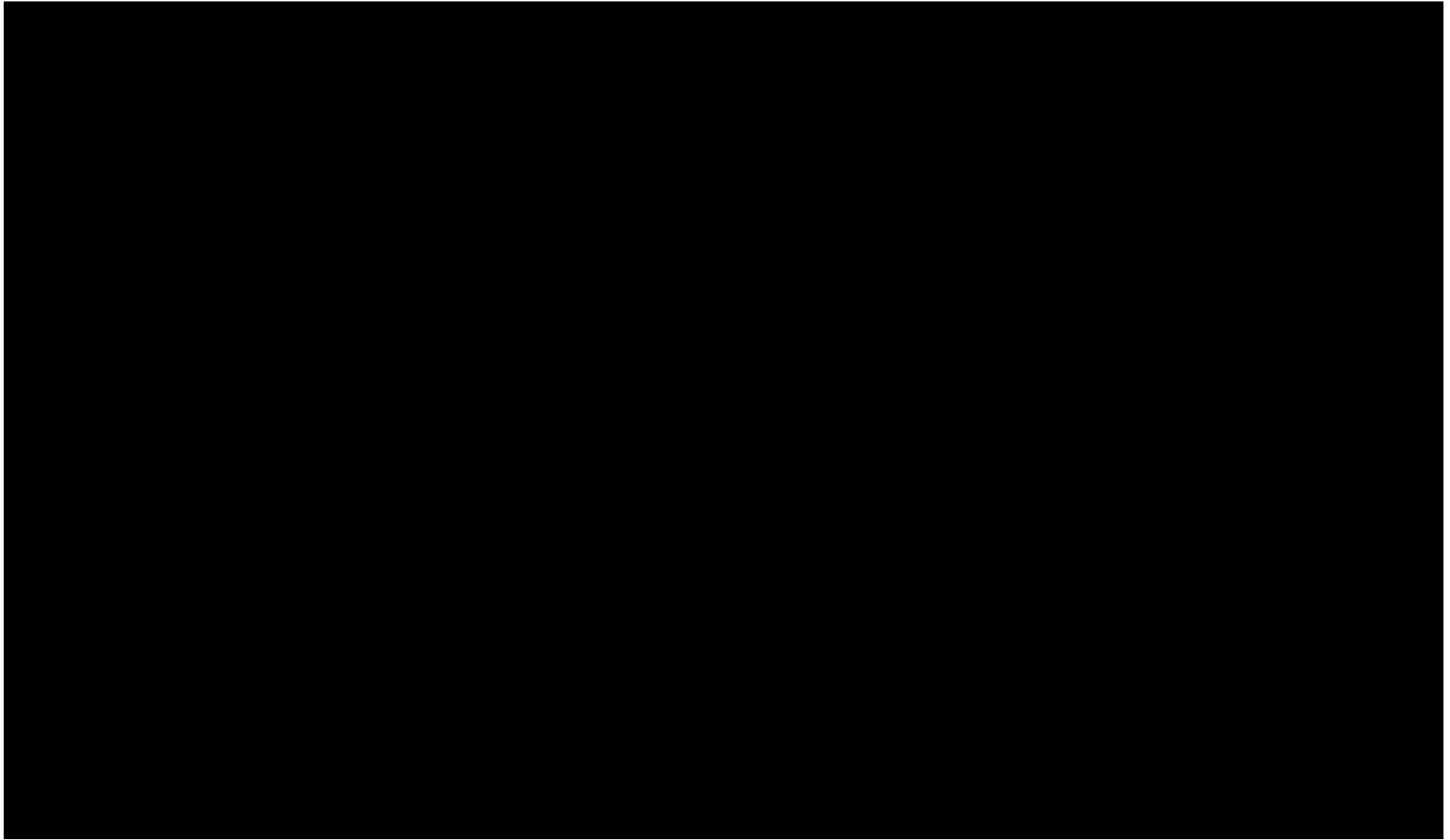
# Update on progress of Tx rate filing

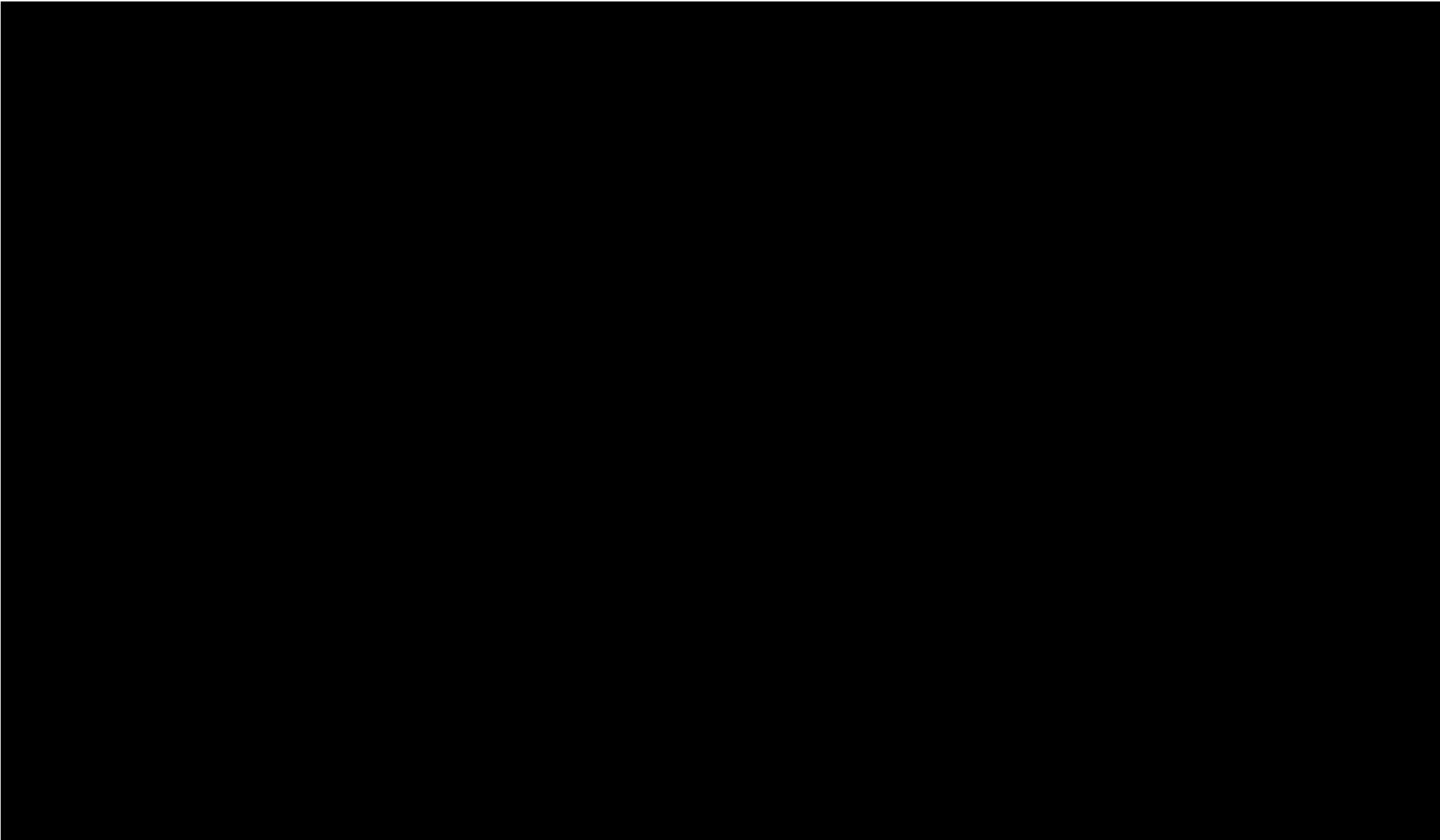


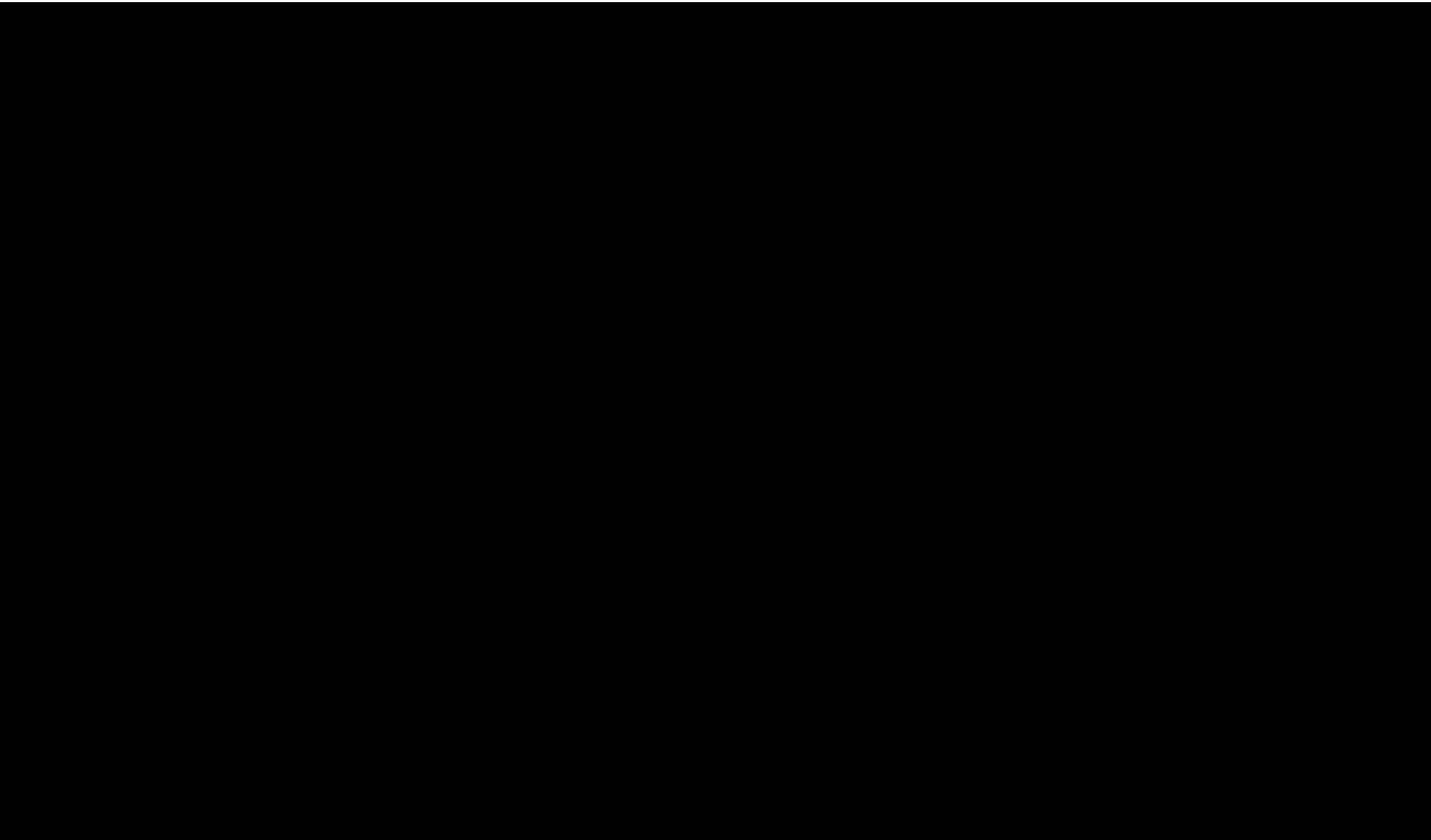
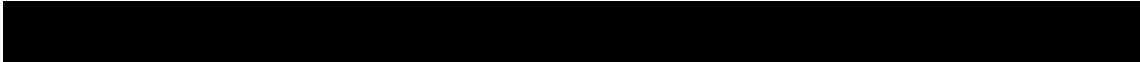


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# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (9:00-9:10)
<b>Regulatory:</b> Tx Filing consultation materials	Oded Hubert & Mike Penstone	<b>35 min</b> (9:10-9:45)
<b>Service delivery</b>		
• <b>Customer:</b> needs assessment & prioritization of R&SB initiatives	Rob Quail	<b>30 min</b> (9:45-10:15)
• <b>Capital efficiency:</b> delivery model options (rapid update)	Brad Bowness	<b>10 min</b> (10:15-10:25)
<b>OM&amp;A efficiency</b>		
• <b>Procurement:</b> opportunity sizing summary & proposed waves	Gary Schneider	<b>15 min</b> (10:25-10:40)
• <b>Org effectiveness:</b> benchmarks & bottom up sizing summary	Judy McKellar	<b>30 min</b> (10:40-11:10)
• <b>Labour strategy:</b> diagnostic findings (rapid update)	Nadine O'Neill	<b>10 min</b> (11:10-11:20)
• <b>O&amp;M efficiency:</b> initial diagnostic findings (rapid update)	Jon Rebick	<b>10 min</b> (11:20-11:30)
• <b>Quick Wins:</b> confirmed wins to-date & launch of initiative tracking	Stefanie Stocco	<b>10 min</b> (11:30-11:40)
<b>Wrap-up and next steps</b>		
• <b>Communications:</b> plan overview & manager's toolkit	Laura Cooke	<b>15 min</b> (11:40-11:55)
• <b>Next steps:</b> SteerCo 3	Stefanie Stocco	<b>5 min</b> (11:55-12:00)

# Executive summary: Customer

## **Initial assessment of customer needs across segments indicates several areas where Hydro One does well**

- Meeting reliability needs of smaller customers (Residential and Small Business)
- Person-to-person service interactions (i.e., line superintendents, account execs) with large customers (Commercial & Industrial, Large Distribution Accounts, Transmission)

## **Residential and Small Business (R&SB): Analysis of unmet customer needs (surveys, interviews, benchmarks etc.), review of initiatives and prioritization are complete and have identified three priority initiatives:**

### **1. Digital engagement**

- Smart e-billing including alerts, preference center, ability to view and analyze electricity consumption
- My Account and HydroOne.com redesign to enhance self-serve capabilities and user experience

### **2. Bill redesign** to provide a more user-friendly format and make it easier to understand

### **3. Call center enhancements** to elevate agent skills and to improve first call resolution

## **Large customers (C&I, LDA, Tx): An initial draft set of initiatives has been identified, but further analysis is required to finalize 2016 priorities**

## **Additionally, as part of the assessment, the team has discovered two other opportunities:**

- Robust communications plan under development (employee and customer) to reduce gaps between perception and performance
- Gaps in survey questions and data availability are being addressed

## **High level strategic framework for Dx regulatory customer consultation will be developed for SteerCo #4**



# Where we are in the process

	Objectives	Goals	Metrics	Initiatives	Roadmap
	Define the <i>overarching objective</i> for the customer organization	Set specific <i>goals across customer groups</i> that support the objective	Define appropriate <i>metrics to support goals</i>	Identify <i>key customer needs</i> and define <i>initiatives</i> to address unmet needs	<i>Prioritize based on impact and feasibility</i> and build high-level roadmap
R&SB	✓	✓	✓	✓	✓
C&I	✓	✓	✓	✓	
Tx	✓	✓	✓	✓	
LDA	✓	✓	✓	✓	



Complete



Partially complete

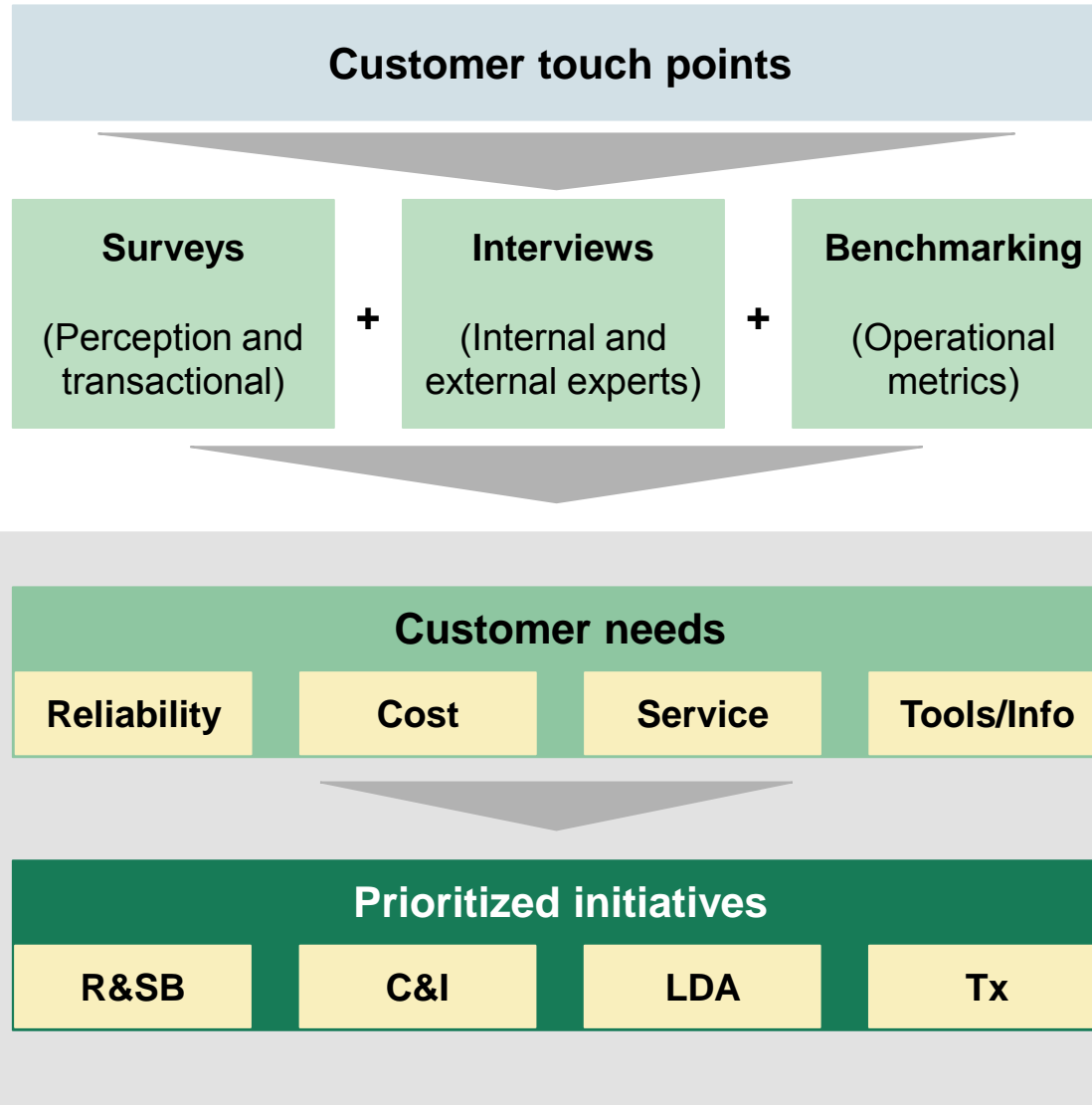
# We used a multipronged approach to define a prioritized list of initiatives for each customer segment

*We mapped the customer journey ...*

*... and leveraged various data sources ...*

*... to identify key needs of our customers ...*

*... and defined initiatives to address unmet needs*



**Informed by key goals of customer care mission**

Deliver customers best "**Value**" for their money

Be "**Easy**" to do business with

Earn and keep our customers' "**Trust**"

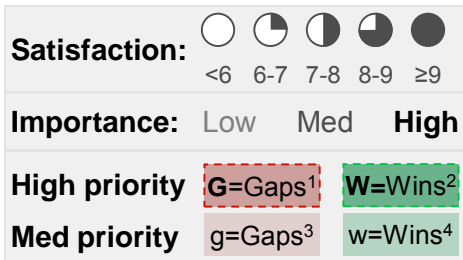
Engage customers in a "**Transparent**" manner

# Identified importance vs. satisfaction gaps by segment

Opportunity to improve on nine of eleven high priority areas and several medium priority areas

Synthesis across sources

## Legend



Customer segment		Dimension	Reliability and power quality	Cost of electricity	Customer Serv.: Self-service	Customer Serv.: Person-to-person	Communication: Outage/incident	Communication: Regular	Billing, payment and collections
Dx	Residential and Small Business (R&SB)		Low	G High	G High <sup>5</sup>	G High	Low	w Med	G High
	Commercial and Industrial (C&I)		Low	g Med	w Med	G High	Low	G High	g Med
	Large Distributor Accounts (LDA)		G High	g Med	g Med <sup>5</sup>	w Med	w Med	w High	Low
Tx									

1. High importance, low-med satisfaction (<8) 2. High importance, high satisfaction (≥8) 3. Med importance, low satisfaction (<7)

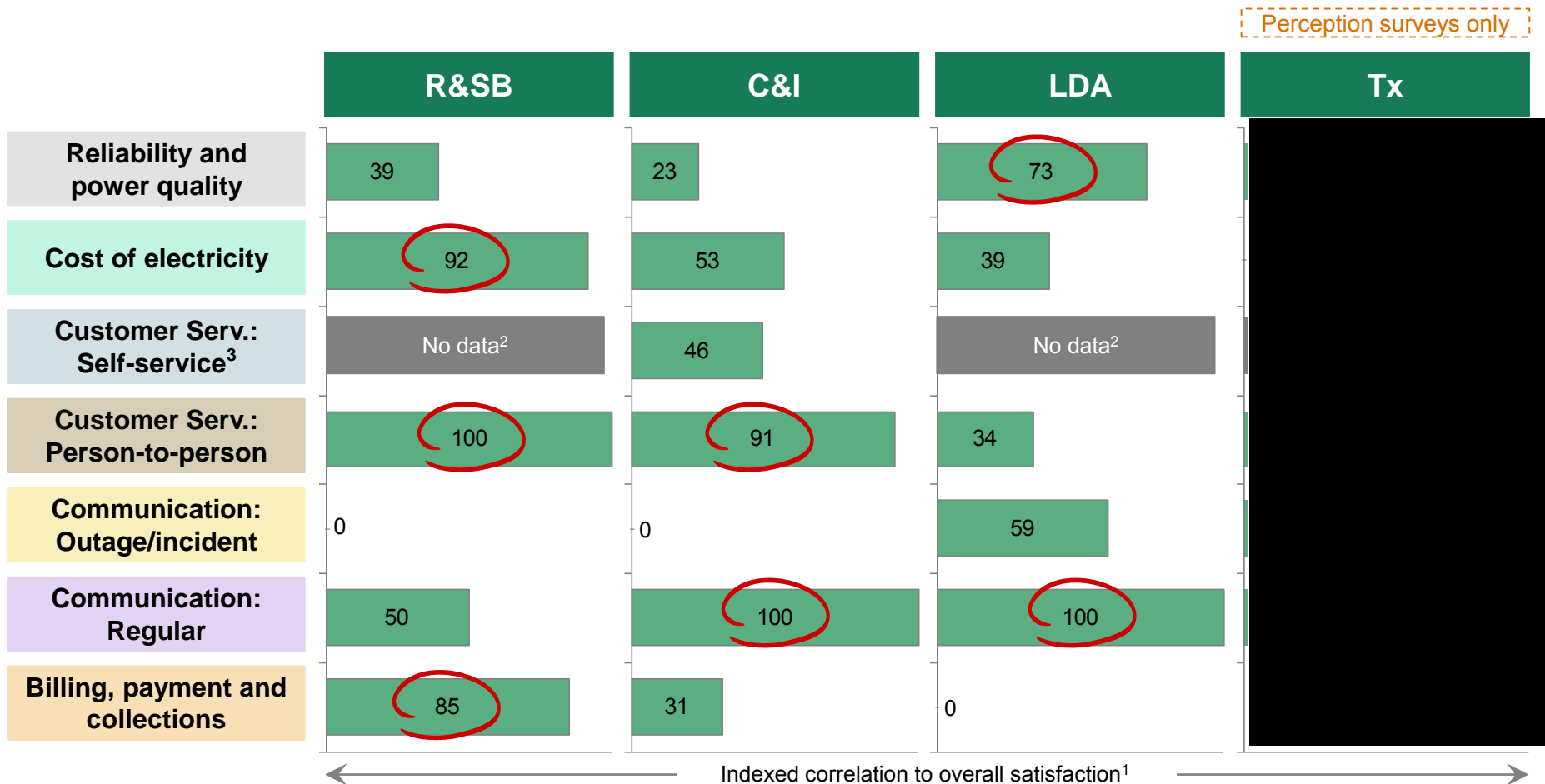
4. Med importance, med-high satisfaction (≥7) 5. Based on interviews and anecdotal evidence

Note: Responses for questions asked on a 5-point scale have been multiplied by 2 to match 10-point scale used for most questions

Source: Hydro One 2015 CSAT surveys for R&SB, C&I, LDA, Tx. Interviews (internal and external experts). Operational Benchmarking. BCG Analysis

# Importance of customer needs varies across dimensions

Perception surveys not currently comprehensive across key dimensions



**Small customers prioritize customer service and cost, larger customers focus on reliability and communications**

1. Importance is derived based on correlation (Pearson's R) between questions within each dimension and overall satisfaction, indexed to 0-100 within each segment 2. No data in perception surveys 3. Self-service channels refer to Hydro One website, My Account, smartphone application, and IVR  
Source: Hydro One 2015 CSAT surveys for R&SB, C&I, LDA, and large Tx. BCG Analysis

# Residential and Small Business (R&SB): Unmet customer needs and supporting proof points (I)

## Unmet needs

### Convenient and capable self-service channels (e.g. web, My Account, mobile app, IVR)

Provide customers with multiple convenient and functional self-serve channels for their routine transactions

### Straightforward bill

Simplify bill design and delivery and provide relevant, value added information on bills

## Key proof points

Customer **self-serve options inadequate** and see low engagement

- **My Account portal:** Limited usage with ~60K unique monthly visitors (~5% of customers); total enrolment ~21% of customers. Only ~7K self-serve transactions annually. Portal **lacks performance and functionality**; and is not mobile optimized
  - **Website:** Website is 5+ years old. Difficult to navigate and lacks functionality and performance. Not integrated well with My Account portal and mobile app due to different internal owners. ~250K unique visitors and relatively flat usage over last 3 years
  - **Mobile app:** Mobile app has **limited functionality and awareness** (outage only). Mobile app has ~250K total downloads (uncertain how many are Hydro One customers). Lacking best in class features such as viewing/paying bill online and usage monitoring
  - **IVR:** Hydro One IVR lacks best in class features such as payment arrangement and auto pay setup, payment confirms and service reconnects. IVR containment rate below best in class performance (48.5% vs. 54%). IVR last updated in 2008.
  - **Notifications:** Lack of proactive notifications (text, auto call) for processes/transactions (e.g. paying bill). Uncertainty on payment receipt **causes anxiety, drives call volumes**
- 
- **eBilling:** Canada Post e-billing has limited adoption (~126K) and **"is bureaucratic and not customer friendly"**. Benchmarks show % of customers using **e-billing lags peers** (12% vs. 26% North American best in class)
  - **Bill format:** Bill understanding is a **significant dissatisfier for customers**. Peers (e.g. Toronto Hydro) **have a substantially more user friendly bill**. **Low satisfaction with ease of understanding bill (6.7/10)**, moderate importance to overall satisfaction (0.4)<sup>1</sup>.

1. Hydro One 2015 CSAT/perception survey for R&SB

Note: All average satisfaction scores have been converted to a 10-pt scale

Sources: Hydro One 2015 perception and transactional surveys. Interviews (internal and external experts). BCG Energy Retail Benchmark 2015. BCG analysis and experience.

# Residential and Small Business (R&SB): Unmet customer needs and supporting proof points (II)

## Unmet needs

### Effective call centre issue resolution

Resolve customer issues as quickly as possible and provide the best customer service possible

### Affordable power

Educate customers on their bill and power usage and provide tools / alternative to manage their consumption

## Key proof points

















- **Issue resolution:** Surveys highlight speed to resolve problem ranked as **#2 reason for liking Hydro One customer service**, **#3 reason for disliking it**<sup>1</sup>
  - Benchmarks highlight several opportunities for improvement in call center - **First call resolution (82%) below median (85%)**<sup>2</sup>; **Agents have to pull up multiple screens** to address customer issues; do not have easy access to complete customer history
  - **Agent attitudes:** Friendliness and **helpful attitude ranked as #1** reason for liking Hydro One customer service, and **#1 reason for disliking it**<sup>1</sup>
- 
- **Rates:** **"High rates" is #1 concern** when customers evaluate their satisfaction with Hydro One, making up **~25% of all mentions**<sup>1</sup>
  - **#2 reason for disliking Hydro One Customer Service** cited as “Charges what they charge” – *“Wasn't given any suggestions to lower my cost and the cost is through the roof. The price is astronomical.”*<sup>3</sup>
  - **CDM programs:**
    - **Programs not well publicized to customers as a solution to their energy affordability problems.** Programs not integrated with front line staff, agents not knowledgeable on programs. Managed by third parties
    - Unclear whether programs are impacting significant proportion of customer base
    - **Limited focus on RSB CDM programs** (few new programs since 2010 but 5-6 pilots under development); programs do not offer material monetary savings)
    - **Tools to manage TOU inadequate; only 19K unique users on the TOU portal (~1% of R&SB customers)**

1. Hydro One 2015 CSAT/perception survey for R&SB 2. BCG Energy Retail Benchmark 2015 3. Hydro One CCC Agent transactional survey

Note: All average satisfaction scores have been converted to a 10-pt scale

Sources: Hydro One 2015 perception and transactional surveys. Interviews (internal and external experts). BCG Energy Retail Benchmark 2015. BCG analysis and experience.

# R&SB: Proposed initiatives to address unmet needs

Unmet need	"Deep dive" vignettes follow		Proposed Initiative	Goal addressed	Ops metric to track perf (BIC <sup>1</sup>  Med  H1)	Expected cost/ feasibility	Expected CSAT impact
	Opportunity area	Root cause(s)					
Convenient and capable self-service channels	My Account portal, mobile, Hydro One web	Outdated technology platform; lack of functionality (web & mobile)	Digital engagement – My Account and website	Ease to do business with	% of active My Account users (TBC   60K)	 \$8-12M	 High
	IVR	Current IVR system is complex and lacks advanced features	Upgrade IVR system to introduce additional functionality	Ease to do business with	IVR containment rate (54%  28%  48%)	 \$500K <sup>^2</sup>	 Low
Straightforward bill	Bill format	Current bill format is cumbersome and outdated	Comprehensive bill redesign	Trust	# of annual billing calls per customer (TBC   519K)	 \$4-5M	 High
	Smart e-billing	No effective e-billing solution	Digital engagement – eBilling, alerts, marketing & preference setting	Ease to do business with	% of e-invoices (26%  17%  12%)	 \$6M	 High
Effective call centre issue resolution	Agent skills	Agents not flexible in dealing with customers	Call center quality enhancements (agent training)	Transparent customer engagement	First call resolution (93%  85%  82%)	 <\$1M	 Med
	Agent technology	Agents don't have immediate/easy access to all relevant info to answer queries	Updated CRM system for call center agents	Transparent customer engagement		 \$3-5M <sup>^</sup>	 Med
Affordable power	Usage tools	Insufficient and ineffective tools to manage consumption	Customer data analytics	Value for money	GWH saved (TBC)	 \$4M <sup>*3</sup>	 High
	CDM programs	Insufficient publicity of CDM programs	Integrate CDM programs into call center and digital channels	Value for money	CDM program enrolment (TBC)	 \$250K <sup>^*</sup>	 Med

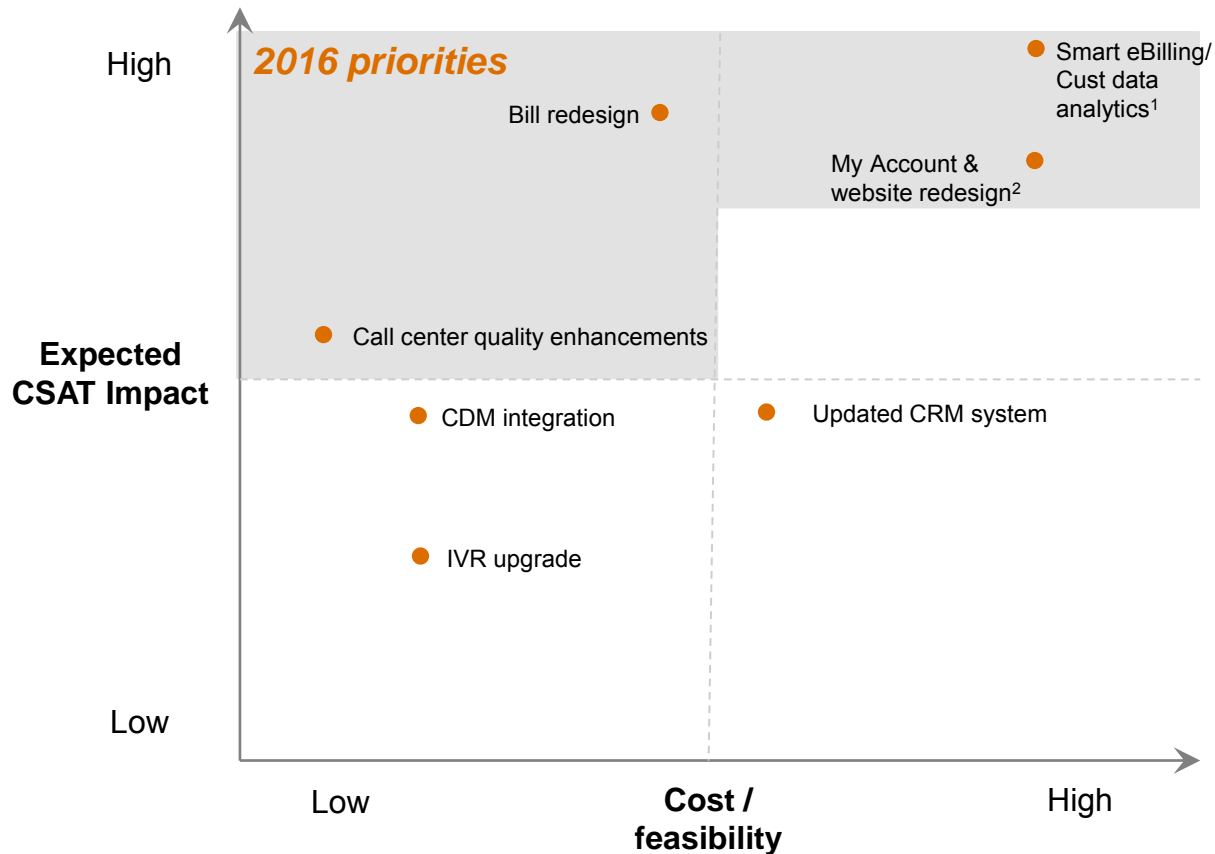
1. Best In Class. 2. Full IVR overhaul is contemplated in customer roadmap and has an estimated cost of \$5-10M. \$500K estimate encompasses tweaks to existing functionality (i.e. IVR flows) and potentially limited new functionality. 3. Customer data analytics is technically one component of the broader smart e-billing effort, but listed separately here (cost estimate for each component listed separately also).

\* Denotes cost recovery from IESO

<sup>^</sup> Denotes high level preliminary cost estimate

# R&SB: Prioritization of initiatives

Initiatives identified for 2016 based on expected CSAT impact and feasibility



**Initiatives supplemented with robust communications will boost CSAT and help to address customer perception gaps**

1. Listed as separate initiatives on previous slide but technically part of the same project. 2. My Account redesign expected to go live in Q1 2017.



# Well structured communications plan will reduce the gap between perception and performance

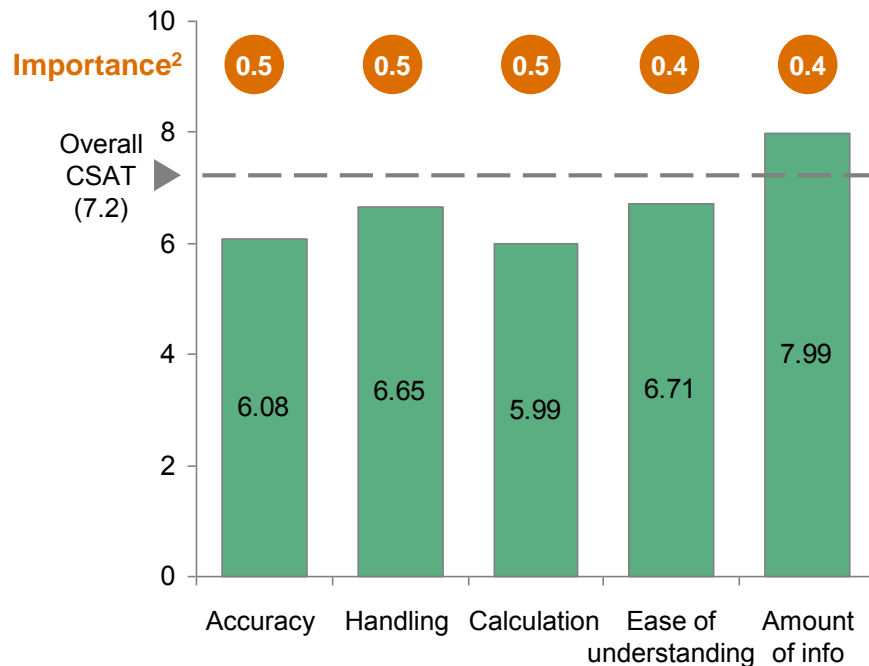
Element	Description
Purpose	<p><b>An opportunity for Hydro One to tell its own story</b></p> <ul style="list-style-type: none"> <li>Engage customers on company's commitment to high performance and customer service</li> <li>Meant to address gap between customer perceptions and H1's performance in key areas <ul style="list-style-type: none"> <li>e.g. billing accuracy</li> </ul> </li> </ul>
Objectives	<p><b>Build public understanding of Hydro One's transformation process</b></p> <ul style="list-style-type: none"> <li>Shift perceptions of H1 from being poorly run to being seen as disciplined and efficient</li> <li>Demonstrate H1's commitment to customer-centricity and desire to be a trusted advisor</li> <li>Humanize the brand by highlighting how employees in local communities are contributing to Hydro One's process of transformation</li> </ul>
Key messages	<p><b>"Get to know (the new) Hydro One"</b></p> <ul style="list-style-type: none"> <li>New leadership and renewed focus on customer service has resulted in significant improvement to Hydro One's performance</li> <li>Hydro One customer service levels are higher than ever before</li> <li>Hydro One has introduced numerous new customer commitments and service guarantees</li> <li>We're investing in new technologies to make the power system more efficient and reliable</li> <li>There is <i>so much</i> behind the scenes work that goes into the delivery of our product / services</li> </ul>

**Communications plan will address brand perceptions, one of the primary drivers of customer satisfaction**

# Deep Dive – Bill redesign: Billing is an important issue for R&SB customers

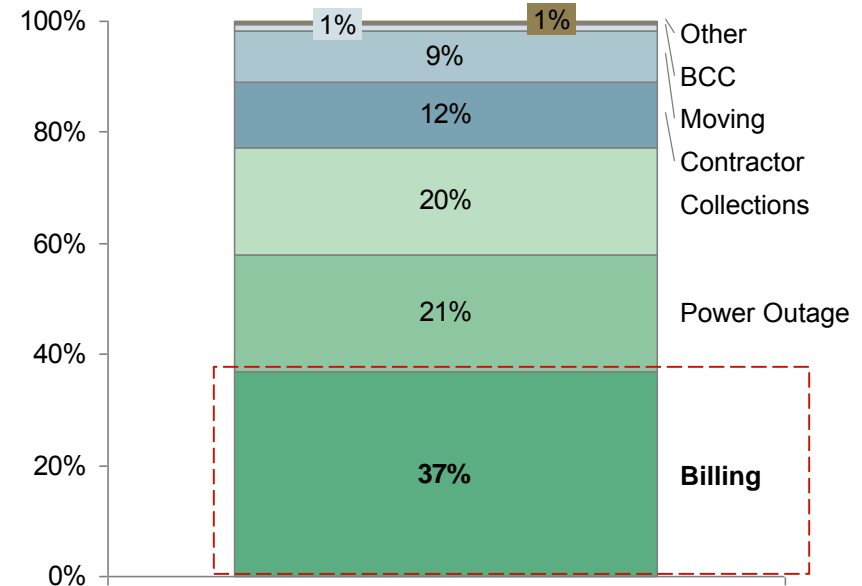
## R&SB satisfaction low across billing topics, especially with important ones

Average CSAT<sup>1</sup>



## Billing makes up 37% of CCC agent-handled call volume

% of agent-handled calls (2015)  
1.40 M



**Challenges with bill understanding could be dragging down accuracy/calculation CSAT, or driving up call volume**

1. All average satisfaction scores have been converted to a 10-pt scale 2. As measured by correlation with overall CSAT  
Source: Hydro One 2015 CSAT/perception survey for R&SB. Hydro One ACD Statistics provided by Ryan Harris Feb 22, 2015

# Hydro One in early stages of billing maturity journey

Two key themes emerge from customers with dissatisfied billing-related inquiries



## Not understanding reasons for high bill

"I feel there is **no reason why the last bill I got was just under \$400**"

"Would like some **explanation as to why my bill was so high**, or some way to tell me what I should be doing to save electricity. It is two seniors"

"We put a **brand new furnace 3 years ago and were told it would be efficient but our bill has gone up since then**"

"I need an explanation why my bill was so high. I told agent **bill in Toronto is less than in my cabin and I don't have an explanation** from them"

"I wanted to find out **what to do about the hydro bill because it was so high**. What we can do to conserve hydro."

## Lack of bill comprehension

"The agent did not explain to me and it took me half and hour or more to get to them. **I want the explanation of my bill**"

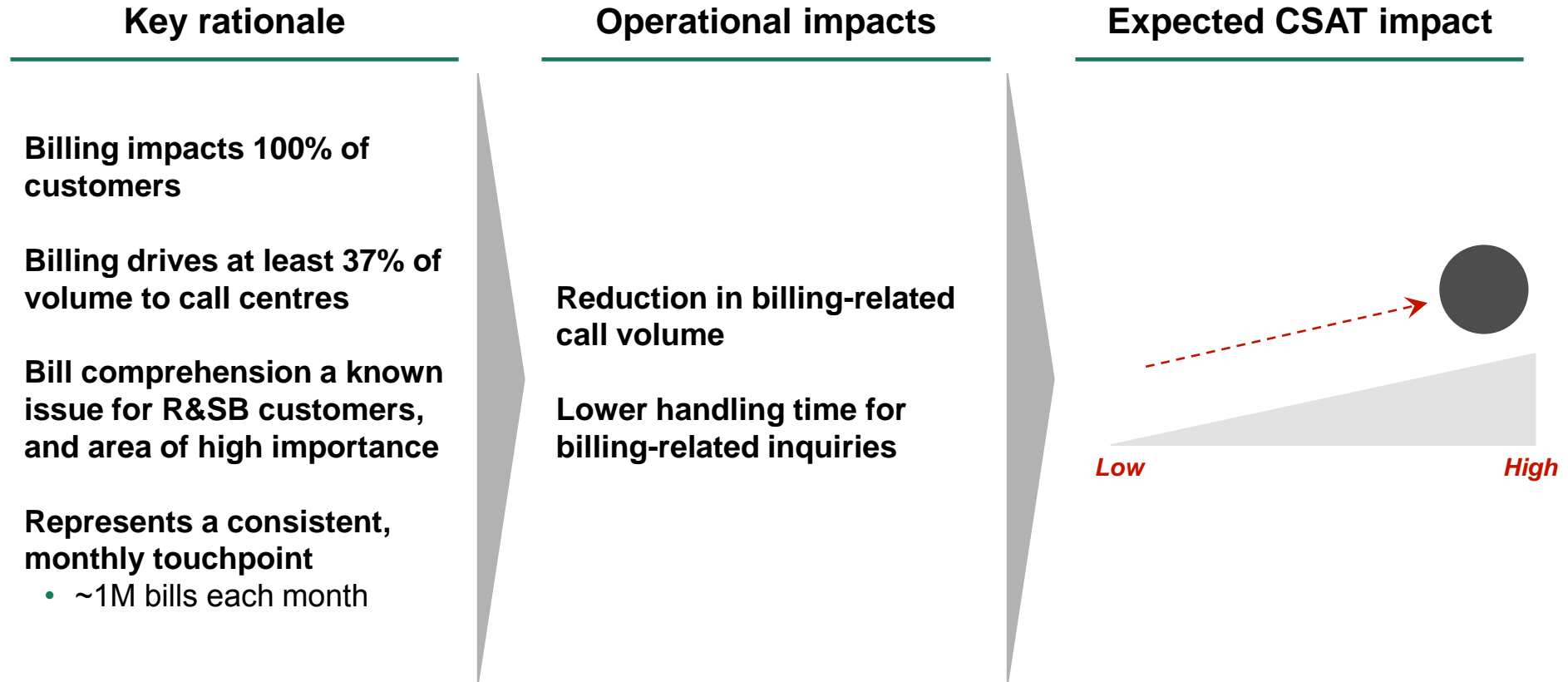
"On one hand, good customer service, they were great. On the other hand, not sure if the system was able to clarify my question. **Unclear billing.**"

"I get frustrated with hydro billing. **Not as clear as it should be**"


"Agent was confusing **had difficulty explaining the bill**. A long drawn out conversation"

"I **don't understand the delivery charge** when it comes through a wire"

# Bill redesign expected to deliver material CSAT impact



# Sample Hydro One bill



Service address:

Your account number: Bill Cycle 11

Billing date: February 4, 2016 Page 1 of 2

**Customer service**

Hydro One Networks Inc.  
PO Box 5700  
Markham, Ontario L3R 1C8

**View your electricity use at**  
[www.HydroOne.com](http://www.HydroOne.com)

For billing and service inquiries, call 1-888-664-9376 Monday to Friday 7:30 a.m. - 8 p.m.

For 24-hour power outages or emergency service, call 1-800-434-1235

Standard Service supplied by Hydro One

**Here's what you owe**

Balance forward	\$0.00
Your new charges	\$240.01
<b>Total amount you owe</b>	<b>\$240.01</b>

The total amount you owe, as indicated on this bill, is due on the billing date. Your payment for this invoice is due on **February 23, 2016** (the Required Payment Date).

If payment is not received by February 23, 2016 (the Required Payment Date), a late payment charge of 1.5% compounded monthly (19.56% per year) will be calculated from the billing date and applied to your next bill.

The Ontario Clean Energy Benefit ends on December 31, 2015. This 10% credit on your bill will no longer apply on electricity you use on or after January 1, 2016.

++ The Debt Retirement Charge was removed for certain residential consumption after December 31, 2015. Learn more at [Ontario.ca/DRC](http://Ontario.ca/DRC).

It just got easier to pay your Hydro One Networks bill. Sign up for epost today to view and pay your bill online. You'll save time, paper and postage. For more details on eBilling, go to [www.HydroOne.com/epost](http://www.HydroOne.com/epost).

For energy efficiency tips to manage your bill visit [www.HydroOne.com/SaveEnergy](http://www.HydroOne.com/SaveEnergy).

Point of Delivery: 11219938


Compare the electricity you are using*	Number of days	Average Daily Electricity Use (kWh)			Average electricity you used per day (kWh)
		On-Peak	Mid-Peak	Off-Peak	
Dec 30, 2015 - Jan 29, 2016	30	6	7	19	32
Nov 28, 2015 - Dec 30, 2015	32	5	6	22	32
Oct 30, 2015 - Nov 28, 2015	29	7	7	19	32
Sep 30, 2015 - Oct 30, 2015	30	7	6	23	36
Aug 29, 2015 - Sep 30, 2015	32	9	6	20	35
Jul 30, 2015 - Aug 29, 2015	30	8	7	22	37
Dec 31, 2014 - Jan 30, 2015	30	6	6	19	32

Please return this slip with your payment. Your account number: **200102542206**

**Total amount you owe \$240.01**

Amount enclosed \$

HYDRO ONE NETWORKS INC.  
PO BOX 4102 STN A  
TORONTO ON M5W 3L3



Service address:

Your account number: Page 2 of 2

**How we calculated your charges**

<b>Balance forward</b>	Amount of your last bill	\$237.61
	Amount we received on January 26, 2016 - thank you	\$237.61 CR
	<b>Balance forward</b>	<b>\$0.00</b>

**Your electricity charges**

Your service type is Residential - Low Density

**Electricity used this billing period**

We read your meter J2401867 on January 29, 2016	096837.2050
We read your meter on December 30, 2015	- 095875.2180
Difference in meter readings	000961.9870
Metered usage in kilowatt-hours (961.9870 x 1) =	961.9870 kWh

Electricity: On-Peak: 185.2350 kWh @ 17.5000 ¢	\$32.42
Mid-Peak: 209.1830 kWh @ 12.8000 ¢	\$26.78
Off-Peak: 567.5690 kWh @ 8.3000 ¢	\$47.11
Delivery	\$100.57
Regulatory Charges	\$8.60
Debt Retirement Charge++	\$0.43
HST (87086-582 I-RT0001)	\$27.81
<b>Total of your electricity charges</b>	<b>\$241.72</b>
Ontario Clean Energy Benefit	\$1.71 CR
<b>New total of your electricity charges</b>	<b>\$240.01</b>

++ Debt Retirement Charge exemption saved you \$6.30.

**Electricity** : This is the cost of the electricity supplied to you during this billing period and is the part of the bill that is subject to competition.

**Delivery** : These are the costs of delivering electricity from generating stations across the Province to Hydro One then to your home or business. This includes the costs to build and maintain the transmission and distribution lines, towers and poles and operate provincial and local electricity systems. A portion of these charges are fixed and do not change from month to month. The rest are variable and increase or decrease depending on the amount of electricity that you use.

The delivery charge also includes costs relating to electricity lost through distributing electricity to your home or business. Hydro One collects this money and pays this amount directly to our suppliers.

\*When electricity is delivered over a power line, it is normal for a small amount of power to be consumed or lost as heat. Equipment, such as wires and transformers, consumes power before it gets to your home or business.

**Regulatory Charges** : Regulatory charges are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy and Infrastructure conservation and renewable energy programs.

**Debt Retirement Charge** : The debt retirement charge pays down the debt of the former Ontario Hydro.

NOTE: For a detailed explanation of electricity terms, please visit [www.HydroOne.com](http://www.HydroOne.com) or [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca).

\*Your consumption is based on metered use. Historically this was based on adjusted use.

# Observations from PowerStream and Toronto Hydro bills

## Key Observations

- **1 page**, with medium-high information density
- Amount due jumps out at top of bill
- Usage data presented in **graphical format**
- **Free of any long-form text**

PowerStream Energy Services  
P.O. Box 95600 RPO Newmarket CTR  
Newmarket ON L3Y 8J8  
Tel. 1-855-952-5280  
Fax: 905-952-5290  
Website: www.powerstreamenergy.com

**PowerStream Energy Services**

Account Number: 0001234500 Statement Date: April 23, 2015  
Name: JOE SMITH Due Date: May 13, 2015  
Service Address: 100 CITY VIEW 301 Bill Type: REGULAR

**Bill at a Glance**  
**\$37.30**

**Monthly usage - Electricity**  
kWh

Month	Usage (kWh)
April 16, 2015	41.38
March 15, 2015	124.14
February 15, 2015	82.76
January 15, 2015	124.14
December 16, 2014	165.52
November 16, 2014	165.52

Ontario Clean Energy Benefit takes 10% off the cost of up to 3,000 kWh/month of electricity use. Some exceptions apply, please see Ontario.ca/OCEB or 1-888-668-4636. To learn more about how Ontario is building a strong, clean electricity system, visit Ontario.ca/energyplan.

**Monthly usage - Water**  
Metres<sup>3</sup>

Month	Usage (Metres <sup>3</sup> )
April 16, 2015	3.24
March 15, 2015	0.00
February 15, 2015	0.00
January 15, 2015	0.00
December 16, 2014	0.00
November 16, 2014	0.00

Electric Meter Number: PWST176033 Current Reading/Read Date: 00080 / 16-04-15 Previous Reading/Read Date: 00079 / 16-03-15 Multiplier: 40  
Water Meter Number: 71861601 Current Reading/Read Date: 00113543 / 14-04-15 Previous Reading/Read Date: 00110303 / 15-03-15 Multiplier: 1

**PREVIOUS BALANCE**  
PAYMENT 03/30/2015 \$52.78  
BALANCE FORWARD -\$52.78  
BALANCE FORWARD \$0.00

**ELECTRICITY CHARGES**

	RATE	USAGE	AMOUNT
Winter Energy Tier 1	0.088000	40.0000	\$3.52
Delivery Charge			\$15.24
Regulatory Charges			\$0.24
Debt Retirement Charge			\$0.28
<b>Total</b>			<b>\$19.28</b>

**WATER CHARGES**

	RATE	USAGE	AMOUNT
Town Water Block 1	3.454000	3.2400	\$11.19
Water Delivery Charge			\$6.50
<b>Total</b>			<b>\$17.69</b>

**A TOTAL UTILITY CHARGES**

Electricity Charges	\$19.28
Water	\$17.69
<b>Subtotal</b>	<b>\$36.97</b>

**B OTHER CHARGES**

<b>Subtotal</b>	<b>\$0.00</b>
-----------------	---------------

**TOTAL CHARGES (A+B)**  
HST (803930734 RT0001) \$2.51  
Ontario Clean Energy Benefit -\$2.18  
**Total** **\$37.30**

Toronto Hydro-Electric System Limited  
**YOUR ELECTRICITY BILL**

Account Number: 8412201575 Premise number: 8412201575 Bill Print Date: 02/21/16  
To be used for payments: Meter Number

**Statement Date** Feb 17 2016  
**Amount Due** \$72.68  
**Due Date** Mar 08 2016  
**Amount Paid**

416.542.8000 www.torontohydro.com  
Interest will be charged on any amount not received by the due date at the rate of 1.5% compounded monthly (19.56% per annum) from the due date until receipt of such amount and all accrued interest

Service Location: **Your Electricity Charges** Page 1 / 1

**Compare your daily usage**

Seed Date: 10 FEB 16 kWh Usage: 291  
10 JAN 16: 326  
10 DEC 15: 239  
10 NOV 15: 230  
10 OCT 15: 284  
10 SEP 15: 388  
10 AUG 15: 305  
10 JUL 15: 238  
10 JUN 15: 232  
10 MAY 15: 210  
10 APR 15: 230  
10 MAR 15: 340  
10 FEB 15: 344  
10 JAN 15: 314  
10 DEC 14: 300

**Time of use Comparison**

Time of use - Winter  
56.202 kWh On-peak (Highest Price) @ \$0.175 / kWh 9.84  
28.654 kWh Mid-peak (Mid Price) @ \$0.128 / kWh 3.67  
206.144 kWh Off-peak (Lowest Price) @ \$0.063 / kWh 17.11

**Delivery** 31.63  
**Regulatory** 2.07  
**Debt Retirement Charge<sup>1</sup>** 0.00

**Your Total Electricity Charges** 64.32  
**H.S.T. (H.S.T. Registration)** 8.36  
**Your Previous Charges**  
Amount of last bill 73.97  
Payment Received Jan 18 2016 - Thank You 73.97 CR  
**Balance Forward** 0.00  
**Total Amount Due by Mar 08 2016** **\$72.68**

**Your electricity usage**

Meter Number	Meter Reading Period	Number of Days	Read Type	Current Reading	Previous Reading	Billing Mult.	kWh Used	Loss Factor Adjustment	Adjusted kWh Used
	JAN 10 2016 TO FEB 10 2016	31	Ad.	4747	4456	1	291	1.0376	301.941

<sup>1</sup> The Debt Retirement Charge was removed for certain residential consumption after Dec. 31, 2015.  
Learn more at Ontario.ca/DRC.  
Debt Retirement Charge exemption saved you \$2.04

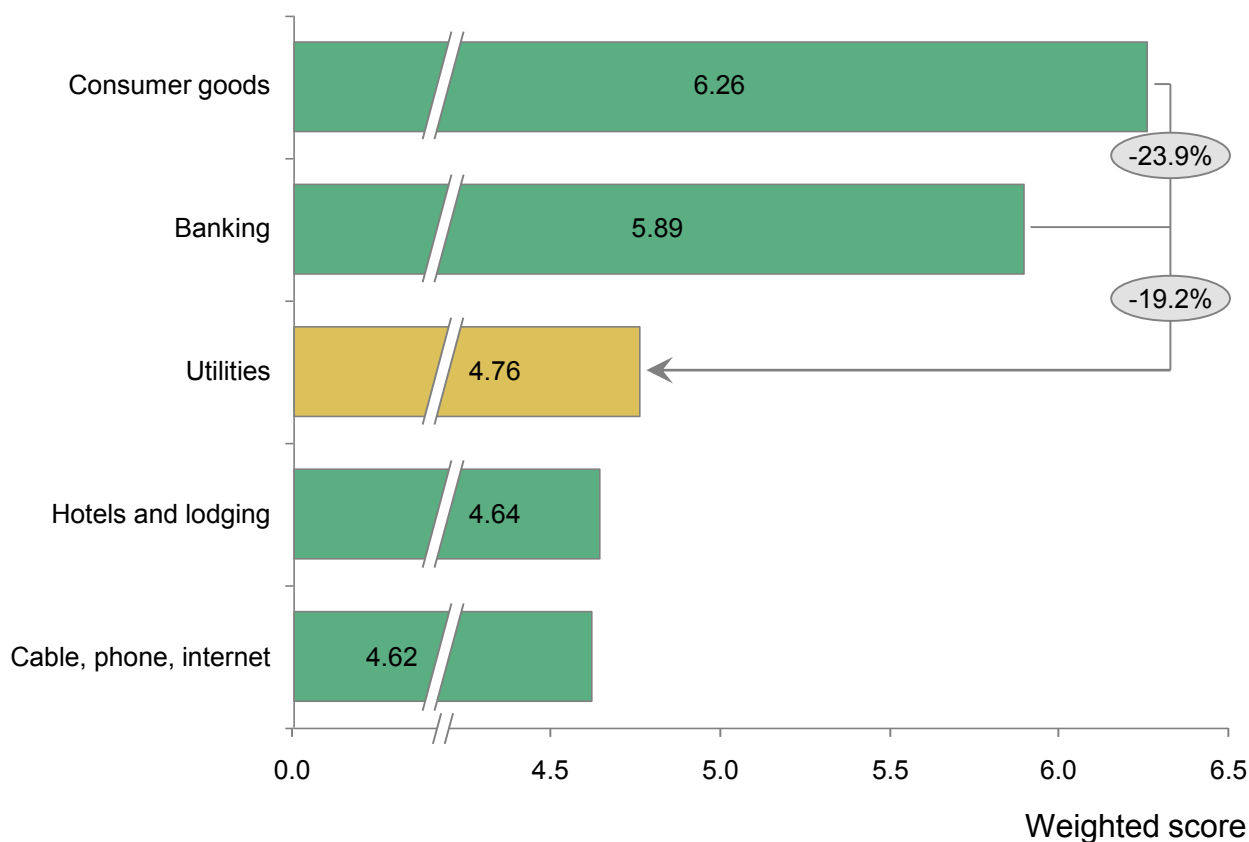
Our Conditions of Service document is changing.  
Learn more at torontohydro.com/conditionsofservice

Source: PowerStream website. Toronto Hydro customer (bill sanitized)

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# Digital capabilities of utilities considered far behind companies in banking & consumer sector

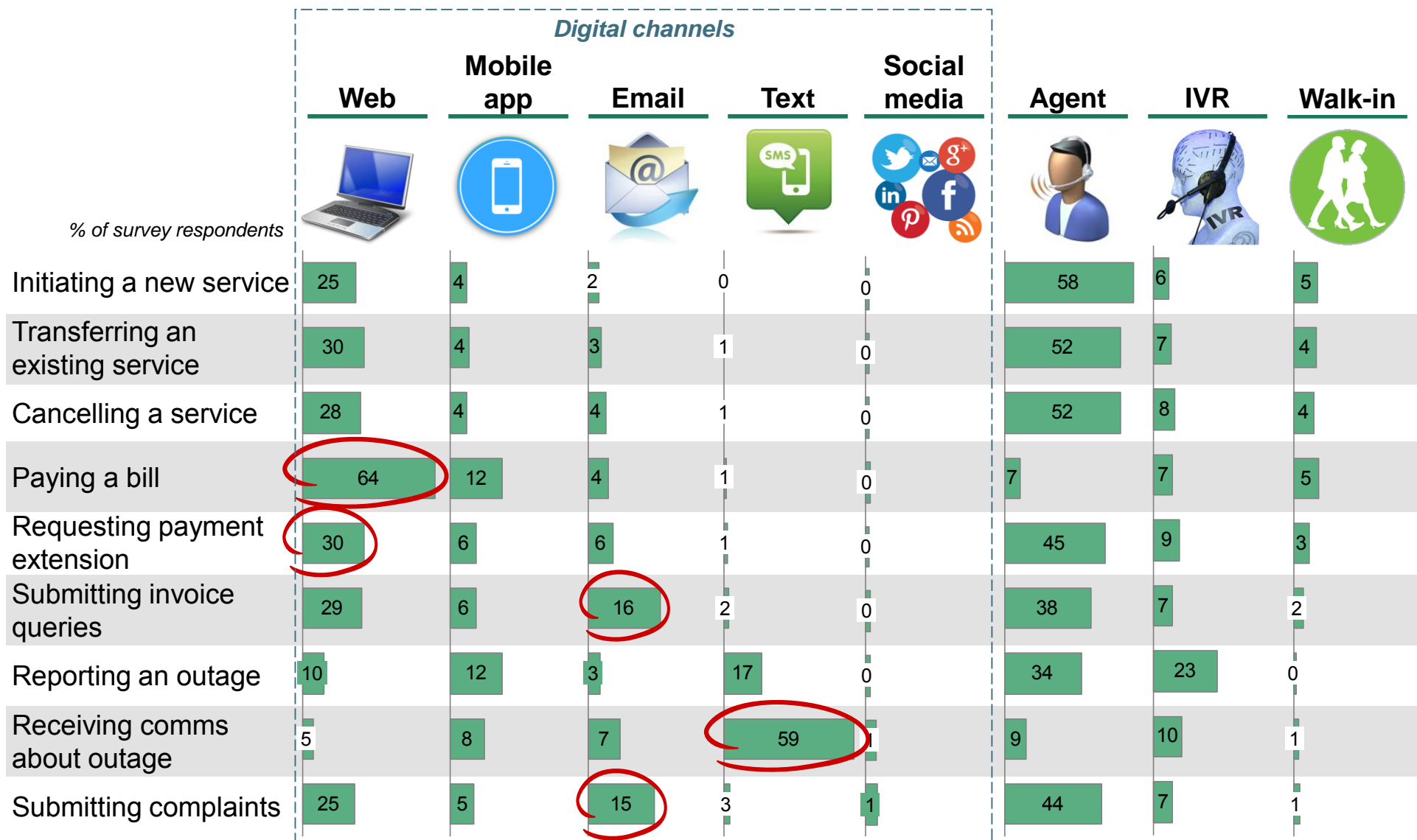


Hydro One's **weak digital offerings & capabilities** potentially **driving customers towards non-digital channels**, limiting widespread adoption to-date and **dragging down CSAT**

**All companies are investing to improve digital experience and setting ever increasing customer expectations**

# Customers prefer using digital channels for many interactions

Building this capability could positively impact CSAT



Source: BCG case experience

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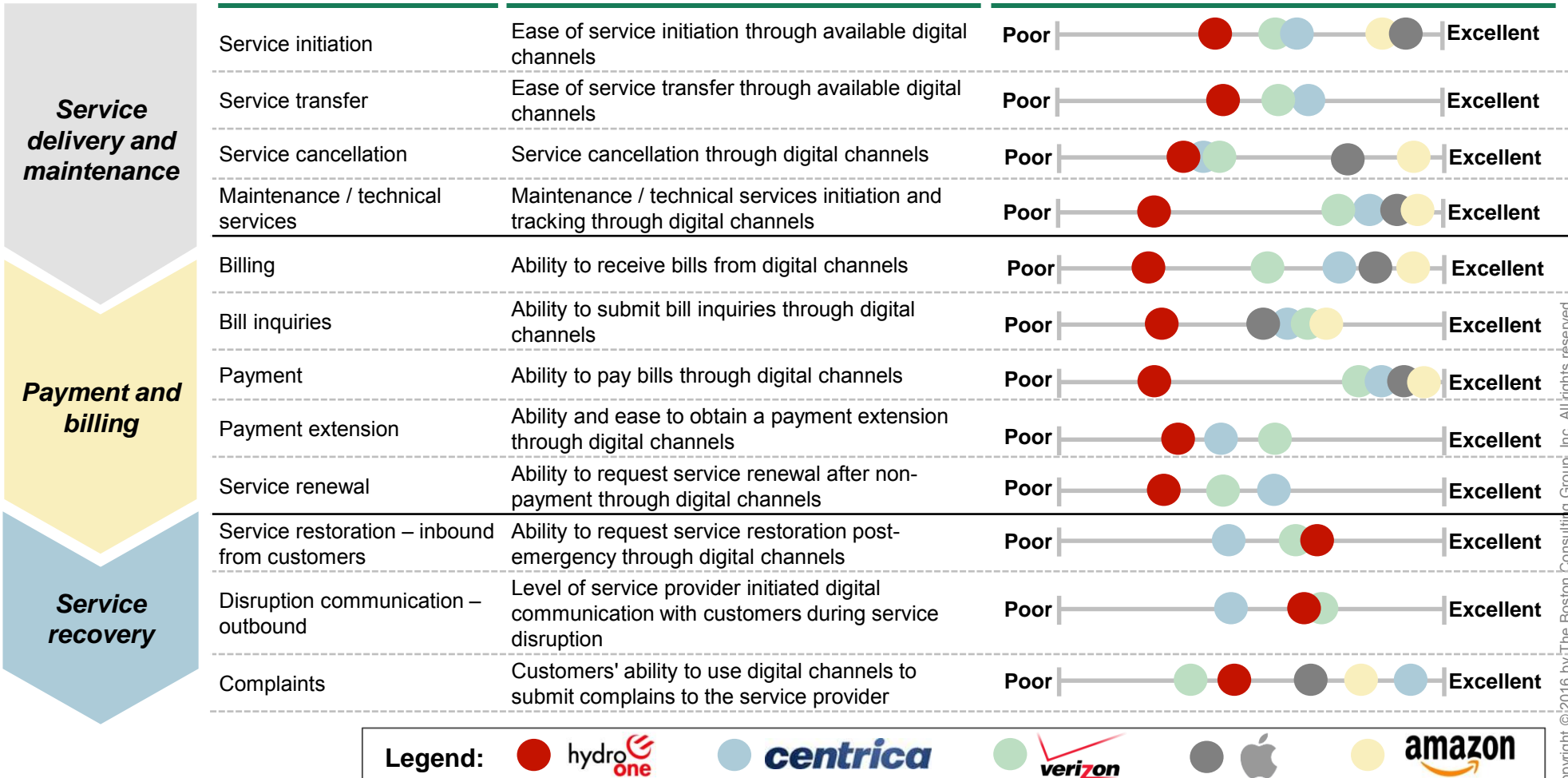
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# Outside-in benchmarking confirms Hydro One gaps in digital performance to other utilities & sectors

Further benchmarking of H1 digital channels in appendix



<sup>1</sup> Assessments of Centrica, Apple, Amazon and Verizon based on BCG Case Experience

# Commercial and Industrial (C&I): Unmet customer needs and supporting proof points

## Unmet needs

## Key proof points

### Understanding of customers' businesses

Ensure Agents understand customer needs and can adjust approach accordingly

- **Agent training:** Low satisfaction on "Listens to customers, adjusts to meet needs" (5.8/10) and "Demonstrates concerns for customers" (6.2/10), and both have strong importance to overall CSAT (0.6 for both)<sup>1</sup>
- Interviews highlighted that:
  - Agents are **overly transaction focused**
  - **Better understanding of needs, flexibility in call handling** important for C&I customers.

### Tools to enable / aid in decision-making

Empower customers to make sense of their usage data

- **Business portal:** Online portal with usage data growing in use **but not user friendly**
  - **Needs to cater to a broader array of users**
  - There is **no direct link between the usage data and CDM programs**

### Affordable power

Provide tools / alternative to help customers manage consumption

- **Rates:** "**Rates**" most commonly cited issue/need for Hydro One to address in survey (30% of respondents mentioned it), has **moderate importance to overall CSAT (0.4)**<sup>1</sup>

### Accurate bills

Proactively notify customers if affected by known billing issues

- **Bills:** Moderate satisfaction (7.7/10) and importance to overall CSAT (0.4)<sup>1</sup>
- Although billing accuracy is >98% target, **1% of customers can't be issued a bill, have an estimated bill or suffer from defective meter**<sup>2</sup>

1. Hydro One 2015 CSAT/perception survey for C&I 2 Interviews with Hydro One stakeholders Note: All average satisfaction scores have been converted to a 10-pt scale  
Sources: Hydro One 2015 perception survey. Interviews (internal and external experts). BCG Energy Retail Benchmark 2015. BCG analysis and experience.

# Large Distribution Accounts (LDA): Unmet customer needs and supporting proof points

## Unmet needs

### Keeping commitments in a timely manner

Customers see coordinated approach and regular progress

### Reliability and quality

Provides customized and relevant info on investments

### Tools to enable/aid in decision making

Access to real time data and analytics via Biz. portal

### Affordable power

Choice of CDM programs

## Key proof points

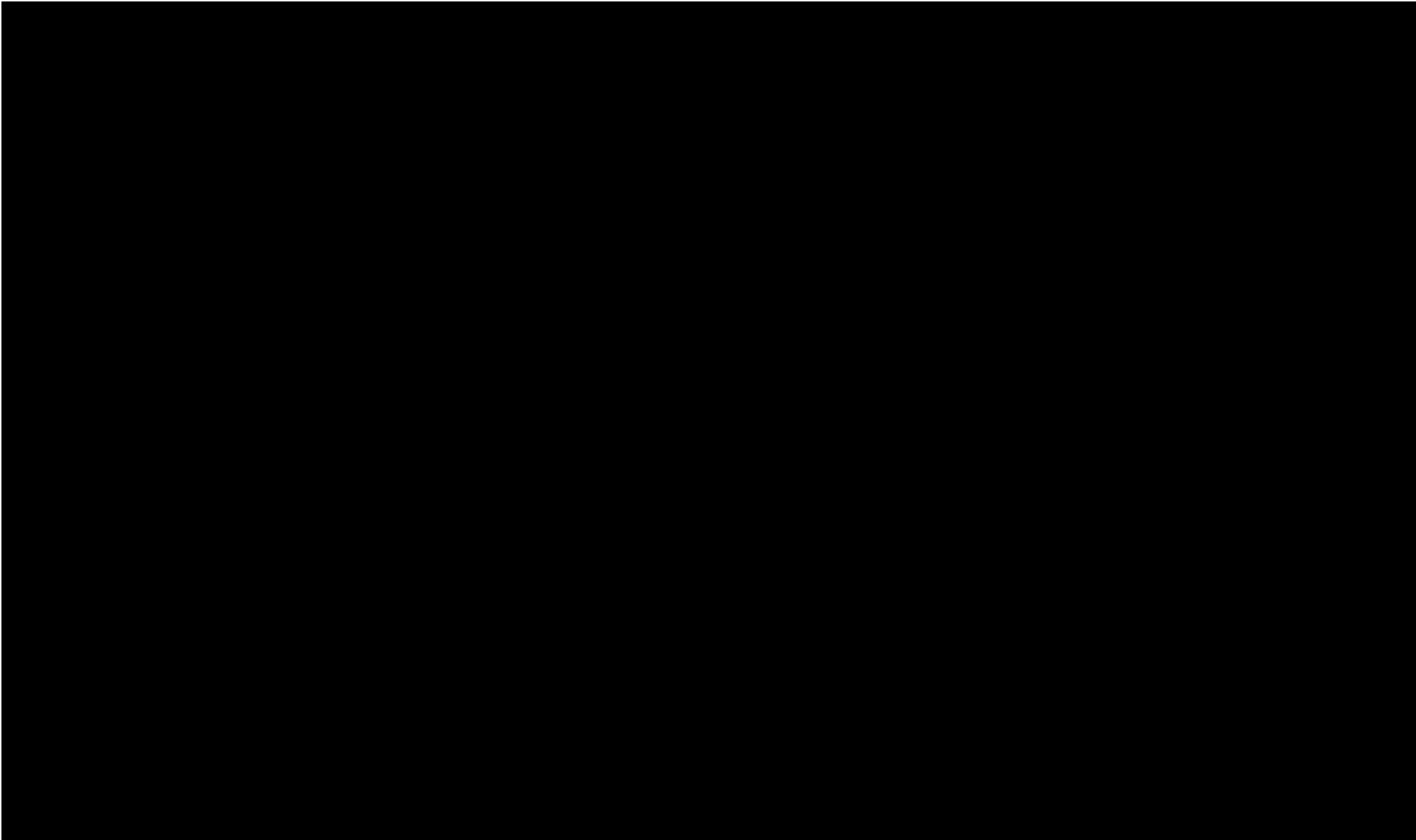
- **Internal processes:** Key processes (e.g. capacity) **require coordination of multiple internal groups**
  - Processes can drag out and no timeline for response provided to customer
- **Stakeholder support:** Surveys highlight low avg. satisfaction of 6.9/10 with decision making, strong importance (0.6) to overall CSAT<sup>1</sup>
  - "Dissatisfied with **overall Hydro One performance**, but I am also sensitive to the fact that our local representatives can only do so much to help us. *If executives are not on board local reps are powerless*" – LDA customer
- **Improved reliability:** "Reliability" is #1 most commonly cited need/issue for Hydro One to address, strong correlation (0.6) to overall satisfaction. "Power quality" 3<sup>rd</sup> most cited<sup>1</sup>
  - e.g., when asked why overall CSAT rating changed during survey: *"I was thinking about how many times the power went out and adding it in my head"*
- **Business portal:** Business customer portal lacks real time data (24-48h delay) to aid decision-making and has performance issues; driven by limitations in Meter Data Management Repository
  - Some customers have engaged third parties to pull real time data off meters because Hydro One can't provide
- **CDM programs:** Surveys indicate low satisfaction (6.8/10) with "providing energy conservation programs" and moderate importance (0.5) to overall satisfaction<sup>1</sup>
- Customers looking for a menu of CDM efforts

1. Hydro One 2015 CSAT/perception survey for LDA

Note: All average satisfaction scores have been converted to a 10-pt scale















Sources: Hydro One 2015 perception survey. Interviews (internal and external experts). Operational Benchmarking. BCG Analysis

# Transmission (Tx):



# Large cust: Proposed initiatives to address unmet needs

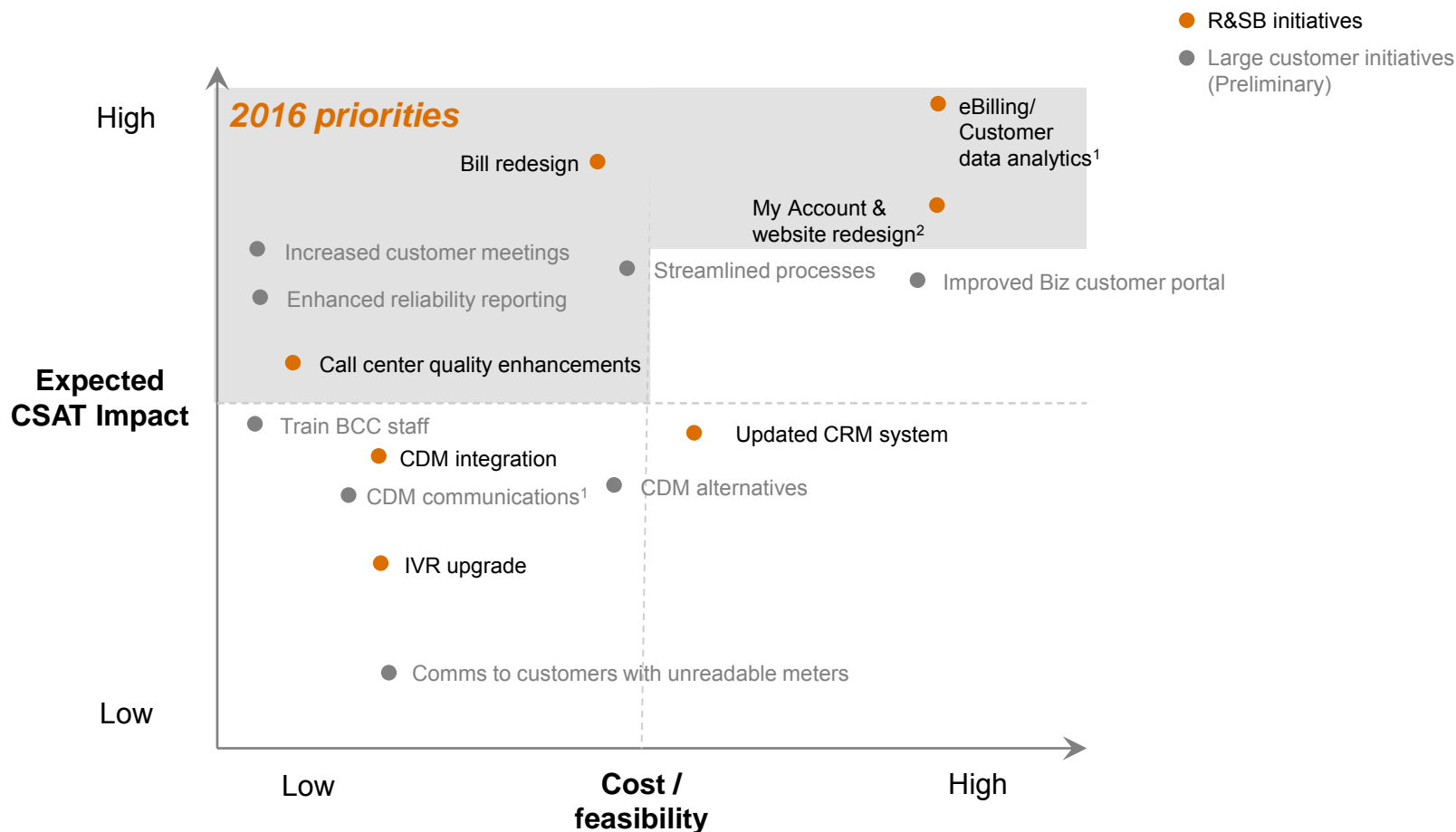
Preliminary list to be refined in coming weeks

Unmet need	Opportunity area	Root cause(s)	<b>DRAFT</b> Initiative to address	Segment affected	Ops metric to track performance (BIC <sup>1</sup>   Med   H1)	Expected cost / feasibility	Expected CSAT impact
Understanding of customers' business	Agent skills	CC staff transaction focused, inflexible	Training for BCC staff on call handling/large customer needs	C&I	First call resolution (BCC) (93%   85%   73%)		
Tools to enable / aid in decision-making	Web portal	Incompatible internal systems; old technology	Improve business customer portal to facilitate real time usage	C&I, LDA	% of active portal users (TBC)		
Accurate billing	Communications	Can't read meter due to comms capability	Communications / engagement plan for affected customers	C&I	Billing accuracy % (TBC   99%)		
Affordable power	CDM programs	High rates	Comprehensive communications plan around CDM alternatives	C&I, LDA	TBC		
Keeping commitments in timely manner	Process improvements	Complex approval processes; lack of customer focus and accountability	Improve standardized processes/introduce service standards. Inside service desk to support Account Executives	LDA, Tx	% of commitments met (TBC)		
Reliability and quality	Reliability	TBC	Enhanced reporting to customers on reliability performance	LDA, Tx	# of reports per customer (TBC)		
Access to energy conservation programs / customized advice	CDM programs	TBC	Communications program on CDM programs. Explore service opportunities (Tx)	LDA, Tx	# of customer meetings on CDM (TBC)		

1. Best in Class

Note: CC = Call Centre. TBC = To Be Confirmed

# All segments: preliminary prioritization of initiatives



**Placement of large customer initiatives is preliminary and will be refined further in coming weeks**

1. For Tx, this would first require a change in government directive (no change required for LDA). Feasibility estimated independent of this. 2. My Account redesign expected to go live Q1 2017.

# Next steps

## Deliverables for SteerCo 3

- Defined benchmarks for R&SB operational metrics
- Refined list of initiatives defined for C&I, LDA & Tx customer segments
  - Including performance metrics and assessment of CSAT impact
  - Cost estimates for all initiatives
- Prioritized 2016 plan
  - Prioritization done on full portfolio across all segments

## Deliverables for SteerCo 4

- Final updates to 2016 plan
  - Based on feedback from SteerCo 3
- Quarterly cost and impact profile
- High level implementation planning roadmaps for 2016 plan. For each initiative:
  - Assigned owner, roles and responsibilities
  - 3-5 key milestones
  - Initial planning and implementation timeline
- Define high level framework for Dx regulatory customer consultation plan

# Our agenda for today

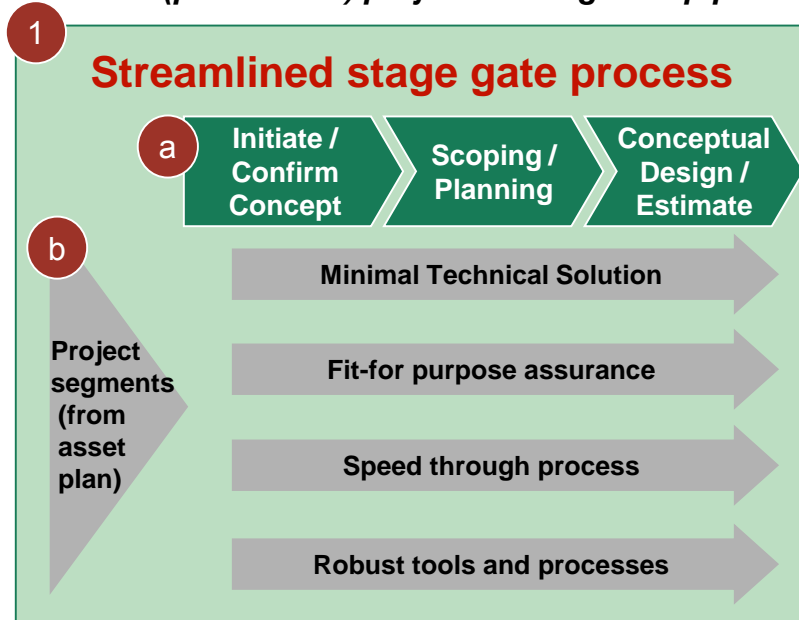
Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (9:00-9:10)
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<b>Service delivery</b>		
• <b>Customer:</b> needs assessment & prioritization of R&SB initiatives	Rob Quail	<b>30 min</b> (9:45-10:15)
• <b>Capital efficiency:</b> delivery model options (rapid update)	Brad Bowness	<b>10 min</b> (10:15-10:25)
<b>OM&amp;A efficiency</b>		
• <b>Procurement:</b> opportunity sizing summary & proposed waves	Gary Schneider	<b>15 min</b> (10:25-10:40)
• <b>Org effectiveness:</b> benchmarks & bottom up sizing summary	Judy McKellar	<b>30 min</b> (10:40-11:10)
• <b>Labour strategy:</b> diagnostic findings (rapid update)	Nadine O'Neill	<b>10 min</b> (11:10-11:20)
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# Recap: Three focus streams in Capital Efficiency

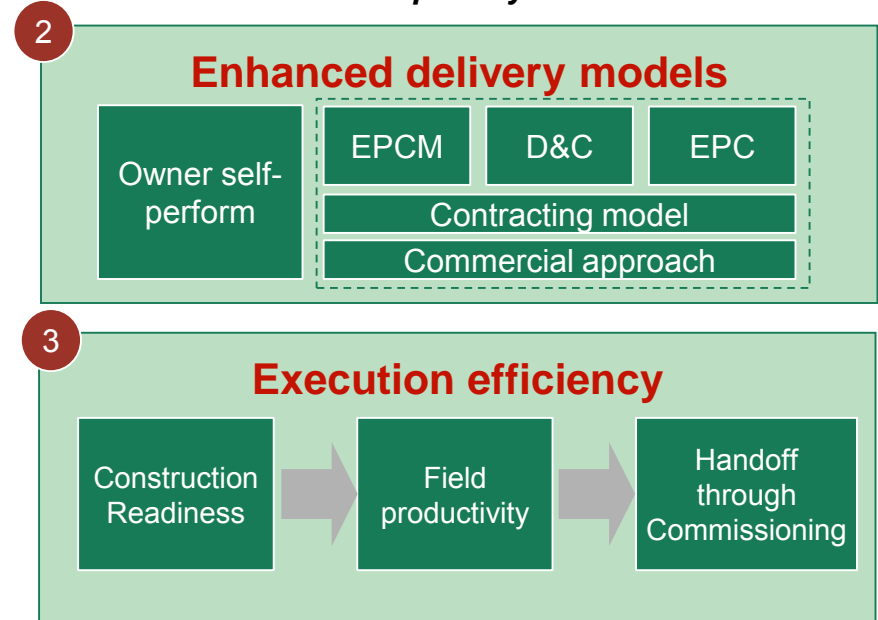
## Project development

*More (predictable) projects through the pipeline*



## Project delivery

*Enhanced capability to deliver*



Objectives of today's discussion

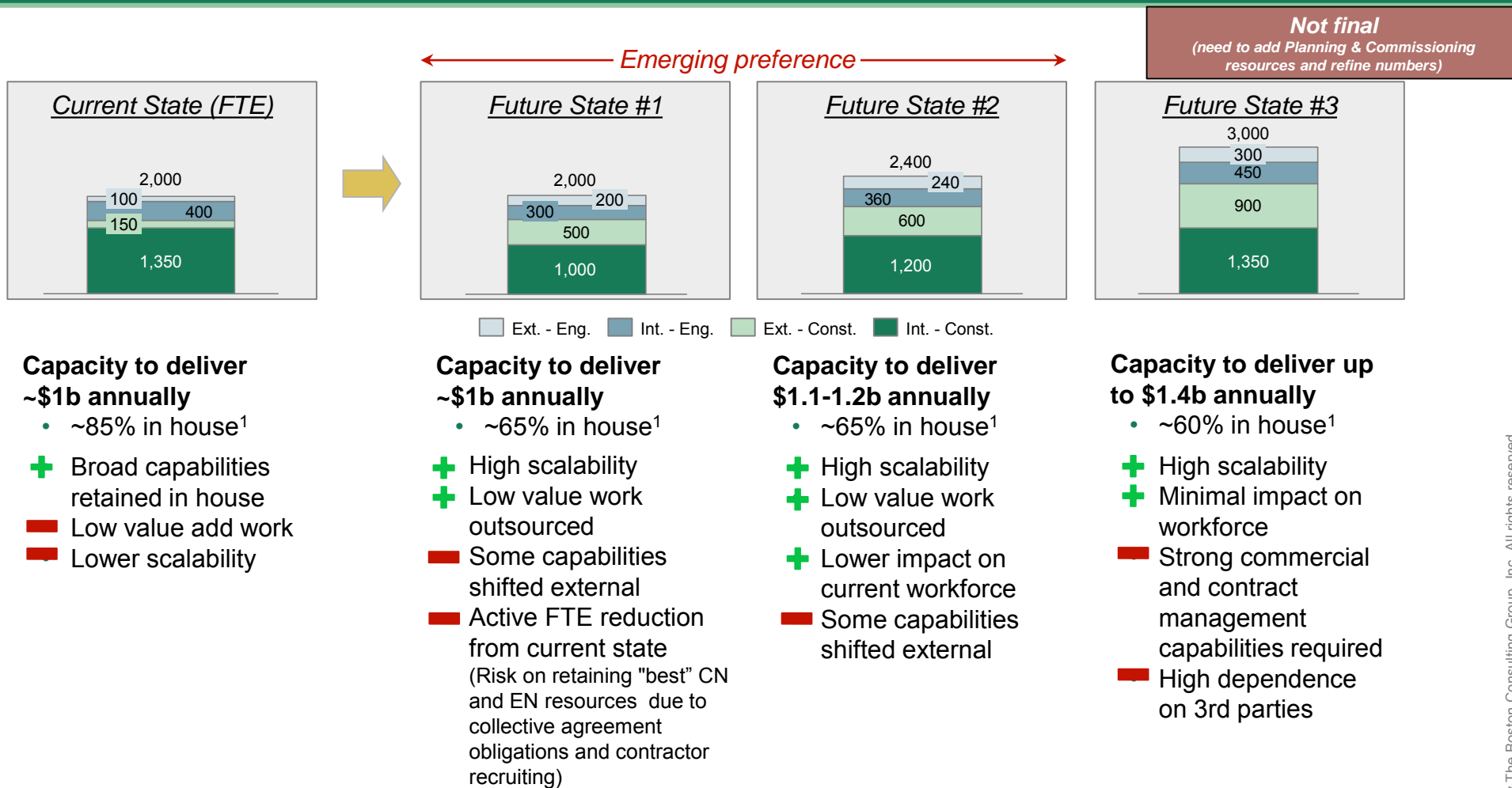
For guidance from the SteerCo

For information

Discuss emerging delivery model changes and implications

Review initial Stage Gate process findings

# For guidance: emerging future state delivery models



All future states see the retention of internal engineering & direct-hire construction workforces

1. Includes contract direct trades

# Emerging areas of opportunity from stage gate workshop

*ECS has identified and addressed several pain points across the stage gate process over the past 6-9 months; additional opportunities outlined below will continue to help drive step-change improvement in project cycle time*

Description	Impact
<b>1</b> Earlier scoping and planning to optimize execution and confirm regulatory submission accuracy	<b>Reduced variability across projects</b> <ul style="list-style-type: none"> <li>Goal to have all projects through BEST phase ahead of rate filings</li> </ul>
<b>2</b> Update and formalize deliverables and requirements for approval at each stage gate <ul style="list-style-type: none"> <li>Consistent "master" list of documents</li> <li>Clear guidelines for required levels of accuracy</li> </ul>	<b>Improved approval time between gates</b> <ul style="list-style-type: none"> <li>Clear decision based on adherence to requirements</li> </ul> <b>Reduced variability across projects</b>
<b>3</b> Establish cross-functional, Director-level "Project Committee" to approve projects at each gate <ul style="list-style-type: none"> <li>Oversight across project lifecycle</li> <li>Alignment on strategic fit, risks, etc. across departments</li> </ul>	<b>Reduced amount of "re-work"</b> <ul style="list-style-type: none"> <li>Directors afforded visibility early in project lifecycle</li> </ul>
<b>4</b> Institute "fit-for-purpose" gating approach <ul style="list-style-type: none"> <li>Reduced gate readiness burden for select projects / project segments based on established criteria</li> </ul>	<b>Improved project delivery time</b> <b>Reduced amount of "re-work"</b> <ul style="list-style-type: none"> <li>Clear incentive to meet establish criteria necessary to qualify for accelerated gating</li> </ul>

**Identified opportunities address Capital Efficiency objectives to *optimize timing* and *reduce variability* of projects**

# Our agenda for today

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# Executive summary: Procurement

## Estimating procurement opportunity at \$37 - 83M

- Represents 5-11% of ~\$770M addressable spend (vs \$1.4B total spend) across 27 sourceable categories

**For each category, defined the approach / lever set and estimated gains based on benchmarks, starting point, category profile, vendor landscape and insight from the procurement team**

## Proposing to tackle the opportunity in 4 waves

- Wave 1 – launching now (\$11-24M): transformers, general hardware, staff augmentation, IT software, and professional services<sup>1</sup>
- Wave 2 – launching end Q2 (\$8-20M): engineered hardware, engineering and EPC services, construction services, and real estate
- Wave 3 – launching end Q3 (\$7-18M): electrical hardware, equipment rentals, enviro. services, and telecom
- Wave 4 – launching end Q4 (\$9-16M): fleet, IT hardware, construction materials, office supplies, travel & entertainment

**Prioritization into waves takes into account gain vs ease, readiness and interdependencies, range of levers (for capability embedment), and resource availability**

1. (as part of "quick wins" workstream)

# Procured spend baseline: \$2.8B total, \$1.4B controllable

Defined 27 sourceable categories to structure effort

2015 Total Spend (\$M)	Category	Spend (\$M)	Description
2,755	<b>Fleet</b>	<b>148</b>	Fuel and maintenance services (e.g. ARI contract), and all light and heavy duty vehicles
<b>Inergi (\$195M)</b>	<b>Electrical Hardware</b>	<b>120</b>	Hardware relevant to utilities (bare conductor, line hardware, fasteners, connectors, etc.)
<b>Uncontrollable<sup>1</sup> (\$1,190M)</b>	<b>Transformers</b>	<b>118</b>	Power, station, pad, pole, and instrument transformers and transformer parts
Taxes, Independent Electricity System Operator (IESO), OEF Debt Retirement, OEB Fees, Utility Charges	<b>EPC services</b>	<b>115</b>	Services provided across the full scope of engineering, procurement, and construction
	<b>Construction Services</b>	<b>91</b>	Cost-plus construction services and turnkey contracts
	<b>Engineered Hardware</b>	<b>74</b>	Heavily engineered hardware (circuit breakers, insulators, switches, fuses, etc.)
	<b>Telecom</b>	<b>72</b>	"Hydro One Telecom" network equipment and corporate telecom services
	<b>Professional Services</b>	<b>64</b>	Finance, HR, legal, marketing, consulting and other professional services
	<b>Equipment Rentals</b>	<b>63</b>	Operated or non-operated equipment ranging from light equipment to cranes
	<b>Staff Aug.</b>	<b>60</b>	External contract staff utilized across IT, finance, legal, etc.
	<b>Facilities Mgmt.</b>	<b>51</b>	Upkeep and management of Hydro One properties, primarily Brookfield
	<b>Enviro. Services</b>	<b>42</b>	Environmental services including hydrovac and remediation services
	<b>Meters and Parts</b>	<b>37</b>	Metering equipment and additional parts, primarily Trilliant
	<b>IT Software</b>	<b>36</b>	Software applications, licenses, maintenance, and support
	<b>General Hardware</b>	<b>35</b>	General "off the shelf" equipment and parts
	<b>Construction Materials</b>	<b>32</b>	Raw materials primarily used for construction (concrete, rebar, lumber, etc.)
	<b>IT Hardware</b>	<b>29</b>	Servers, personal computers, cables, and other hardware
	<b>Transport Services</b>	<b>27</b>	Transport and freight costs including trucking, rail, air, and barge
	<b>Remotes Supply Fuel</b>	<b>27</b>	Fuel consumed by power generation for Remotes
	<b>Engineering Services</b>	<b>20</b>	Cost-plus engineering and project management services
	<b>Real Estate</b>	<b>20</b>	All yearly costs for owned or leased properties
	<b>Wood Poles</b>	<b>20</b>	Wooden utility poles, supplied by Stella Jones
	<b>Steel Fabs.</b>	<b>18</b>	Steel fabrications and parts for transmission towers and structures
	<b>Travel &amp; Ent.</b>	<b>17</b>	Air, rail, and vehicle transportation, hotels, and other reimbursable travel expenses
	<b>PCT in a box</b>	<b>16</b>	PCT equipment and control panels, primarily by Virelec and Custom Control Panels
	<b>Mailing &amp; Courier</b>	<b>13</b>	Postage and shipping services primarily for billing
	<b>Office Products</b>	<b>6</b>	Furniture, printing, and office supplies
<b>Controllable (\$1,370M):</b>			
<b>OM&amp;A: ~\$370M</b>			
<b>CAPEX; ~\$1,000M</b>			

1. Items where no procurement event occurs

Source: Hydro One Jan 1, 2015 – Dec 31, 2015 total spend

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# Procurement: total opportunity \$37 - 83M

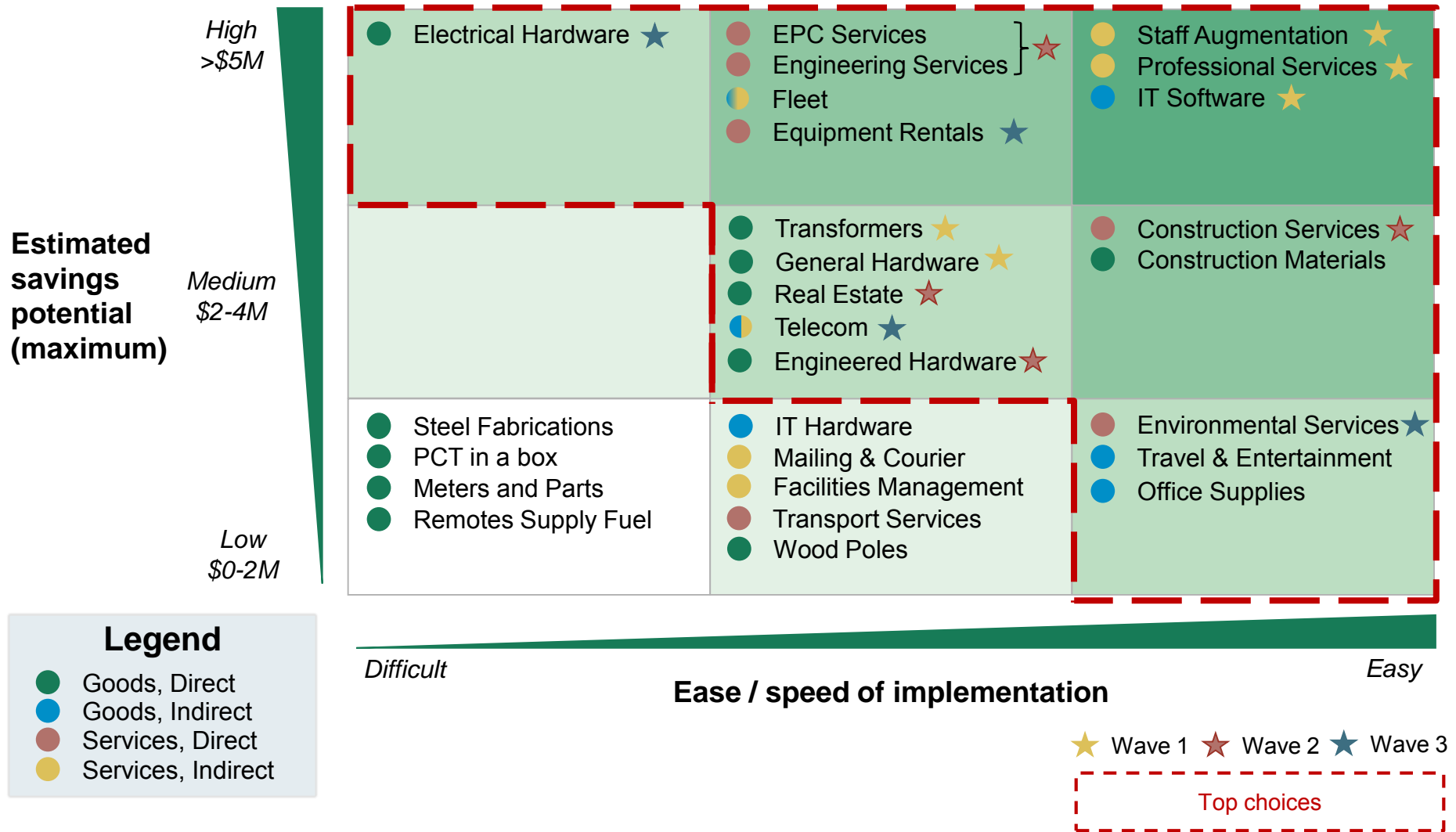
Represents 5-11% savings potential on addressable spend of \$768M

Category	OM&A (%)	Spend (\$M)	Add. (\$M)	Savings (%)	Savings Potential (\$M)
Electrical Hardware	5%	120	62	5 - 15	3 9
EPC Services	0%	115	55	10 - 15	6 8
Engineering Services	0%	20	20	10-15	2 3
Fleet	10%	148	112	5 - 7	6 8
Staff Aug.	20%	60	45	5 - 15	2 7
Professional Services	95%	64	26	10 - 20	3 5
Equipment Rentals	15%	63	50	5 - 10	3 5
IT Software	85%	36	30	5 - 15	2 5
Transformers	0%	118	42	5 - 10	2 4
Construction Services	10%	91	70	2 - 5	1 4
General Hardware	20%	35	22	10 - 15	2 3
Real Estate	100%	20	20	5 - 15	1 3
Construction Materials	5%	32	27	5 - 10	1 3
Telecom	75%	72	50	0 - 5	3
IT Hardware	20%	29	15	5 - 15	1 2
Enviro. Services	35%	42	22	5 - 10	1 2
Engineered Hardware	0%	74	20	5 - 10	1 2
Travel & Ent.	100%	17	8	10 - 20	1 2
Mailing & Courier	100%	13	12	0 - 10	1
Facilities Mgmt.	65%	51	10	0 - 10	1
Wood Poles	0%	20	20	0 - 5	1
Transport Services	20%	27	9	5 - 10	1
Steel Fabs.	0%	18	18	0 - 5	1
Office Supplies	95%	6	3	5 - 15	0
PCT in a box	0%	16	0	0	0
Meters and Parts	20%	37	0	0	0
Remotes Supply Fuel	100%	27	0	0	0
<b>Total</b>	<b>26%</b>	<b>1371</b>	<b>768</b>	<b>5 - 11</b>	<b>37 - 83</b>

Source: Hydro One Jan 1, 2015 – Dec 31, 2015 total spend, BCG analysis

# Prioritization waves: potential vs ease

Waves 1 and 2 address goods and services with the highest potential





# Proposed prioritization in 4 waves

Start with transformers, general hardware, IT software, staff aug. (IT), professional services

## Considerations for prioritization

### Gains vs Ease/Speed

### Readiness & interdependencies

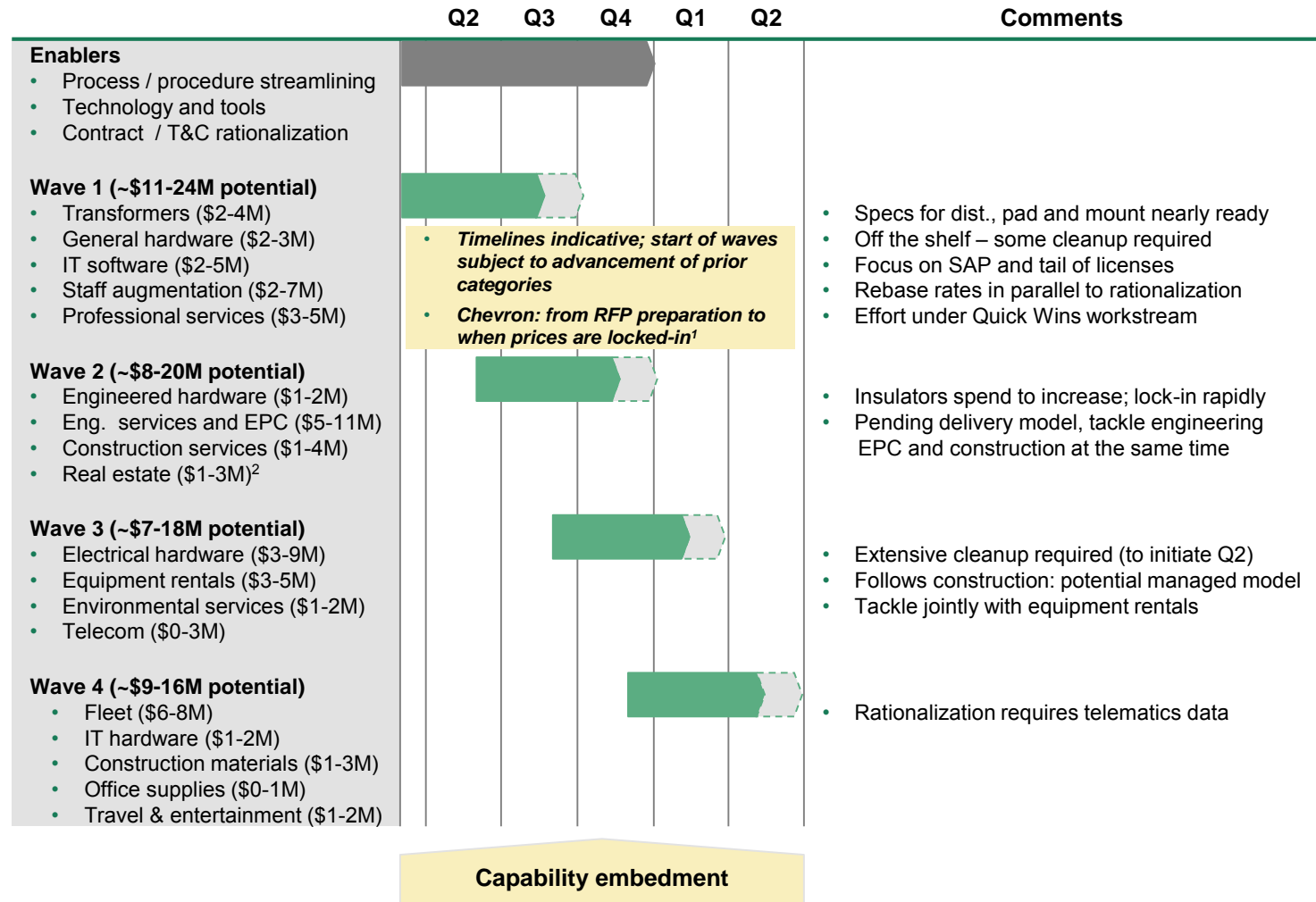
- E.g. Cleanup for electrical hardware;
- Delivery model for EPC services

### Resources availability

- E.g. Eng. input for transformers, electrical and engineered hardware

### Diversity of levers for embedment

- RFP vs tear down
- Engineered vs off-shelf
- Demand levers, e.g. rationalization



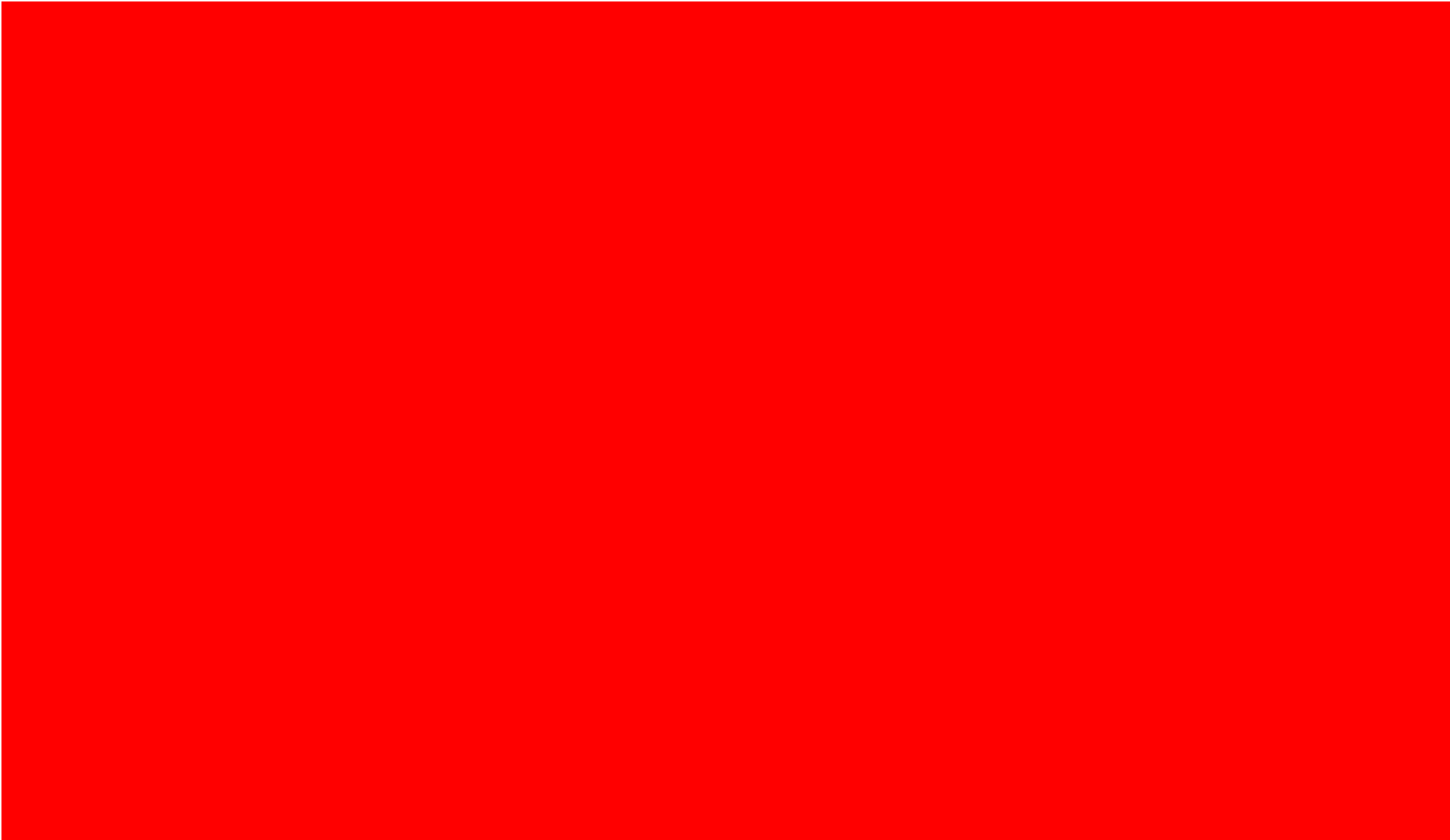
1. Preparation for categories requiring more extensive cleanup to be initiated ahead; contract finalization may extend beyond proposed timelines

2. Timeline for real estate savings impact might be longer subject to timing of redeployment and current leases

# Our agenda for today

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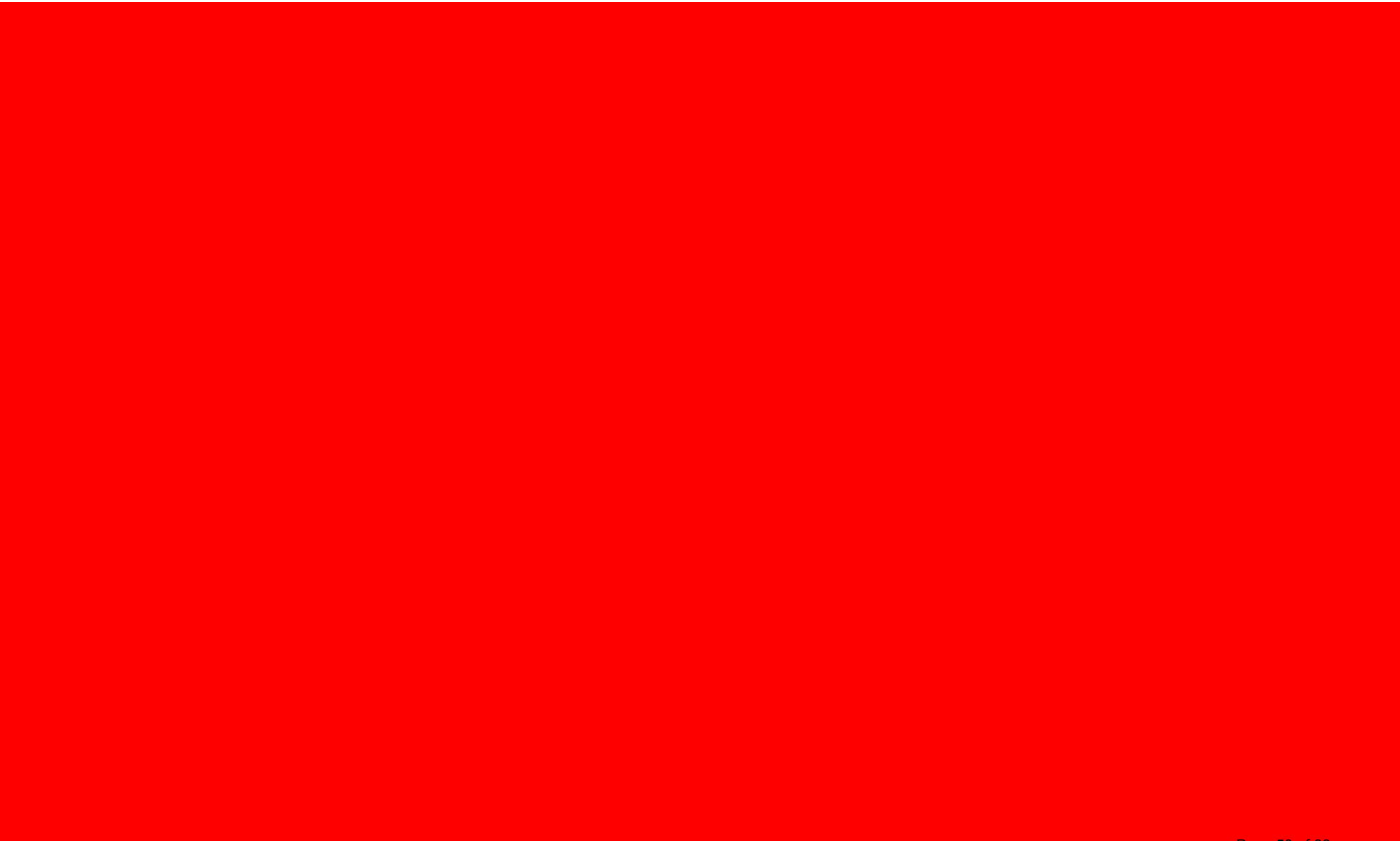
# Executive summary: Org effectiveness



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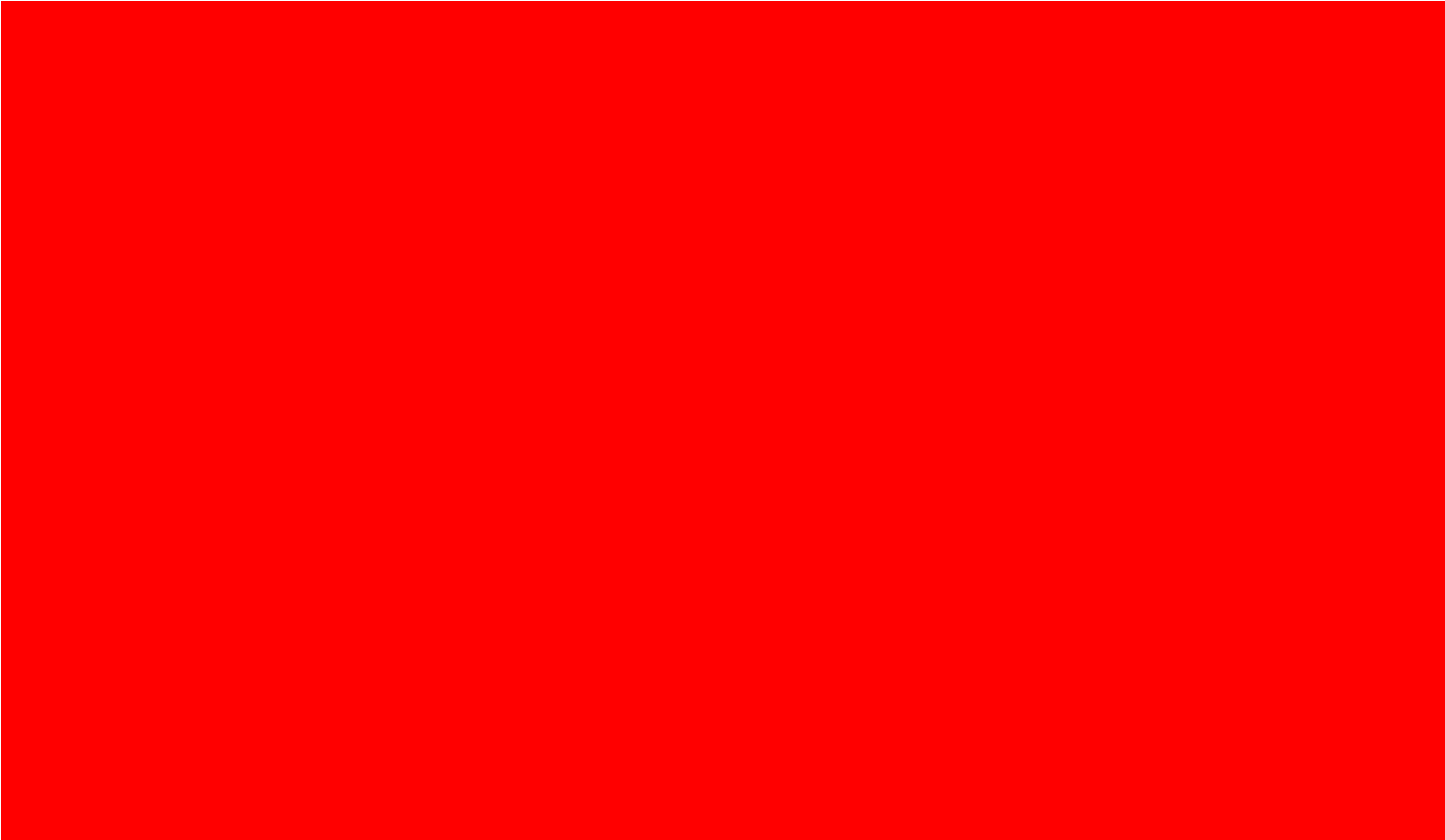
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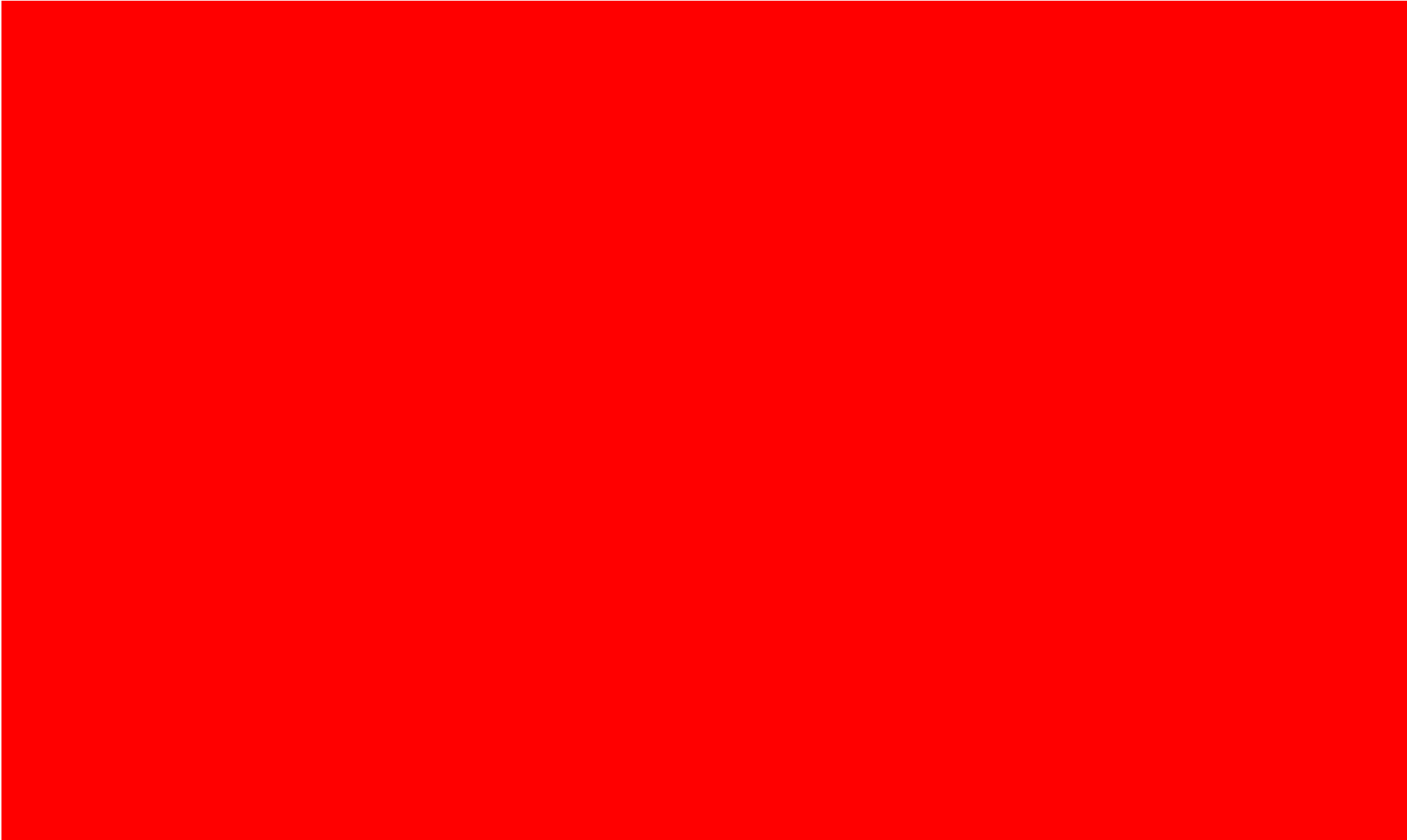
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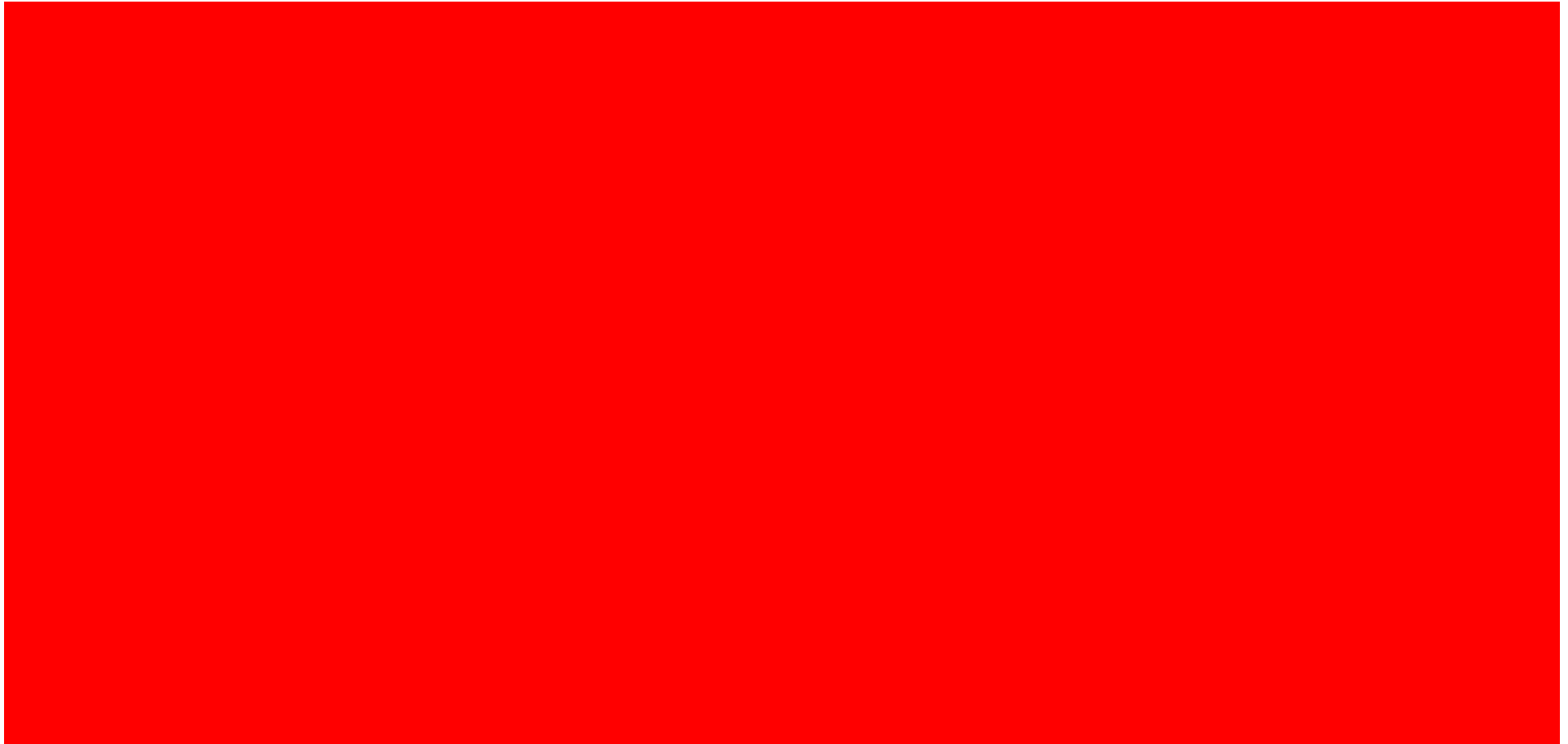
# Path forward

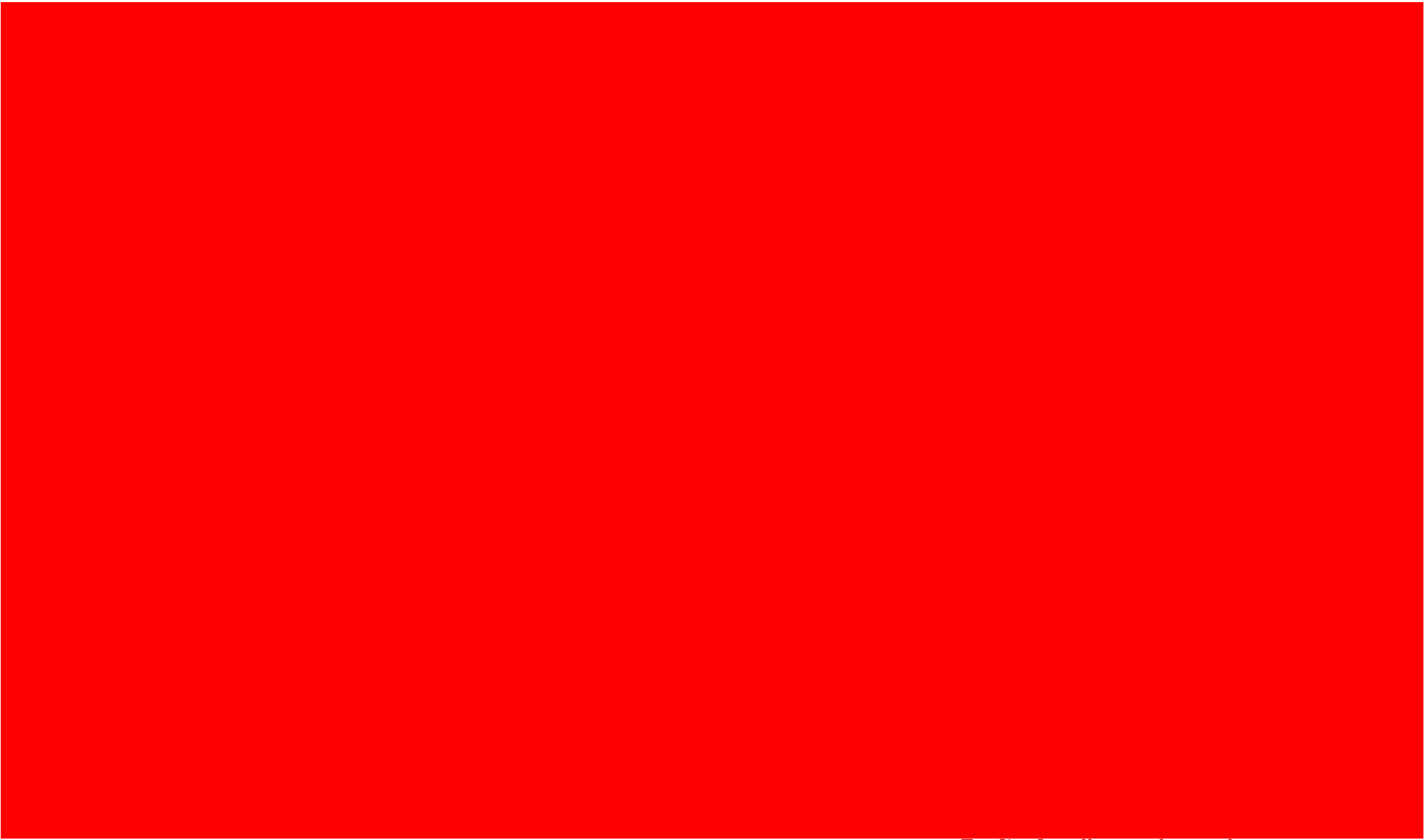


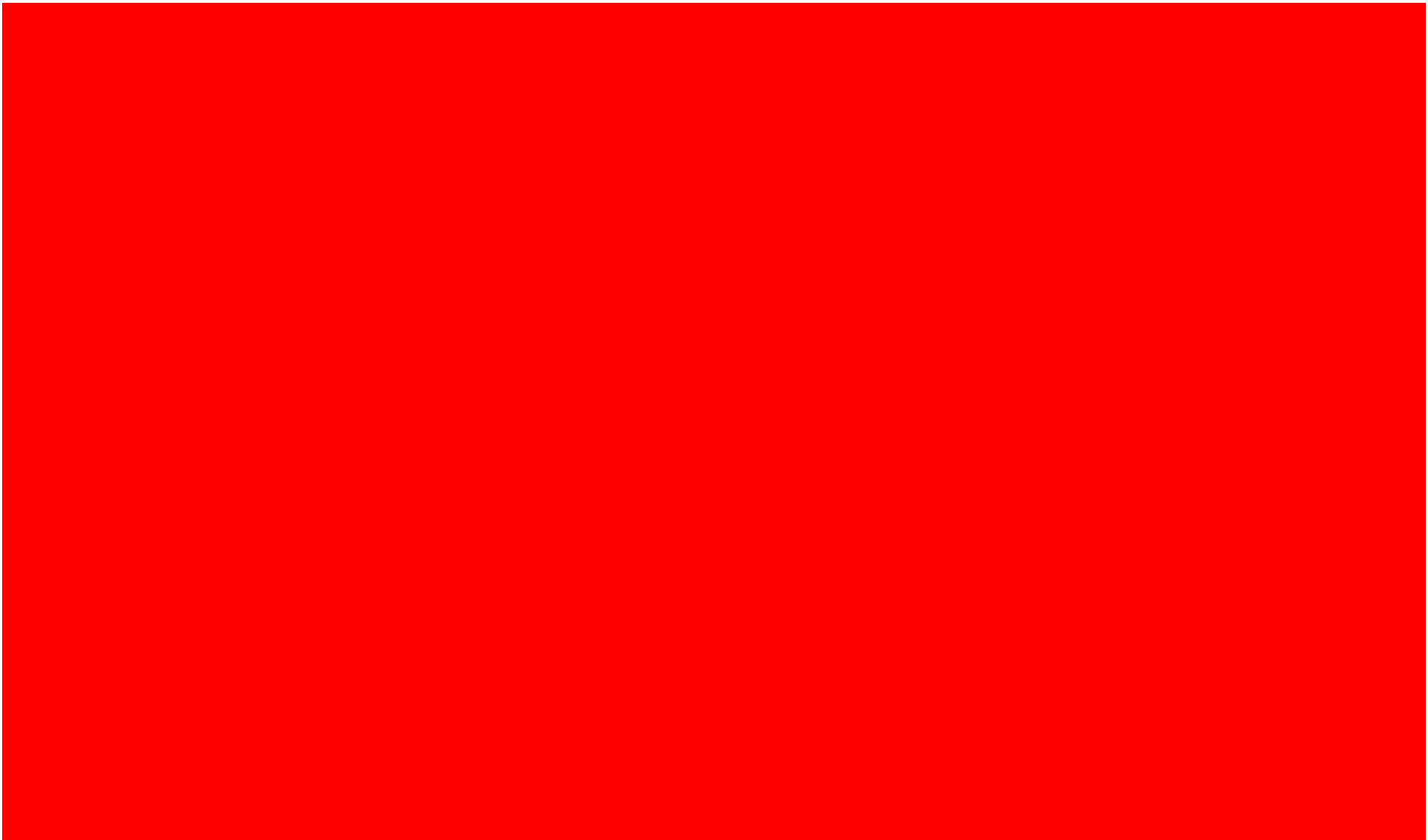
# Our agenda for today

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# Executive summary: Labour strategy

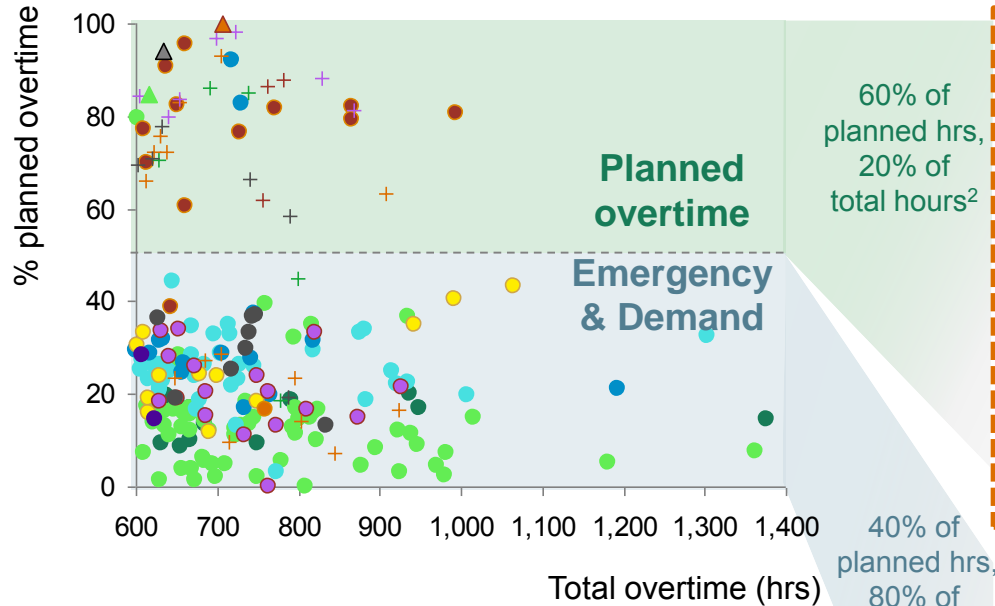






# Serial users' planned overtime accounts for 60% of planned hours; focus of effort on understanding top users

Highest serial users have a very high percentage of emergency-driven work<sup>1</sup>



Provincial lines	Stations
● DIST ZONE 1A	+ BRUCE MTCE
● DIST ZONE 1B	+ CMS
● DIST ZONE 2	+ CTRL ONT MTC
● DIST ZONE 3A	+ GTA MTCE
● DIST ZONE 3B	+ NIAGARA MTCE
● DIST ZONE 4	
● DIST ZONE 5	
● DIST ZONE 6	
● DIST ZONE 7	
● DIST ZONE 8	
Const/Eng	
▲ PRTC ENG&DSN	
▲ STN NORTH LN	
▲ STN SOUTH	

Top 10 serial users per section

Name	Overtime (hrs)	Section	Team
...	995	LINES&FRSTRY	DIST ZONE 8
...	908	STNS & OPER	CTRL ONT MTC
...	868	STNS & OPER	BRUCE MTCE
...	867	LINES&FRSTRY	DIST ZONE 8
...	866	LINES&FRSTRY	DIST ZONE 8
...	830	STNS & OPER	BRUCE MTCE
...	789	STNS & OPER	NIAGARA MTCE
...	782	STNS & OPER	GTA MTCE
...	772	LINES&FRSTRY	DIST ZONE 8
...	762	STNS & OPER	GTA MTCE

Focus on this group

Name	Overtime (hrs)	Section	Team
...	1377	LINES&FRSTRY	DIST ZONE 1A
...	1363	LINES&FRSTRY	DIST ZONE 5
...	1303	LINES&FRSTRY	DIST ZONE 3A
...	1194	LINES&FRSTRY	DIST ZONE 6
...	1182	LINES&FRSTRY	DIST ZONE 5
...	1066	LINES&FRSTRY	DIST ZONE 4
...	1017	LINES&FRSTRY	DIST ZONE 5
...	1007	LINES&FRSTRY	DIST ZONE 3A
...	992	LINES&FRSTRY	DIST ZONE 4
...	982	LINES&FRSTRY	DIST ZONE 5

1. Individual users with >600 hours of overtime in 2015. 2. On total hours worked by serial users. Source: Overtime by employee by type of work for 2015, pulled February 11, 2016.

# "Other pay": most important spend categories not addressable in the short-term

2015 Spend by payroll category (\$M)			Drivers		Short-term addressability	
			Description	Demand Contract		
Board	5.4	10.2	18.6	Board payments for travel		Regulated by current contracts and union-driven referral process
Casual Vacation Payout	6.4	8.1	18.3	Trades seasonal benefits/vacation		Regulated by casual employee contracts and directly tied to number of hours worked
Travel		3.9		Travel payments		Regulated by casuals contracts and union-driven referral process
Relief Pay		3.3		Additional work duties payment		Very small potential in the short-term due to size and current fragmentation of relief pay
Lump Sum		3.0		Add'l pay instead of raises		Regulated by current contracts; not ongoing
On-Call Allowance		2.8		Premium for being on call		Small potential and not addressable in the short-term due to contract constraints
Vacation Payout		2.7		Unused vacation/bonus		Regulated by current contracts and unaddressable in the short term
Travel Time		2.7		Time for travel to work locations		Regulated by current contracts and based on travel to work sites based on distance
Other	7.2		10.2	Other bonuses, severance, pay		Regulated by current contracts and unaddressable in the short term

PWU

CUSW

LIUNA

Society

EPSCA

PWU HH

Weight

Addressable

Addressable/little potential

Not addressable

Source: 2015 HR payroll by employee pulled as of January 26, 2016.

G2G\_SteerCo2\_Feb25\_vF.pptx

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# Executive summary: O&M Efficiency

## **Opportunity assessment has progressed well along all three process deep dive areas**

- Held brainstorming sessions with team to identify priority areas of opportunities
- Conducted field visits to observe execution activities and understand potential efficiencies
- Performed analysis on forestry labour, trouble calls, and stations maintenance work orders



## **Majority of identified opportunities are directly dependent on reaching agreements with labour unions**

- Severity of required changes could impact if and when they can be made and what savings are captured
- We have begun evaluating the implications and will be assessing risk and mitigating actions, which we plan on sharing at the next Steering Committee meeting

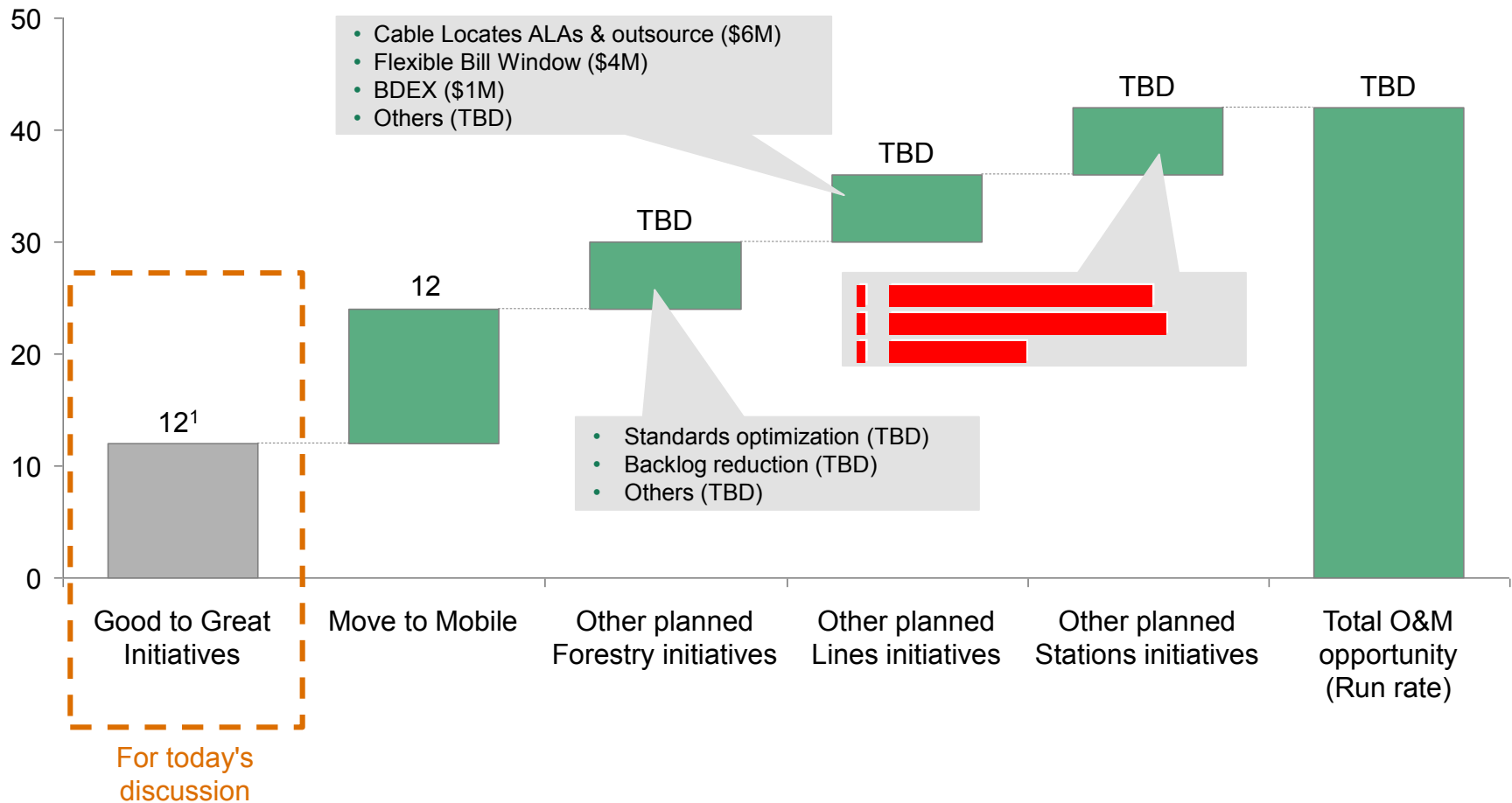
# Analysis to date has been supplemented with field visits and interviews

Visit	Activities	Initial observations
Forestry (Barrie/ Orillia)	<ul style="list-style-type: none"> <li>Attended morning work planning meeting</li> <li>Interviewed Superintendent, ops centre manager, UTS2</li> <li>Visited 4 active work sites and interviewed provincial foresters</li> </ul>	<b>Work efficiency</b> <ul style="list-style-type: none"> <li>May be room to <b>improve time out of the door</b> in mornings (all departments)</li> <li>Stations has good standard work processes in place, but <b>application of the processes may not be consistent</b> in all ops centres</li> </ul>
Lines (Barrie)	<ul style="list-style-type: none"> <li>Interviewed crew members – regional maintainer and UTS3</li> <li>Viewed shop and equipment</li> <li>Interviewed RLS and ops manager</li> </ul>	<b>Equipment</b> <ul style="list-style-type: none"> <li><b>Reliability issues with bucket trucks</b> in Lines and Forestry</li> <li><b>New boom design less efficient</b> for Forestry work</li> </ul>
Stations (Buchanan)	<ul style="list-style-type: none"> <li>Interviewed GOFM and UTS2</li> </ul>	<b>Training and capabilities</b> <ul style="list-style-type: none"> <li>May be <b>some gaps in the training program for lines apprentices</b>, particularly in troubleshooting</li> </ul>
		<b>Teaming and Leadership</b> <ul style="list-style-type: none"> <li>Generally good morale; <b>crew members feel Hydro One is a great place to work</b></li> <li><b>Administrative tasks can draw supervisors away</b> from working with crews</li> </ul>

**Initial field visits yielded useful insights, but opportunity assessment would require additional time in the field and more detailed studies**

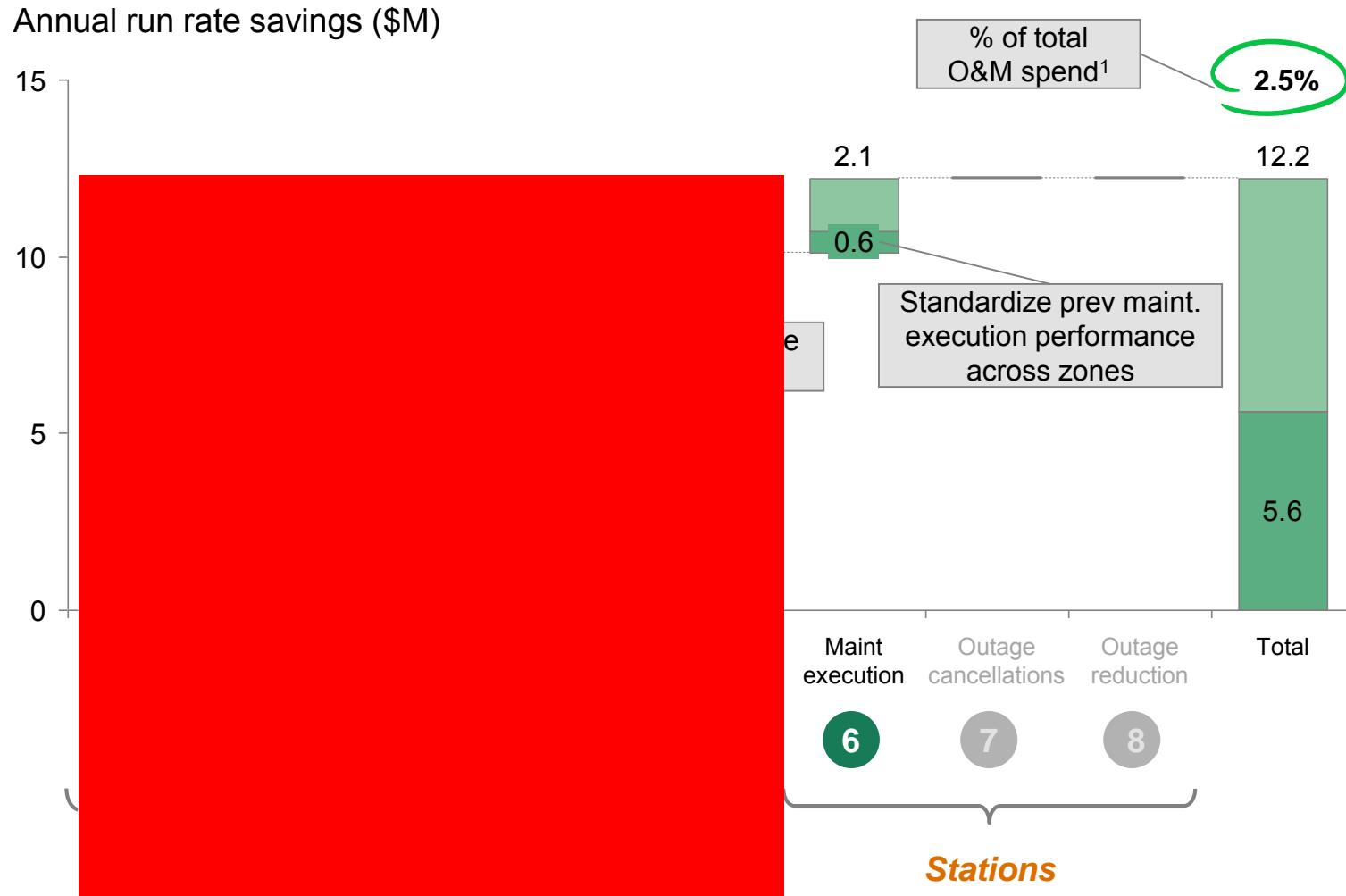
# Good to Great initiatives will supplement other O&M initiatives that are planned or being developed

Total run rate savings potential, \$M



1. High-range savings for opportunities defined so far

# ~\$6-12M of potential savings quantified; further opportunities to be sized and validated



1. Total OM&A spend for Forestry, Lines and Stations

# Over next several weeks, will investigate and size additional opportunities and prepare for path forward after March

## SteerCo 3

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### **Define additional savings opportunities in forestry, stations and lines**

- Validate savings/value opportunities
- Complete sizing of opportunities

### **Frame initial labour strategy implications and risks**

## SteerCo 4

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### **Detail labour strategy including risk mitigation plan**

### **Finalize "size of prize" for all initiatives**

### **Prioritize top initiatives for implementation**

### **Create roadmap and timeline to realize savings and capture value**

### **Draft plan forward for prioritized initiatives**

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# ~\$6.1M of "quick wins" in-year net savings confirmed

~\$7.0M 2016 in-year savings offset by ~\$0.9M upfront costs

	① Confirmed ✓		② Final review underway ✓		③ Under review ?		④ Not recommended ✗		Total (\$M)
	OM&A (\$M)	Capital (\$M)	OM&A (\$M)	Capital (\$M)	OM&A (\$M)	Capital (\$M)	OM&A (\$M)	Capital (\$M)	
Inergi	4.1	1.2	-	-	123.9	14.6	-	-	~145
Corporate projects & IT	1.7	-	1.2	14.9	-	29.1	68.3	94.6	~210
Other discretionary	-	-	-	3.1	31.5	8.7	5.1	19.0	~68
LDC Integration	-	-	-	-	Scope and opportunity not yet defined		-	-	TBD
<div>Net in year savings of \$6.1M</div> <div>\$5.8M in OM&amp;A &amp; \$1.2M in Capital savings identified for immediate implementation</div>									
			\$1.2M in OM&A & \$18.0M in Capital savings tentatively identified, final validation in progress		\$155.4M OM&A & \$52.4M in Capital savings under review		\$73.4M in OM&A & \$113.6M capital found to be non-discretionary		

1. Deferred cost corresponding to 2016 budget being spent in 2017 instead

# Quick Wins implementation progress tracked by TMO

**Initiative tracker**

- Provide a consolidated overview of initiative implementation progress
- Provide an overview of realized savings to date categorized by
  - LoB
  - Type of cost
  - Initiative leader
  - Executive Sponsor

**Objective/Description**

**Owner**

**Updated**

**TMO**  
**(Adam Pappas)**

**Weekly**

**Fields in the tracker include,**

- Savings achieved by quarter
- Initiative leader, sponsor, etc.
- Savings type
- Cost centre
- Key milestones dates

Last updated on: <b>Monday, February 23, 2016</b>																					
Description of initiative												Opportunity sizing (\$M)									
Initiative #	Is target?	Initiative sponsor	Initiative Leader	Module	LoB	Cost type (% OMBAS)	Description	Resource Unit	Cost Centre	Expected Cost	Revenue Savings	VE savings	Q1 2016 savings	Q2 2016 savings	Q3 2016 savings	Q4 2016 savings	Total VE 2016 net savings	Initiative Status	Initiative due		
1.a	Y	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Reduce Infrastructure costs by optimizing backup & storage	Trac 1 - 4 Storage	NCM1.73	\$ 0.05	\$ 1.80	\$ 1.50	\$ -	\$ 0.30	\$ 0.60	\$ 0.60	\$ 1.50	2	On track		
1.b	Y	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Reduce Infrastructure costs by optimizing - Project environments	2 - Database	NCM1.73	\$ 0.05	\$ 0.70	\$ 0.50	\$ -	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.40	2	On track		
1.c	Y	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Reduce Infrastructure costs by decommissioning Infrastructure & DBs	3 - DB/VM Storage	NCM1.73	\$ 0.05	\$ 0.70	\$ 0.50	\$ -	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.40	2	On track		
2.a	Y	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Renegotiate contracts to reduce hourly (energy) rate for minor enhancements	ADM ME RU	NCM1.73	\$ -	\$ -	\$ 0.60	\$ -	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.30	2	On track		
3	Y	Gary Schaeffer	Rob-Bernell	Quick-write	SUP	0.2	Eliminate event-based support and analyst spend that is adding no value		7238	\$ 1.05	\$ 1.70	\$ 1.60	\$ -	\$ 0.14	\$ 0.14	\$ 1.34	\$ 1.58	2	On track		
4.a	Y	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Reduce minor enhancement budget (single budget)		CMCMG-85	\$ -	\$ 0.06	\$ 0.80	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.75	2	On track		
5	Y	Karen Newman	Rose Luth	Quick-write	Pay	1	Improve printing of pay stubs for management and facility employees	N/A		\$ -	\$ 0.24	\$ 0.10	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	2	On track		
6	Y	Colin Peasey	Lincoln Frost/Hurt	Quick-write	ISD	1	Refactor unnecessary complexity in SAP to allow reduction in support costs	ADM Buss	NCM1.73	\$ -	\$ 0.30	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.20	2	On track		
7	Y	Colin Peasey	Lincoln Frost/Hurt	Quick-write	ISD	1	Automate service requests	RM-Buss	NCM1.73	\$ -	\$ 0.40	\$ 0.10	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.10	2	On track		
8	Y	Rob Quail	William Chang	Quick-write	SEC	1	Quarterly spend upon 30% reduction of Invergla Manager PTC supporting Settlements, with 30% supporting Bepi connection		7555	\$ -	\$ 0.10	\$ 0.10	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	2	On track		
9.a.1	Y	Karen Newman	Arthur McClellan	Quick-write	FAA	1	Cancel transformation projects not delivering value or no longer needed - Continued center			\$ -	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
9.a.2	Y	N/A	Rose Luth	Quick-write	Pay	1	Cancel transformation projects not delivering value or no longer needed - Continued center		N/A	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
9.a.3	Y	Gary Schaeffer	Rob-Bernell	Quick-write	SUP	0.2	Cancel transformation projects not delivering value or no longer needed - Continued center		N/A	\$ -	\$ 0.02	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
9.a.4	Y	Rob Quail	William Chang	Quick-write	SEC	1	Cancel transformation projects not delivering value or no longer needed - Continued center		7555	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
9.b	Y	Karen Newman	Rose Luth	Quick-write	FAA	1	Cancel transformation projects not delivering value or no longer needed - Mobile Pay Advice Stream		N/A	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
9.c	Y	Gary Schaeffer	Rob-Bernell	Quick-write	Supply Chain	0.2	Cancel transformation projects not delivering value or no longer needed - Mobile Pay Advice Stream		N/A	\$ -	\$ 0.04	\$ 0.04	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	2	On track		
24	N	Colin Peasey	TBD	Quick-write	ISD	1	Renegotiate contract to reduce cost of 3rd party services -		N/A	\$ 1.04	\$ 1.80	\$ 0.50	\$ -	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.90	2	On track		
24	N	Colin Peasey	TBD	Quick-write	ISD	1	Renegotiate contract to reduce cost of 3rd party services -		N/A	\$ -	\$ 1.40	\$ 1.80	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.40	2	On track		
42a	N	Colin Peasey	Lincoln Frost/Hurt or Rob-Hastford	Quick-write	ISD	1	Process services -		N/A	\$ -	\$ -	\$ 0.20	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.10	2	On track		
										\$ -	\$ 0.06	\$ 0.06	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	2	On track		

- Initiative leader, sponsor, etc.
- Savings type
- Cost centre
- Key milestones dates

Validation process includes sign-off from Finance

**Validation process includes sign-off from Executive sponsor**



# Detailed breakdown of confirmed net savings

~\$6.1M 2016 in-year and ~\$7.9M run-rate

	2016 in-year (\$M) (OM&A+Capital)			Net run rate savings (\$M)	2016 Quarterly Savings (\$M)				Initiative Leader
	Savings	Cost	Net savings		Q1	Q2	Q3	Q4	
<b>1 Reduce infrastructure costs by</b>	2.5	0.15	2.35	3.2					Lincoln Frost-Hunt / Rob Hosford
• Optimizing backup & storage	1.5	0.05	1.45	1.8					
• Optimizing project environments	0.5	0.05	0.45	0.7					
• Decommissioning infrastructure & DBs	0.5	0.05	0.45	0.7					
<b>2 Renegotiate contracts to reduce</b>	1.9	0.03	1.9	2.3					Lincoln Frost-Hunt
• Hourly Inergi rate for minor enhancements	0.4	-	0.4	-					
• Cost of 3rd party licenses & maintenance	0.5	0.03	0.475	1					
• Mobility services	1	-	1	1.3					
<b>3 Eliminate event-based support and spend analysis that is adding no value</b>	1.3	0.75 <sup>1</sup>	0.55	1					Rob Berardi
<b>4 Reduce minor enhancement budget</b>	1	-	1	1					Lincoln Frost-Hunt
• Inergi budget	0.8	-	0.8	0.96					
• Non-inergi budget	0.2	-	0.2	-					
<b>5 Suppress printing of pay stubs for management and Society employees</b>	0.1	-	0.1	0.24					Rose Lum
<b>6</b>									William Cheng
<b>7 Cancel transformation projects not delivering value or no longer needed</b>	0.1	-	0.1	0.1					Arthur McGlashan/ Rose Lum/ William Cheng/ Rob Berardi/
• Command Center	0.03	-	0.03	0.03					
• Mobile Pay Advice Stream	0.03	-	0.03	0.03					
• Mobile Receipting	0.04	-	0.04	0.04					
<b>Total</b>	7.0	0.9	6.1	7.9					

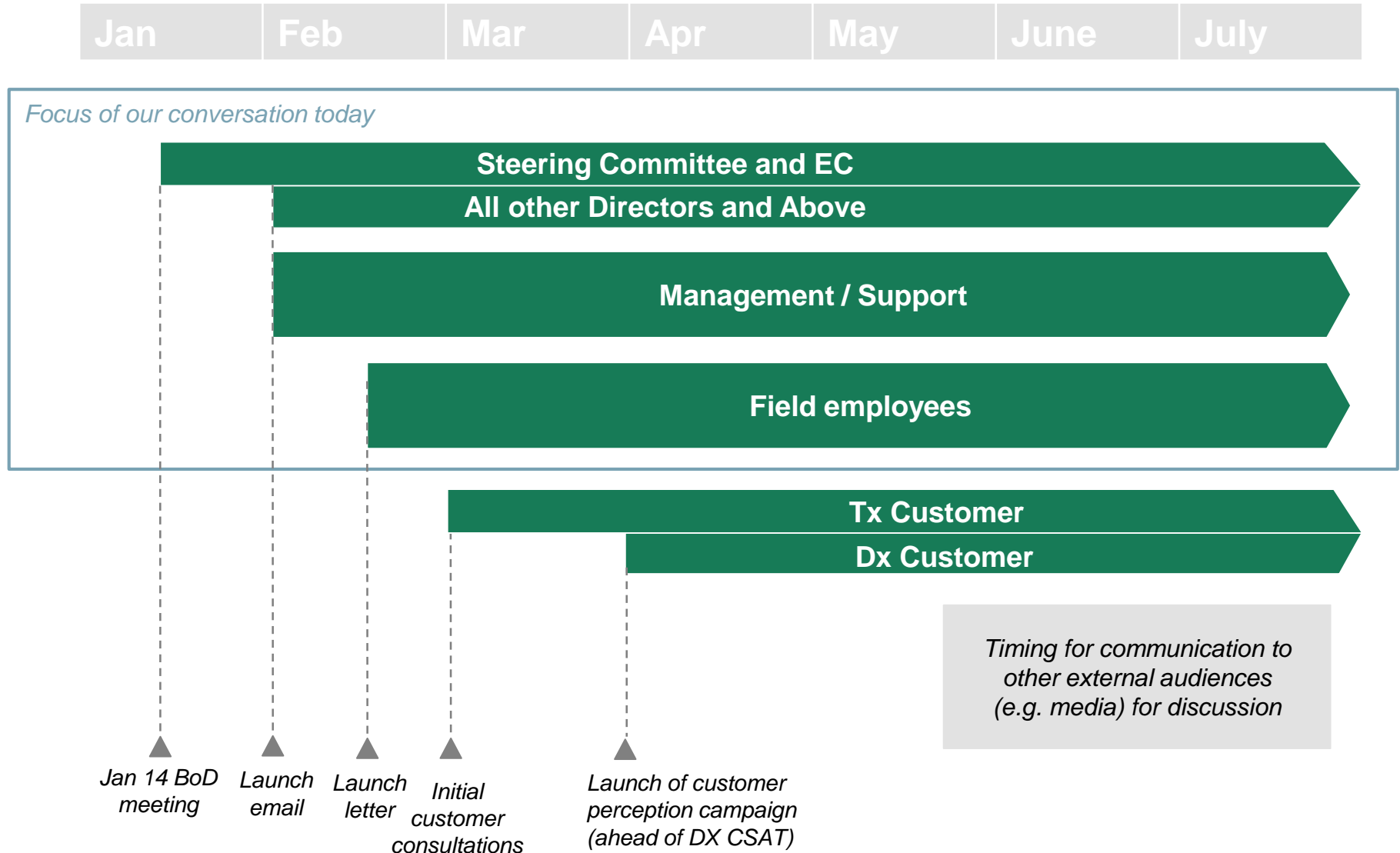
Additional fields documented to track initiative progress (e.g. date of completion, savings by quarter, LoB, type of cost, key milestones, etc.)

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# Audiences to be engaged over time

Focus in near-term is on employee engagement



# Employee engagement strategy: "Let's Get Great"

Strategic Narrative		
<p>Hydro One is on a transformation journey to Greatness and employees are the ones who will make it happen. The new reality means we need to change, adapt, and also brings with it opportunity.</p>		
Strategies		
Phase 1: Educate, Engage, Energize (Pre May 6)	Phase 2: Include (Post May 6)	Phase 3: Recognize (Post strategy definition)
<ul style="list-style-type: none"> <li>Launch Good to Great with a focus on mapping the journey</li> <li>Create storytelling content that builds employee confidence, earns trust and changes the conversation</li> <li>Multiply all tactics through a broad range of channels</li> </ul>	<ul style="list-style-type: none"> <li>Create Team Get Great so employees can connect emotionally with change</li> <li>Empower internal advocates for change</li> <li>Extended leadership conversations with employees</li> </ul>	<ul style="list-style-type: none"> <li>Establish an employee recognition program that recognizes “Great” work</li> <li>Empower internal advocates for change</li> <li>Create heroes out of employees and celebrate their contribution throughout Hydro One</li> </ul>

**Near-term strategy**  
(to be reviewed today)

**More detailed narrative and key messages articulated in accompanying word document**

# Communication objectives and key messages

	Objective	Example of key messages
Educate	<ul style="list-style-type: none"> <li>Share the <b>"What, why, how?"</b></li> <li>Build awareness and understanding of the transformation process that is underway within Hydro One</li> </ul>	"Starting from a position of strength, we are going to build on the Hydro One platform together to create the leading utility business in North America, a globally admired top-tier company."
Engage	<ul style="list-style-type: none"> <li>Explain <b>"What's in it for me?"</b></li> <li>Foster a sense of ownership, collaboration and engagement in process</li> </ul>	"You're no longer an employee, you're an owner. Ownership now means that as a team, we must literally run it LIKE we own it...because we do."
Energize	<ul style="list-style-type: none"> <li>Describe <b>"What does success look like?"</b></li> <li>Create a picture of what Great will look and feel like - leverage Quick Wins to show early successes, tangible impact</li> </ul>	"Success will mean that our logo will become a symbol of customer commitment, business discipline and a source of pride for not only employees, but Canadians."

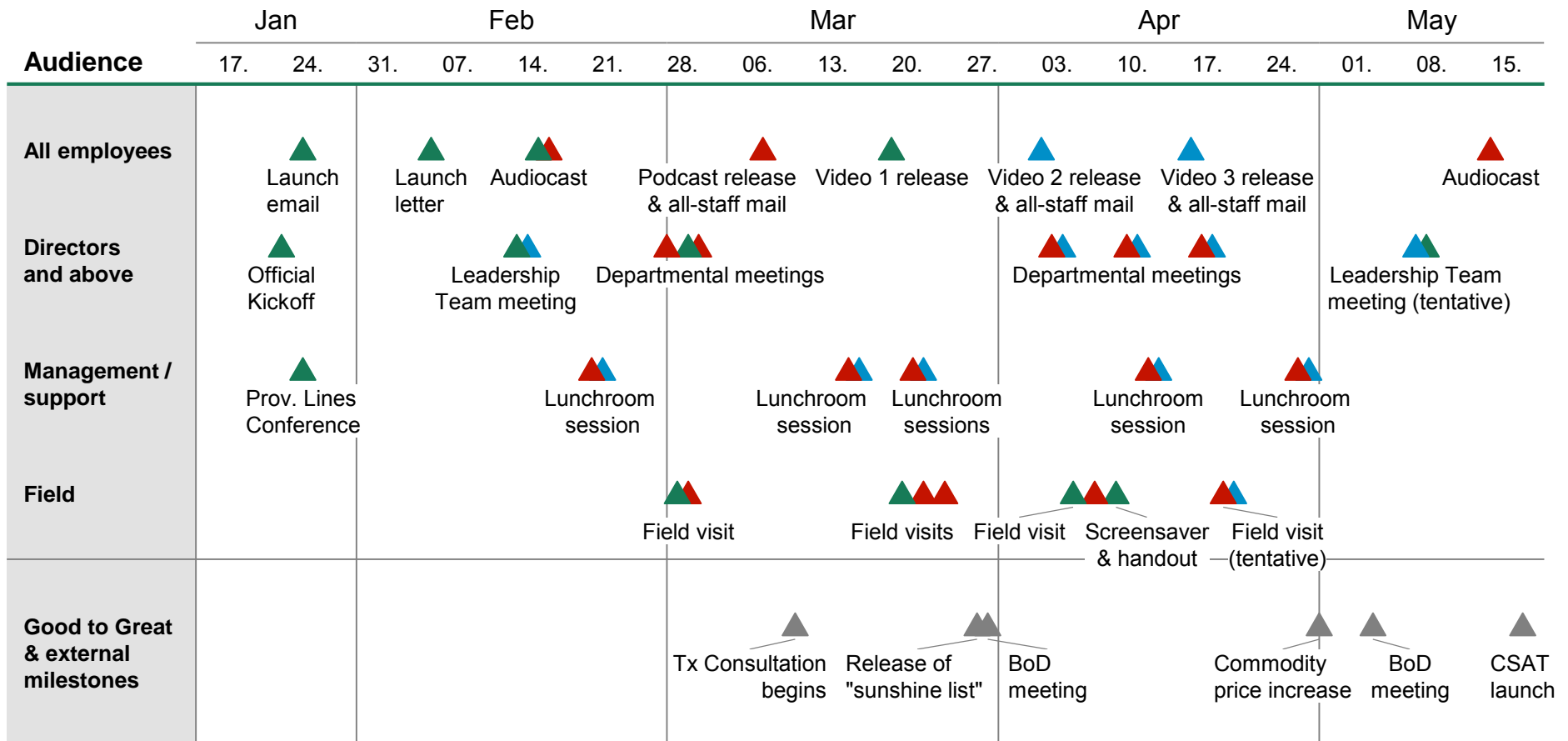
# Message segmentation by audience

Audience	How we want them to feel	Examples of how we will adapt message
Directors and above	<ul style="list-style-type: none"> <li>Well-informed and "in-the-loop"</li> <li>Motivated (and obligated) to step up</li> <li>Uncomfortable (a little) but ready for challenge</li> </ul>	"Ownership means a shift to a performance culture that measures and rewards success in a new way"
Management / support	<ul style="list-style-type: none"> <li>Empowered</li> <li>Supported in role as manager</li> </ul>	"Hydro One's success is directly linked to your success as a manager and the success of your team"
Field employees	<ul style="list-style-type: none"> <li>Proud and motivated</li> <li>Informed but not overwhelmed by details</li> </ul>	"You're no longer an employee, you're an owner. Ownership now means that as a team, we must literally run it LIKE we own it...because we do."

# Key communications channels by target audience

Audience	Channel	Owner	Cadence	Objectives
All employees	Mail	Mayo	Monthly	<ul style="list-style-type: none"> <li>Educate with program updates</li> <li>Reach all employees</li> </ul>
	Video, audio, podcasts	Mayo	Bi-weekly (1 podcast, 3 videos, 2 audiocasts)	<ul style="list-style-type: none"> <li>Educate (generate awareness)</li> <li>Energize by sharing reflections on field visits</li> </ul>
Directors and above	Departmental meetings	Work stream leads	Monthly	<ul style="list-style-type: none"> <li>WIFM: work stream specific progress updates</li> </ul>
	Leadership team meetings	Mayo, work stream leads	Quarterly	<ul style="list-style-type: none"> <li>Educate, engage and energize by sharing program and work stream progress updates</li> </ul>
Management / support	Lunchroom sessions	Mayo, work stream lead	A few sessions each month with different leads	<ul style="list-style-type: none"> <li>Engage with high-level work stream specific updates</li> </ul>
Field employees	Field visits	Mayo, work stream leads	Every 2-3 weeks	<ul style="list-style-type: none"> <li>Educate and engage with "on the ground" updates for field</li> <li><i>External</i>: local media outreach</li> </ul>
	Local updates	Local management	Linked to key comms releases	<ul style="list-style-type: none"> <li>Provide local context and create a conversation on Good to Great</li> </ul>
	Screensaver and Handouts	Mayo	After April field visit	<ul style="list-style-type: none"> <li>Reinforce awareness of key messages</li> <li>Reach all employees</li> </ul>

# Internal communications plan (Feb to May)



## Legend:

- ▲ Educate – what, how, why?
- ▲ Engage – what's in it for me?
- ▲ Energize – what does success look like?



# Plan supported by strong communications infrastructure

## Manager's Toolkit to ensure message consistency

- Prepare managers to speak to their DRs and answer FAQs
- Updates sent to managers with release of each video

## Amplification of message to ensure maximum penetration

- Load all content to HydroNet homepage and dedicated Good to Great site

## Formal mechanisms to collect feedback and ideas

- Dedicated inbox at [G2G@HydroOne.com](mailto:G2G@HydroOne.com) for employee feedback, questions, and ideas – with commitment to acknowledge or respond within 1 day
- Enabled "comments" section (moderated) on Intranet site

## Continuous monitoring of employee engagement and message traction

- Engagement analytics: email open rates, audiocast and podcast listenership, Intranet visits
- Online surveys of employees

# Managing threats to communications success

Critical that we respond to external and internal messages that undermine objectives

## What are potential threats to communications effort?

- Employees fearful of change and assuming negative impacts
- Sharing of misinformation
- Feelings that safety takes a back seat to shareholder interests
- Media coverage of customer service and corporate missteps
- Employee use of social media to discuss the work underway

## How will we address them with Issue Management Approach?

- Strategic approach developed for top issues identified and attempt made to counter them with the communications plan
- Ensure that information is shared broadly and transparently, making it easy
- Provide key messaging for managers to ensure consistency of message across the business
- Media Relations will continue to closely monitor media coverage of the company and will move to rapidly correct and defend the corporation where necessary.

# Next steps

## **Finalize workback schedule for Good to Great near-term comms**

- With executive support and approval, each of the individual tactics will be assigned and mapped (February 25)
- Dedicated micro site on HydroNet will be developed (February 25)

## **Develop creative approach for external customer perception campaign**

- A creative brief has been developed and is now under consideration jointly with Customer Service
- Formal workback schedule and budgeting to be developed (Feb. 25)
- Creative concepts submitted for review (March 3)

## **Begin larger brand analysis and mapping next steps**

- PR firm of record, Weber Shandwick is engaged and will begin work to provide a strategic framework for supporting the shift in perception of Hydro One's brand (Meeting with senior team early March)

# Manager's toolkit contains key messages and FAQs

Initial version distributed yesterday – first refresh can be expected by March 22

## What is in the toolkit?

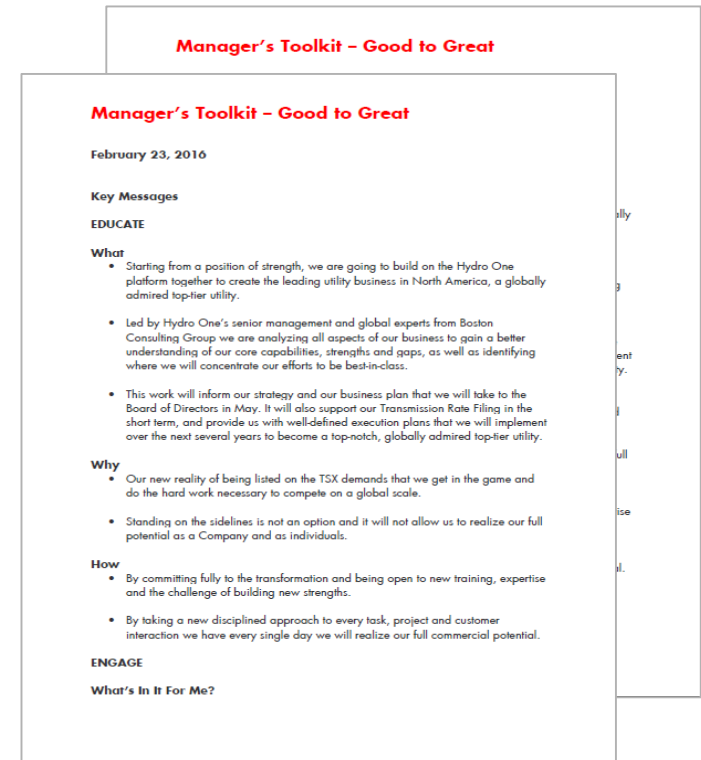
- Key messages on "Good to Great"
- How to access a compendium of key Good to Great communications materials issued to date
- FAQs

## How should I use this information?

- To help explain the Good to Great program to your team
- To answer questions from your team on transformation and what it means for them and for Hydro One
- Not to be used with external audiences

## Will it be updated?

- First version distributed with today's pre-read
- Refresh of toolkit distributed with release of videos (~once every 3 weeks) or as needed



Please share feedback and suggestions with  
communications team ([daffyd.roderick@HydroOne.com](mailto:daffyd.roderick@HydroOne.com))

# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Mayo Schmidt & Stefanie Stocco	<b>10 min</b> (9:00-9:10)
<b>Regulatory:</b> Tx Filing consultation materials	Oded Hubert & Mike Penstone	<b>35 min</b> (9:10-9:45)
<b>Service delivery</b>		
• <b>Customer:</b> needs assessment & prioritization of R&SB initiatives	Rob Quail	<b>30 min</b> (9:45-10:15)
• <b>Capital efficiency:</b> delivery model options (rapid update)	Brad Bowness	<b>10 min</b> (10:15-10:25)
<b>OM&amp;A efficiency</b>		
• <b>Procurement:</b> opportunity sizing summary & proposed waves	Gary Schneider	<b>15 min</b> (10:25-10:40)
• <b>Org effectiveness:</b> benchmarks & bottom up sizing summary	Judy McKellar	<b>30 min</b> (10:40-11:10)
• <b>Labour strategy:</b> diagnostic findings (rapid update)	Nadine O'Neill	<b>10 min</b> (11:10-11:20)
• <b>O&amp;M efficiency:</b> initial diagnostic findings (rapid update)	Jon Rebick	<b>10 min</b> (11:20-11:30)
• <b>Quick Wins:</b> confirmed wins to-date & launch of initiative tracking	Stefanie Stocco	<b>10 min</b> (11:30-11:40)
<b>Wrap-up and next steps</b>		
• <b>Communications:</b> plan overview & manager's toolkit	Laura Cooke	<b>15 min</b> (11:40-11:55)
• <b>Next steps:</b> SteerCo 3	Stefanie Stocco	<b>5 min</b> (11:55-12:00)

# Next steps: agenda for next SteerCo meeting

SteerCo #1 Feb 9	SteerCo #2 Feb 25	<i>Focus of next SteerCo</i> SteerCo #3 March 11	SteerCo #4 March 21
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review customer needs by segment</li> <li>Approve strategic approach to customer consultation (for Tx)</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Define aspiration, metrics, and targets for performance</li> <li>Describe drivers to meet performance targets</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review baseline and benchmark analysis</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review investment scenarios and evidence for consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Review emerging Capital stage gate and delivery model plan</li> <li>Review detailing of R&amp;SB Customer initiatives</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review opportunity sizing               <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Review               <ul style="list-style-type: none"> <li>Procurement Wave 1</li> <li>Quick wins</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review internal plan and share Manager's Toolkit</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review emerging findings from Wave 1 consultation</li> <li>Approve Wave 2 consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Review draft Dx investment plan</li> <li>Review large Customer segment initiatives</li> <li>Review proposed Capital stage gate and delivery model</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review 2016-2020 full potential               <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> <li>O&amp;M efficiency</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review external plan</li> </ul>	<b>Review of materials for 3/31 board meeting, including:</b> <ul style="list-style-type: none"> <li>Key outputs reviewed in previous SteerCo meetings</li> <li>Holistic 5 year asset management plan</li> <li>Change management approach</li> </ul>



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Exhibit J 7.1  
Attachment 3  
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# **Good to Great: Assessment of Full Potential**

## **Steering Committee #3**

March 11, 2016

THE BOSTON CONSULTING GROUP

# Our agenda for today


Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Stefanie Stocco	<b>10 min</b> (1:00-1:10)
<b>Regulatory:</b> rapid update on response from Tx customers (Wave 1)	Oded Hubert	<b>10 min</b> (1:10-1:20)
<b>Service delivery</b>		
• <b>Asset management:</b> rapid framing of Dx investment scenarios	Mike Penstone	<b>15 min</b> (1:20-1:35)
• <b>Capital efficiency:</b> deep dive on capital strategy to deliver plan	Brad Bowness	<b>45 min</b> (1:35-2:20)
<b>Efficiency</b>		
• Emerging view: Full potential and framework for timing of Labour & Outsourcing opportunities	BCG	<b>20 min</b> (2:20-2:40)
• <b>SG&amp;A effectiveness:</b> rapid update on Wave 2 sizing	Judy McKellar	<b>10 min</b> (2:40-2:50)
• <b>O&amp;M efficiency:</b> deep dive on savings levers and opportunity size	Jon Rebick	<b>30 min</b> (2:50-3:20)
• <b>Quick Wins:</b> confirmed wins to-date	Frank D'Andrea & Colin Penny	<b>5 min</b> (3:20-3:25)
<b>Wrap-up and next steps</b>		
• <b>Communications:</b> update	Laura Cooke	<b>20 min</b> (3:25-3:45)
• <b>Next steps:</b> outline for 3/31 BoD materials and plan for SteerCo 4	Stefanie Stocco	<b>15 min</b> (3:45-4:00)



# Where we are we in the process

SteerCo #1 Feb 9	SteerCo #2 Feb 25	<i>Today's focus</i> SteerCo #3 March 11	SteerCo #4 March 21
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review customer needs by segment</li> <li>Approve strategic approach to customer consultation (for Tx)</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Define aspiration, metrics, and targets for performance</li> <li>Describe drivers to meet performance targets</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review baseline and benchmark analysis</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review investment scenarios and evidence for consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Review emerging Capital stage gate and delivery model plan</li> <li>Review detailing of R&amp;SB Customer initiatives</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review opportunity sizing               <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Approve               <ul style="list-style-type: none"> <li>Procurement Wave 1</li> <li>Quick wins</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review internal plan and share Manager's Toolkit</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Updated on emerging findings from Wave 1 consultation</li> <li>Approve Wave 2 consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Update on Dx investment plan</li> <li>Review large Customer segment initiatives</li> <li>Review proposed Capital stage gate and delivery model</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review 2016-2020 full potential               <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> <li>O&amp;M efficiency</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review external plan</li> </ul>	<b>Review of materials for 3/31 board meeting, including:</b> <ul style="list-style-type: none"> <li>Key outputs reviewed in previous SteerCo meetings</li> <li>5 year asset management plan</li> <li>Stakeholder management approach</li> <li>Change management approach</li> </ul>

# Program status: Status of 8 core work streams

Workstream	Lead	Status	Status Comments
<b>Regulatory strategy</b>	Oded Hubert	<b>At risk</b>	<i>Progressing well against key Tx filing requirements, implementing increased project controls as we get closer to filing date. Customer consultation planning: 12 Wave 1 consultations and 5 Wave 2 consultations (21 customers) scheduled in March. Of these, ~15 should be complete by the BoD posting deadline of March 24, so findings can be included in material.</i>
<b>Asset management</b>	Mike Penstone	<b>At risk</b>	<i>Limited potential to incorporate customer input on Tx capital plan prior to 3/16 deadline, but sufficient customer input expected prior to BoD. In process of building out Dx investment scenarios based on "toolkit" and input from asset mgmt org.</i>
<b>Customer</b>	Rob Quail	<b>On track</b>	<i>List of initiatives, ops metrics and prioritization completed for all customer segments. Roadmap definition completed for priority R&amp;SB initiatives. Preliminary roadmap development for large customers in flight and expected to be completed by SteerCo 4.</i>
<b>Capital efficiency</b>	Brad Bowness	<b>On track</b>	<i>Looking forward to guidance / input on near-final stage gate and delivery model recommendations at SteerCo 3. Execution efficiency workshop held with Construction, Commissioning, and P&amp;C; priority areas of opportunity collaboratively identified.</i>
<b>Procurement</b>	Gary Schneider		<i>Assessment phase complete; defined 4 waves to achieve impact. Launch of wave 1 underway.</i>
<b>SG&amp;A effectiveness</b>	Judy McKellar	<b>On track</b>	<i>Deeper dives on 4 functions (Finance, HS&amp;E, IT and Supply Chain) completed. Exploring clerical opportunities within Ops LoBs. On track to map opportunities in short, medium and long-term for SteerCo 4. Merging into Labour strategy.</i>
<b>Labour strategy</b>	Nadine O'Neill	<b>On track</b>	<i>Framework to assess timing of people and outsourcing opportunities complete. Mapping of opportunities to be completed by SteerCo 4.</i>
<b>O&amp;M efficiency</b>	Jon Rebick	<b>On track</b>	<i>All opportunity sizing is complete, including identifying potential unconstrained savings ranges and associated FTE impacts (where applicable). Started to analyze potential labour / other constraints in achieving the savings and will propose a glide path at SteerCo 4.</i>

Not started

On track

At risk

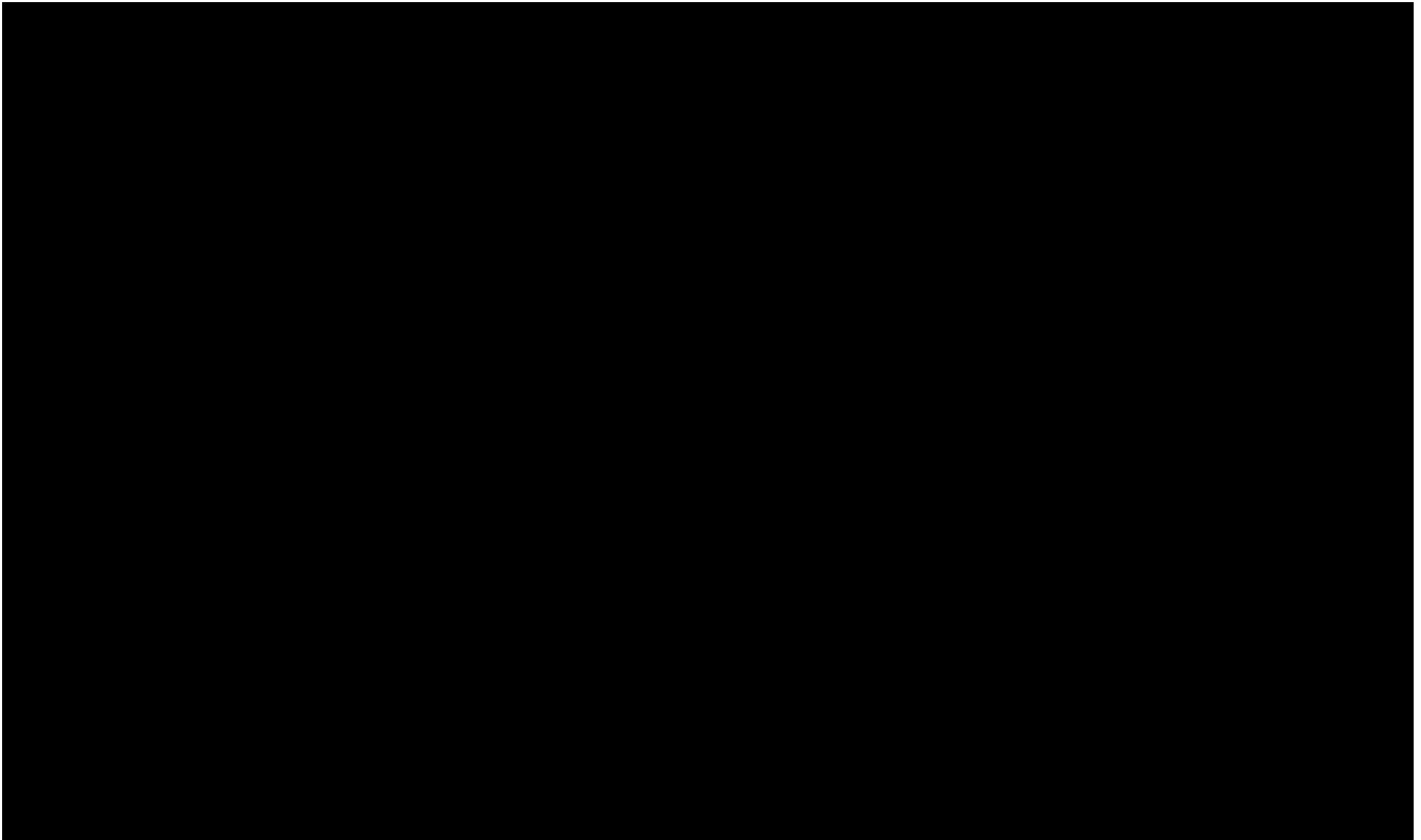
Off track

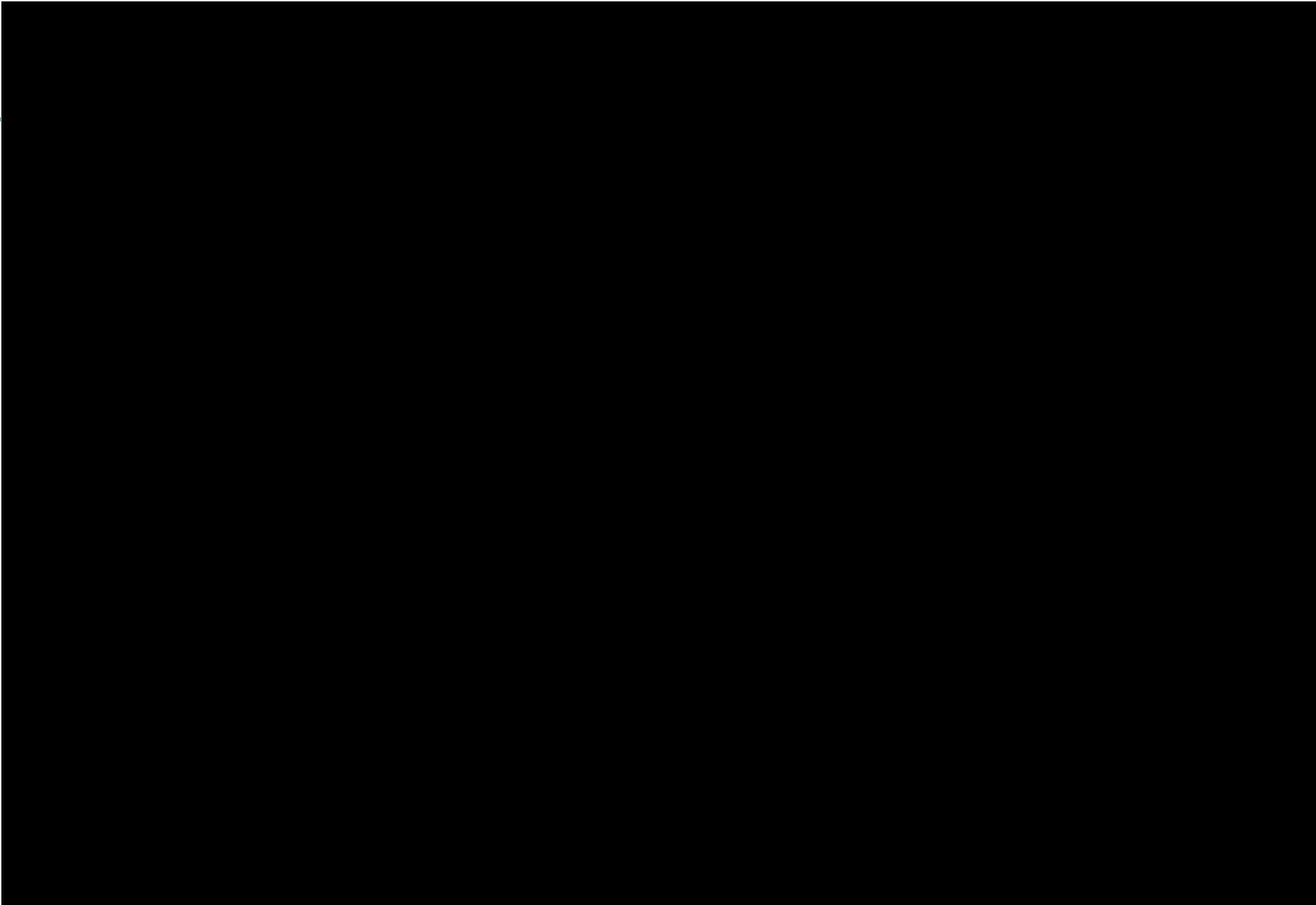
 Complete

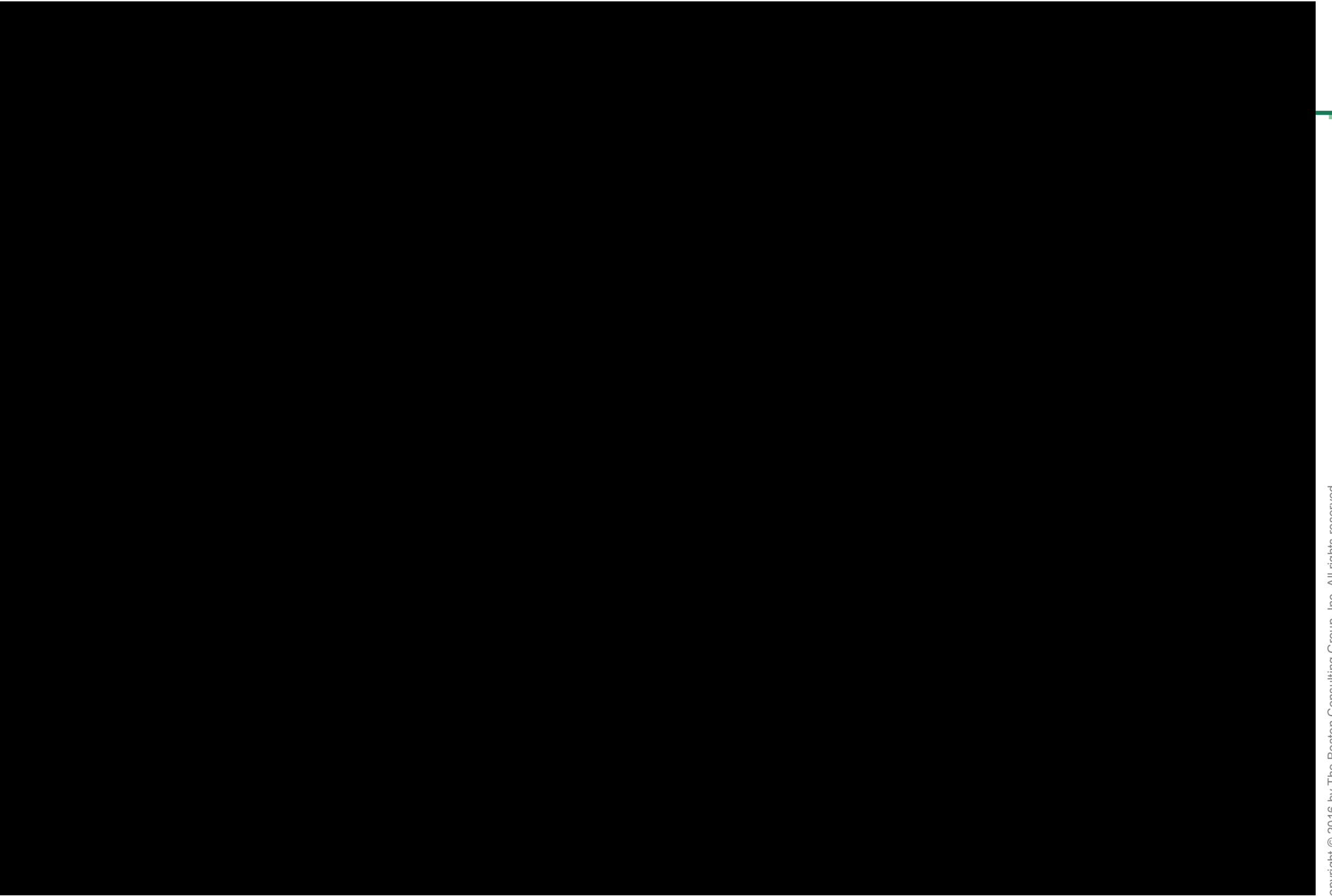
# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Stefanie Stocco	<b>10 min</b> (1:00-1:10)
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# Overview of Tx Filing Status









# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Stefanie Stocco	<b>10 min</b> (1:00-1:10)
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# Update regarding framing of development for Dx investment scenarios

**Key gaps to address in build-out of Dx plan aligned with RRFE include integration of customer preferences and establishing clear links between program spend and improved outcomes**

**Propose varying project prioritization approach for foundational (ie., non-discretionary) spend relative to spend focused on enhancement**

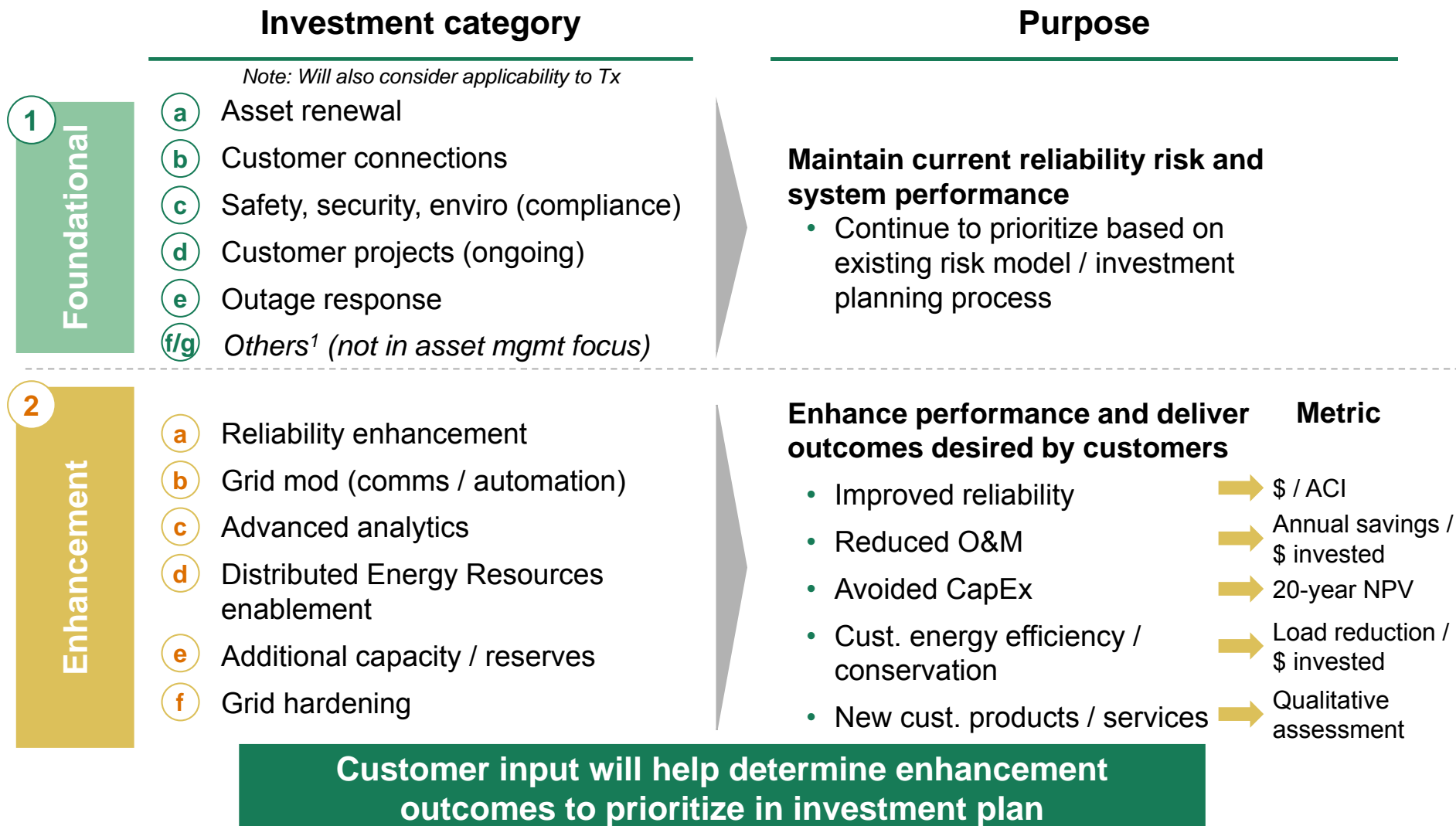
- Foundational spend: Maintain current reliability and risk of reliability – continue to prioritize based on risk within existing planning tools
- Enhancement spend: Focus on most cost effective options for delivering outcomes desired by customers – tie programs to specific outcomes (e.g., reliability improvement, avoided CapEx, O&M reduction)
- Need to eventually determine how best to integrate enhancement spend prioritization within existing tools

**Initial work has highlighted several opportunities that may more effectively deliver against targeted outcomes**

- Vegetation management: Opportunity to reduce costs of maintaining ROW, while deploying technology solutions to enhance reliability
- Grid modernization: Deployment of smart, controllable devices on grid can drive reliability improvement as well as operational efficiencies
- Worst performing feeder program: Addresses major outage drivers on feeders with highest concentration of customer outages

**Team will synthesize findings into Dx investment scenarios for review at SCM #4**

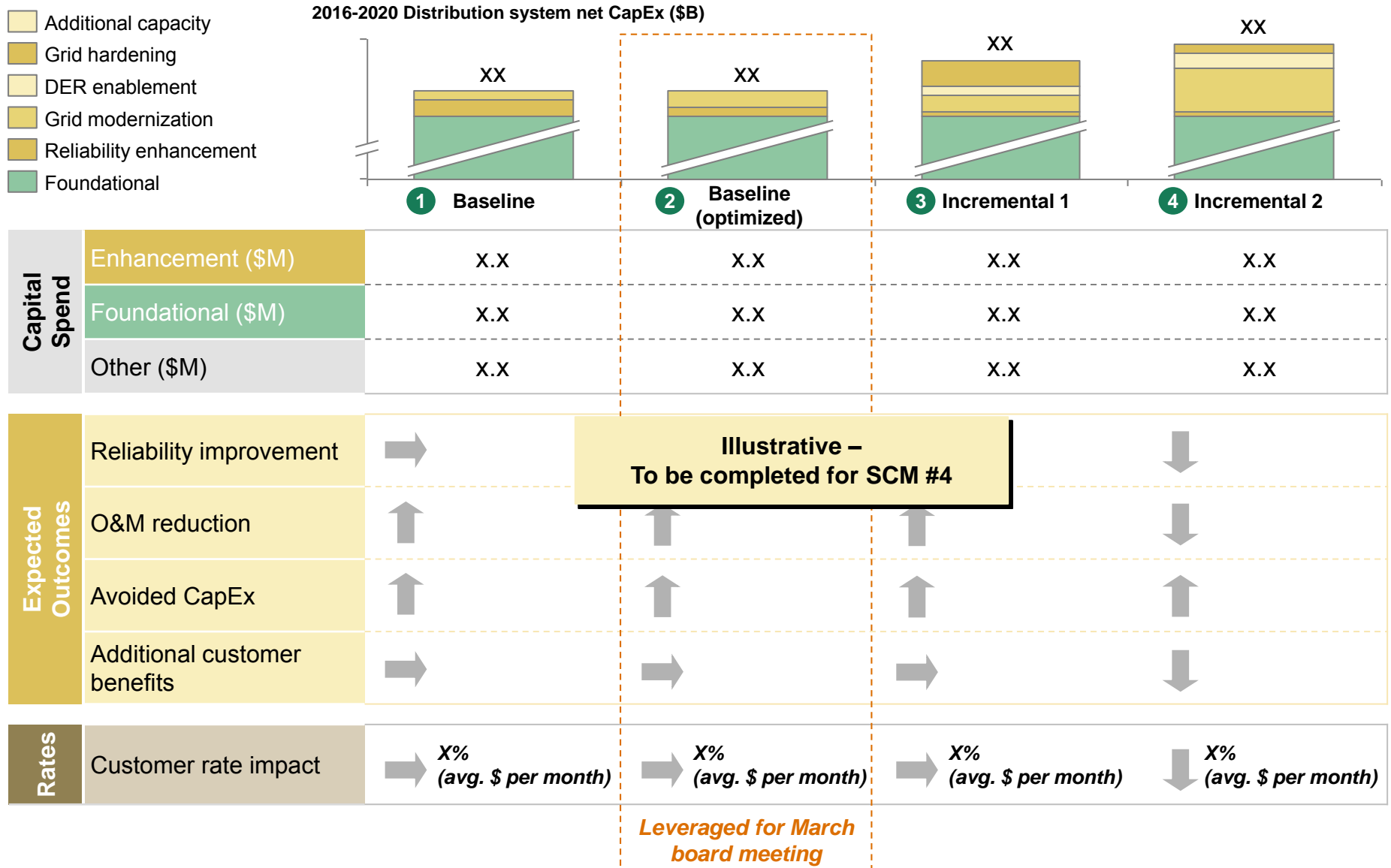
# Investments segmented into foundational and enhancement categories with different purposes



1. Others include e.g. Facilities and Enterprise IT, which are not directly related to network assets

Note: Foundational investments are those that are required for Hydro One to continue to deliver safe, reliable, and efficient service to all customers

# Target output will be Dx scenario outcomes that can be used in preparation for Dx rate filing



# Backup: Summary of 5-year CapEx budget

Out of total \$237M enhancement CapEx, \$108M for smart grid and rest in "Mixed"

## Dx Sustainment and Development – Capital

Existing spend category	Investment driver name	2016-2020 budget (\$M)	New spend category	Key perf. impacts
Sustainment <i>Total: \$1,719M</i>	Wood Pole Replacement	499.1	Foundational <i>Total: \$1,005M</i>	Grid modernization and asset spend to reduce O&M and improve reliability
	Trouble Calls & Storm Damage	318.9		
	Joint Use and Relocations	135.3		
	PCB Transformer Replacement	51.8		
	Distributing & Regulating Stations	341.9	Mixed <i>Foundational: \$935M Enhancement: \$129M</i>	
	Lines	245.1		
	Metering	126.8		
Development <i>Total: \$1,072M</i>	System Capability Reinforcement	350.0	Foundational <i>Total: \$614M</i>	Grid modernization to reduce O&M and improve reliability
	New Load Connection Upg/Cancel/Meters	582.8		
	Distribution Generation Connection	29.6		
	Customer Power Quality (Dx)	1.0		
	Wholesale Metering	0.1		
	Smart Grid	108.0	Enhancement <i>Total: \$108M</i>	

# Backup: Summary of 5-year OM&A budget

\$97M enhancement OM&A in total; part of vegetation management seen as enhancement

## Dx Sustainment and Development – O&M

Existing spend category	Investment driver name	2016-2020 budget (\$M)	New spend category	Key perf. impacts
Sustainment <i>Total: \$1,702M</i>	Trouble Calls Customer Locates & Disconn	478.5	Foundational <i>Total: \$946M</i>	Improved reliability via strategic trim and hazard tree removal
	Line Maintenance and Repair	115.5		
	Distributing and Regulating Stations	99.3		
	PCB Test and Destruction	77.7		
	Other Services	77.2		
	Customer Meters	55.4		
	Land Assessment and Remediation	25.1		
	Telecom Monitoring and Control	14.6		
	Protection, Control and Telecom Maintenance	2.7		
	Vegetation Management	756.7	Mixed <i>Foundational: \$739M Enhancement: \$18M</i>	
Development <i>Total: \$105M</i>	Engineering and Technical Services	13.7	Foundational <i>Total: \$26M</i>	Smart grid and DER programs deliver improved reliability, energy efficiency, and new products
	Distributed Generation Connections	11.2		
	Customer Power Quality and Smart Metering	1.5		
	Smart Grid	55.0	Enhancement <i>Total: \$79M</i>	
	Standards Program	16.8		
	Distribution RD&D	15.0		
	Conservation and demand management	1.9		

# Our agenda for today

Topic	Lead	Time
<b>Good to Great program update</b> (including Safety Moment)	Stefanie Stocco	<b>10 min</b> (1:00-1:10)
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# Executive summary: Capital efficiency

## Improved capital delivery capability but a larger program is forecast in future

- [REDACTED]
- [REDACTED]
- [REDACTED]

## Predictably delivering the investment plan will require improvements and changes to our current model

- Improved readiness of project program – ahead of external communication and construction – is required
- Expansion of external delivery models in select areas to rapidly scale and improve flexibility and performance
- A stronger gating mechanism that provides greater transparency, with more robust processes

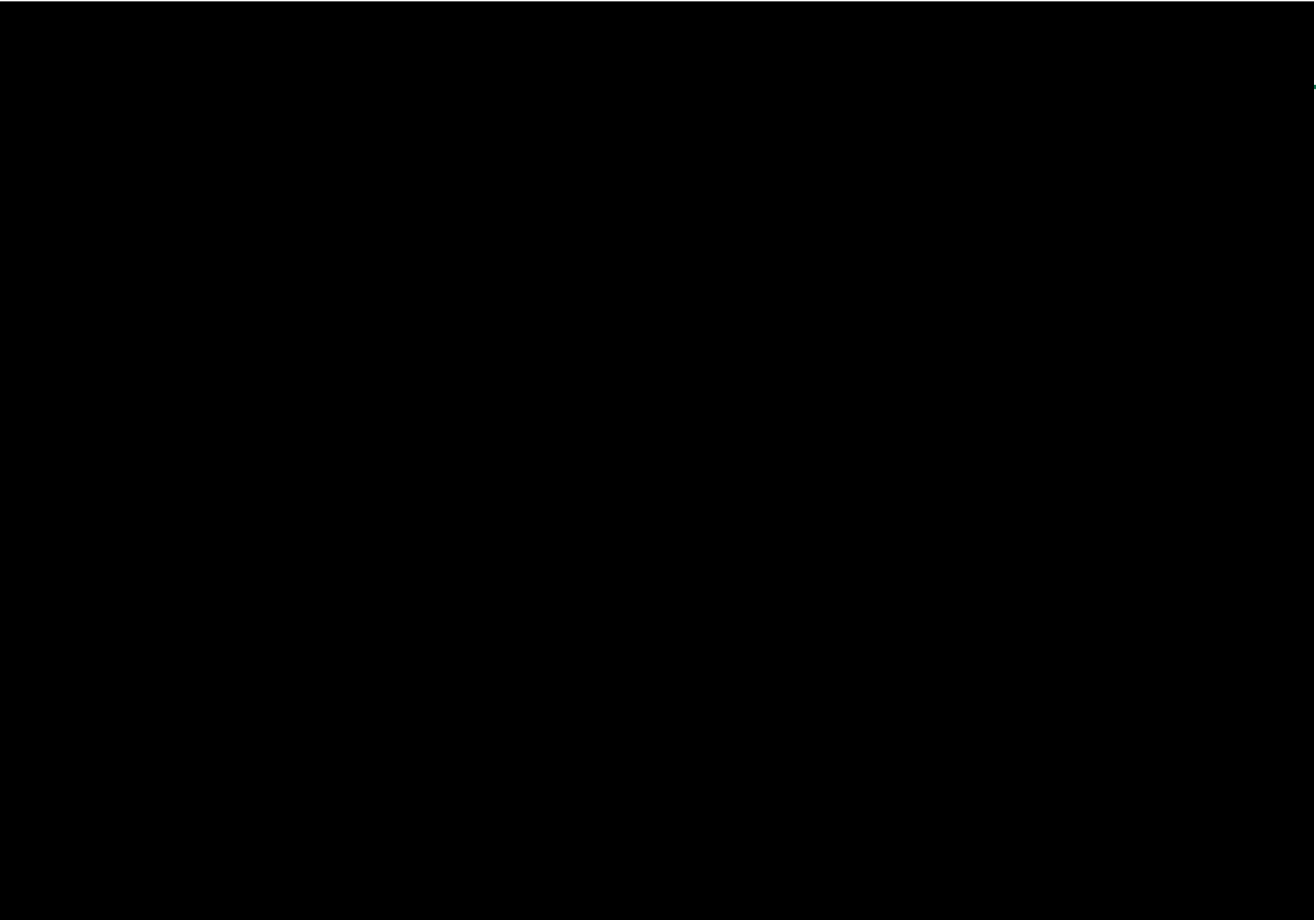
## Several implementation challenges will need to be overcome

- Retaining an engaged workforce and positive working relationships
- Ensure the in-house skill mix reflects the new balance of work
- Successful strategic go-to-market to protect and capture value
- Union jurisdiction challenges related to incremental tower-coating, insulator replacements

# Our ability to deliver capital projects has been improving

**Capital delivery is now better placed to deliver a larger investment plan than in previous years**





# Closing the "readiness gap" is a priority

# Several benefits to "backing up" / extending current capital project cycle by one year

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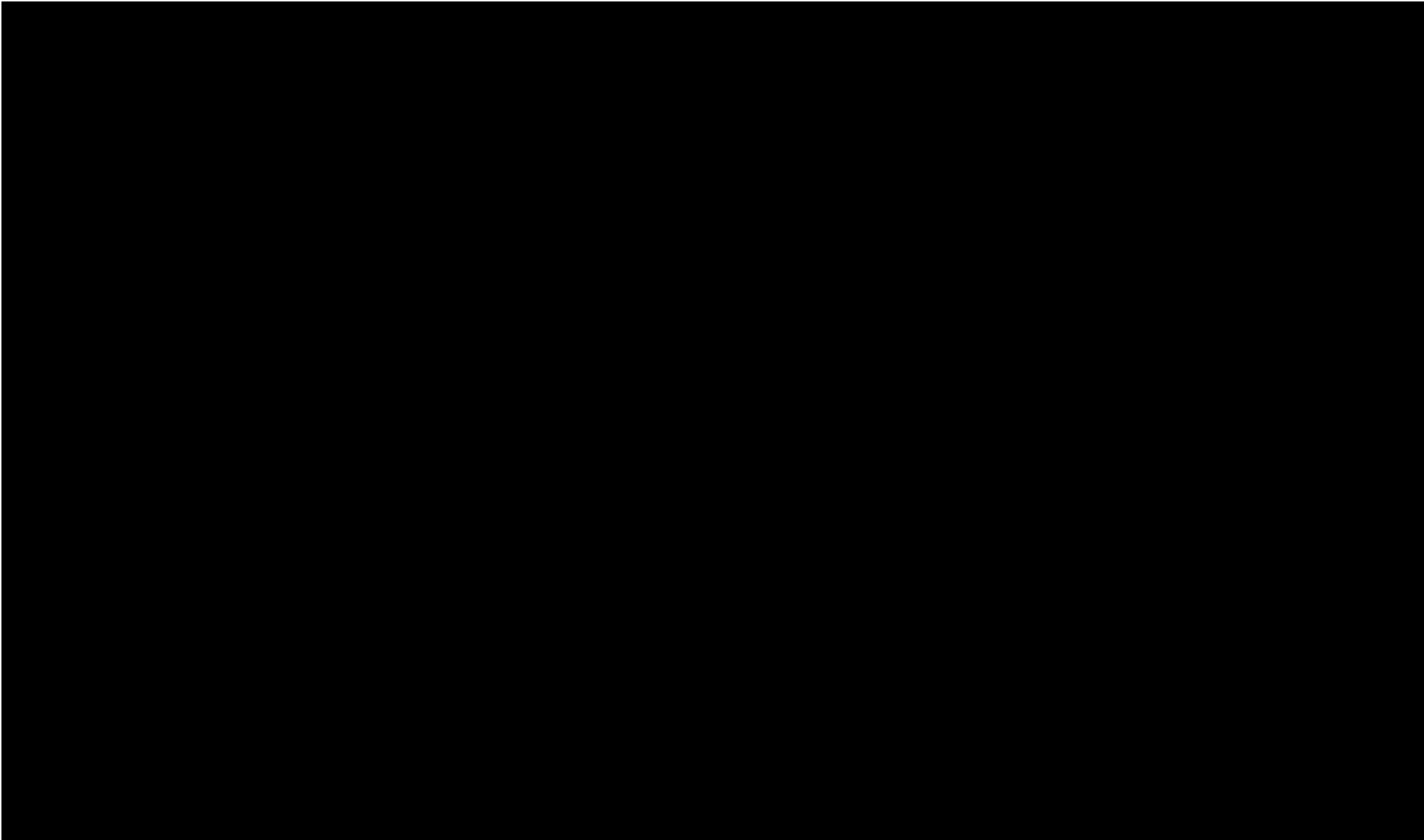
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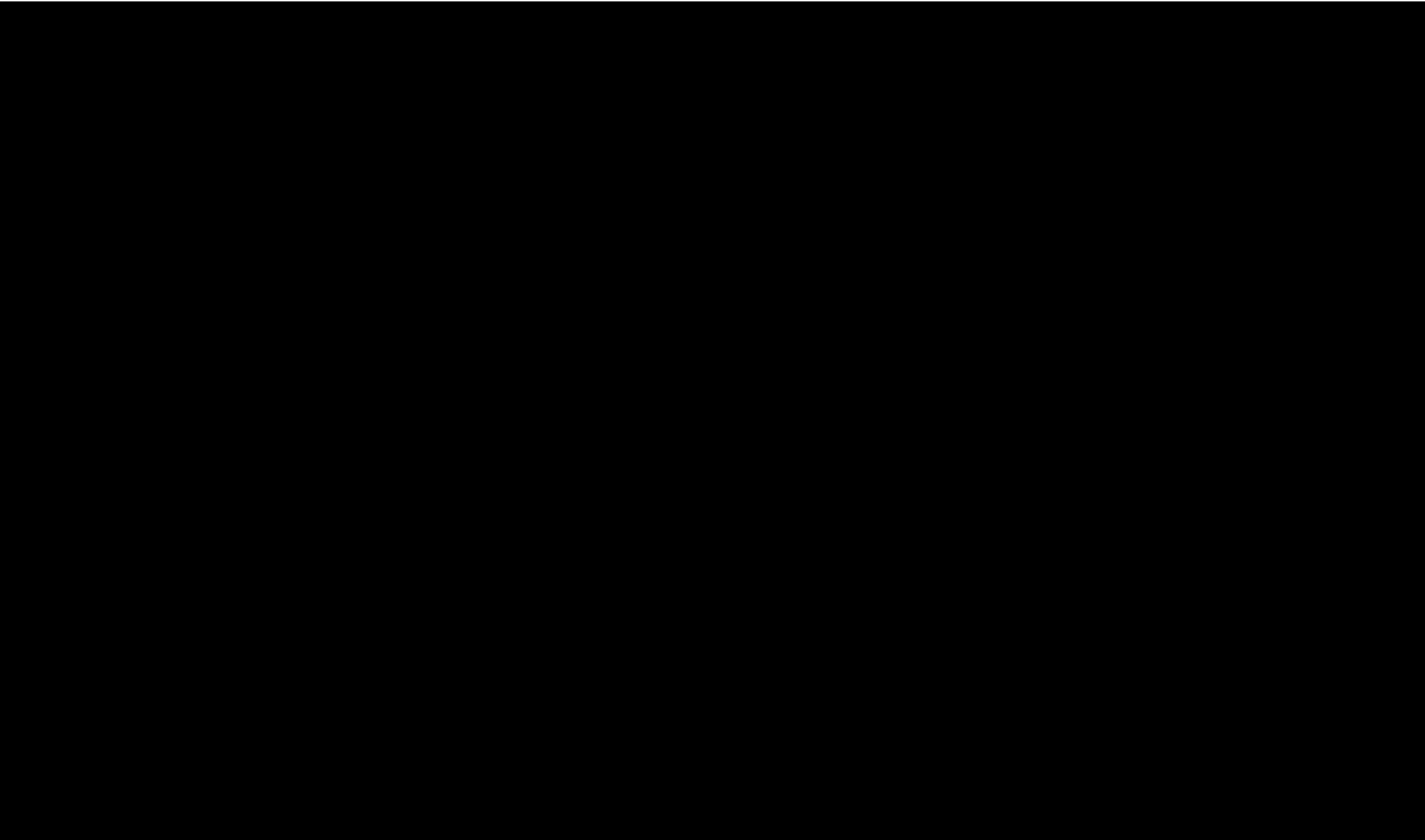
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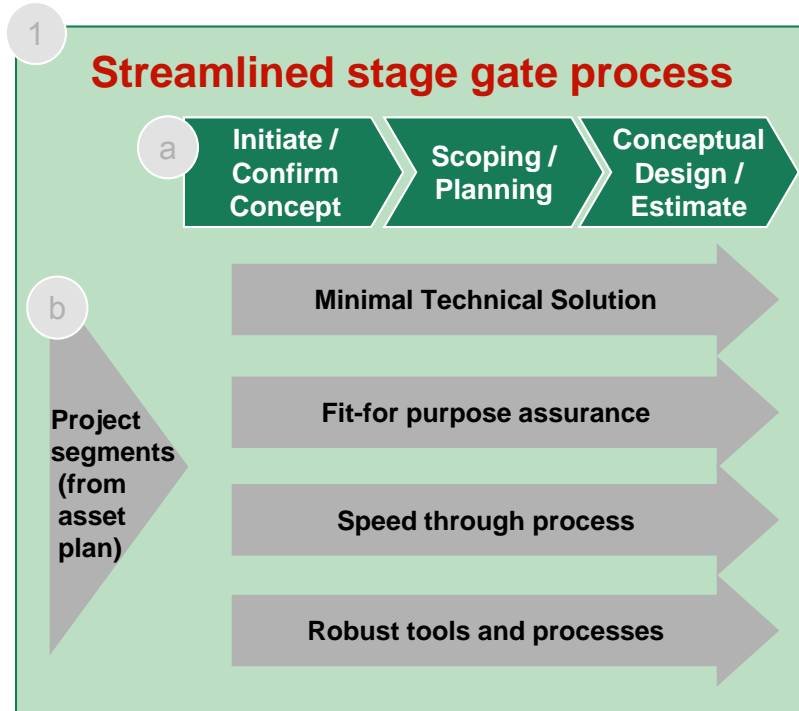




# Next steps: Execution efficiency update at SteerCo 4

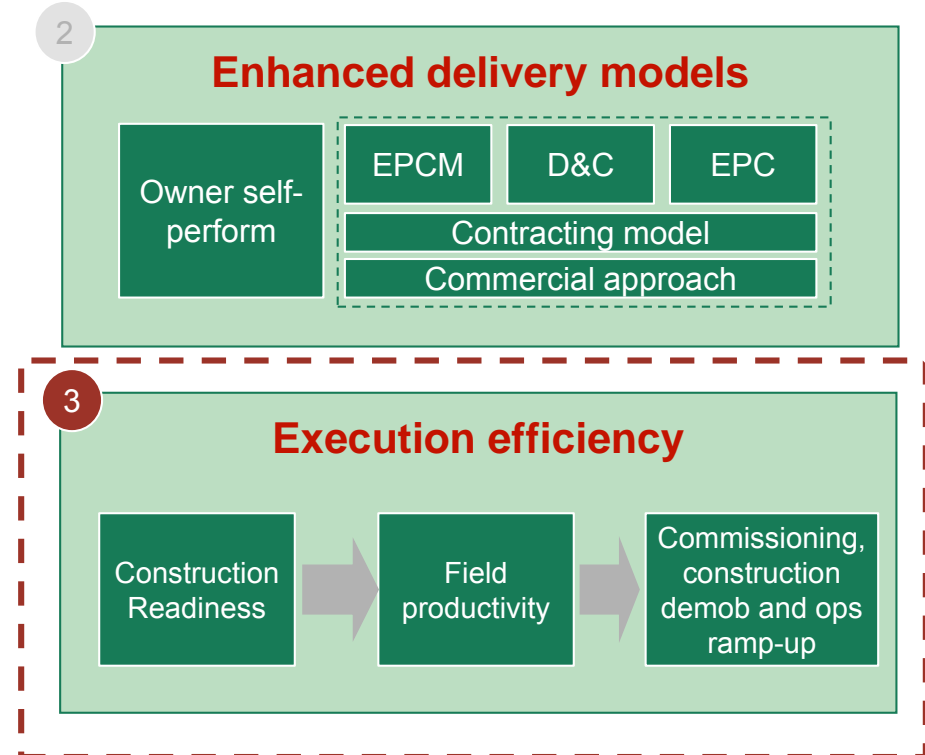
## Project development

*More (predictable) projects through the pipeline*



## Project delivery

*Enhanced capability to deliver*





# Our agenda for today

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# Capital and OM&A baseline: \$2.8B

Being addressed through 3 efficiency initiatives

	2015 baseline (\$B)			3 work streams to identify savings opportunities	
	Capital	OM&A	Total	Work stream	Description (example levers)
Procured spend	~0.9	~0.5	~1.4	1 Procurement	<ul style="list-style-type: none"> <li>Specifications and service level rationalization to benchmark levels</li> <li>Controlling demand or consumption levels</li> <li>Fact-driven approach to competitive bids and negotiations</li> </ul>
People & Inergi spend					
Total					

# Emerging summary of full potential

Up to \$174-220M unconstrained value identified to-date (vs. 2015 baseline)

	(\$M)	Capital	OM&A	Total
Procured spend	1 Procurement	29 - 59	8 - 24	37 - 83
People & Inergi spend				



View of potential over time (e.g., impact of labour & outsourcing constraints) to be developed by SteerCo 4

1. Net of \$5M overlap between SG&A and O&M related to Move to Mobile

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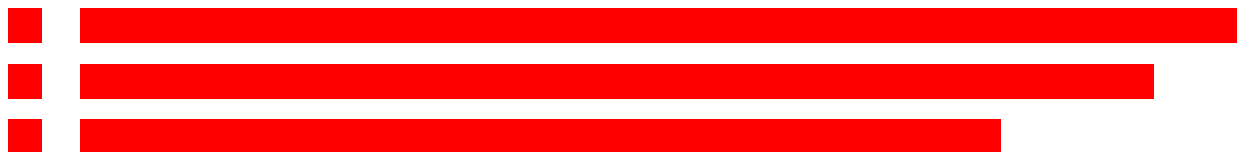
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# Executive Summary

## O&M Efficiency team has identified up to \$35M in unconstrained savings, incremental to business plan

- ~\$26M of savings are from new opportunities identified as part of "Good to Great" program
- \$9M of savings are from planned Forestry initiatives
- Additionally, ~\$27M savings from Lines, Stations and M2M have already been built into business plan

## Improvement opportunities comprise six initiatives across Forestry, Lines, and Stations

- 
- 4) Deploy fault indicators at strategic locations (~\$0.2 – 0.8M)
  - 5) Standardize execution of preventative maintenance across zones (~\$1.0 – 3.5M)
  - 6) Reduce cancellations of planned outages (~\$0.9 – 1.3M)

## Success of majority of opportunities is directly dependent on some level of negotiations with unions

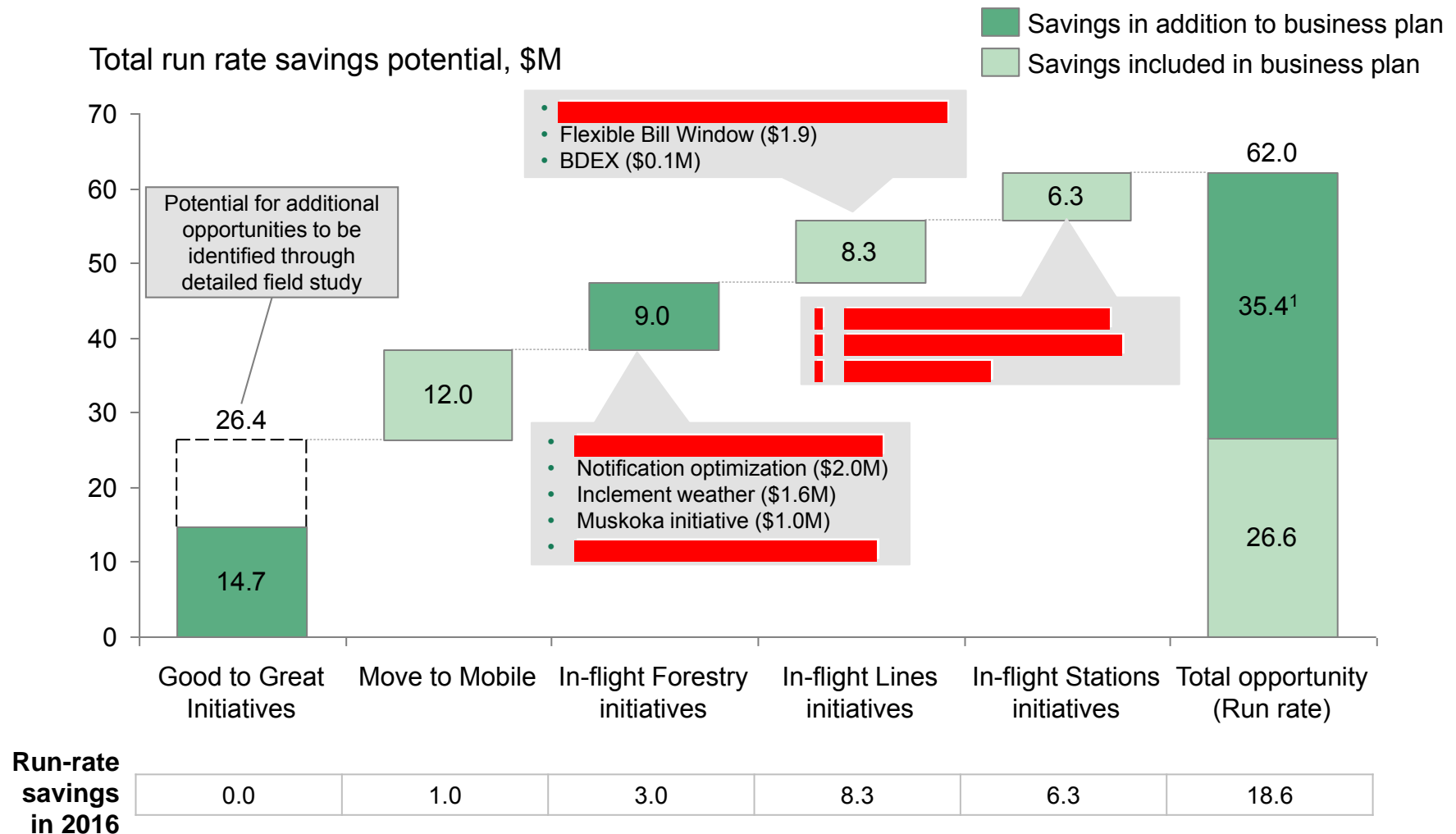
- Severity of required changes could impact if, when and how savings are captured
- We have started to review potential levers to apply in contract bargaining to realize labour savings

## Next steps focus on implementation planning, including definition of glide path to realize savings

- Assess risk and mitigating actions associated with labour implications for identified opportunities
- Plan for detailed "deep dives" on each opportunity to develop implementation plans (through April)
- Define plan for additional field visits to explore additional efficiency opportunities



# Good to Great opportunities will supplement other initiatives that are planned or being developed



1. Includes high range of Good to Great opportunity sizing

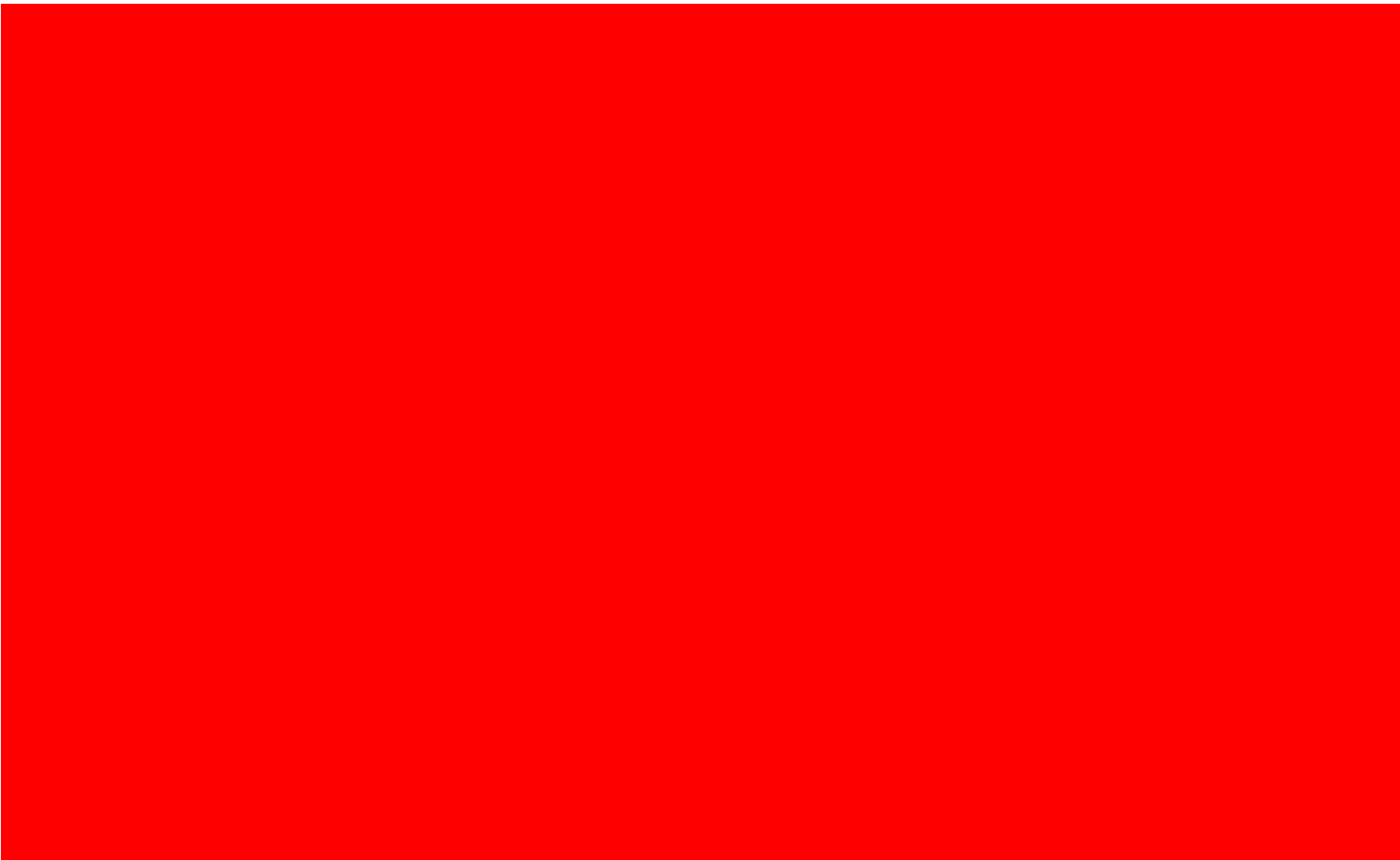
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# Relatively small investment in fault indicators could reduce time to resolve trouble calls, deliver \$0.2 – 0.8M in savings

## Use of fault indicators can reduce time to locate and resolve trouble calls

### Fault indicators provide many time saving benefits when locating faults:

- Overall reduced reclosing & sectionalizing
- Midpoint feeder sectionalizing narrows search area on long spans
- Use at taps can show crews which direction to proceed
- Use at dips and risers indicates whether to look at underground or overhead lines
- Use at off-road access points can eliminate need to search in

### Fault indicators also offer potential for reliability impact from SAIDI improvement

## Strategic deployment could save \$0.2 - \$0.8M in overtime costs

	M-Class		F-Class	
# of feeders w/fault indicators deployed	136 <sup>3</sup>		338 <sup>4</sup>	
Avg # of sets per feeder	2		2	
Cost per set (\$)¹	800		800	
Capital investment (\$M)	~0.75			
	Min	Max	Min	Max
# of OT calls impacted⁵	640	820	1630	2070
Time saved per call (hr)	0.5	1.5	0.5	1.5
OT cost (\$/hour)²	185	185	185	185
OT savings (\$M)	0.05	0.23	0.15	0.57
Total OT savings (\$M)	0.2 – 0.8			

**Deployment of fault indicators should be considered in context of long-term grid modernization efforts**

1. Cost for set of 3 non-communicating Horstmann fault indicators 2. 2X hourly overtime base rate for 2 journeymen and hourly cost of fuel and depreciation for TWE 3. Approximately 25% of M-Class feeders, selected based on # of trouble calls 4. Approximately 13% of F-Class feeders, selected based on # of trouble calls and likelihood that fault indicators will be beneficial 5. Min and max number of calls impacted based on 75 – 95% of the actual number of relevant 2015 calls on feeders where fault indicators are proposed for deployment

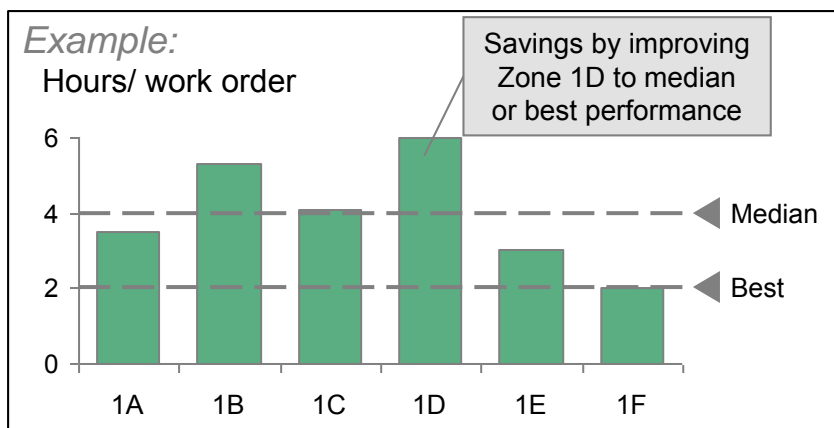


# Standardizing stations preventive maintenance across zones could save \$1 – 3.5M

## Performed internal benchmarking to assess prev maintenance opportunity

### Analyzed major preventive maintenance work across zones

- Compared avg. actual work time for each package
- Calculated estimated work hours saved by achieving median, best performance in all zones

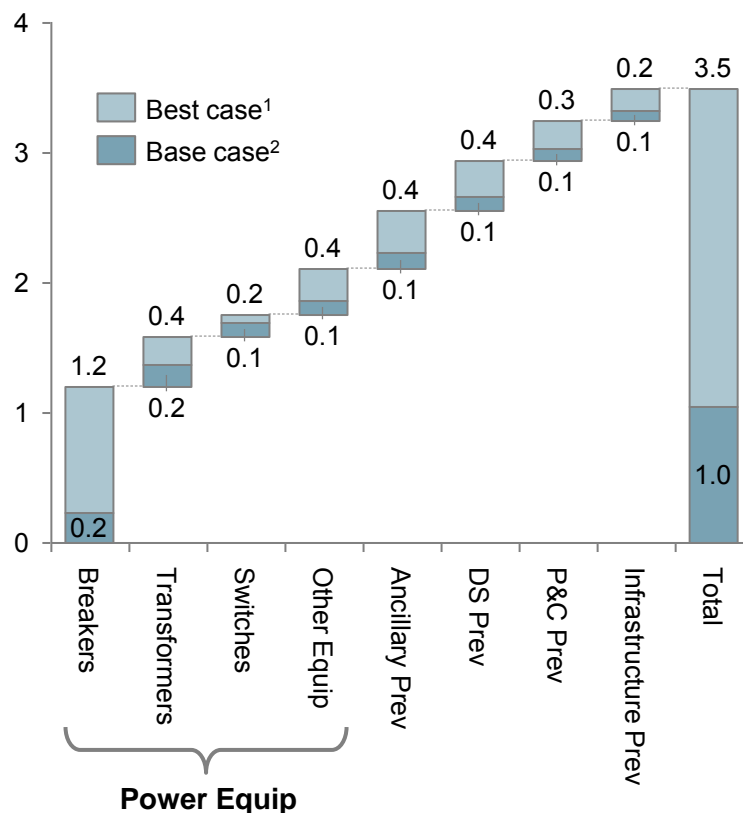


### Potential drivers of variance across zones include

- Lack of adherence to standard work processes
- Difference in crew training/capabilities
- Challenging geographic locations (e.g. travel time)
- Improper time reporting (data quality issue)

## Bottom-up estimate indicates \$1.0 – 3.5M in potential savings

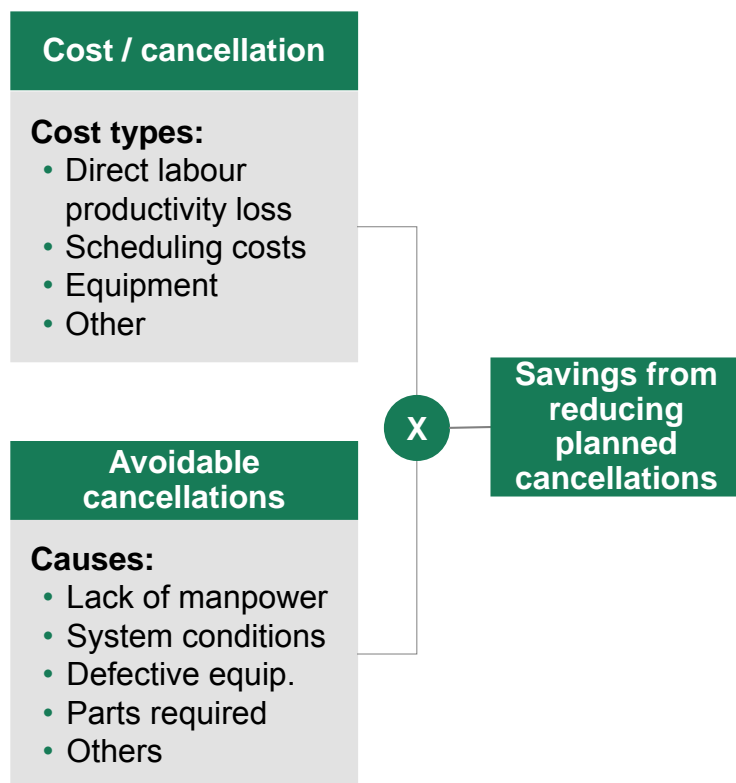
### Preventive maintenance savings, \$M



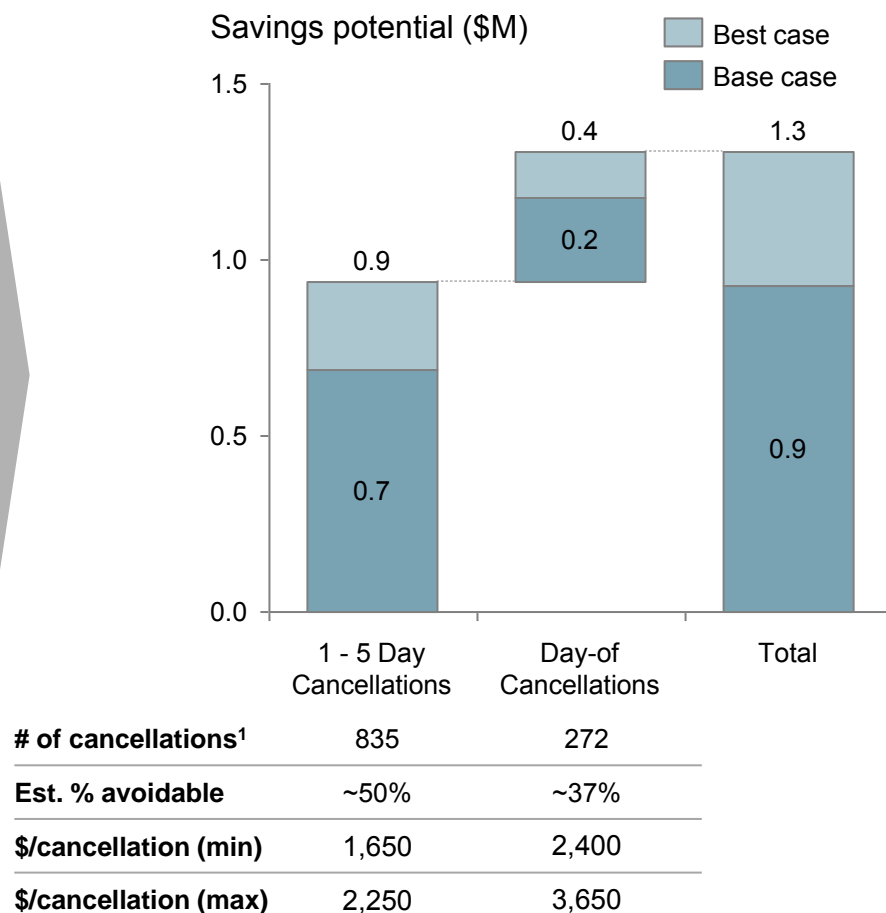
1. Best case indicates potential savings from closing gap to best performing zone 2. Base case indicates potential savings from closing gap to median performance

# Reducing cancellations of planned outages can save \$0.9 – 1.3M in outage planning, scheduling and other costs

## Assessed proportion of avoidable cancellations and cancellation costs



## Estimate ~\$0.9 – 1.3M in saving potential from avoided cancellations



1. # of outage cancellations in 2015

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# Analysis to date has been supplemented with field visits and interviews

Visit	Activities	Initial observations
Forestry (Barrie/ Orillia)	<ul style="list-style-type: none"> <li>Attended morning work planning meeting</li> <li>Interviewed Superintendent, ops centre manager and UTS2</li> <li>Visited 4 active work sites and interviewed provincial foresters</li> </ul>	<b>Work efficiency</b> <ul style="list-style-type: none"> <li>May be room to <b>improve time out of the door</b> in mornings (all departments)</li> <li>Stations has good standard work processes in place, but <b>application of the processes may not be consistent</b> in all ops centres</li> </ul>
Lines (Barrie)	<ul style="list-style-type: none"> <li>Viewed shop and equipment</li> <li>Interviewed crew members – regional maintainer and UTS3</li> <li>Interviewed RLS, ops manager, and superintendent</li> <li>Interviewed business manager and sr. planning technician</li> <li>Interviewed OGCC manager of operations and grid ops supervisor</li> </ul>	<b>Equipment</b> <ul style="list-style-type: none"> <li><b>Reliability issues with bucket trucks</b> in Lines and Forestry</li> <li><b>New boom design less efficient</b> for Forestry work</li> </ul> <b>Training and capabilities</b> <ul style="list-style-type: none"> <li>May be <b>some gaps in the training program for lines apprentices</b>, particularly in troubleshooting</li> </ul>
Stations (Buchanan & Barrie)	<ul style="list-style-type: none"> <li>Interviewed GOFM and UTS2</li> <li>Interviewed OGCC manager of operating planning</li> </ul>	<b>Teaming and Leadership</b> <ul style="list-style-type: none"> <li>Generally good morale; <b>crew members feel Hydro One is a great place to work</b></li> <li><b>Administrative tasks can draw supervisors away</b> from working with crews</li> </ul>

**Initial field visits yielded useful insights, but opportunity assessment would require additional time in the field and more detailed studies**

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# ~\$5.4M confirmed net savings in 2016 (\$6.7M run-rate)

All initiatives being tracked to guarantee implementation progress

		2016 in-year (\$M) (OM&A+Capital)			Net run rate savings (\$M)	Status	Impact will begin?	Inergi related?	Risk/Consideration
		Savings	Cost	Net savings					
1	Reduce infrastructure costs by	2.5	0.15	2.35	3.2				Leverage standard contractual RRC methodology. Reduce size of backup archives by moving to 'daily incremental and monthly full' in non-prod/project environments
	• Optimizing backup & storage	1.5	0.05	1.45	1.8	●	Q2	Y	
	• Optimizing project environments	0.5	0.05	0.45	0.7	●	Q2	Y	
	• Decommissioning infrastructure & DBs	0.5	0.05	0.45	0.7	●	Q2	Y	
2	Renegotiate contracts to reduce	1.9	0.03	1.9	2.3				No risk to overall delivery of enhancements
	• Hourly Inergi rate for minor enhancements	0.4	-	0.4	-	●	Q2	Y	
	• Cost of 3rd party licenses & maintenance	0.5	0.03	0.475	1	✓	Q1	N	
	• Mobility services	1	-	1	1.3	✓	Q1	N	
3	Reduce minor enhancement budget	1	-	1	1				Will focus on areas with large capital investment to reduce minor enhancement spend
	• Inergi budget	0.8	-	0.8	0.96	✓	Q1	Y	
	• Non-inergi budget	0.2	-	0.2	-	✓		N	
5	Cancel transformation projects not delivering value or no longer needed	0.1	-	0.1	0.1				Savings are being realized – no further action required
	• Command Center	0.03	-	0.03	0.03	✓	Q1	Y	
	• Mobile Pay Advice Stream	0.03	-	0.03	0.03	✓	Q1	Y	
	• Mobile Receipting	0.04	-	0.04	0.04	✓	Q1	Y	
Total		5.6	0.2	5.4	6.7				

xx: budget adjustment has been communicated to finance

xx: budget adjustment has NOT been communicated to finance

✓ Completed ● On track

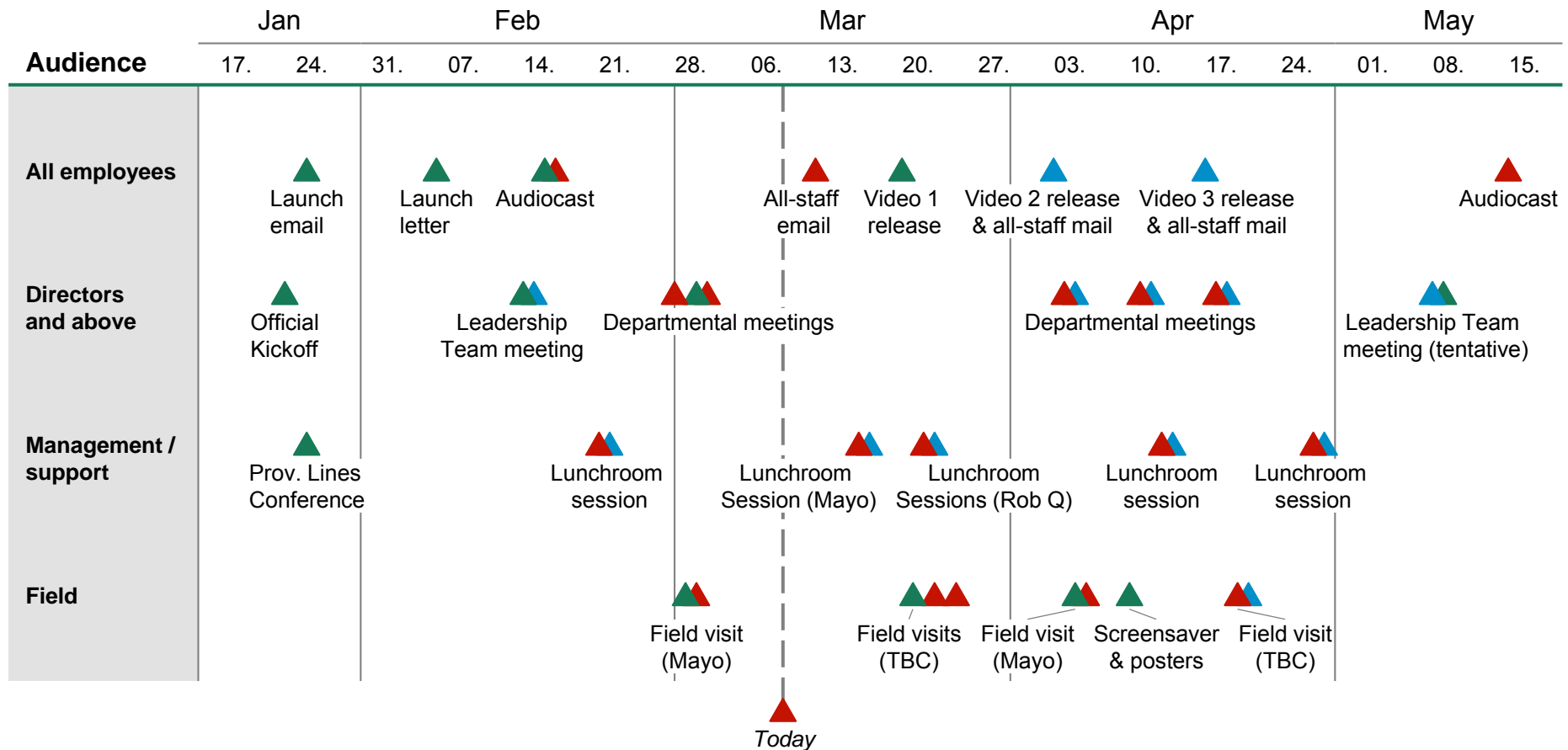
● At risk

● Off track

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# Where are we today: internal communications plan



## Legend:

- ▲ Educate – what, how, why?
- ▲ Engage – what's in it for me?
- ▲ Energize – what does success look like?



# Communications update: Peterborough field visit

- Discussed "Good to Great" with 15 employees selected as future leaders from Lines, Forestry, Stations and Construction
- Held a Town Hall with 70 employees at the Peterborough Ops Centre
- Conducted field visits with Lines and Forestry crews
- First video to "go-live" on March 22 – comms plan in place to distribute through various channels



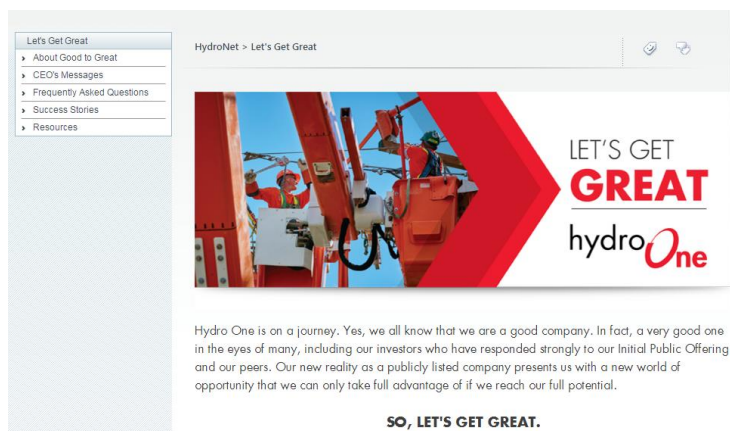
Quote from a Field Manager:

*"For the first time in my career I feel like I'm incredibly excited about the future of this company and where we can go. I think people are scared of change, but hearing Mayo helped me understand that change is going to bring a lot of opportunity"*

**Key themes: Hydro One is strong; Opportunities are bigger than you think; We all have a role to play in order to win**

# Communications update: Other recent and upcoming events

## Good to Great HydroNet site is live



### Good to Great site went live on March 7 with:

- Description of Good to Great program
- FAQs
- Photographs and stories from Peterborough Field Visit
- [G2G@HydroOne.com](mailto:G2G@HydroOne.com) email for feedback

## Lunchroom sessions are scheduled

**Goal:** To spark conversations about Change and share change work already underway

- e.g. customer service initiatives, approach to customer consultation, procurement policies, etc.

**Dates:** March 18 + 2-3 sessions in April/May

**Format:** Small-group informal lunchroom conversation with a HydroOne leader

**What communications team will provide:** Conversation starters, key messages and promotion of event.

**What we need from you:** Volunteers for sessions

**We want your feedback (e.g. what you are hearing from employees, what could we do better, new FAQs)**

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# Draft March 31 Board of Directors discussion outline

Topic	Content
<b>Introduction and summary</b>	<ul style="list-style-type: none"> <li>Strategic framework</li> <li>Objectives for today vs. future sessions</li> <li>Executive summary</li> </ul>
<b>Service delivery:</b>	
<ul style="list-style-type: none"> <li>Voice of the customer</li> </ul>	<ul style="list-style-type: none"> <li>Customer segmentation</li> <li>Needs and priorities vs. level of satisfaction</li> <li>Implications for system investment plan and customer service roadmap</li> </ul>
<ul style="list-style-type: none"> <li>System investment plan</li> </ul>	<ul style="list-style-type: none"> <li>Summary 5-year system investment plan (and range)</li> <li>Tx investment plan scenarios</li> <li>Supporting analysis on Tx plan</li> <li>Tx filing process update</li> <li>Emerging feedback from Tx customer consultation</li> <li>Dx investment plan draft</li> <li>Supporting analysis on Dx plan draft</li> <li>Implications of investment plan on customer bill impact (and range of sensitivities)</li> </ul>
<ul style="list-style-type: none"> <li>Capital strategy</li> </ul>	<ul style="list-style-type: none"> <li>Summary of improvements to project governance process to improve predictability &amp; effective capacity</li> <li>Segmentation of projects by capital delivery (e.g., outsourcing) models and impact on effective capacity</li> <li>Implications for ability to deliver system investment plan and contingencies still to be validated in April (e.g., labour constraints and E&amp;C market capacity)</li> </ul>
<ul style="list-style-type: none"> <li>Customer service roadmap</li> </ul>	<ul style="list-style-type: none"> <li>Summary customer service roadmap by segment: Residential &amp; Small business vs. Commercial &amp; Industrial vs. Large Distribution vs. Transmission</li> </ul>

Topic	Content
<b>Efficiency</b>	
<ul style="list-style-type: none"> <li>Full potential summary</li> </ul>	<ul style="list-style-type: none"> <li>Baseline summary: Capital vs. OM&amp;A, Procurement vs. SG&amp;A and O&amp;M people spend</li> <li>Efficiency full potential summary: 2018+</li> <li>Emerging view on timing: 2016 vs. 2017 vs. 2018+</li> <li>Impact executed to-date</li> </ul>
<ul style="list-style-type: none"> <li>Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Summary of procurement opportunities being tackled across 4 waves</li> <li>Approach and levers for Wave 1</li> </ul>
<ul style="list-style-type: none"> <li>O&amp;M efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Summary of O&amp;M opportunities identified to-date</li> <li>Sample analyses</li> <li>Plan to explore tool time opportunity</li> </ul>
<ul style="list-style-type: none"> <li>SG&amp;A effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Summary of SG&amp;A opportunities by source of value and representative actions by function</li> <li>Summary of systemic effectiveness issues and plan to address in longer-term reorganization effort</li> </ul>
<b>Customer bill vs. shareholder value tradeoff</b>	<ul style="list-style-type: none"> <li>Summary view of: <ul style="list-style-type: none"> <li>Customer bill impact of investment plan net of efficiency full potential opportunity</li> <li>Versus emerging view of shareholder value</li> </ul> </li> </ul>
<b>Change mgmt approach</b>	<ul style="list-style-type: none"> <li>Key elements of change mgmt approach: <ul style="list-style-type: none"> <li>Capabilities and enablement</li> <li>Performance management and culture</li> </ul> </li> <li>Context of overall journey and plan to shift to execution post-May to drive efficiency, enable org</li> <li>Emerging view of core competencies and key priorities for execution phase</li> </ul>
<b>Stakeholder mgmt. approach</b>	<ul style="list-style-type: none"> <li>Summary of key objectives to address by stakeholder</li> <li>Summary of key stakeholder imperatives to address in near-term</li> </ul>

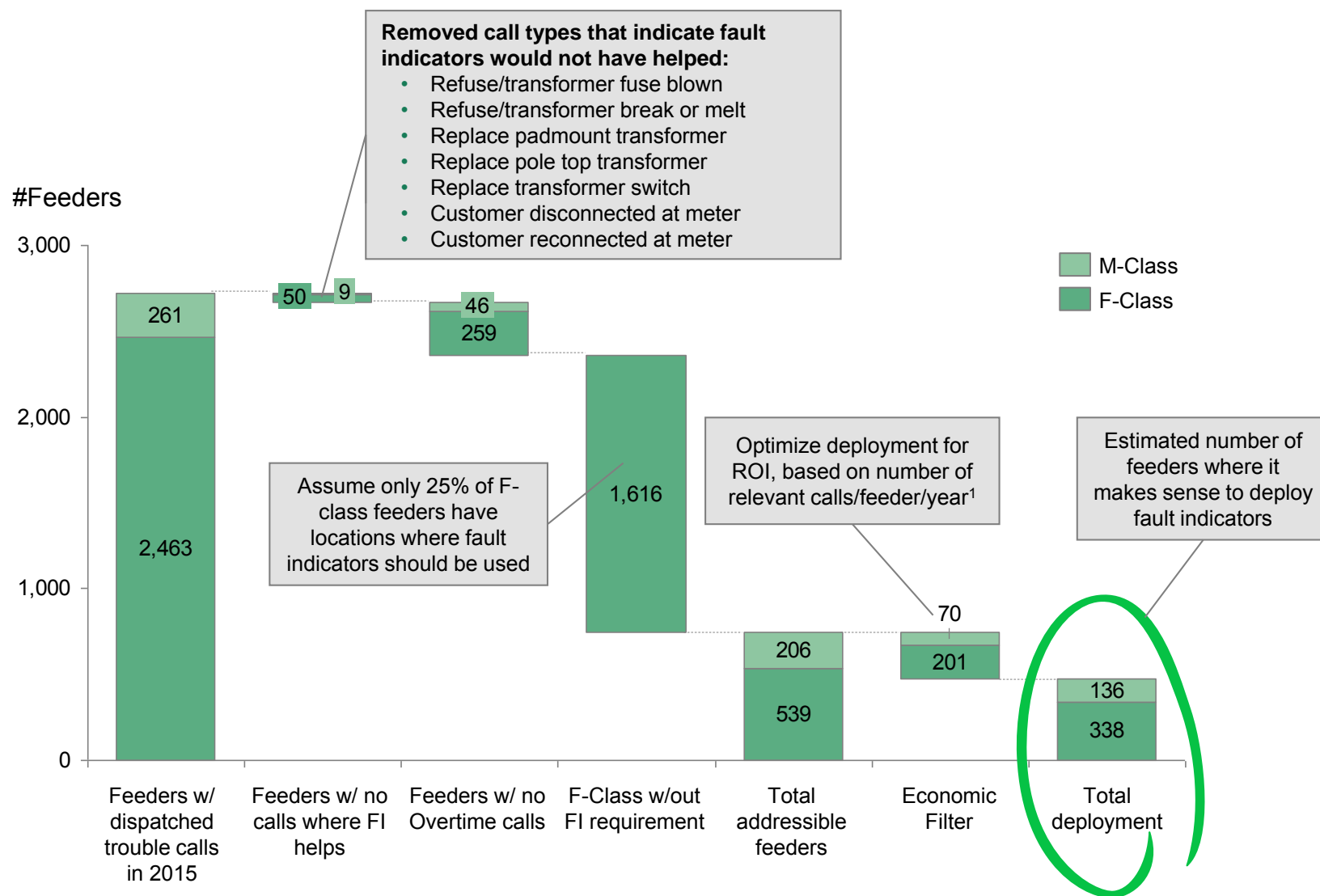
# Next steps: agenda for next SteerCo meeting

SteerCo #1 Feb 9	SteerCo #2 Feb 25	SteerCo #3 March 11	<b><i>Focus of next Steerco</i></b> <div data-bbox="1528 307 1977 1336"> <b>SteerCo #4 March 21</b> </div>
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review customer needs by segment</li> <li>Approve strategic approach to customer consultation (for Tx)</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Define aspiration, metrics, and targets for performance</li> <li>Describe drivers to meet performance targets</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review baseline and benchmark analysis</li> <li>Approve quick wins</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Review investment scenarios and evidence for consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Review emerging Capital stage gate and delivery model plan</li> <li>Review detailing of R&amp;SB Customer initiatives</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review opportunity sizing <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> </ul> </li> <li>Approve <ul style="list-style-type: none"> <li>Procurement Wave 1</li> <li>Quick wins</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review internal plan and share Manager's Toolkit</li> </ul>	<b>Regulatory</b> <ul style="list-style-type: none"> <li>Updated on emerging findings from Wave 1 consultation</li> <li>Approve Wave 2 consultation</li> </ul> <b>Service delivery</b> <ul style="list-style-type: none"> <li>Update on Dx investment plan</li> <li>Review large Customer segment initiatives</li> <li>Review proposed Capital stage gate and delivery model</li> </ul> <b>OM&amp;A efficiency</b> <ul style="list-style-type: none"> <li>Review 2016-2020 full potential <ul style="list-style-type: none"> <li>Procurement</li> <li>Org effectiveness</li> <li>Labour policies</li> <li>O&amp;M efficiency</li> </ul> </li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Review external plan</li> </ul>	<b>Review of materials for 3/31 board meeting, including:</b> <ul style="list-style-type: none"> <li>Key outputs reviewed in previous SteerCo meetings</li> <li>5 year asset management plan</li> <li>Stakeholder management approach</li> <li>Change management approach</li> </ul>

## "O&M Efficiency" - APPENDIX



# Backup: Filtered trouble calls to identify where fault indicators would have OT impact and be most economical



1. Set full capital cost recovery horizon at 1 year, given max savings scenario (~3-4 years given min savings scenario)



# Fault indicators are simple to deploy and can save time in a variety of scenarios

## Fault indicators are simple to install and relatively inexpensive



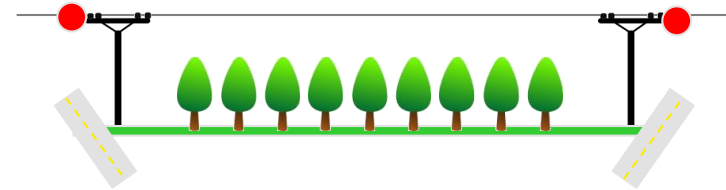
Fault indicators can be installed by one man with a hot stick in only a few minutes, with no need for an outage

Significant benefits can come with a relatively small investment

- Set of 3 (for 3 phases) non-communicating fault indicators costs ~\$800
- Communicating fault indicators cost about 2x as much, but could be integrated w/DMS

## Several situations present ideal opportunities to deploy fault indicators

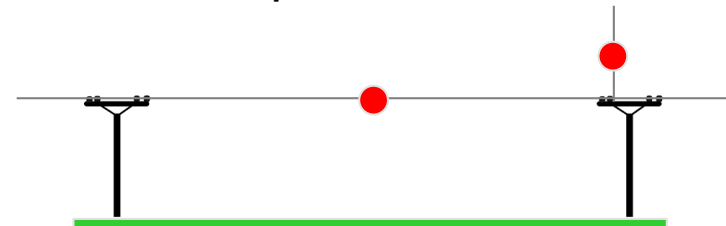
### Long off-road sections of feeders



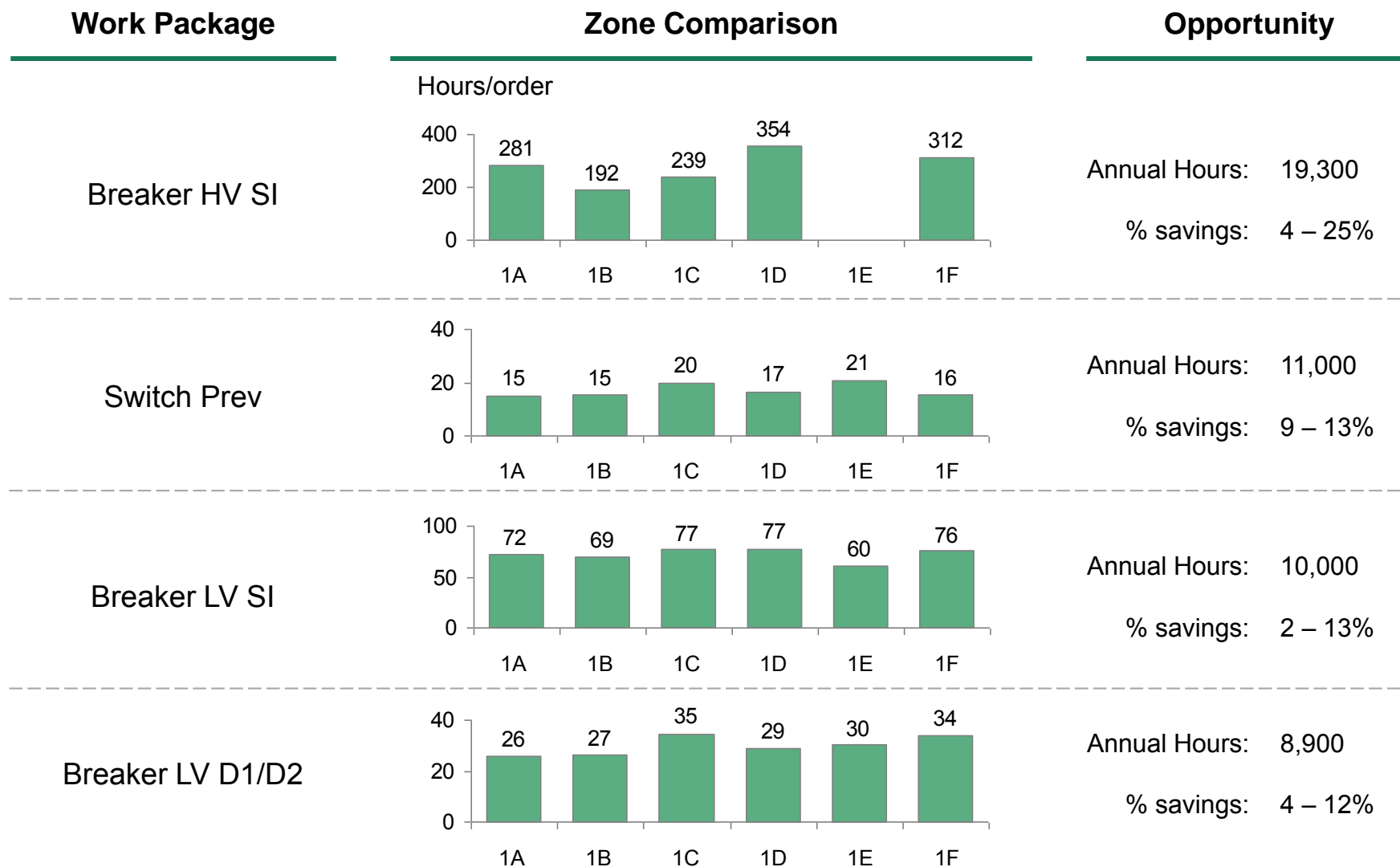
### Dips & risers



### Mid-feeder and at taps on M-Class

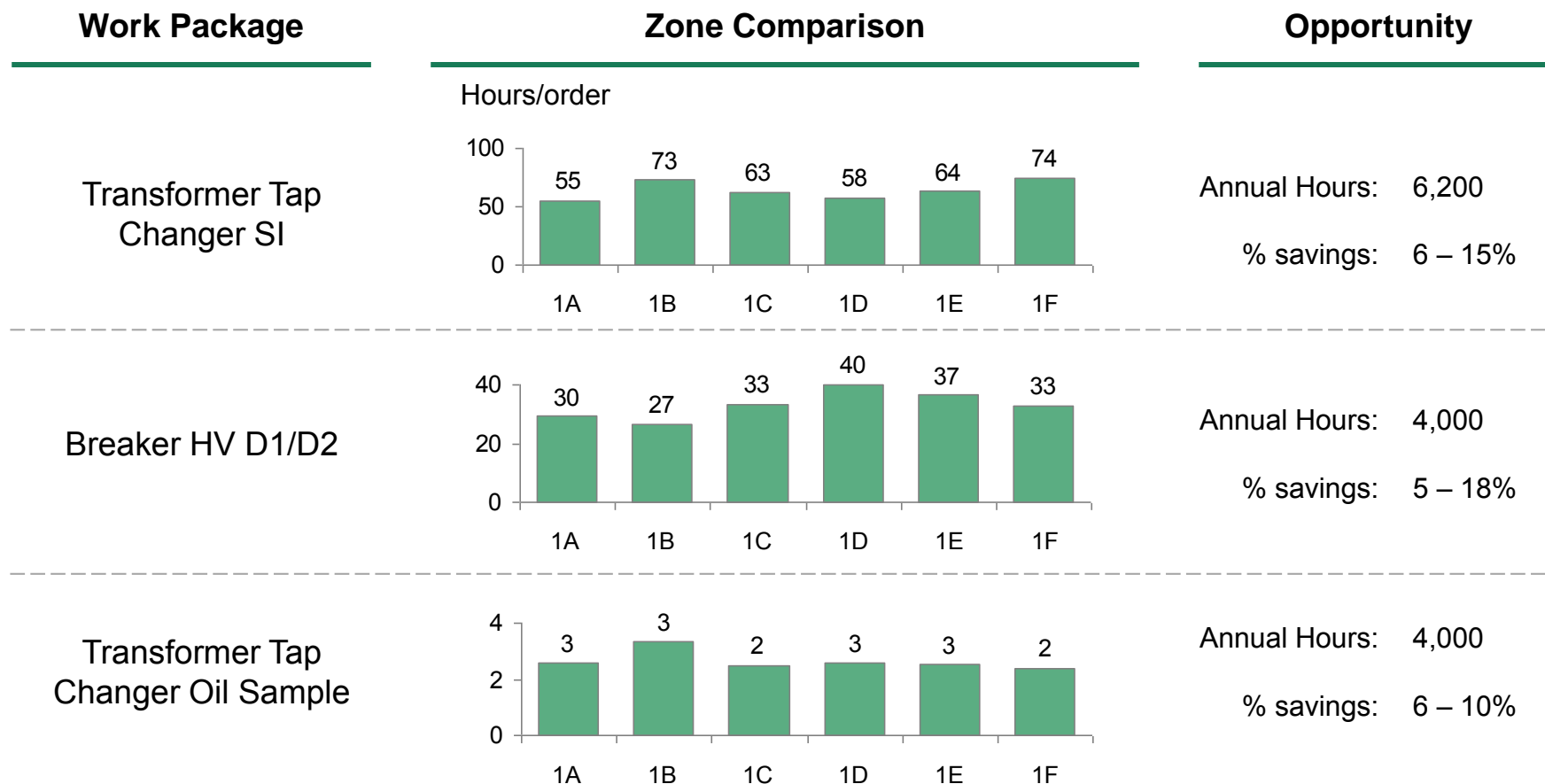


# Backup: Top preventive maintenance work packages<sup>1</sup> (I/II)



1. Power equipment preventive only. Additional analysis performed for other prev maintenance categories

# Backup: Top preventive maintenance work packages<sup>1</sup> (II/II)

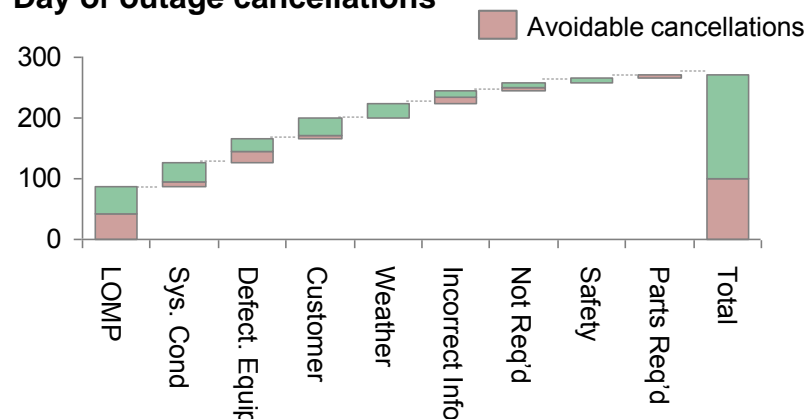


1. Power equipment preventive only. Additional analysis performed for other prev maintenance categories

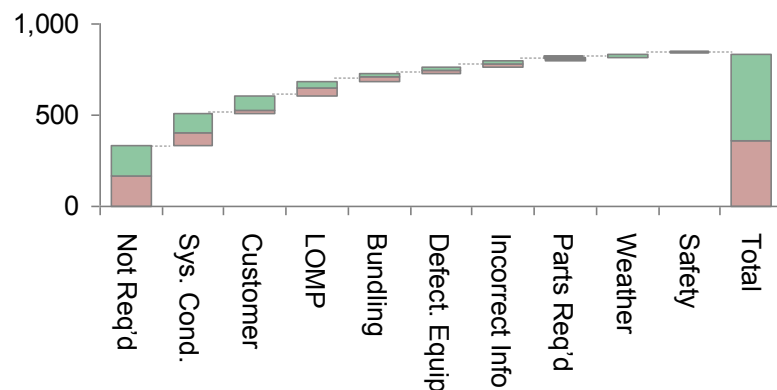
# Backup: Outage cancellation opportunity estimated by sampling causes and building view of cost per cancellation

## Sampled NOMs slips to assess potential to reduce cancellations across categories

### Day of outage cancellations



### 1 – 5 day outage cancellations



## Built bottom-up view of costs associated with outage cancellations<sup>1</sup>

		Day-of		1-5 day	
		Min	Max	Min	Max
Labour	Direct labour - lost productivity	900	1900	300	700
	OGCC scheduling	650	750	650	750
	Stations scheduling	350	450	350	450
Equipment & Other	Equipment	500	500	350	350
	Room & board	0	50	0	0
Total (\$/cancel.)		2400	3650	1650	2250

1. More granular analysis performed than shown here: evaluated labour time lost, equipment, and other costs for both complex and simple outages and created weighted costs to apply to both day-of and 1-5 day cancellations. Numbers shown are rounded.



Filed: 2018-06-22  
EB-2017-0049  
Exhibit J 7.1  
Attachment 4  
Page 1 of 70



Scrub for acronyms to be  
completed

# Good to Great Program

## Steering Committee #4: Board Draft

March 21, 2016

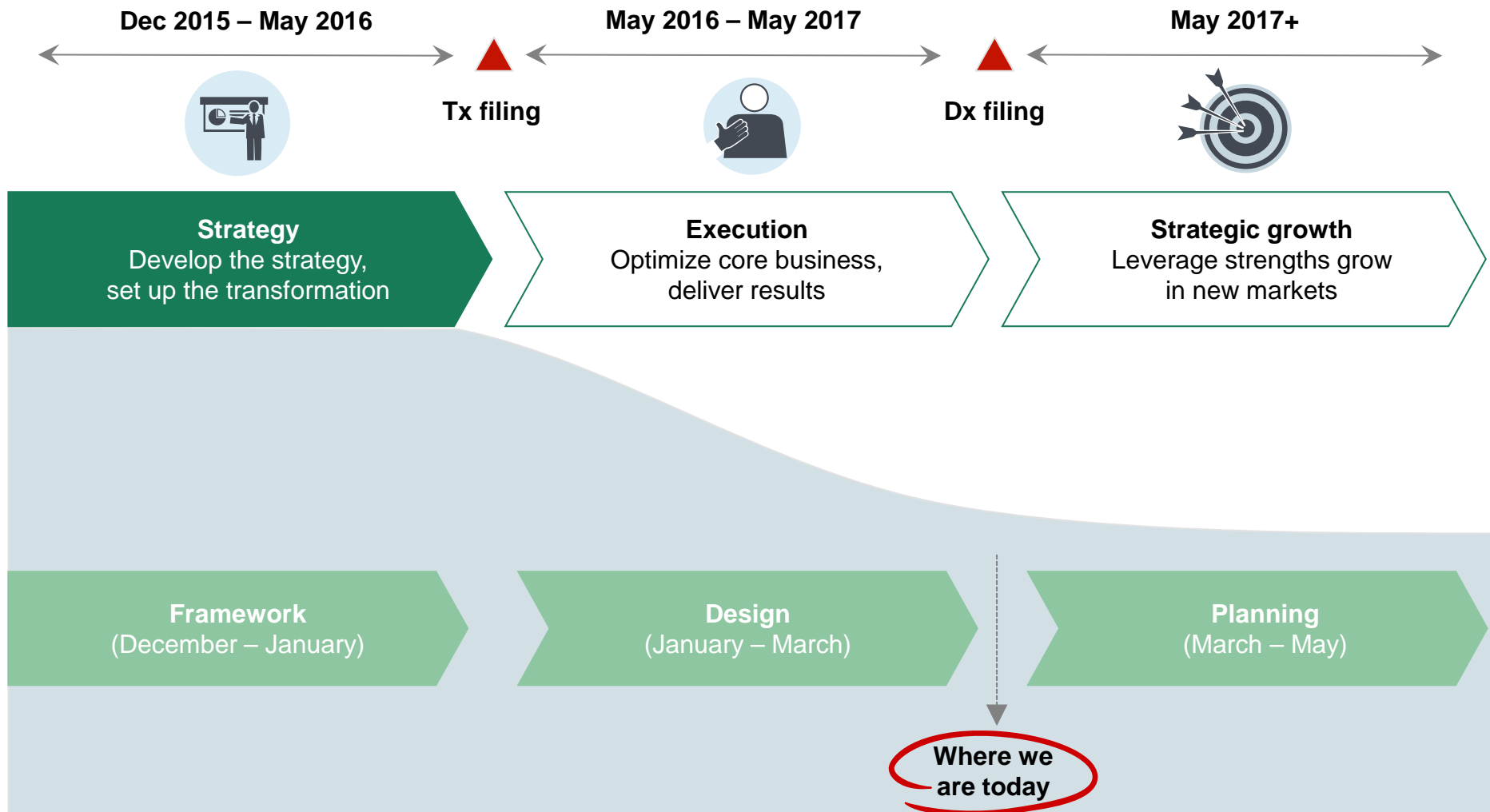
THE BOSTON CONSULTING GROUP

# Our agenda for today

Topic	Lead	Time
<b>Introduction and summary</b>	Mayo Schmidt & Stef Stocco	<b>30 mins</b> (9:00-9:30)
<b>Service delivery</b>		<b>75 mins</b> (9:30-10:45)
• Voice of the customer	BCG	15
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<b>Path forward: Looking ahead to execution phase</b>	Mayo Schmidt	<b>15 mins</b> (11:45-12:00)

# Context: Where we are in the longer-term journey

Just completed Design, now Planning for Execution



# Objectives for today vs. upcoming sessions

January 14

March 31 (Today)

May 6

August TBD

Board meeting agendas

## Review strategic framework

- Baseline trajectory
- Strategic framework
- Strawman strategy and transformation sequence
- Plan to finalize strategy and launch transformation

## Review draft of 5-year strategy

- Voice of the customer
- System investment plan
- Capital delivery strategy
- Customer service roadmap
- Efficiency opportunity

## Confirm direction of Tx filing

- Investment plan and supporting evidence
- Customer input
- Bill impact

*Focus for today*

## Approve

- 5-year strategy (including impact – if any – of innovation & technology)
- 5-year business plan
- Transmission filing

## Review execution plan

- Portfolio of initiatives to achieve strategy
- Milestones, metrics & targets
- Governance process
- Tracking mechanism

## Update on Good to Great execution

## Discuss short list of strategic growth options for investigation

- [Redacted]
- [Redacted]

Board education agendas

## Provide overview of Innovation & technology landscape

- [Redacted]

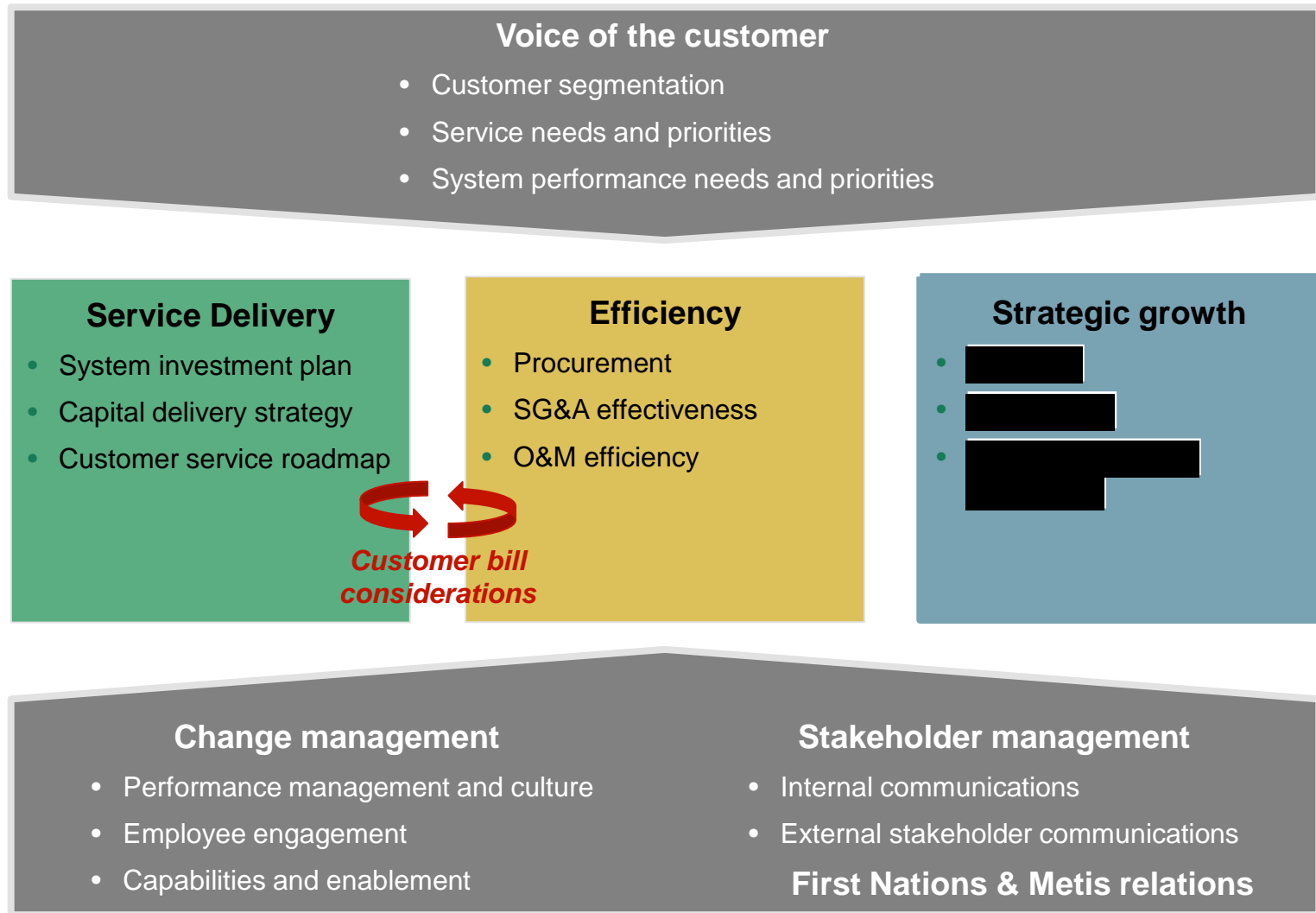
## Provide overview of Ontario LDC opportunity

- [Redacted]

## Provide overview of strategic growth market landscape



# Strategic framework



# Executive summary (I)

## Started with "voice of the customer" to inform both our system investment plan and customer service roadmap

- Range of sources: Surveys, interviews, benchmarks, consultations
- Segment-specific priorities: Residential & Small Business, Commercial & Industrial, Large Distribution, Transmission

## Current view of system investment plan ramps up to incremental **\$560M** capex/year vs planned **\$1.7B** by 2021

- [REDACTED]
- 5-year Dx scenarios targeting customer and technology priorities to be tested summer 2016 ahead of 2017 filing
- Plans consider ability to execute on-time, on-budget (labour constraints still to be validated)

- [REDACTED]  
[REDACTED]  
[REDACTED]

## Customer service roadmap developed to address unmet needs of core segments and drive satisfaction levels

- Residential & Small Business: Call centre enhancements, digital engagement, bill redesign
- Commercial & Industrial: Business call centre training, conservation & demand management marketing
- Large Distribution Accounts: Outage performance communication, conservation & demand management marketing
- Transmission: Improved service processes & support, investment plan communications

## Executive summary (II)

### **OM&A and capital efficiency opportunities have been identified with potential to offset customer bill impact**

- Total run rate potential of ~\$100M OM&A and ~\$120M capital savings identified on \$2.8B 2015 spend base
- Execution requirements still to be assessed and will need to consider implications of growing work program
- Gradual realization expected over 3+ years with tail end subject to labour and Inergi contract outcomes
- ~\$7M (mostly OM&A) already in execution and locked into 2016 financials

### **12 focus areas will be critical to execution success over the next year**

- Service delivery: Executing Dx rate filing, effectively planning and delivering work programs, customer initiatives
- Efficiency: Delivering impact and enabling organization through execution of procurement, O&M, and org initiatives
- Enablers: Putting appropriate stakeholder, change, and program mgmt measures in place to support transformation

### **Investigation of strategic growth opportunities (i.e., M&A) still a core focus, with intention to intensify once execution of service delivery and efficiency program well underway**

- [REDACTED]
- [REDACTED]

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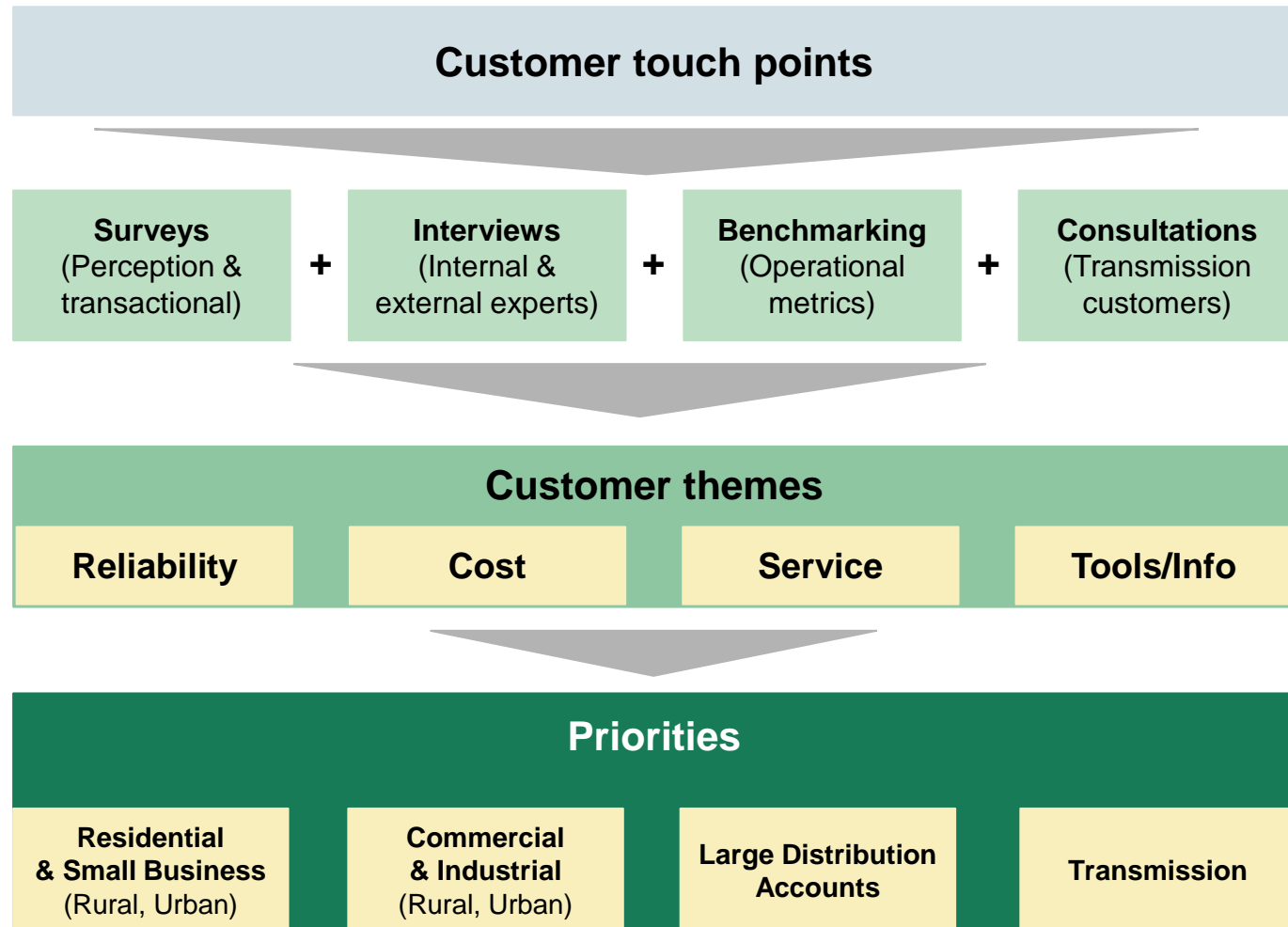
# We used a multipronged approach to identify key customer themes and associated priorities

*We mapped the customer journey ...*

*... and leveraged various data sources ...*

*... to identify key themes ...*






*... and priorities for each customer segment*



# Key themes highlight expectations related to both system performance and customer service







Customer segment	Key themes
Residential & Small Business	<ul style="list-style-type: none"> <li>Customers' key concern is <i>affordability of power</i></li> <li>Customers want <i>issues resolved effectively</i> in interactions with call centre</li> <li><i>Easy to understand paper bill</i> is an important driver of satisfaction</li> <li>Customers want <i>convenient and capable self serve channels</i> for routine actions</li> <li><i>Reliability</i> matters for customers, especially in urban areas</li> </ul>
Commercial & Industrial	<ul style="list-style-type: none"> <li>Customers want <i>single point of contact</i> and consistent service experience</li> <li><i>Cost is key concern</i>; better communication of conservation programs needed</li> <li><i>Desire for reliability on par</i> with neighboring Local Distribution Companies for urban areas</li> <li>Customers seek <i>better online tools</i> to assist with decisions on energy management</li> </ul>
Large Distribution Accounts	<ul style="list-style-type: none"> <li><i>Reliability and power quality</i> (and proactive communication on them) is important</li> <li><i>Cost is key concern</i>; better communication of conservation programs needed</li> <li>Customers expect a <i>coordinated approach</i> and regular communications</li> </ul>
Transmission	<ul style="list-style-type: none"> <li>[REDACTED]</li> <li>[REDACTED]</li> <li>[REDACTED]</li> <li>[REDACTED]</li> </ul>

# Back-up: Proof points supporting key themes (I/III)

Customer segment	Key themes	Proof points	Satisfaction on key dimension <sup>2</sup>
Residential & Small Business	<u>Affordable power</u>	<ul style="list-style-type: none"> <li>"High rates" is #1 concern when customers evaluate their satisfaction with Hydro One, making up ~25% of all mentions<sup>1</sup></li> <li>Conservation and demand management programs and tools not well publicized or integrated with call centre or digital channels</li> </ul>	 <p>Cost of electricity</p>
	<u>Effective call centre issue resolution</u>	<ul style="list-style-type: none"> <li>Surveys highlight speed to resolve problem #2 reason for liking Hydro One customer service, #3 reason for disliking it<sup>1</sup></li> <li>Agents can't easily access customer history; multiple screens required for issue resolution; inconsistent feedback on agents</li> </ul>	 <p>Person to person customer service</p>
	<u>Straightforward bills</u>	<ul style="list-style-type: none"> <li>Bill understanding is a significant dissatisfier, peers (e.g. Toronto Hydro) have user friendly bill</li> <li>Low adoption of Canada Post e-billing (~111K); not customer friendly. Adoption lags peers (9% vs. 38% best-in-class)</li> </ul>	 <p>Billing, payment and collections</p>
	<u>Convenient and capable self-service channels</u>	<ul style="list-style-type: none"> <li>My Account portal only used by ~5% of customers; lacks performance and functionality; not mobile optimized</li> <li>Website 5+ years old; difficult to navigate and not well integrated with My Account; 250K unique visitors; flat usage</li> <li>Mobile app is outage only; lacks best in class features such as viewing/paying bill online and usage monitoring</li> <li>Interactive voice response lacks key features; containment rate (48.5%) lags best-in-class peers (54%)</li> </ul>	 <p>Self-serve customer service</p>
	<u>Reliability &amp; power quality</u>	<ul style="list-style-type: none"> <li>Urban customers concerned about reliability and power quality – customers in service territory bordering competitors (e.g. Toronto Hydro) aware of competitors' superior reliability</li> </ul>	 <p>Reliability &amp; power quality</p>

1. Hydro One 2015 CSAT/perception survey . 2. Source: H1 2015 CSAT surveys for R&SB, C&I, LDA, Tx. Interviews (internal and external experts). Ops Benchmarking.

# Back-up: Proof points supporting key themes (II/III)

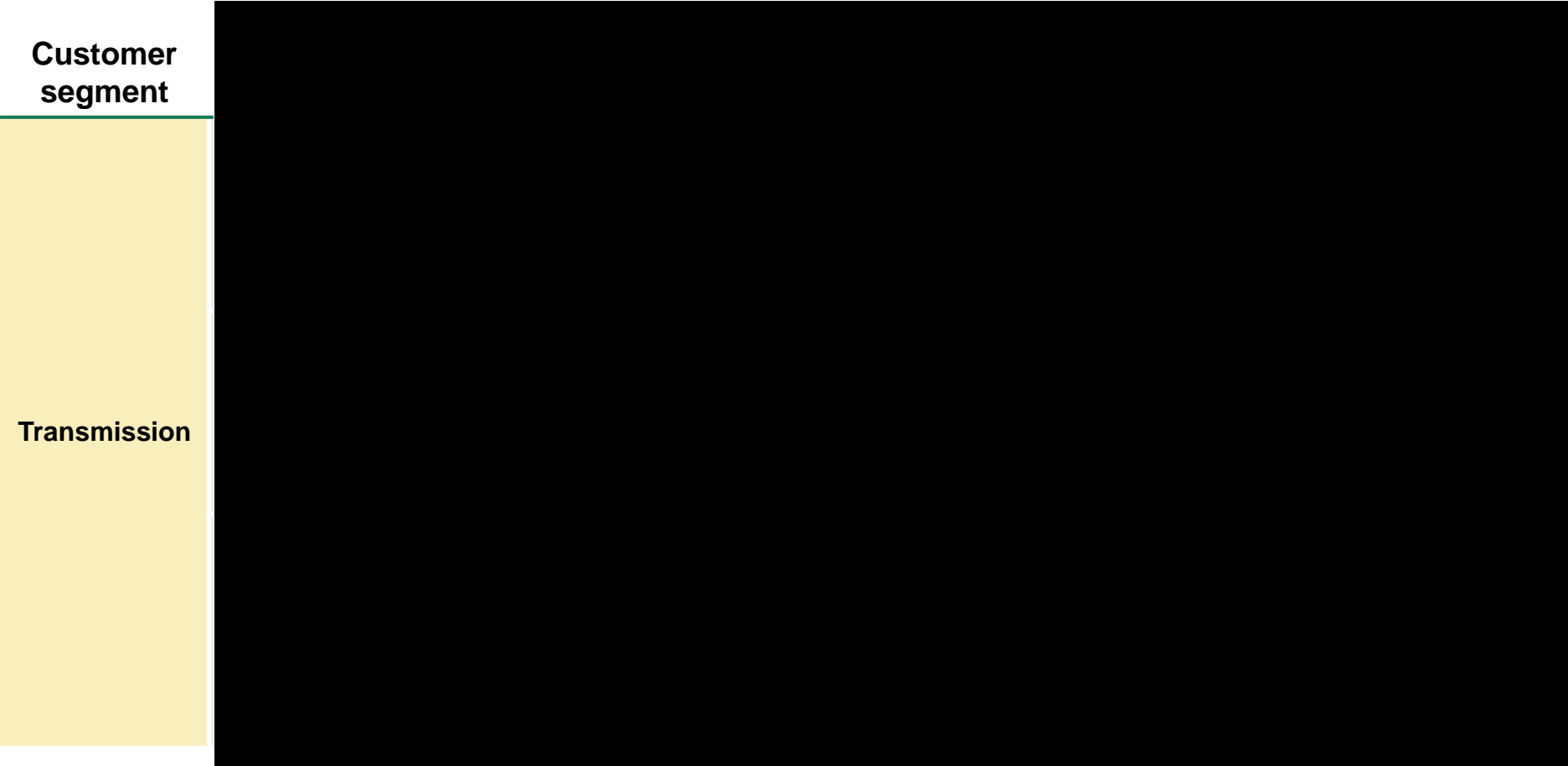
Customer segment	Key themes	Proof points	Satisfaction on key dimension <sup>2</sup>
Commercial & Industrial	<u>Single contact to resolve issues</u>	<ul style="list-style-type: none"> <li>Inergi Business Call Centre transactional; <b>low satisfaction on listening to customers</b> (5.8/10), <b>demonstrating concern</b> (6.2/10); both important to satisfaction (0.6)<sup>1</sup></li> <li>Large <b>chains do not have designated account rep</b> (have limited phone support); many U.S. utilities have key account manager</li> <li><b>Internal business call centre is resource constrained</b> and lacks formalized processes and issue tracking</li> </ul>	 <p>The way H1 communicates with customers</p>  <p>Person to person customer service</p>
	<u>Affordable power</u>	<ul style="list-style-type: none"> <li>"Rates" most commonly cited issue/need for Hydro One to address in survey (30% of respondents mentioned it)<sup>1</sup></li> <li><b>Information on relevant conservation/demand management programs not readily available</b>; some customers don't have access to usage data/ programs</li> </ul>	 <p>Cost of electricity</p>
	<u>Reliability and quality</u>	<ul style="list-style-type: none"> <li>Customers <b>concerned about reliability &amp; power quality</b> – some customers have chosen to become customers of competitor Local Distribution Companies in Hydro One service territory</li> </ul>	 <p>Reliability and power quality</p>
Large Distribution Accounts	<u>Reliability and quality</u>	<ul style="list-style-type: none"> <li>"Reliability" #1 most commonly cited need/issue to address, strong correlation (0.6) to satisfaction. "Power quality" 3<sup>rd</sup> most cited.<sup>1</sup> Some customers, esp. in urban areas have chosen to become customer of competitor Local Distribution Companies</li> <li><b>Customers seeking proactive communications around reliability</b></li> </ul>	 <p>Reliability and power quality</p>
	<u>Affordable power</u>	<ul style="list-style-type: none"> <li><b>Low satisfaction (6.8/10) with providing conservation programs</b> with moderate importance (0.5) to overall satisfaction<sup>1</sup></li> <li><b>Customers continue to look for and understand conservation programs</b>; some steps taken to increase awareness</li> </ul>	 <p>Cost of electricity</p>

1. Hydro One 2015 CSAT/perception survey for C&I and LDA customers (respectively).

2. Source: H1 2015 CSAT surveys for R&SB, C&I, LDA, Tx. Interviews (internal and external experts). Ops Benchmarking.



# Back-up: Proof points supporting key themes (III/III)



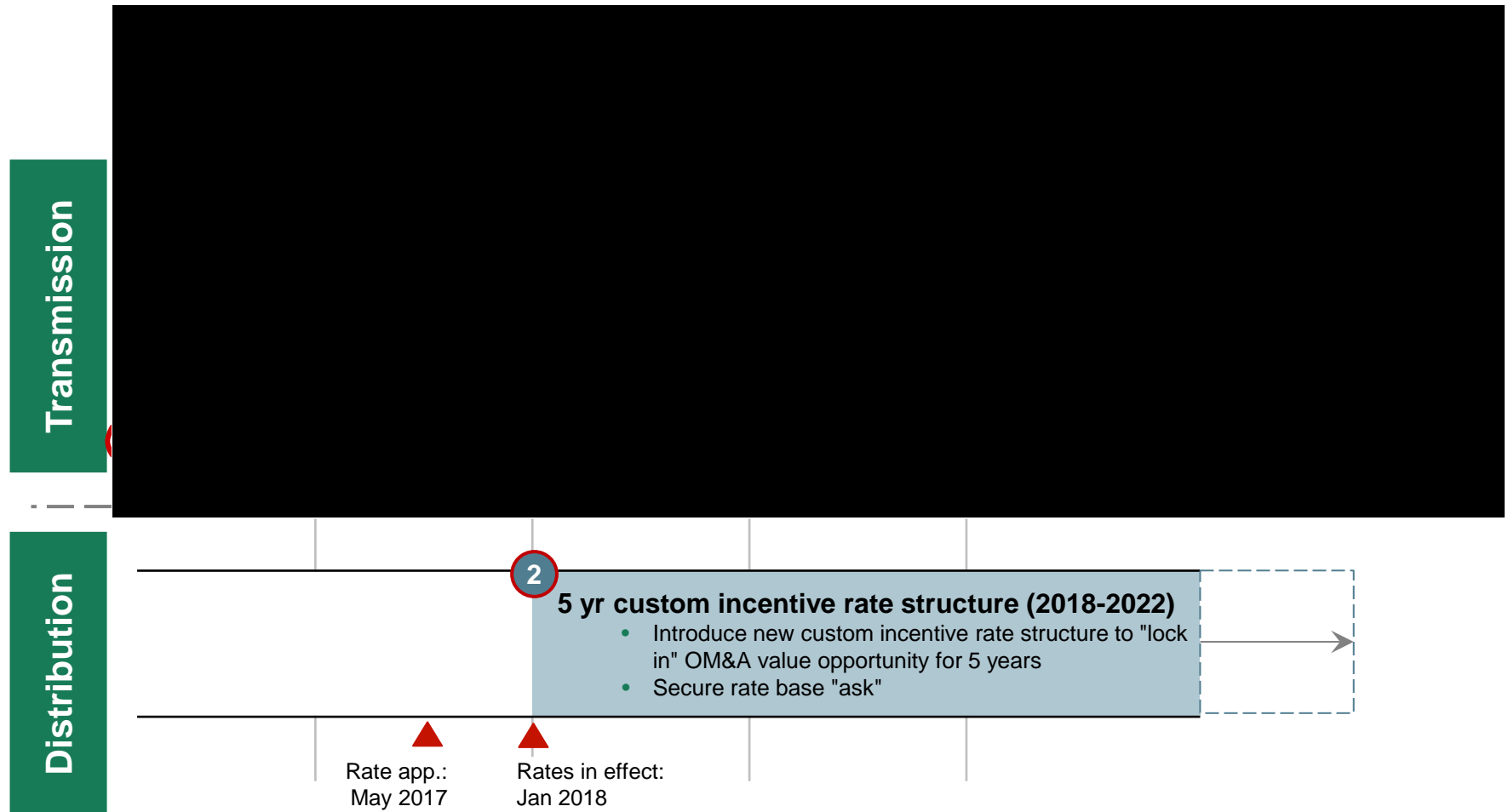
1. Source: H1 2015 CSAT surveys for R&SB, C&I, LDA, Tx. Interviews (internal and external experts). Ops Benchmarking.

# Our agenda for today

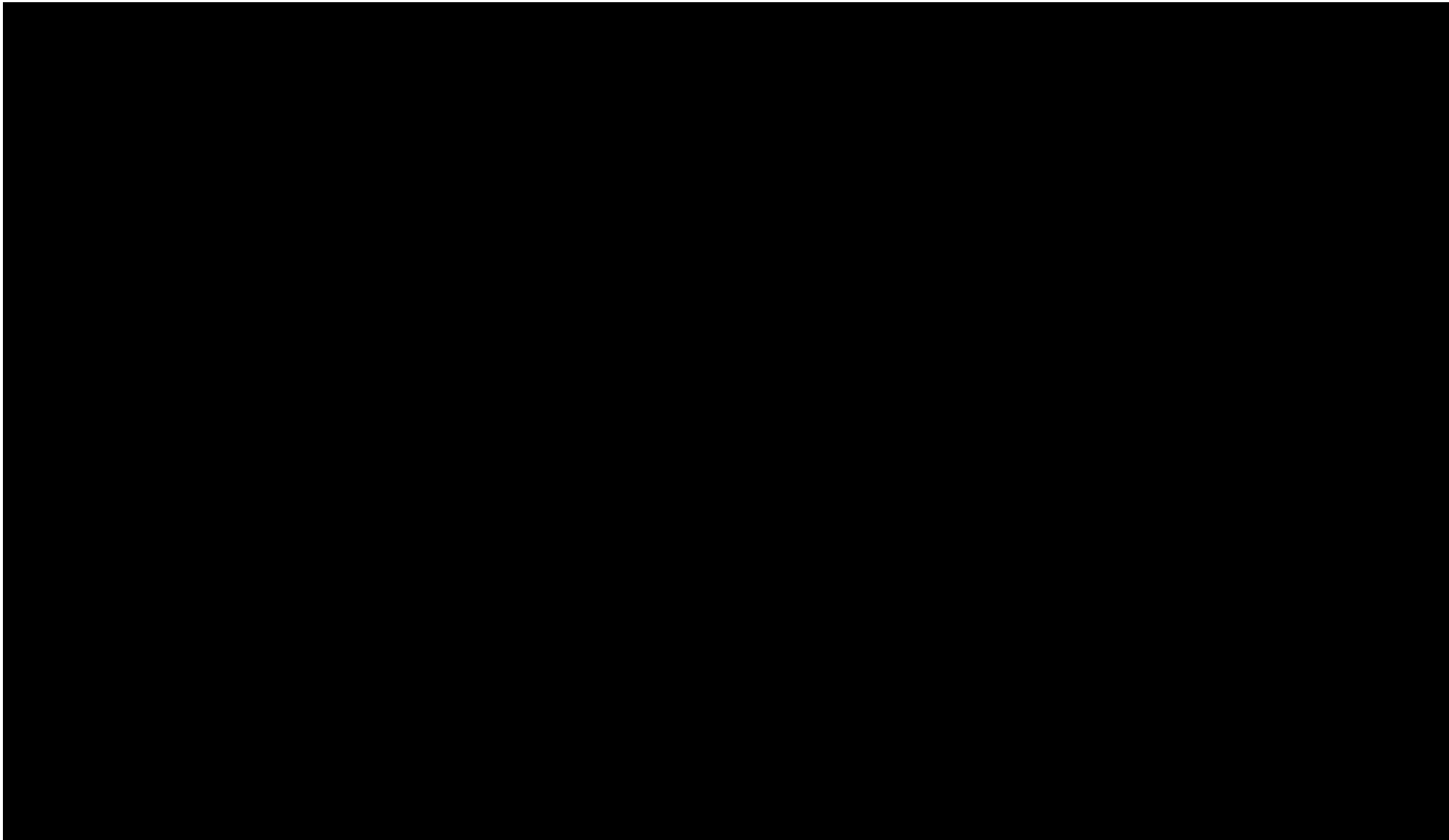
LA 19.Mar.16:  
I re-reordered. I hear your issues.  
I think we've got the wrong pages  
... let's discuss live

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# Recall: 2 year cost of service Tx filing due in May



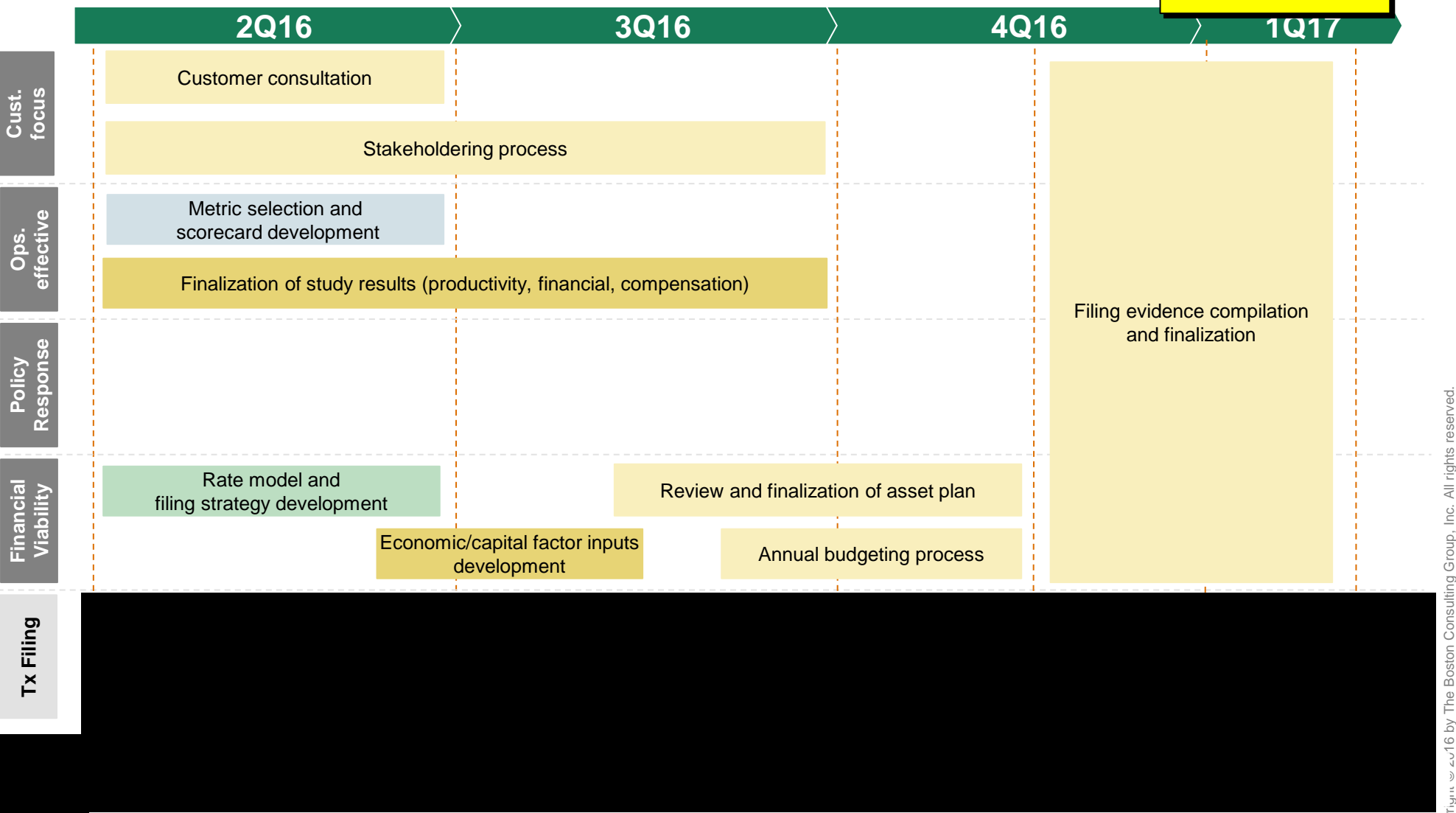
# Overview of Tx Filing status



# Preliminary timeline for activities leading up to Dx rate filing

Planning underway to allow customer consultation, key studies, modeling to complete

Not for Board



Cross-functional
  Reg. affairs
  Transmission
  Finance
  External advisor

# Overview of Tx and Dx investment plans

5-year views being modeled for business plan purposes

Context

Overview of Plan

## Tx Investment Plan

## Dx Investment Plan

Consistent 4th quartile reliability

Past studies have suggested that customers are unwilling to pay for improved reliability, but OEB has challenged that assumption

Following major investments in IT and smart meters; now refocusing spend on asset performance

Focus on differentiated approach to customer segments (LDAs, Urban, Rural), explicitly tying spend to customer outcomes

Four 5-year investment scenarios being developed

1. Baseline
2. Baseline optimized
3. Baseline + \$60M/yr CapEx (reliability focus)
4. Baseline + \$60M/yr CapEx (grid mod focus)

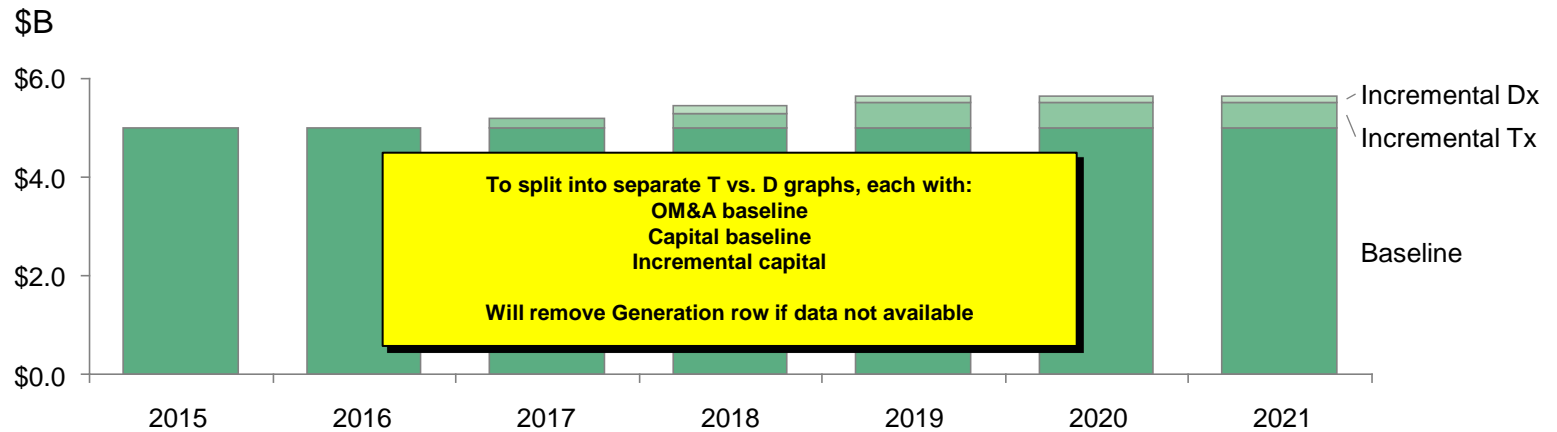
Customer engagement (summer 2016) to inform recommended scenario

**Baseline + \$60M/yr scenarios modeled for customer bill impact (for contextual purposes)**

# Summary: Investment plans and customer bill impacts

Require Board input on 2017-2018 Tx plan and impacts today

## Investment Plan



## Year-on-year rate impact

<b>Tx</b>						
<b>Dx</b>	6.3%	4.9%	7.5%	3.3%	3.6%	4.0%

## Year-on-year residential customer bill impact<sup>1</sup>

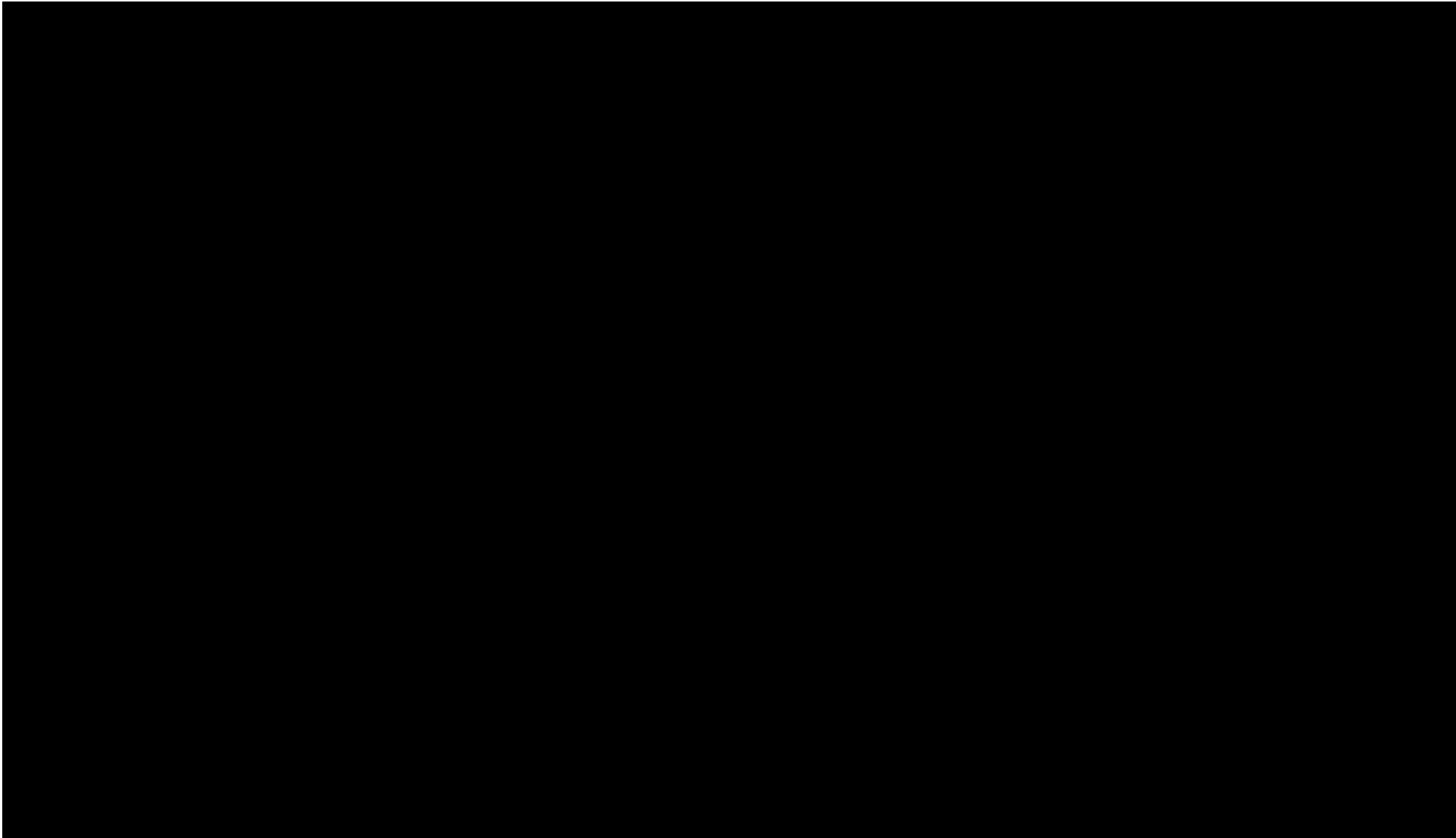
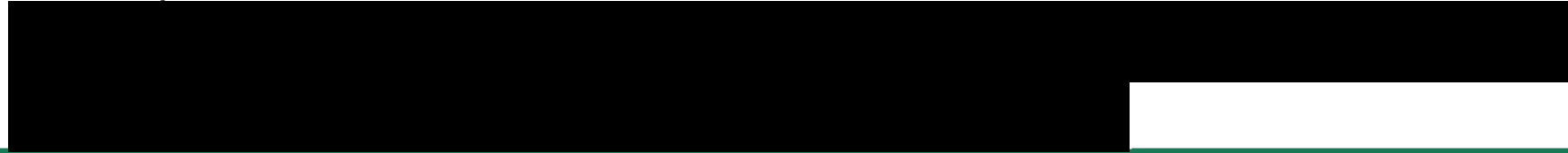
<b>Transmission</b>						
<b>Distribution</b>	2.1%	1.6%	2.5%	1.1%	1.2%	1.3%
<b>Generation</b>	X	X	X	X	X	X
<b>Total</b>						

"Locked" values

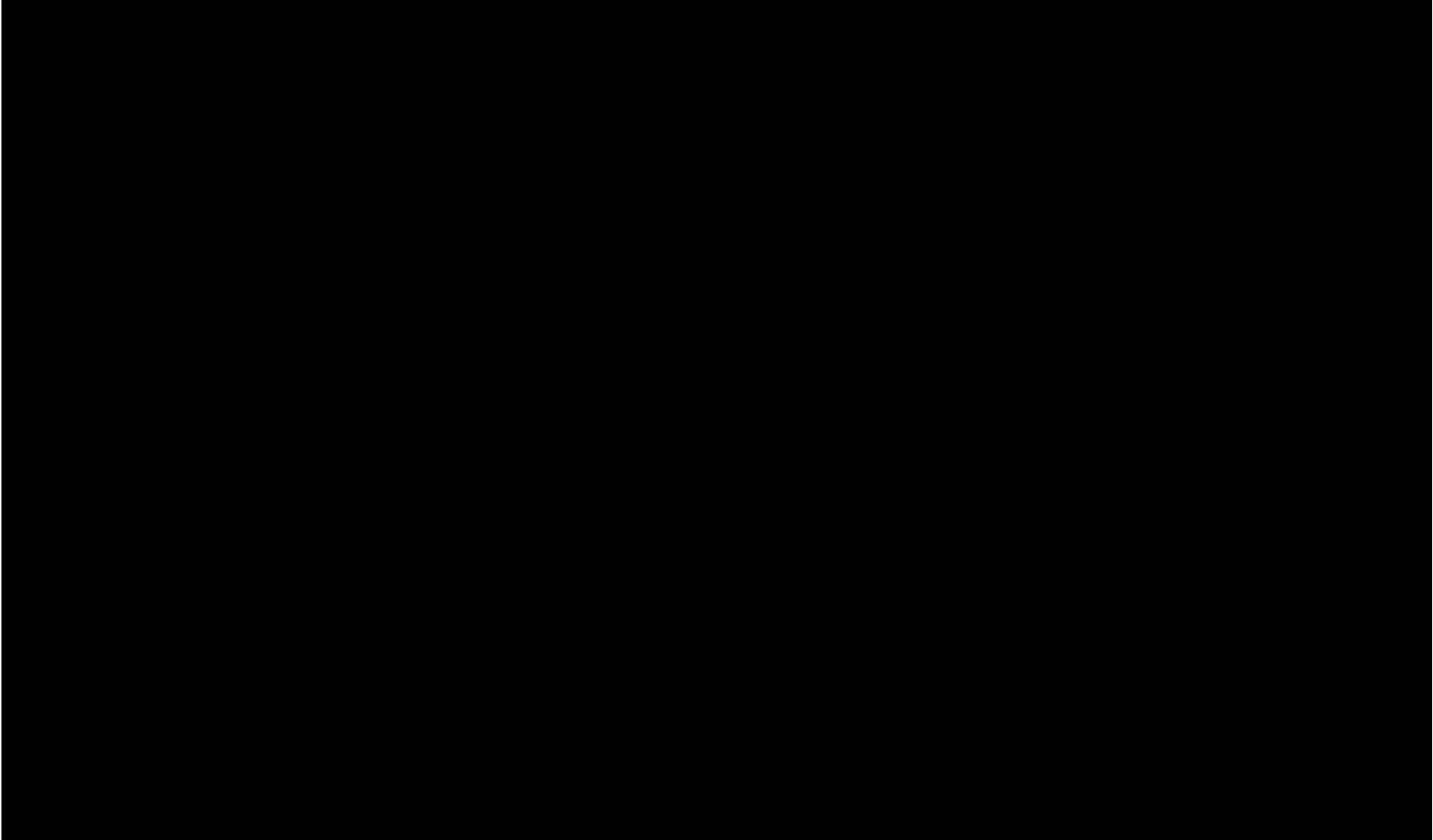
For Board approval  
at May 6 meeting

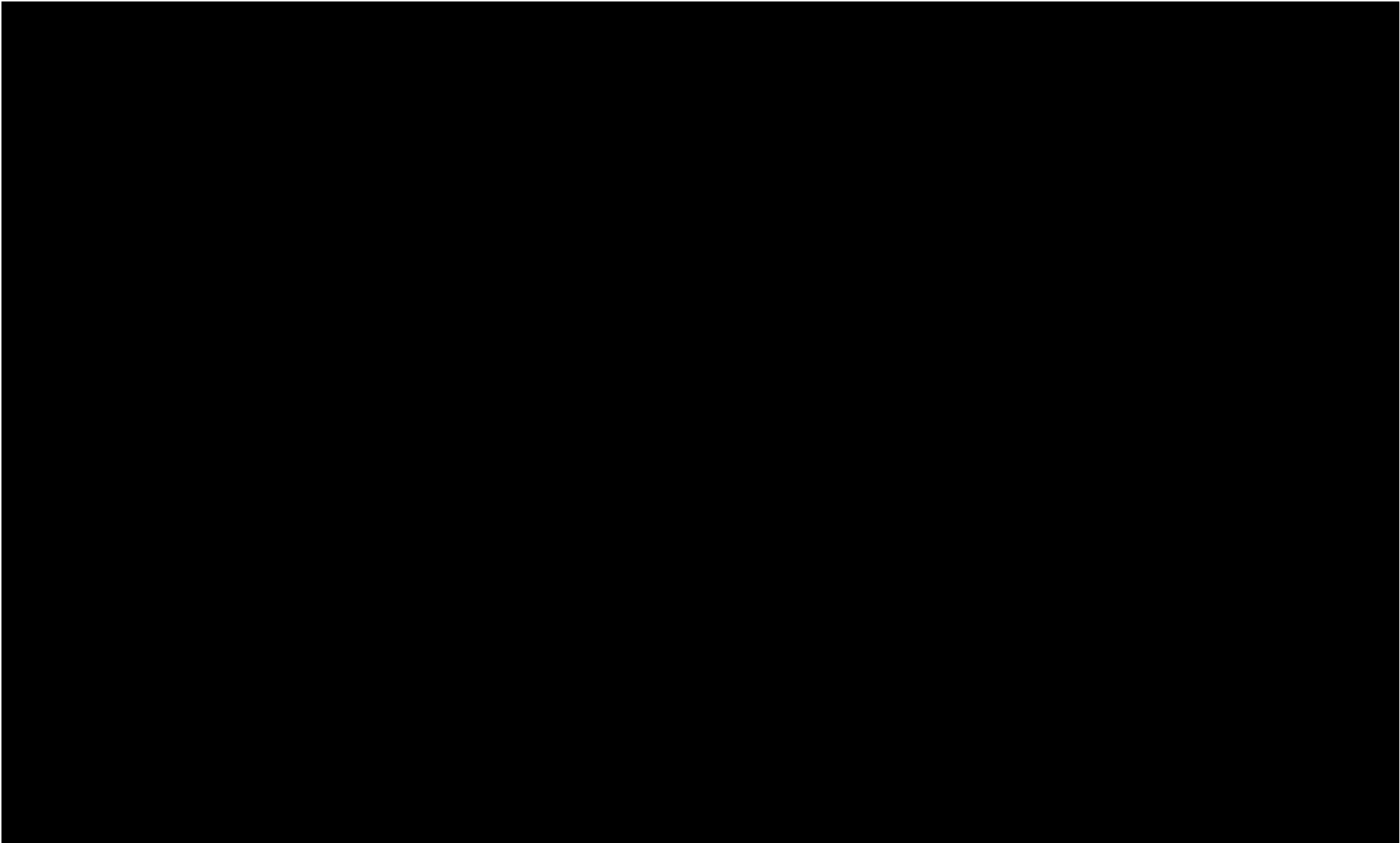
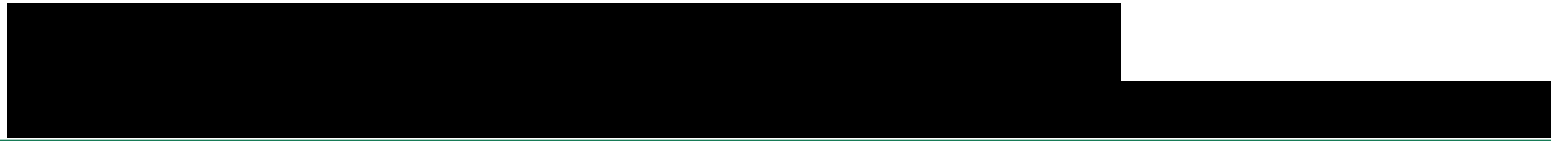
For future rate filings - estimate  
provided for context

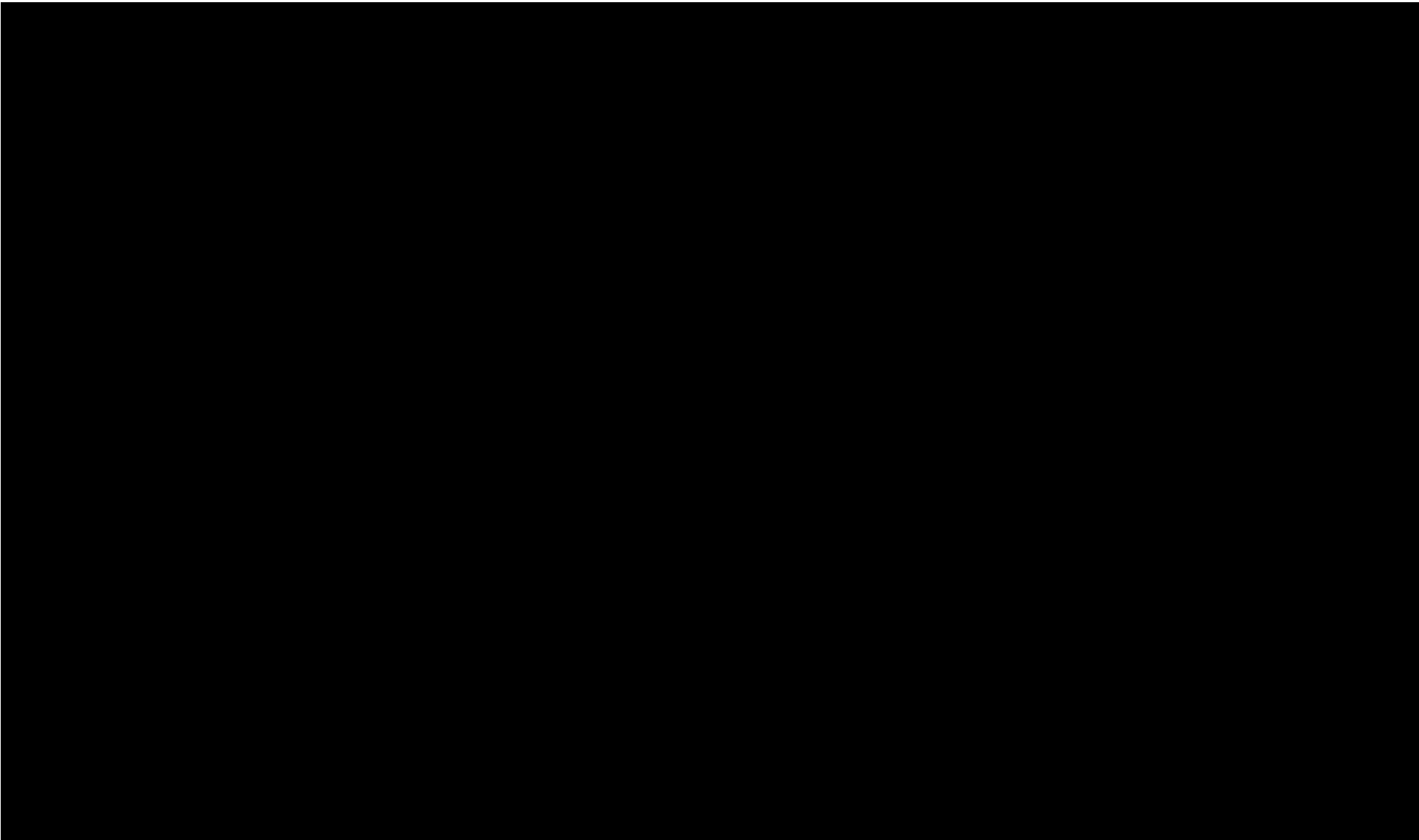
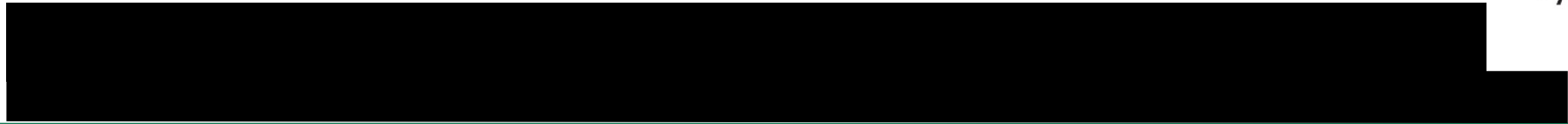
1. Avg. 800 kWh/month customer











# Dx investments segmented into foundational spend and enhancement spend tied to improved customer outcomes

	1 Foundational	2 Enhancement
Investment category	<ul style="list-style-type: none"> <li>A Asset renewal</li> <li>B Customer connections</li> <li>C Safety, security, enviro (compliance)</li> <li>D Customer projects (ongoing)</li> <li>E Outage response</li> <li>F <i>Other<sup>1</sup> (not in asset mgmt focus)</i></li> </ul>	<ul style="list-style-type: none"> <li>A Reliability enhancement</li> <li>B Grid modernization (comms / automation)</li> <li>C Advanced analytics</li> <li>D Distributed energy resources enablement</li> <li>E Additional capacity / reserves</li> <li>F Grid hardening</li> </ul>
Purpose	<p><b>Maintain current reliability risk and system performance</b></p> <ul style="list-style-type: none"> <li>Continue to prioritize based on existing risk model / investment planning process</li> </ul>	<p><b>Enhance performance and deliver outcomes desired by customers</b></p> <p><b><u>Metric</u></b></p> <ul style="list-style-type: none"> <li>Improved reliability → \$ / Avoided Cust. Interrupt.</li> <li>Reduced O&amp;M -----&gt; Annual savings / \$ invested</li> <li>Avoided CapEx -----&gt; 20-year NPV</li> <li>Cust. energy efficiency / -----&gt; Load reduction / \$ invested</li> <li>New cust. products / -----&gt; Qualitative assessment</li> </ul>
Proj. Spend <sup>2</sup> ('16-'20)	<p><b>CapEx: ~\$2,550M</b></p> <p><b>OM&amp;A: ~\$1,700M</b></p>	<p><b>Capital: ~\$240M</b></p> <p><b>OM&amp;A: ~\$100M</b></p>

1. Others include e.g. Facilities and Enterprise IT, which are not directly related to network assets

2. 2016-2020; excludes "Common" and non-wires spend.

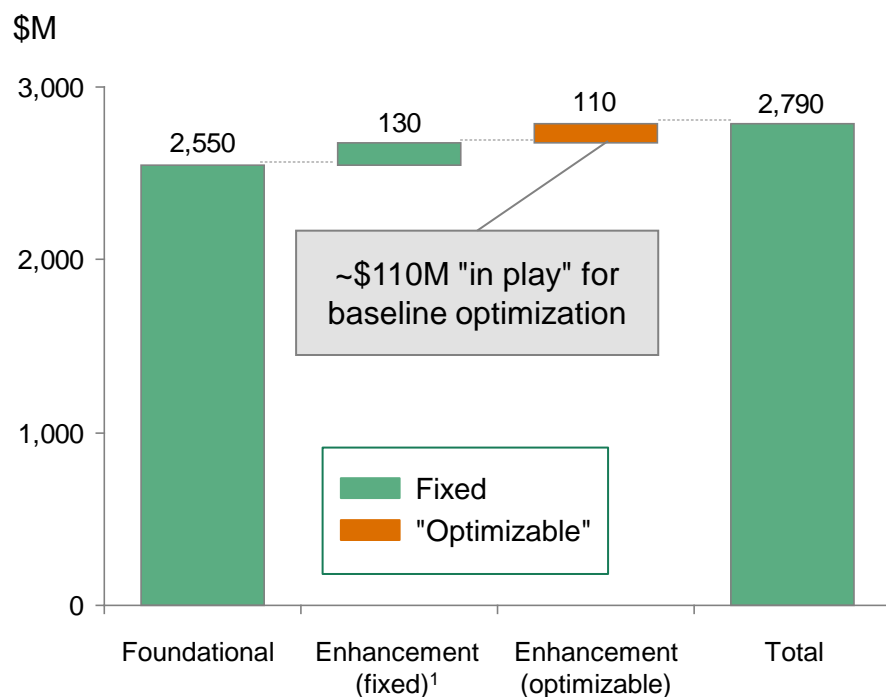
Note: Foundational investments are those that are required for Hydro One to continue to deliver safe, reliable, and efficient service to all customers

# Existing Dx investment plan has been optimized to deliver customer outcomes more efficiently

Not for Board

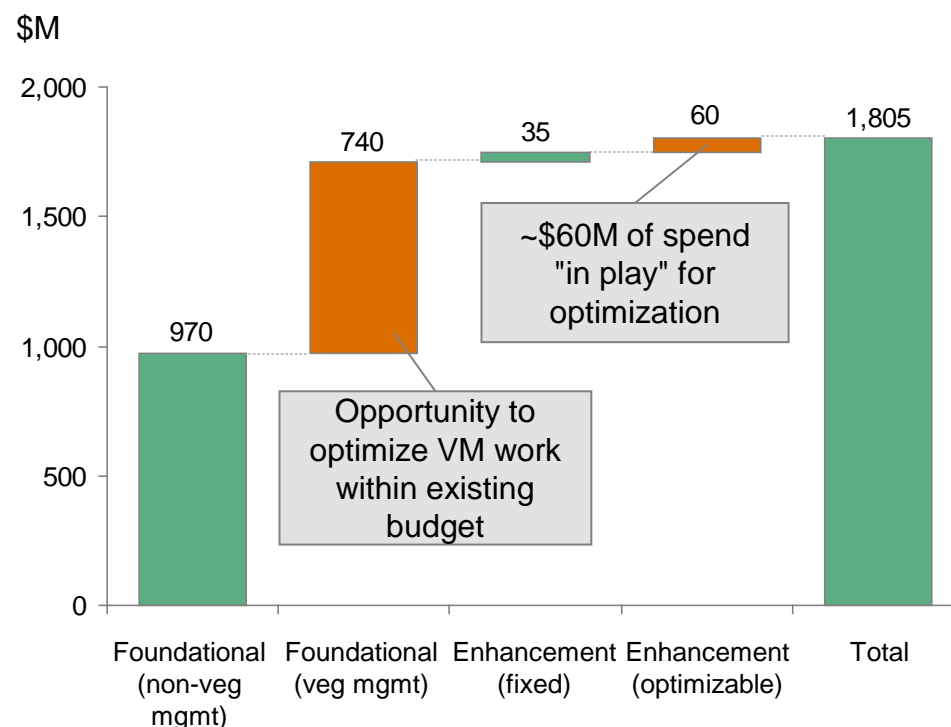
## Distribution Capital Spend

2016-2020 (Asset spend only)<sup>1</sup>



## Distribution O&M Spend

2016-2020 (Asset spend only)<sup>2</sup>



**>90% of "optimizable" capital spend is currently allocated to grid modernization programs**

1. Fixed spend includes all enhancement spend in 2017 and 2018 as well as programs identified as having positive NPV business cases

2. Excludes Operating, Customer, and Common Spend as well as non-wires items of "IT Business Solution Development" (\$49M) and "Security Infrastructure" (\$5M)

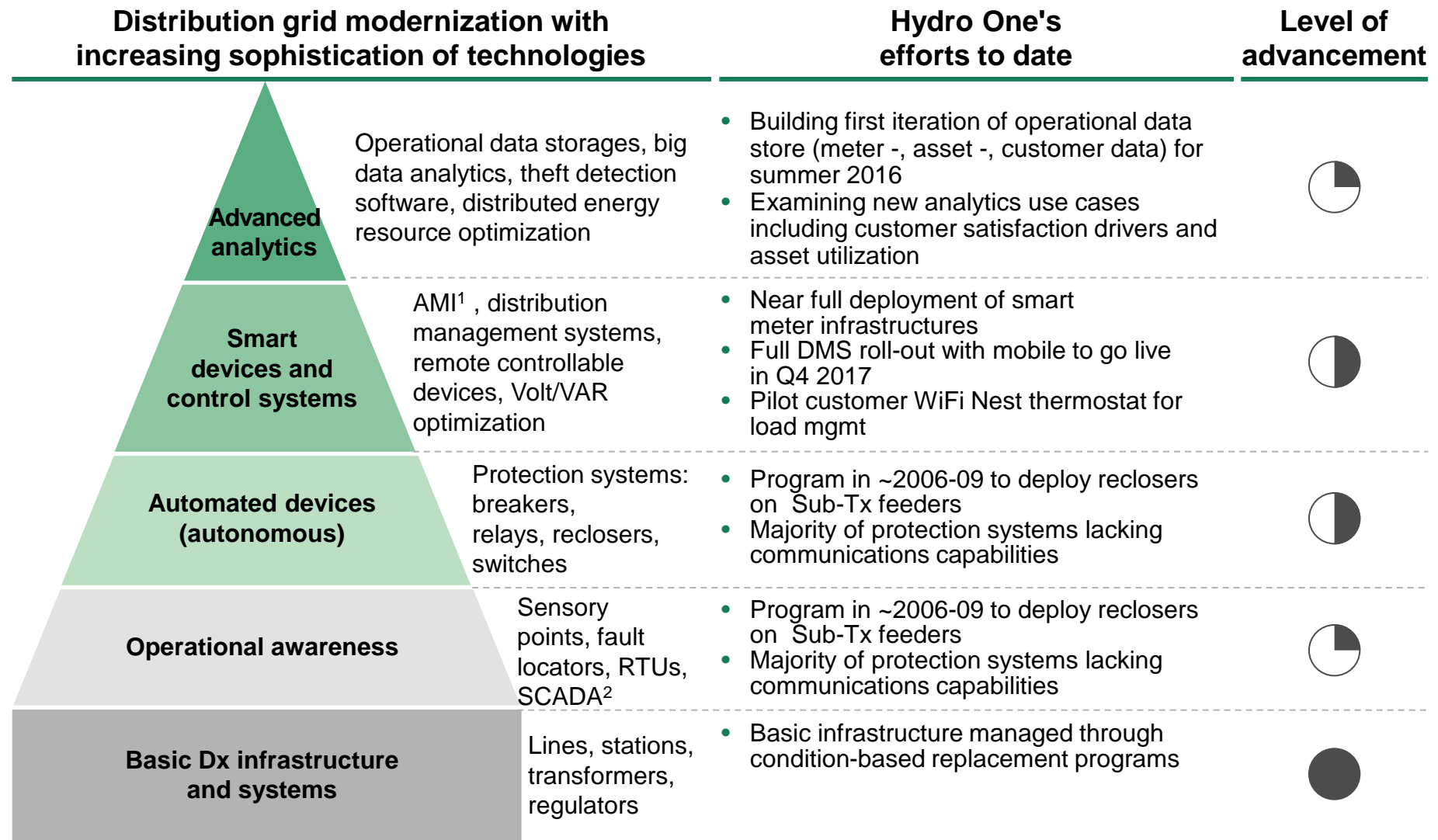
3. Excludes Operating, Customer, and Common Spend as well as Non-wires items of "IT Bus. Improvements and Enhancements" (\$15M), "IT Bus. Solution Dev" (\$11M), "Security Infra" (\$2M), and "Engineering and Technical Services" (\$2M)

# Six programs evaluated for scenario development

	Program	Description	Identified opportunities
1	<b>Distribution automation (grid modernization)</b>	Deployment of <b>modern, remote-controllable devices</b> across network (e.g., smart reclosers & tie switches)	<ul style="list-style-type: none"> <li>Fault location/isolation reduces outage response (~30mins) and customer interruptions (~30-50%)</li> <li>DA provides flexibility to add future capabilities (e.g. DG integration) for customer empowerment</li> </ul>
2	<b>Vegetation management optimization</b>	Optimized spend to achieve <b>least cost reliability</b> maintenance / improvement	<ul style="list-style-type: none"> <li>Opportunities identified to:               <ul style="list-style-type: none"> <li>Reduce unit costs through shorter trim cycle</li> <li>Improve prioritization of strategic trim</li> <li>Increase targeted hazard tree program</li> <li>Selectively deploy spacer (Hendrix) cables</li> </ul> </li> </ul>
3	<b>Worst performing feeder program</b>	<b>Comprehensive improvement</b> of feeders with worst reliability performance	<ul style="list-style-type: none"> <li>~25% of feeders driving 80% of cust. interruptions</li> <li>Similar programs successful at other utilities (e.g., Toronto Hydro, Pepco)</li> </ul>
4	<b>Accelerated recloser deployment</b>	Additional <b>3-phase line reclosers</b> to increase feeder sectionalization	<ul style="list-style-type: none"> <li>Opportunity to deploy on ~40% of feeders currently below "saturation" (i.e., one recloser per 500 cust.)</li> <li>Most cost effective reliability improvement option</li> </ul>
5	<b>Feeder ties</b>	Construction of <b>new feeder ties</b> to capture lowest-cost opportunities	<ul style="list-style-type: none"> <li>Redundant supply reduces customer interruptions 10-25% on targeted feeders</li> <li>Several low-cost opportunities identified</li> </ul>
6	<b>Fault indicators</b>	Deployment of <b>low-cost fault indicators</b> on M and F-class feeders	<ul style="list-style-type: none"> <li>O&amp;M savings from reduced time to resolve trouble calls recovers initial capital investment in &lt;2 yrs</li> </ul>

Add'l details provided

# Grid modernization: Opportunity to better focus existing efforts in grid modernization



1. Advanced metering infrastructure 2. Remote terminal unit, Supervisor control and data acquisition

# Grid modernization: Revised strategy needs to address cost/benefit tradeoffs of technology options by customer segment

Increased cost / complexity						Proposed approach by cust segment		
	Technology	Approx. CapEx (per feeder)	Avg. outage response	Customer interruptions	Additional benefits	LDA	Urban	Rural
	Fault indicators (non-communicating)	~\$800 <sup>1</sup>	↓ ~30 min	N/A	N/A	✓	✓	✓
	Reclosers (comm. ready)	~\$60K <sup>1</sup>	↓ ~30 min	↓ ~25%	N/A	✓	✓	✓
	Distribution automation	~\$200 - 300K <sup>1</sup>	↓ ~30 min	↓ ~25-50% <sup>2</sup>	<ul style="list-style-type: none"> <li>Distributed gen integration</li> <li>Volt/Var optimization</li> <li>Real-time state estimation</li> <li>etc.</li> </ul>	✓	✓	

*Deploy as low-cost bridge technology and in key locations*

*Apply across system where most cost effective*

*Target initial deployment on LDA and urban customers most likely to value additional benefits / programs*

1. Fault indicators: cost for set of 3 non-communicating Horstmann fault indicators. Reclosers: unit cost for installed electronic recloser on existing line is estimated at \$60k. Distribution automation: Per feeder values. Assumes upgrade of 1-2 existing reclosers and addition of one electronic recloser with unit cost of \$60k, upgrade of potential tie-switch with unit cost of \$60k and adding remote controls for each device with unit cost of \$25k.

2. High end impact assumes existing tie switch available for automation



# Dx scenarios developed for optimal allocation of spend under different enhancement budgets and spend priorities

## Basis for Dx investment scenarios

Two levels of capital spend:

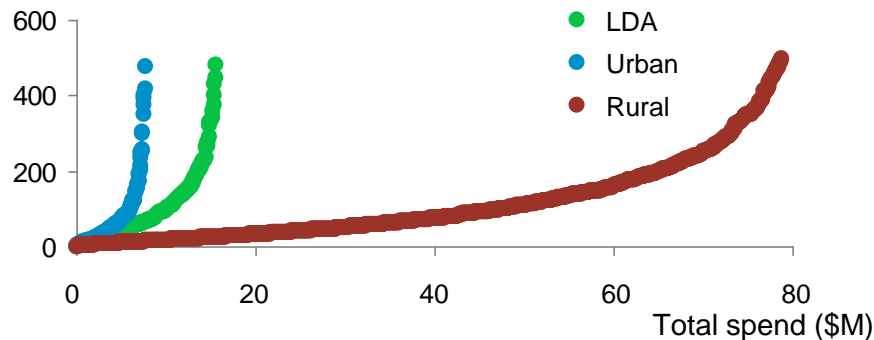
- Baseline (existing Dx investment plan)
- Incremental \$60M/year for '18-'20 (consistent with "full potential" benchmarks<sup>1</sup>)

Allocation of enhancement dollars across:

- Grid modernization: Prioritizing LDA & urban customer segments
- Reliability programs: Focus on most cost effective programs (based on \$ per avoided customer interruption)

### Example: Cost effectiveness of recloser deployment<sup>1</sup>

\$ / avoided customer interruption



## Overview of 4 scenarios

Enhancement Capital: \$240M<sup>1</sup>

①

### Baseline

- Enhancement spend focused largely on grid modernization (targeted at LDA and urban customers)

②

### Baseline (optimized)

- Grid mod spend reduced by ~50%
- Remaining funds allocated towards least cost reliability improvement levers

Enhancement Capital: \$420M

③

### Incremental (maximize reliability)

- Baseline spend level for grid modernization
- Remaining funds allocated to reliability improvement levers

④

### Incremental (maximize grid mod)

- Optimized baseline spend on reliability levers
- All remaining funds allocated to grid mod (included deployment to rural customers)

1. Of \$240M in enhancement capital, \$90M is available for optimization (occurs beyond 2017 and is not allocated to a specific project)

2. Dollars per avoided customer interruptions over 10-yr period. Impact based on historical reliability performance (3-year avg.) and existing level of sectionalization on each feeder

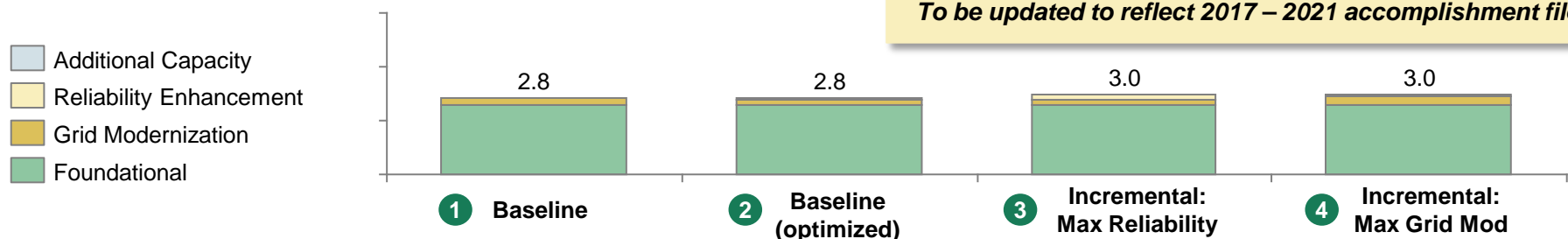
Note: OM&A enhancement dollars are optimized within existing envelope

Steerco4\_March18\_v5.pptx

# Summary of preliminary Dx scenarios

Dx scenarios will be presented to customers as part of Dx customer engagement process in Q2 '16

2016-2020 Distribution system net CapEx (\$B)



Capital Spend	Enhancement (\$M)	240	240	420	420
	Foundational (\$M)	2610	2610	2610	2610
	Other (\$M)	550	550	550	550

Expected Outcomes	LDA	SAIFI:(3-yr avg: 1.83)	↓10 - 20%	↓15 - 25%	↓ 30 - 40%	↓ 20 - 30%
		CAIDI: (3-yr avg: 2.04)	↓0 - 5%	↓0 - 5%	↓ 0 - 10%	↓ 0 - 10%
	Urban	SAIFI:(3-yr avg: 1.77)	↓ 5 - 15%	↓10 - 20%	↓ 25 - 35%	↓ 15 - 25%
		CAIDI: (3-yr avg: 1.51)	↓0 - 5%	↓0 - 5%	↓ 0 - 10%	↓ 0 - 10%
	Rural	SAIFI: (3-yr avg: 3.24)	0%	↓ 5 - 15%	↓ 5 - 15%	↓ 5 - 15%
		CAIDI: (3-yr avg: 2.66)	0%	↓0 - 5%	↓ 0 - 10%	↓ 0 - 10%
	DA penetration:		LDA: 100% Urban: 93% Rural: 0%	LDA: 50% Urban: 50% Rural: 0%	LDA: 100% Urban: 93% Rural: 0%	LDA: 100% Urban: 100% Rural: 15%
	OM&A impact:		TBD			
	System reliability risk		TBD			

Rates	Customer rate impact	TBD
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# Path forward: Improve integrated planning process

Initial observations and proposed resolutions identified to date

## ★ Key pain point area

## Observed pain points

## Proposed resolution

Business parameters and Asset strategy	<ul style="list-style-type: none"> <li>Definitions of business values currently not reflecting updated focus of corporate strategy</li> </ul>	<ul style="list-style-type: none"> <li>Re-categorize investments in current plan into Foundational vs. Enhancement spend</li> <li>For Enhancement spend, <u>link investments to targeted outcomes with specific metrics</u></li> </ul>
Definition of potential investments	<ul style="list-style-type: none"> <li>★ Spend categories not clearly linked to outcome-driven objectives</li> <li>Asset Analytics tool with specific data quality issue areas or data gaps (e.g. known defects)</li> <li>Subjective risk assessment used for potential investment definitions</li> <li>★ Inaccuracy / lack of cost-estimates for potential investments</li> </ul>	<ul style="list-style-type: none"> <li>Continue with existing improvement program to address data management issues in AA</li> <li>Ensure BEST<sup>1</sup> cost estimates are defined in the plan for min. first 3 years (2018 Tx filing onwards)</li> <li>Continue <u>improving overall quality of cost estimates</u> using benchmarked levels for assumptions</li> </ul>
Optimization	<ul style="list-style-type: none"> <li>Business values weighting in optimization not reflecting updated focus of corporate strategy</li> </ul>	<ul style="list-style-type: none"> <li>Update business values weighting for optimization to better match updated business priorities</li> </ul>
Plan revision and approval	<ul style="list-style-type: none"> <li>Investment plan may require several rounds of manual adjustments after optimization in the AIP tool</li> </ul>	<ul style="list-style-type: none"> <li>Prepare for potential revisions and ensure adequate time to incorporate changes in the plan</li> <li>Validate that the plan is executable and ensure understanding of associated assumptions</li> </ul>
Plan execution	<ul style="list-style-type: none"> <li>★ Investment outcomes not adequately tracked against budget or expected outcomes</li> <li>Incentive structures tied to current unit or \$ accomplishment follow-up</li> </ul>	<ul style="list-style-type: none"> <li>Establish rigor in <u>execution and follow-up of planned vs. realized budget</u> for in-service additions</li> <li><u>Measure achievement of investment outcomes</u></li> <li>Validate and update assumptions for outcomes to improve estimation of future projects</li> </ul>

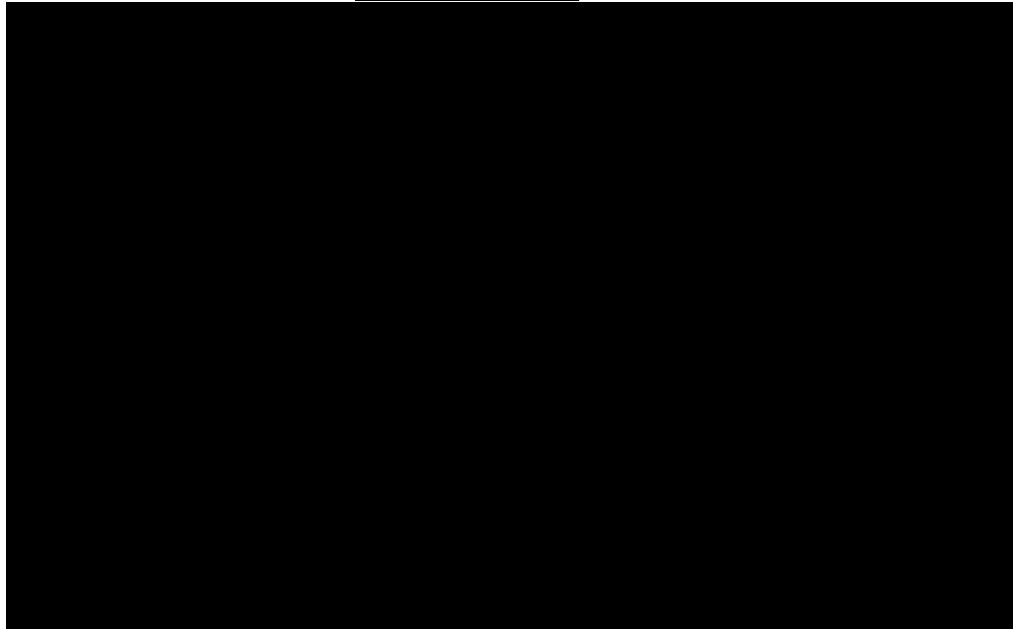
# Our agenda for today

Topic	Lead	Time
<b>Introduction and summary</b>	Mayo Schmidt & Stef Stocco	<b>30 mins</b> (9:00-9:30)
<b>Service delivery</b>		<b>75 mins</b> (9:30-10:45)
• Voice of the customer	BCG	15
• System investment plan and Tx filing update	Mike Penstone & Oded Hubert	30
• Capital delivery strategy	Brad Bowness	20
• Customer service roadmap	Rob Quail	10
<b>Efficiency</b>		<b>60 mins</b> (10:45-11:45)
• Full potential summary	Mike Vels	20
• Procurement	Gary Schneider	10
• O&M efficiency	John Rebick	10
• SG&A effectiveness	Judy McKellar	5
• Timing of O&M efficiency and SG&A effectiveness opportunities	Judy McKellar	15
<b>Path forward: Looking ahead to execution phase</b>	Mayo Schmidt	<b>15 mins</b> (11:45-12:00)

# Investment plan represents ~30% increase in gross capital deployed by 2021 (vs. 2016)

## Proposed investment plan calls for increased capital deployment

Gross capital (\$M)



Net Dx	630	640	650	670	690	670	700	730	670	680	3,450
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## With challenges to overcome

Increased FEED<sup>1</sup> demand to release more projects for execution

Impact of variability in performance magnified in larger portfolio

Higher workload (~50% increase for construction, ~10-15% for other BUs)

Labour constraints

1. Front End Engineering Design (Project work before release – e.g. INIT (planning spec) / BEST (budgetary estimate) / DETL (detailed estimate))

Sources: Mar 17th 2017-2021 Accomplishment File

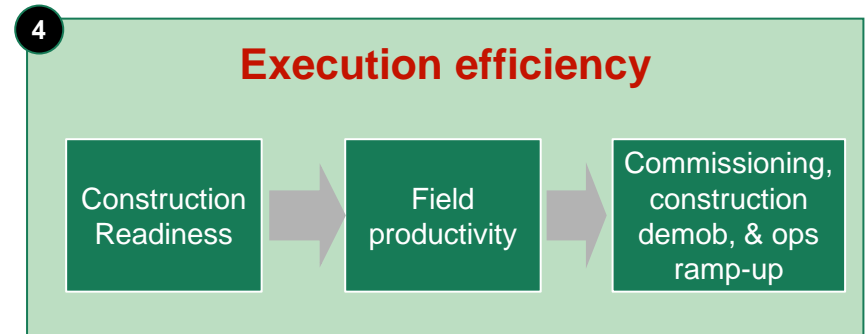
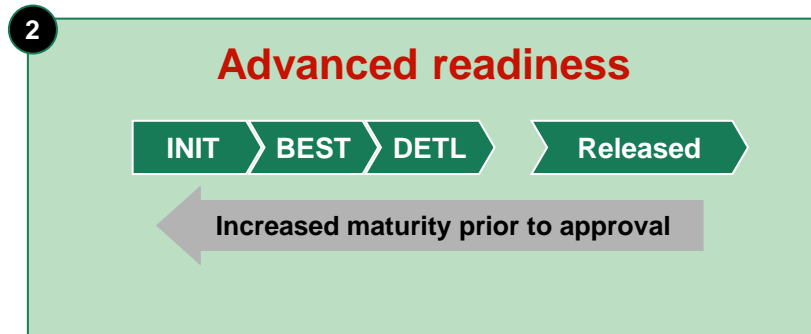
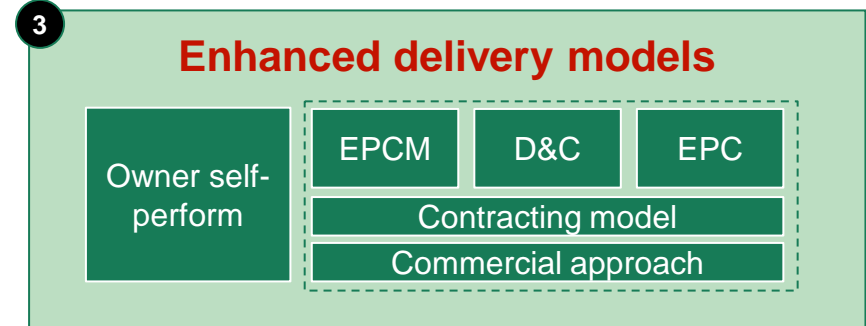
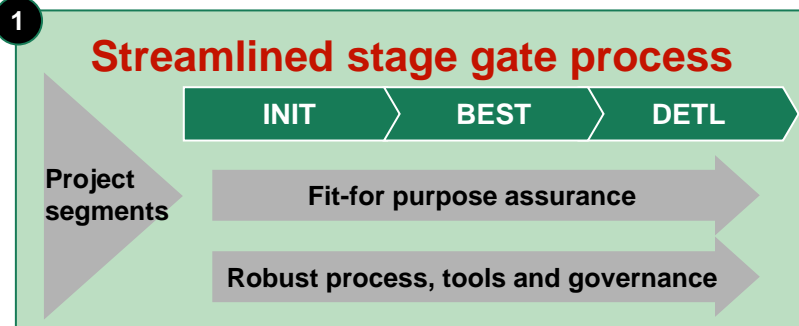
# 4 streams to ensure efficient delivery of recommended plan

## Project development

*More (predictable) projects through the pipeline*

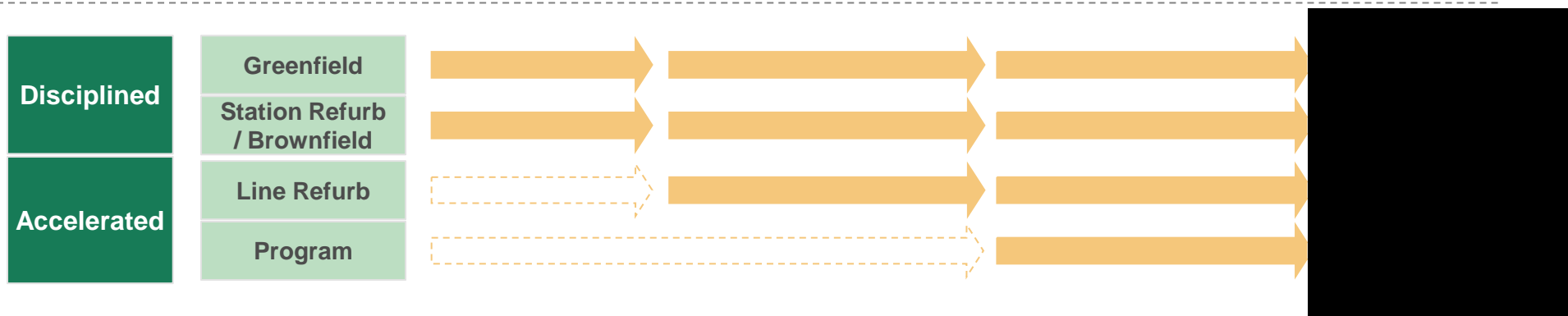
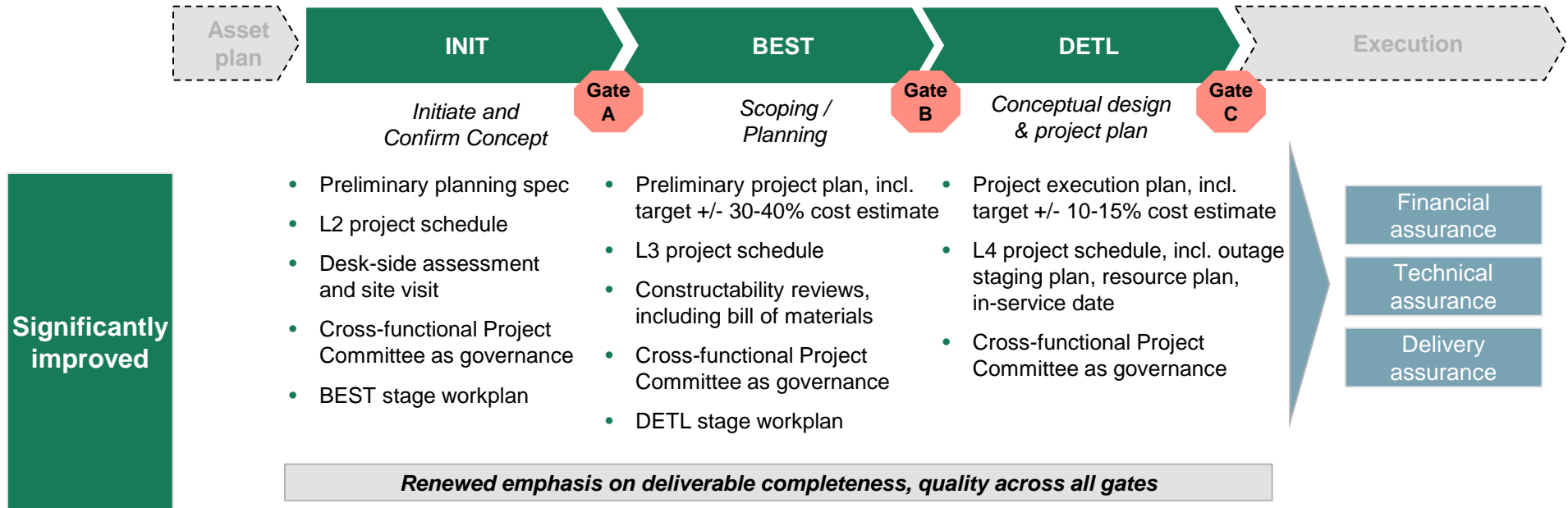
## Project delivery

*Enhanced capability to deliver*

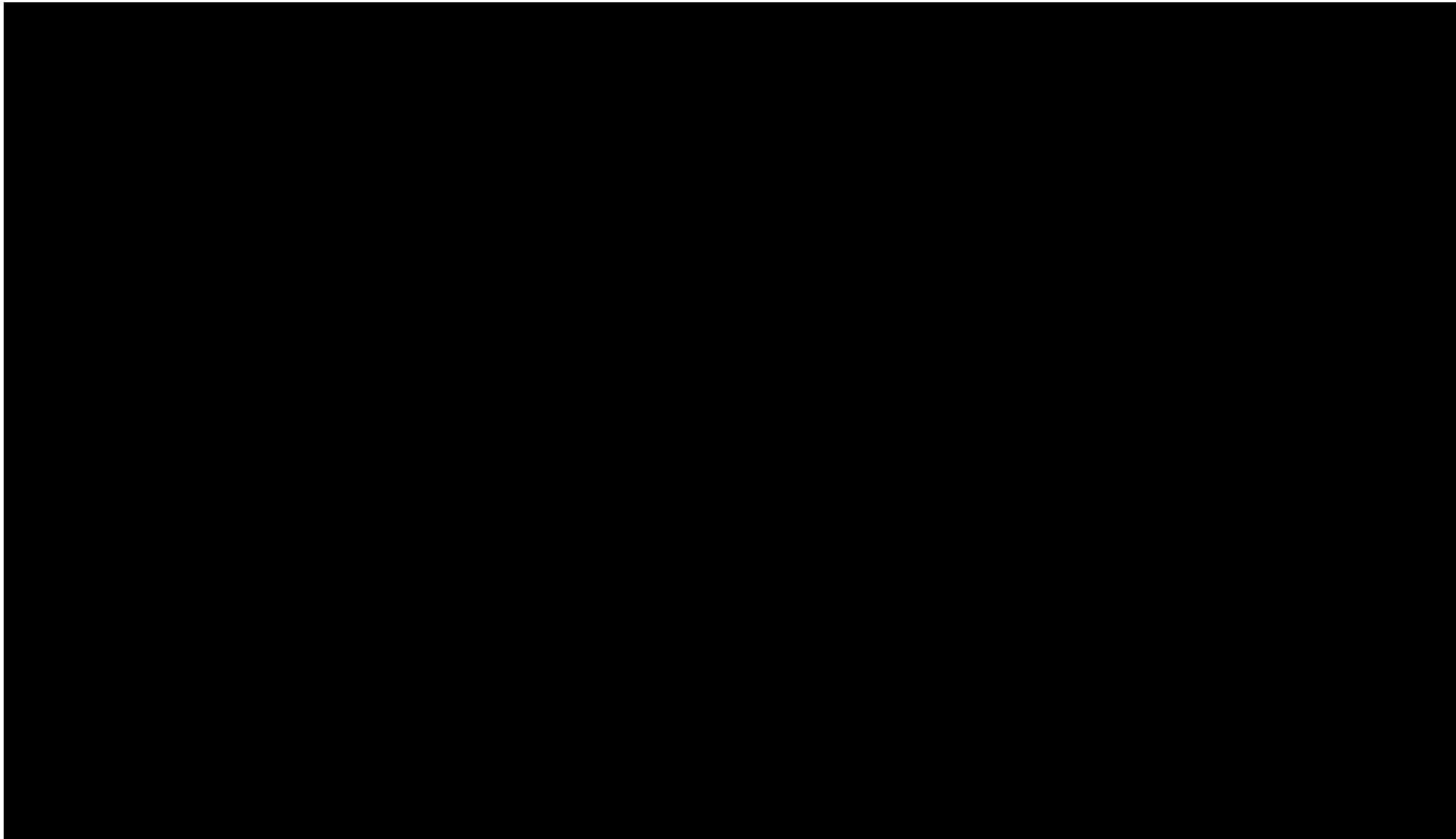


# Streamlined stage gate process

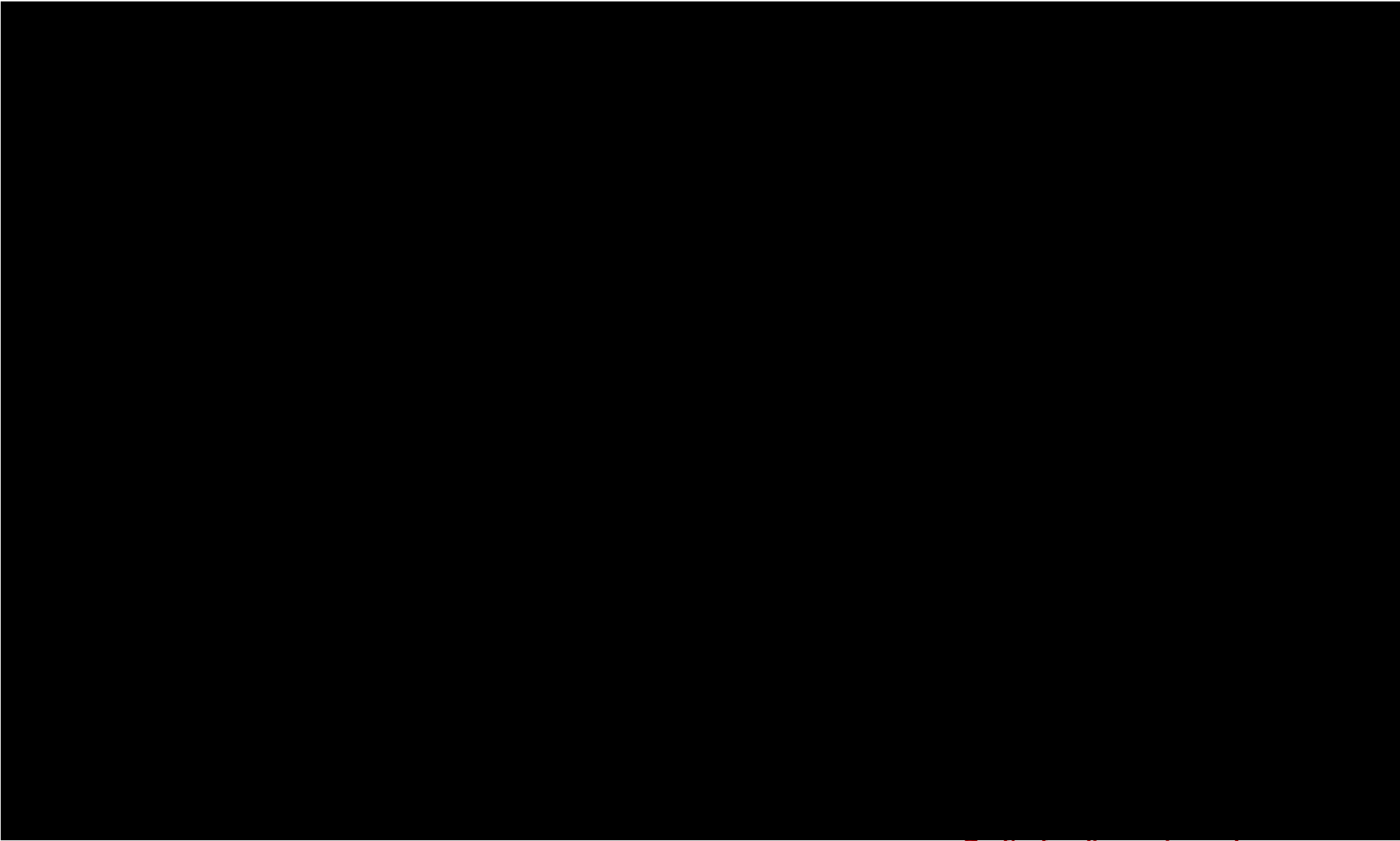
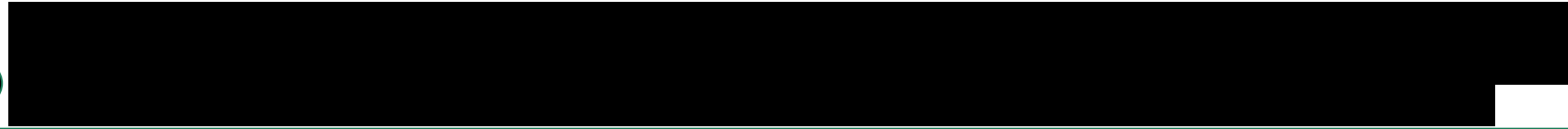
1 Fit for purpose process depending on project complexity



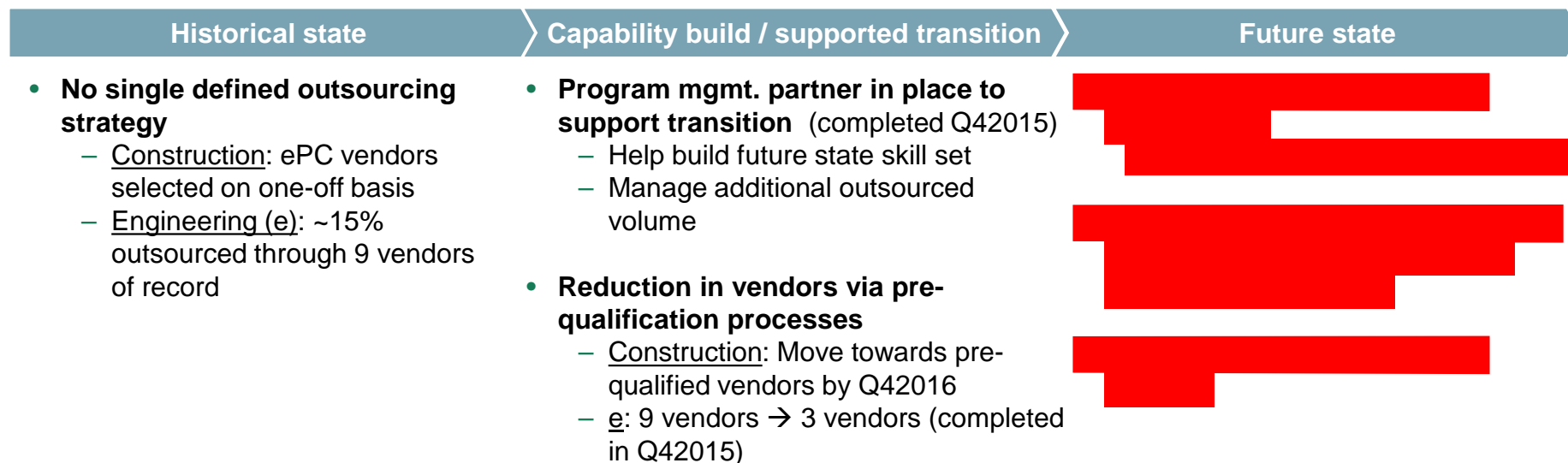
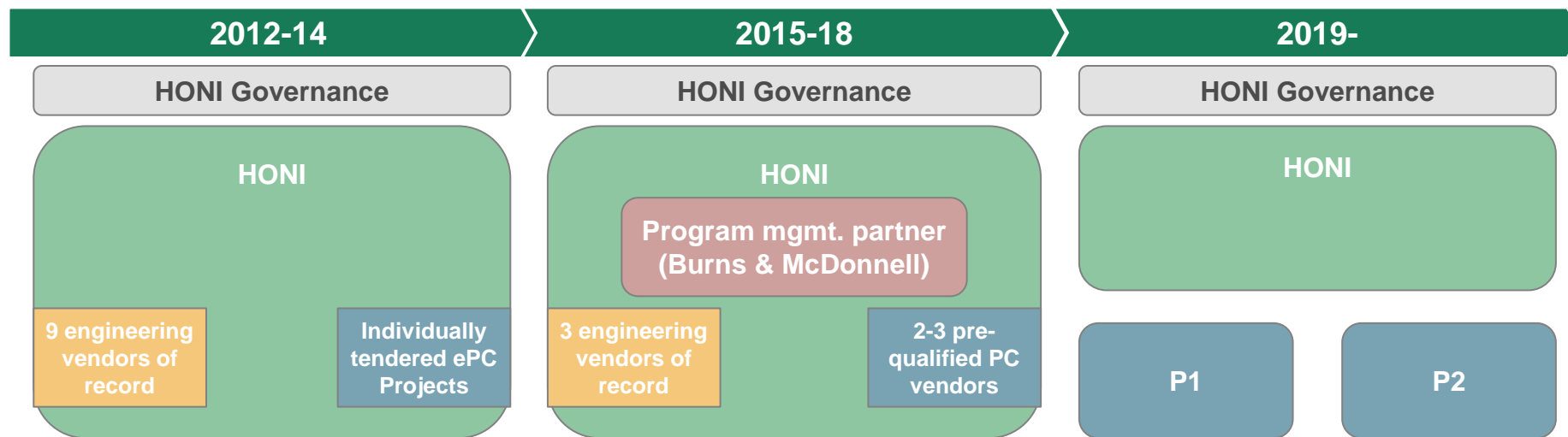
## 2 Advanced readiness



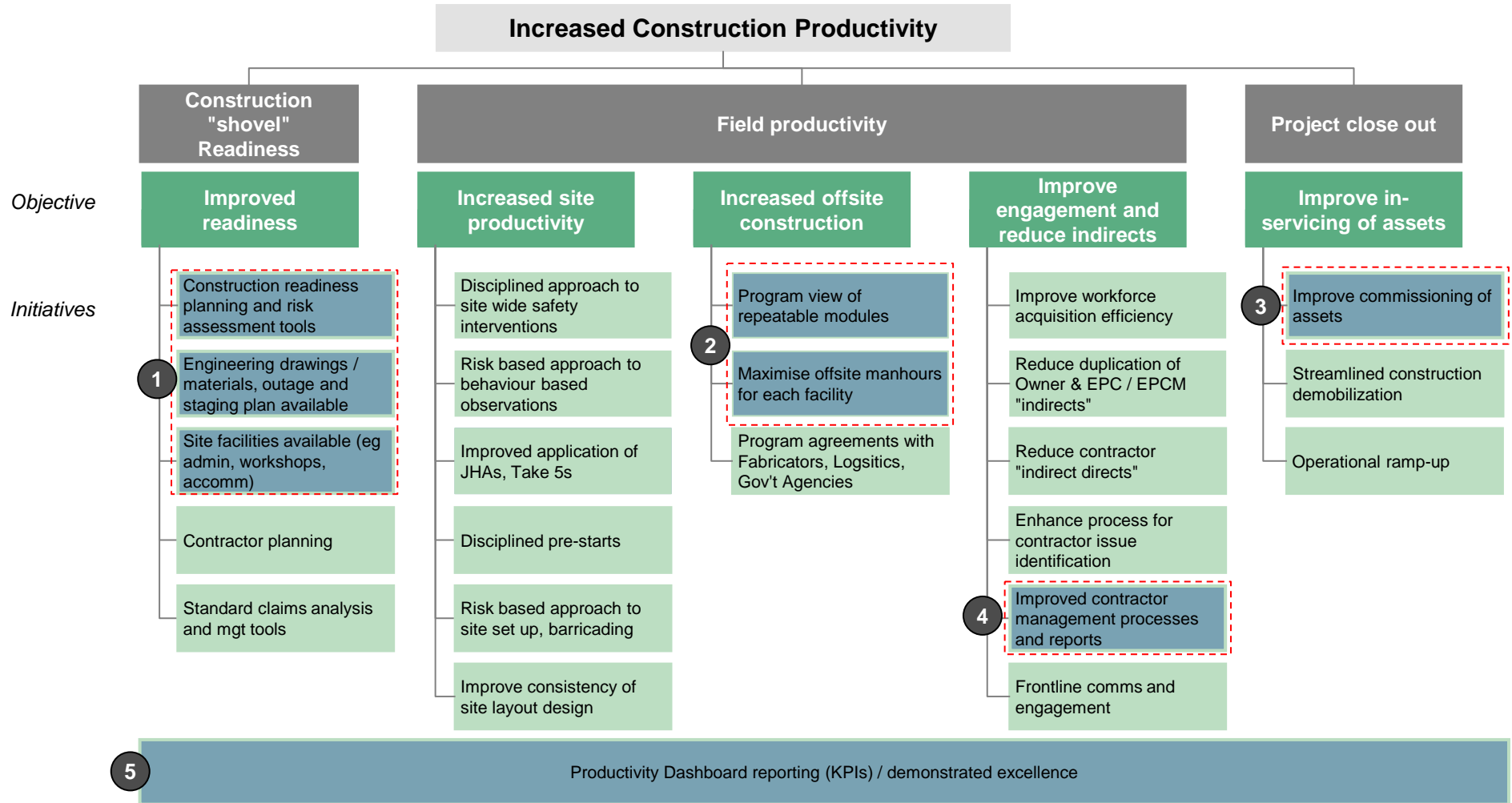




### 3 Evolving commercial model to support future delivery model



## 4 Execution efficiency: Five priority initiative areas

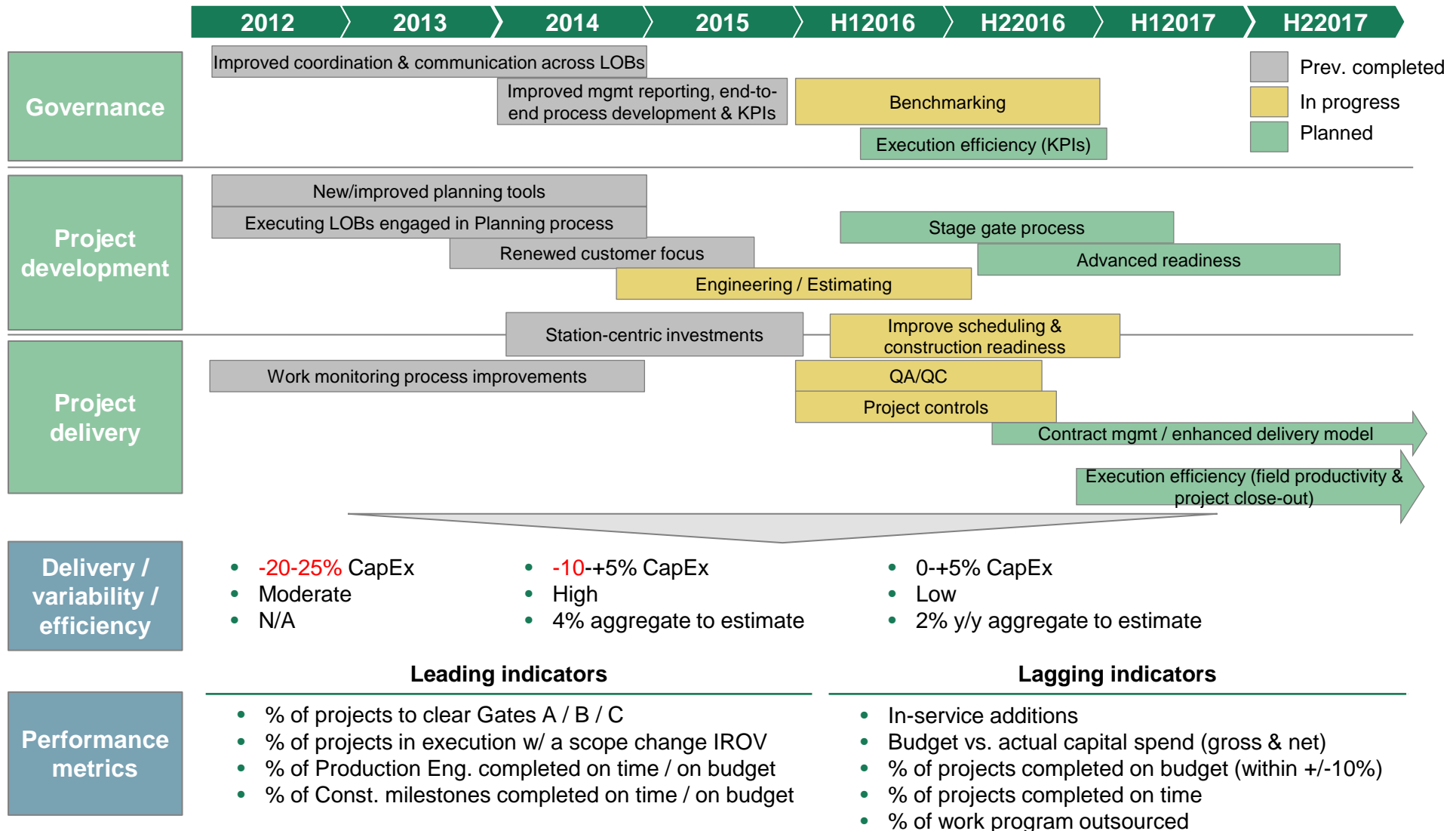


**x Identified as priority opportunity**

Note: Indirects are Contractor and EPC/EPCM management and functions on site eg Construction Management, Superintendents, Environmental officers

# Path forward

## Timeline and measuring success



# Our agenda for today

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<b>Path forward: Looking ahead to execution phase</b>	Mayo Schmidt	<b>15 mins</b> (11:45-12:00)

# Summary: Customer service roadmap

We have identified several opportunities to address unmet customer needs, drive satisfaction and deliver on our 4 goals – value for money, trust, ease to do business with, and transparency

- **Residential and Small Business:** Three priority initiatives identified to address unmet customer needs
  1. **Call centre enhancements** to elevate agent skills and to improve first call resolution
  2. **Digital engagement** via Smart e-billing including alerts, and enhanced My Account and HydroOne.com design
  3. **Bill redesign** to provide a more user-friendly format and make bill easier to understand
- **Commercial & Industrial customers:** Two priority initiatives:
  1. Improved training and tools for agents in business call centre
  2. Proactive marketing of conservation and demand management programs
- **Large Distribution Account customers:** Two priority initiatives:
  1. Proactive marketing of conservation and demand management programs
  2. Better communications around outage performance
- [REDACTED]  
[REDACTED]  
[REDACTED]

Majority of customer satisfaction impact this year will be from recently completed or in-flight initiatives

# Four recently completed initiatives will drive customer satisfaction impact in 2016

## Key initiatives delivered in 2015

### Call centre quality improvements

- Revised policies and introduced revamped training and assessment of call agents



## Impact realized

- Increased satisfaction on transactional survey from 80% to 85% (and achieved 90% in January 2016)

### Improved Billing

- Through meter network performance improvements and the Flexible Billing Window, improved performance to capture more readings from advanced metering infrastructure/ field



- 98.7% of bills issued to time-of-use customers are based on actual reads (up from 92% in December 2014)

### Customer commitments

- Instituted service level guarantee and reporting mechanisms for failures, with \$50 cash credit to customer for any failure (first of its kind for a Canadian utility)



- 48 failures<sup>1</sup> in 2016 year to date – tracking well below annual target of <2,000

### Outage notifications













- Introduced proactive outage, estimated time of recovery and restoration alerts via texts and email



- ~10,000 customers enrolled to date

1. Includes three types of failures: call centre calls not returned in 24 hrs, field appointments not met, late/delayed connections

# Priority initiatives: Residential and Small Business and Commercial and Industrial customers









	Initiative	Key theme addressed	Operational Metric	Current	2017 Target	Expected "go-live"	Cost/ Complexity	Customer sat. impact
Residential & Small Business	Call centre quality enhancements	<ul style="list-style-type: none"> <li>Effective call centre issue resolution</li> </ul>	First call resolution	82%	84%	Q2 2016	 <\$1M <sup>2</sup>	
	Smart eBilling & customer usage tools	<ul style="list-style-type: none"> <li>Affordable power</li> <li>Straightforward bill</li> </ul>	Customers using e-billing	9%	19%	Q4 2016	 ~\$10.7M <sup>3</sup>	
	My Account and website redesign	<ul style="list-style-type: none"> <li>Convenient self-service channels</li> </ul>	Active users	15%	27%	Q2 2017	 ~\$12M	
	Bill redesign	<ul style="list-style-type: none"> <li>Straightforward bills</li> </ul>	Ease of bill understanding	62%	68%*	Q2 2017	 ~\$5M	
Commercial & Industrial	Business Call Centre agent training and system upgrades	<ul style="list-style-type: none"> <li>Single contact to resolve issues</li> </ul>	First call resolution <sup>1</sup>	80%	83%	TBD	 ~\$500K <sup>4</sup>	
	Conservation & demand management marketing enhancements	<ul style="list-style-type: none"> <li>Affordable power</li> </ul>	Energy savings	60 MWh <sup>^</sup>	120 MWh	Q3 2016	 ~\$40K <sup>4</sup>	

**Priority initiatives selected based on expected customer satisfaction impact and cost/complexity of implementation**

1. First Call Resolution for Business Call centre; 2. Largely vendor funded except for live chat and speech analytics. 3. Expected to receive cost recovery from Independent Electricity System Operator (IESO) (~\$2M). 4. Some cost recovery expected. \* Expected to go live in Q2 2017; 2018 target is 74% on this metric. ^ MWh is Megawatt hours.



# Priority initiatives: Large Distribution Accounts and Transmission customers

	Initiative	Key theme addressed	Operational Metric	Current	2017 Target	Expected "go-live"	Cost/ Complexity	Customer sat. impact
Large Distribution Accounts	Conservation & demand management program awareness	Access to energy conservation programs / customized advice	Conservation demand management present. (%)	60%	90%	TBD	 ~\$50K <sup>1</sup>	
	Outage performance communications	Reliability and quality	Unplanned outage satisfaction (%)	79%	85%	TBD	 ~\$30K <sup>1</sup>	
Transmission	Process improvements and enhanced rep support	Keeping commitments in timely manner	Commitments met (%)	73%	81%	TBD	 ~\$360K <sup>2</sup>	
	Communication of Hydro One plans	Proactive communication of Hydro One plans	Customer consultations (#) <sup>3</sup>	TBD	TBD	TBD	 ~\$250-500K <sup>2</sup>	

Priority initiatives selected based on expected customer satisfaction impact and cost/complexity of implementation

1. Represents reallocation of existing resources. 2. Represents recurring annual costs. 3. Preliminary metric still being finalized.

# Back-up: Several recently completed and in-flight initiatives will drive material customer satisfaction impact in 2016

	Initiative name	Description / components	Status	Impacts
R&SB	<b>Call Centre Quality Enhancements</b>	<ul style="list-style-type: none"> <li>Customer Service MAGIC training</li> <li>Revamped call scorecard</li> <li>Agent performance scorecard</li> </ul>	Most changes in-service late 2015. Completion by Q1-Q2 2016	<ul style="list-style-type: none"> <li>Transactional Satisfaction: from 80% (2014 avg.) up to 85% (2015 avg.)</li> <li>Unacceptable calls: from 71% (Jan 2015) down to 1% (Dec 2015)</li> </ul>
	<b>My Account Revisions</b>	<ul style="list-style-type: none"> <li>Revamped (simpler) sign-up</li> <li>Usability (look and feel) improvements</li> </ul>	In-service as of Q3 and Q4 2015	<ul style="list-style-type: none"> <li>Transactional Satisfaction: from 75% (2014 avg.) to 78% (2015 avg.). 81% in Jan 2016</li> </ul>
	<b>Customer Commitments</b>	<ul style="list-style-type: none"> <li>Instituted service level guarantee + reporting mechanisms for failures</li> </ul>	In-service as of Q4 2015	<ul style="list-style-type: none"> <li>48 failures<sup>1</sup> year to date. Tracking well below annual target of &lt;2,000</li> </ul>
	<b>Flexible Billing Window</b>	<ul style="list-style-type: none"> <li>Expanded meter read window to capture more reads from advanced metering infrastructure system and field</li> </ul>	Partially in-service as of Q4 2015	<ul style="list-style-type: none"> <li>Increased overall bill quality by 0.5%</li> <li>Reduced billing related exceptions by 20%</li> </ul>
	<b>Meter Route Optimization</b> <i>(Phase 2 of Flexible Billing Window)</i>	<ul style="list-style-type: none"> <li>Migrated customers to appropriate end state commodity billing (i.e. time of use or 2 Tier)</li> <li>Optimized field meter read routes based on advanced metering infrastructure availability and drive time</li> </ul>	In-service as of Feb 2016	<ul style="list-style-type: none"> <li>Reduced manual meter read unit costs by 15%</li> <li>Increased meter read capture by 5%</li> <li>Reduced billing related exceptions by 15%</li> </ul>
	<b>Outage Alerts</b>	<ul style="list-style-type: none"> <li>Proactive outage, estimated time of recovery and restoration alerts via texts and email</li> <li>Phone calls for estimated time of recovery change</li> </ul>	In-service as of Q4 2015 (pilot since 2014)	<ul style="list-style-type: none"> <li>~10,000 customers enrolled</li> </ul>
	<b>Billing Accuracy</b>	<ul style="list-style-type: none"> <li>Proactive management of no bills; persistently estimating bills &amp; delayed bills</li> </ul>	In-service as of Q1 2015	<ul style="list-style-type: none"> <li>No bill volumes reduced by 94%</li> <li>Persistently estimated bills improved by 9%</li> </ul>
	<b>Ontario Electricity Support Program Implementation</b>	<ul style="list-style-type: none"> <li>Implemented Ontario Electricity Support Program for low income customers</li> </ul>	In-service as of Q4 2015	<ul style="list-style-type: none"> <li>13,500 customers enrolled</li> </ul>
C&I	<b>Business Customer Contact Changes<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Direct escalations phone number</li> <li>Streamlined interactive voice response options</li> </ul>	In-service as of Q4 2015	<ul style="list-style-type: none"> <li>Transfers required due to routing errors: from 903 (Jul 2015) down to 657 (Jan 2016)</li> </ul>
Tx	<b>Enhanced reliability reporting<sup>3</sup></b>	<ul style="list-style-type: none"> <li>Customized reporting on reliability performance for Transmission customers</li> </ul>	In-service as of Q1 2015	<ul style="list-style-type: none"> <li>130 reports generated in 2015 for 112 customers</li> <li>Positive customer feedback. May have played role in satisfaction increase from 77%-85% (2014-2015)</li> </ul>

1. Includes three types of failures: call centre calls not returned in 24 hrs, field appointments not met, late/delayed connections 2. For Commercial & Industrial customers

3. For Transmission customers

# Our agenda for today

Topic	Lead	Time
<b>Introduction and summary</b>	Mayo Schmidt & Stef Stocco	<b>30 mins</b> (9:00-9:30)
<b>Service delivery</b>		<b>75 mins</b> (9:30-10:45)
• Voice of the customer	BCG	15
• System investment plan and Tx filing update	Mike Penstone & Oded Hubert	30
• Capital delivery strategy	Brad Bowness	20
• Customer service roadmap	Rob Quail	10
<b>Efficiency</b>		<b>60 mins</b> (10:45-11:45)
• Full potential summary	Mike Vels	20
• Procurement	Gary Schneider	10
• O&M efficiency	John Rebick	10
• SG&A effectiveness	Judy McKellar	5
• Timing of O&M efficiency and SG&A effectiveness opportunities	Judy McKellar	15
<b>Path forward: Looking ahead to execution phase</b>	Mayo Schmidt	<b>15 mins</b> (11:45-12:00)

# Summary: OM&A and capital efficiency

**Identified total run rate potential of up to ~\$100M OM&A and ~\$120M capital across 2015 \$2.8B spend baseline**

- [REDACTED]
- Execution requirements still to be assessed and will need to consider implications of growing work program
- [REDACTED]
- ~\$7M (mostly OM&A) already in execution and locked into 2016 financials








**Opportunities have been identified across three work streams**

- Procurement: \$39 – 85M opportunity to be executed across four waves with first wave already underway
- O&M efficiency: \$39 – 51M opportunity including \$15-26M on top of existing in-flight initiatives (e.g., Move to Mobile)
- [REDACTED]

**Five key steps to drive SG&A effectiveness and O&M efficiency opportunities**

# Capital and OM&A baseline: \$2.8B

Being addressed through 3 efficiency work streams

	2015 baseline (\$B)			Work stream	Description (example levers)
	Capital	OM&A	Total		
Procured spend				<div>1</div> <div>Procurement</div>	<ul style="list-style-type: none"><li>Specifications and service level rationalization to benchmark levels</li><li>Controlling demand or consumption levels</li><li>Fact-driven approach to competitive bids and negotiations</li></ul>
People & Inergi spend					
Total					

1. Includes regular employees (incl. rotations), temporary employees, staff augmentation and \$164M Inergi spend

# Run rate potential of up to ~\$100M OM&A and ~\$120M capital

Starting point for savings realization in time ... execution requirements still to be fully assessed

Cumulative run-rate potential (\$M)		
2016+	2017+	2018+
23 - 44	38 - 80	39 - 85

1 Procurement

# \$6.7M already under execution and locked into financials

\$5.4M 2016 net in-year impact

## \$6.7M run-rate (\$5.4M in-year) savings locked into financials

	Net in-year savings	Run rate savings (\$M)	Impact will begin?	Risk/Consideration
<b>Reduce infrastructure costs by</b>	<b>2.35</b>	<b>3.2</b>		Leverage standard contractual RRC methodology. Reduce size of backup archives by moving to 'daily incremental and monthly full' in non-prod/project environments
• Optimizing backup & storage	1.45	1.8	Q2	
• Optimizing project environments	0.45	0.7	Q2	
• Decommissioning infrastructure & DBs	0.45	0.7	Q2	
<b>Renegotiate contracts to reduce</b>	<b>1.9</b>	<b>2.3</b>		No risk to overall delivery of enhancements
• Hourly Inergi rate for minor enhancements	0.4	-	Q2	
• Cost of 3rd party licenses & maintenance	0.475	1	Q1	
• Mobility services	1	1.3	Q1	
<b>Reduce minor enhancement budget</b>	<b>1</b>	<b>1</b>		Will focus on areas with large capital investment to reduce minor enhancement spend
• Inergi budget	0.8	0.96	Q1	
• Non-inergi budget	0.2	-		
<b>Cancel transformation projects not delivering value or no longer needed</b>	<b>0.1</b>	<b>0.1</b>		
• Command centre	0.03	0.03	Q1	Savings are being realized – no further action required
• Mobile Pay Advice Stream	0.03	0.03	Q1	
• Mobile Receipting	0.04	0.04	Q1	
<b>Total</b>	<b>5.4</b>	<b>6.7</b>		

\$6.6M in OM&A,  
\$0.1M in Capital

## Implementation progress closely tracked

- \$ impact of initiative
- Cost of initiative
- Key milestones
- Cost centre
- Executive sponsor/leader

Initiative tracker														
hydro one														
Description of initiative														
Initiative #	Is Strategic	Is Operational	Is Financial	Is HR	Is IT	Is Legal	Is Compliance	Is Risk	Is Security	Is Sustainability	Is Other	Is Capital	Is Other	Is Other
101	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
102	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
103	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
104	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
105	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
106	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
107	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
108	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
109	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
110	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
111	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
112	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
113	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
114	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
115	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
116	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
117	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
118	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
119	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
120	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
121	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
122	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
123	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
124	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
125	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
126	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
127	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
128	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
129	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
130	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
131	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
132	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
133	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
134	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
135	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
136	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
137	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
138	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
139	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
140	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
141	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
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144	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
145	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
146	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
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148	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
149	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
150	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

# Procurement: \$39-85M opportunity across 27 categories

Represents 5-11% savings potential on addressable spend of \$768M

Category	Spend (\$M)		Savings Potential (\$M)	
	Total	Addressable		
Electrical hardware	120	62	3	9
EPC services	115	55	6	8
Engineering services	20	20	2	3
Fleet: vehicle purchases and maintenance	148	112	6	8
Staff augmentation <sup>1</sup>	60	45	2	7
Professional services (finance, HR, legal, marketing, etc.)	64	26	3	5
Equipment rentals	63	50	3	5
IT software (apps., licenses, maintenance & support)	36	30	2	5
Transformers	118	42	2	4
Construction services	91	70	1	4
General hardware	35	22	2	3
Real estate	20	20	1	3
Construction materials	32	27	1	3
Telecom (carrier services and equipment)	72	50		3
IT hardware	29	15	1	2
Environmental services	42	22	1	2
Engineered equipment	74	20	1	2
Travel, accommodation & entertainment	17	8	1	2
Mailing & courier	13	12		1
Facilities management	51	10		1
Wood poles	20	20		1
Transport services	27	9		1
Steel fabrications	18	18		1
Office supplies	6	3		0
PCT equipment and controls	16	0	0	
Metering equipment and parts	37	0	0	
Remotes supply fuel	27	0	0	
Quick wins <sup>2</sup>	N/A	N/A		2
<b>Total<sup>2</sup></b>	<b>1,371</b>	<b>768</b>	<b>39 – 85 (OM&amp;A: 8 – 24; CAPEX: 31 – 61)</b>	

Source: Hydro One Jan 1, 2015 – Dec 31, 2015 total spend, BCG analysis 1. Staff augmentation only includes commercial negotiation 2. Savings already confirmed in 2016



# Execution planned across four waves

Wave 1 already in execution

## Considerations for prioritization

### Gains vs Ease/Speed

### Readiness & interdependencies

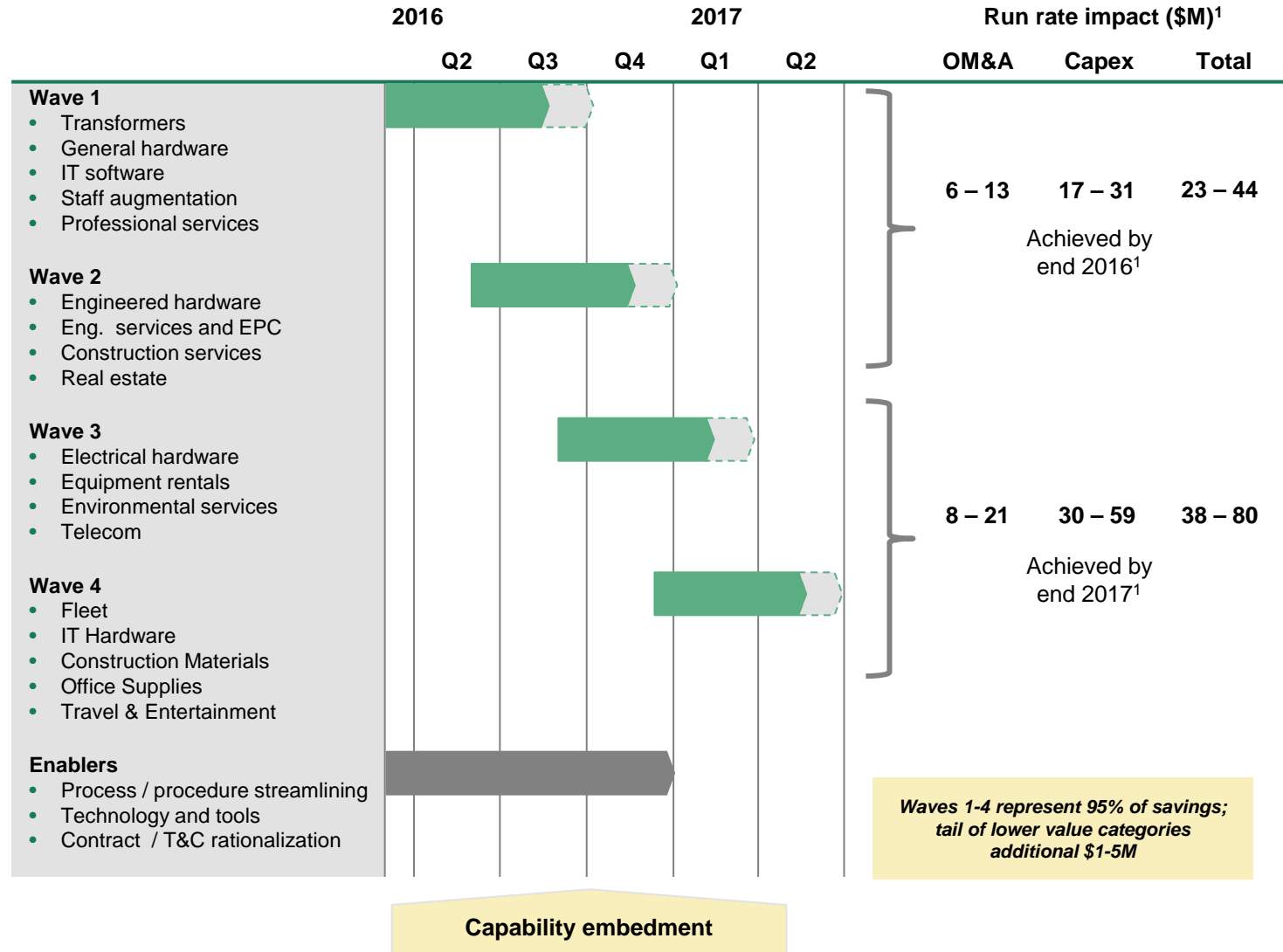
- E.g. Cleanup for electrical hardware;
- Delivery model for EPC services

### Resources availability

- E.g. Eng. input for transformers, electrical and engineered hardware

### Diversity of levers for embedment

- RFP vs tear down
- Engineered vs off-shelf
- Demand levers, e.g. rationalization



1. Run rate listed is inclusive of \$2.3M of confirmed savings through "quick wins"

# Waves 1 & 2: approach and levers

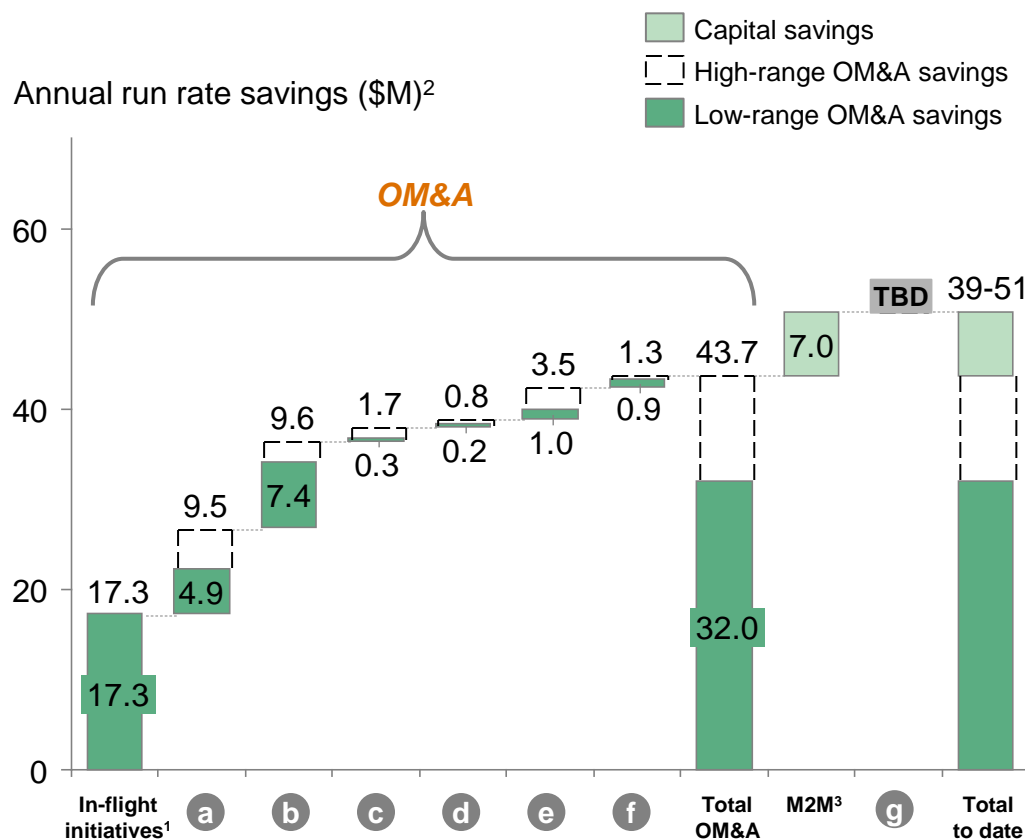
	Approach / levers	Addressable Spend (\$M)	Potential Savings (\$M)
General Hardware	<ul style="list-style-type: none"> <li>Conduct broad RFP with multi-round feedback to maximize competition</li> <li>Adopt basket and non-basket approach to rapidly lock-in prices for top-items</li> <li>Introduce volume discounts and explore consignment</li> </ul>	22	2 - 3
Transformers	<ul style="list-style-type: none"> <li>Run competitive RFP with multi-round approach to re-base prices</li> <li>Leverage an expanded supplier base including LCC vendors</li> <li>Rationalize specifications</li> </ul>	42	2 - 4
Engineered Equipment		20	1 - 2
IT Software	<ul style="list-style-type: none"> <li>Teardown, benchmark and renegotiate large contracts [REDACTED]</li> <li>Rationalize dormant and non-essential licenses, true-down license mix</li> </ul>	30	2 - 5
Professional Services	<ul style="list-style-type: none"> <li>Eliminate non-essential services</li> <li>Consolidate vendor base and renegotiate prices for select services</li> </ul>	26	3 - 5
Staff Aug.	<ul style="list-style-type: none"> <li>Conduct competitive RFP to rebase rates with consolidated set of preferred vendors, leveraging spend across secondments and projects</li> <li>Apply competitive pressure through multi-round feedback on decomposed rates</li> <li>Challenge incumbents with new bidders including secondment specialists [REDACTED]</li> </ul>	45	2 - 7
Engineering & EPC Services		75	8 - 11
Construction Services	<ul style="list-style-type: none"> <li>Conduct competitive RFP to establish pricing with 2-3 preferred construction vendors</li> </ul>	70	1 - 4
Real Estate	<ul style="list-style-type: none"> <li>Rationalize / consolidate office floor space in the GTA</li> </ul>	20	1 - 3

Wave 1

Wave 2

# O&M efficiency: \$39 - 51M opportunity identified to-date

Includes \$15-26M of new opportunity on top of existing in-flight initiatives



## Opportunity

## Description

d	Fault indicators
e	Preventive maint. execution
f	Outage cancellation reduction
g	Field execution efficiency

**Additional opportunities to be determined through detailed Provincial Lines field study in next phase**

1. In-flight initiatives include \$9M in Forestry and \$8.3M in Lines; does not include \$5M of M2M capital and OM&A savings or potential savings from Stations scheduling tool initiative savings that are captured in SG&A workstream 2. OM&A and capital savings off of 2015 baseline 3. Represents capital savings from M2M



# Proposed plan for field visits

**Main focus will be to evaluate efficiency of field execution in Provincial Lines**

Assessment	Focus areas
<b>Process</b>	<ul style="list-style-type: none"> <li>• Time spent on meetings &amp; admin tasks</li> <li>• Application of standard work processes</li> <li>• Work site conditions (e.g. design, cleanliness, safety)</li> <li>• Effectiveness of tools and equipment</li> <li>• Etc.</li> </ul>
<b>Training &amp; Culture</b>	<ul style="list-style-type: none"> <li>• Teaming, motivation, and capabilities of work crews</li> <li>• Training program effectiveness</li> </ul>

**Scope will target several ops centres in different environments**

**Target ~4 ops centres in 2 zones for observation**

- Two in Northeast zone to provide good example of unique challenges working in Ontario
- Two in Georgian Bay zone to provide more representative view of typical operating conditions

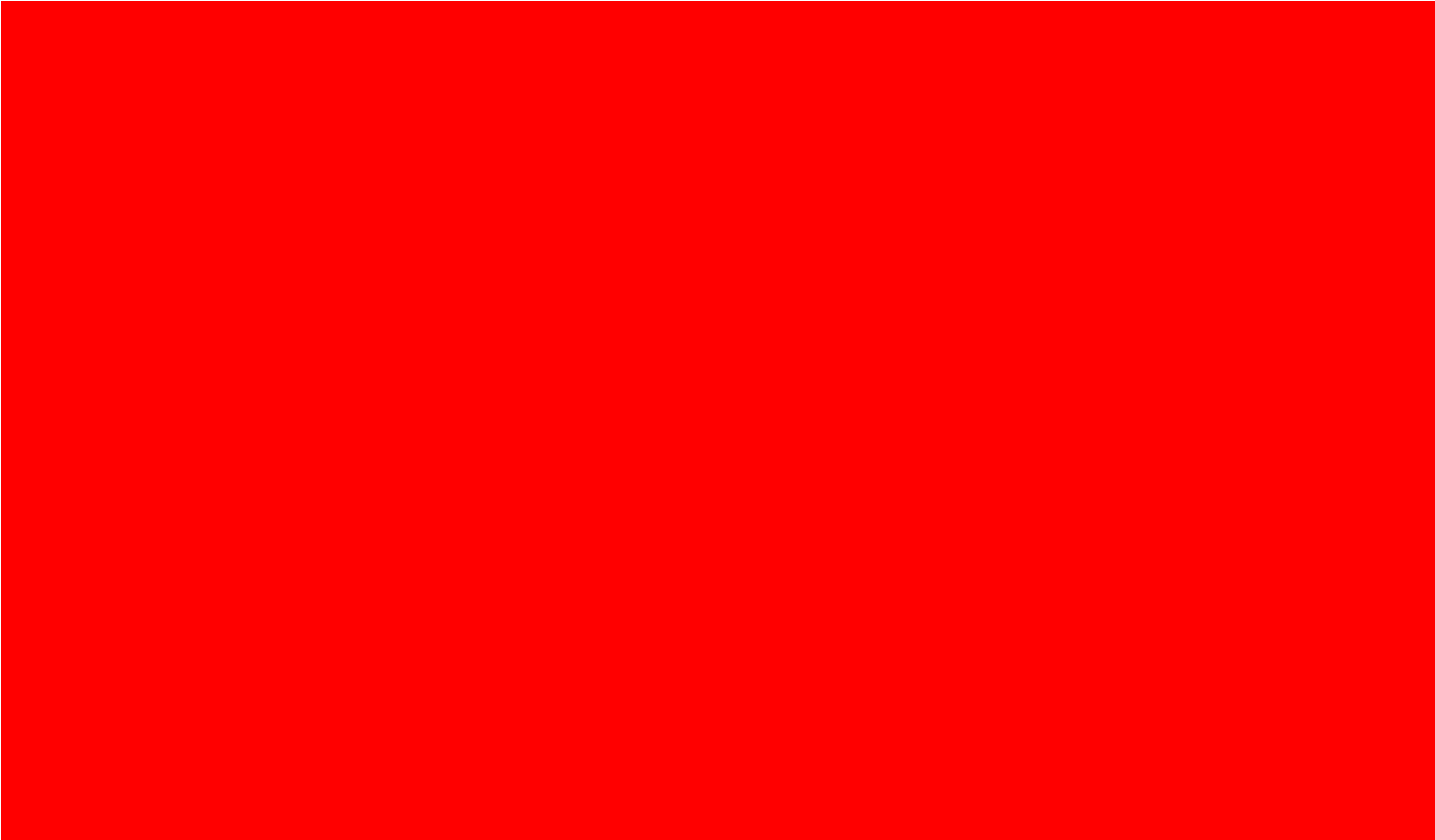
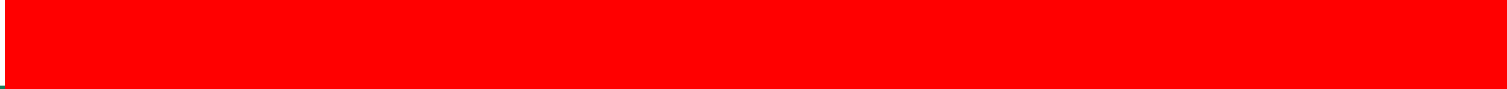
**Propose two weeks to complete field observations**

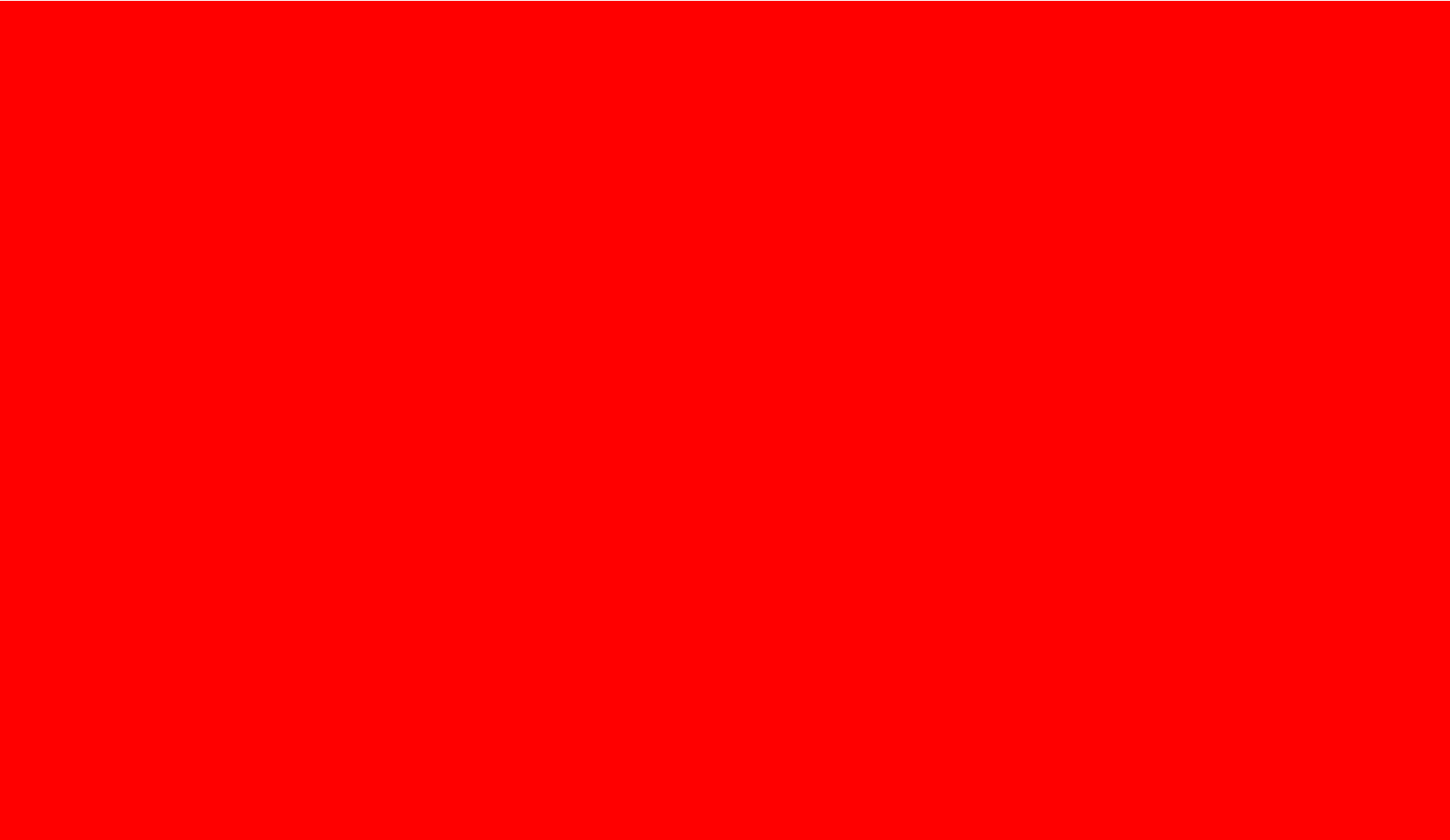
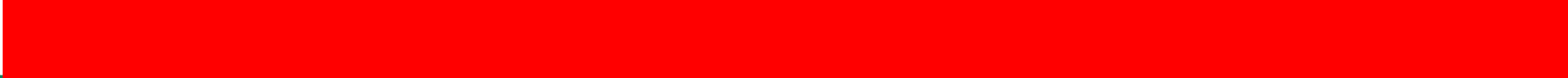
- BCG resource will be paired w/ superintendent
- Spend ~2 days performing observations/ interviews at each ops centre with both trouble and bulk crews
- Propose "unannounced" visits to improve realism of observations

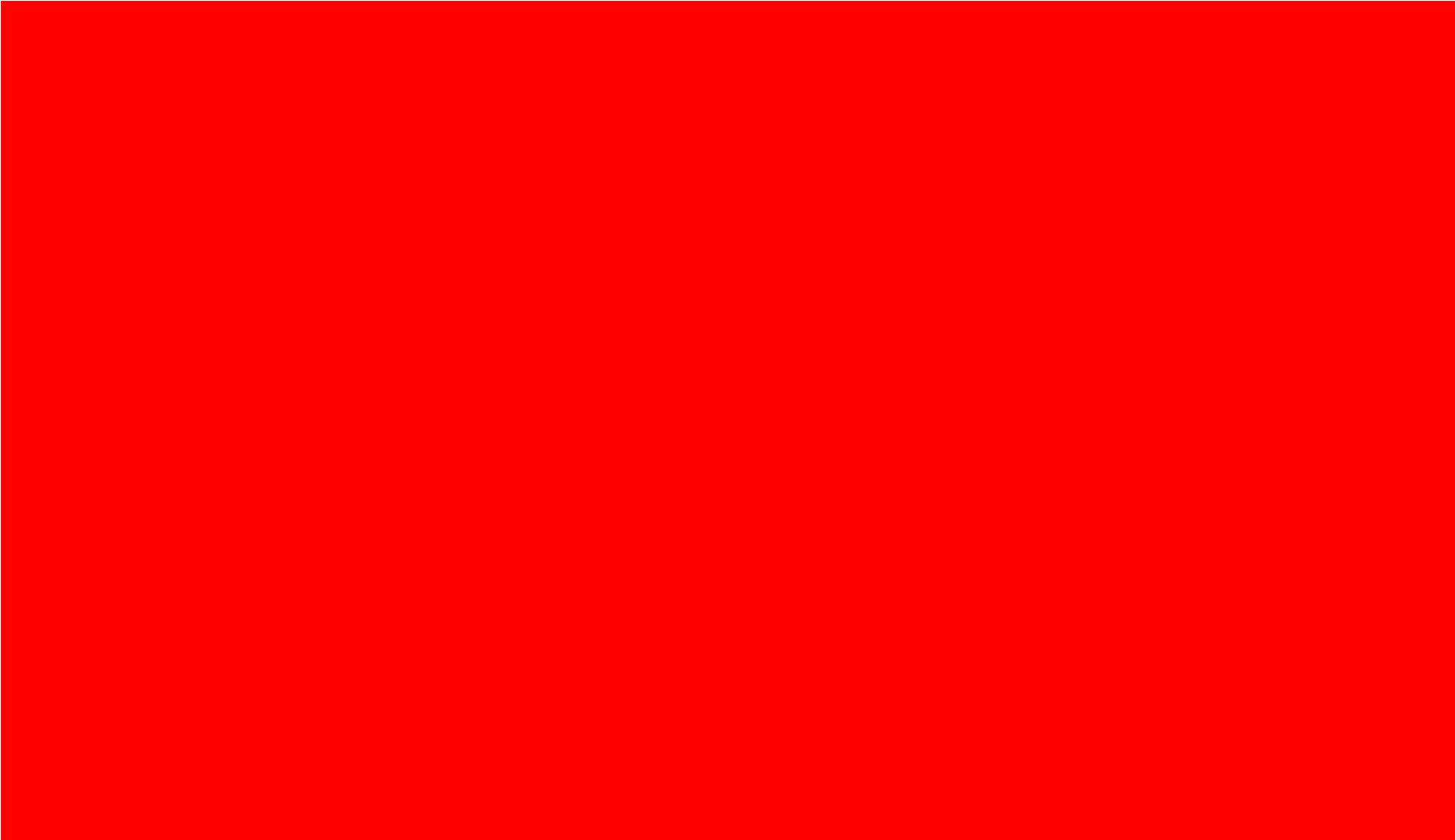
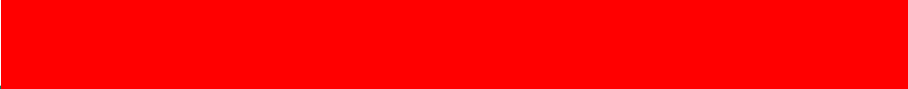
**Third week to be used for synthesis and follow-up**

- Meet with field teams/superintendents as necessary to clarify observations & takeaways

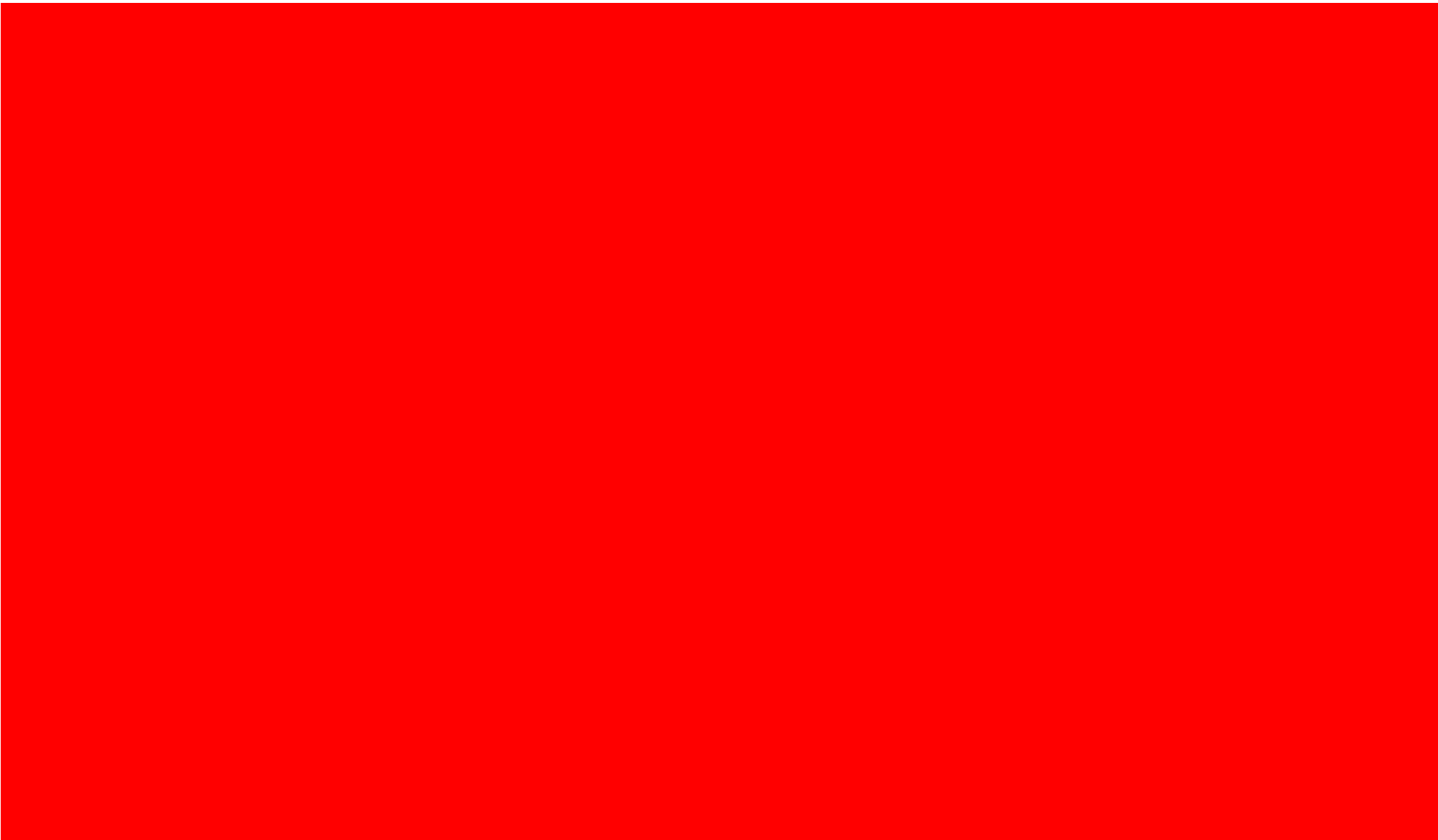
**Depending on early findings, may elect to expand scope**

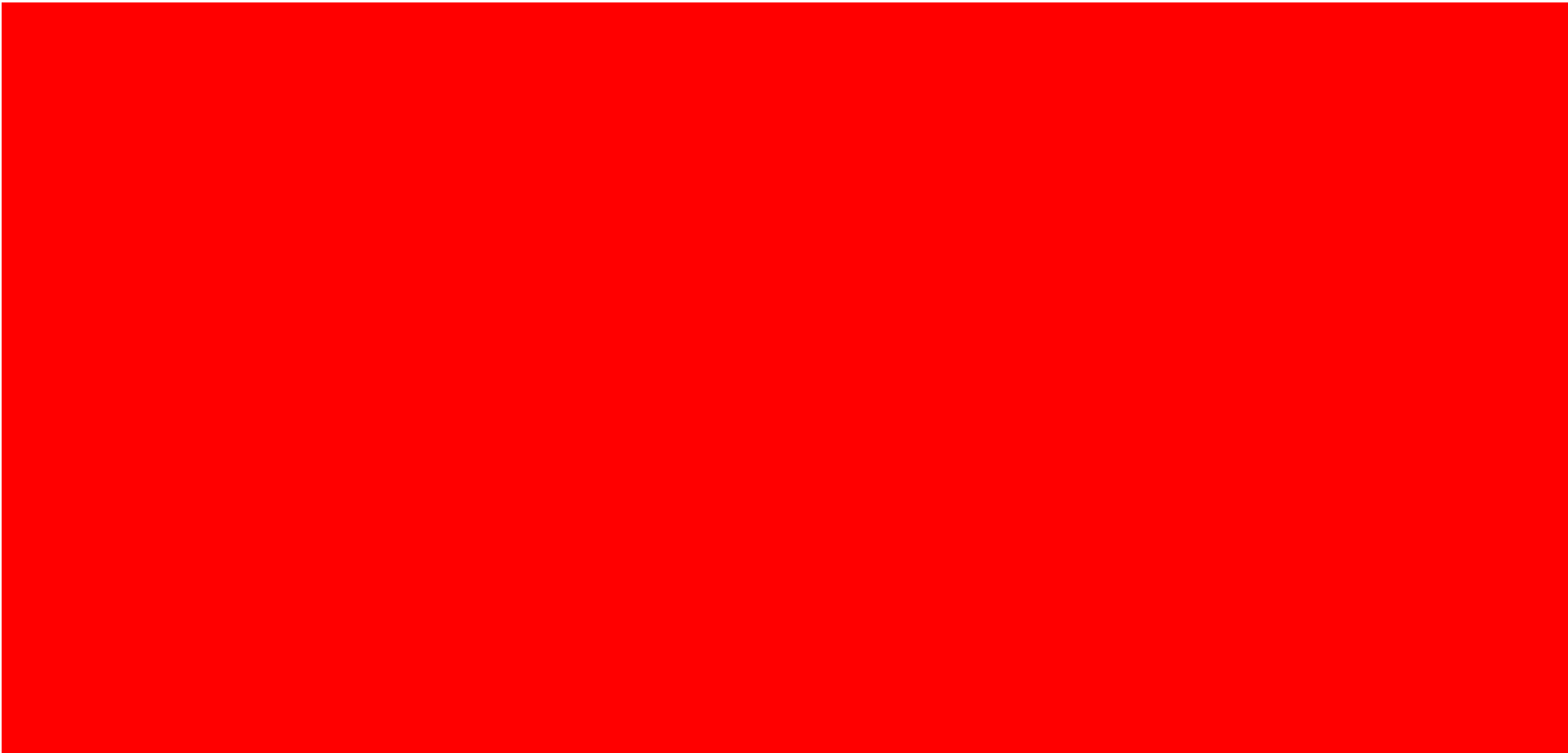


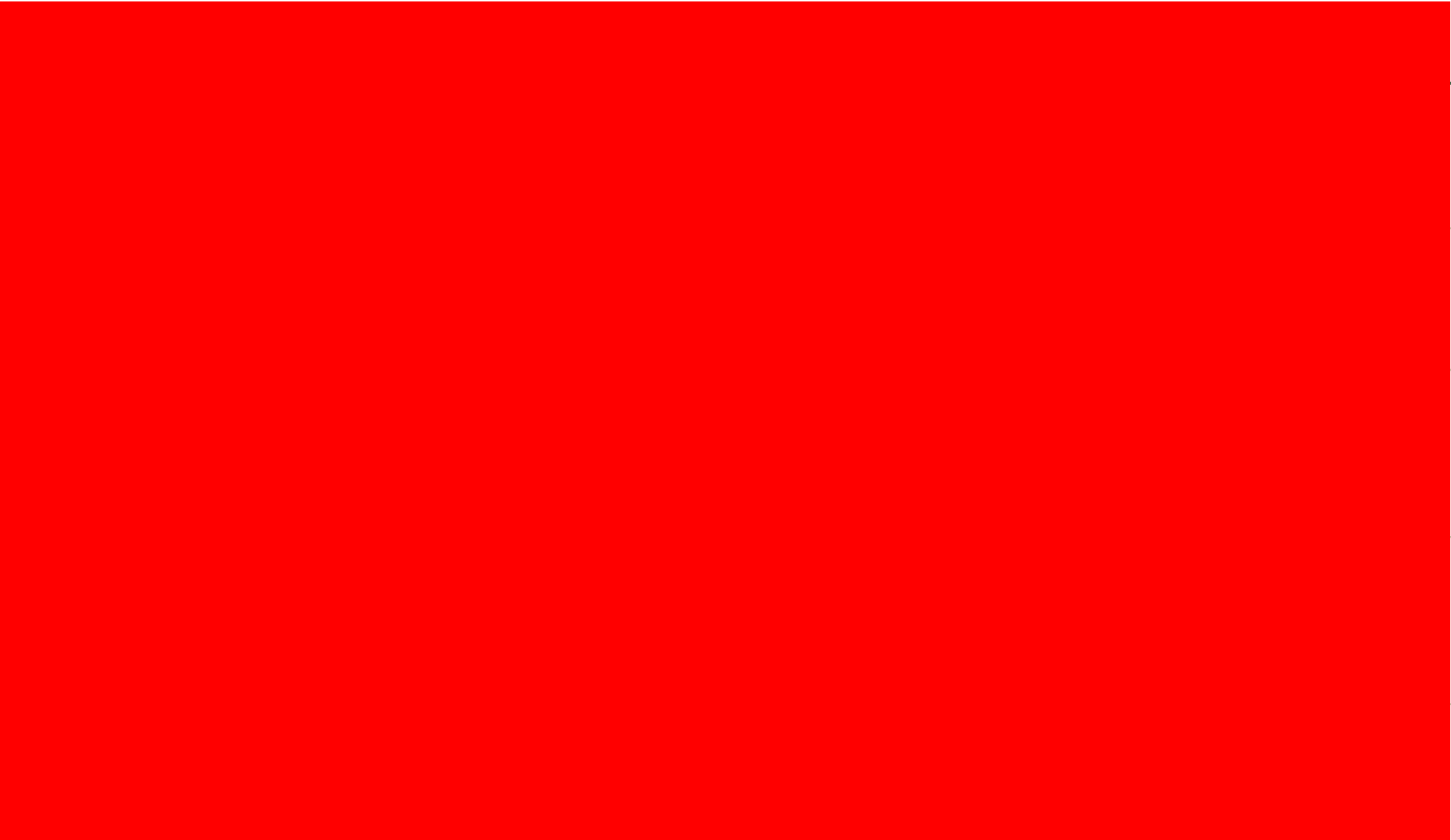










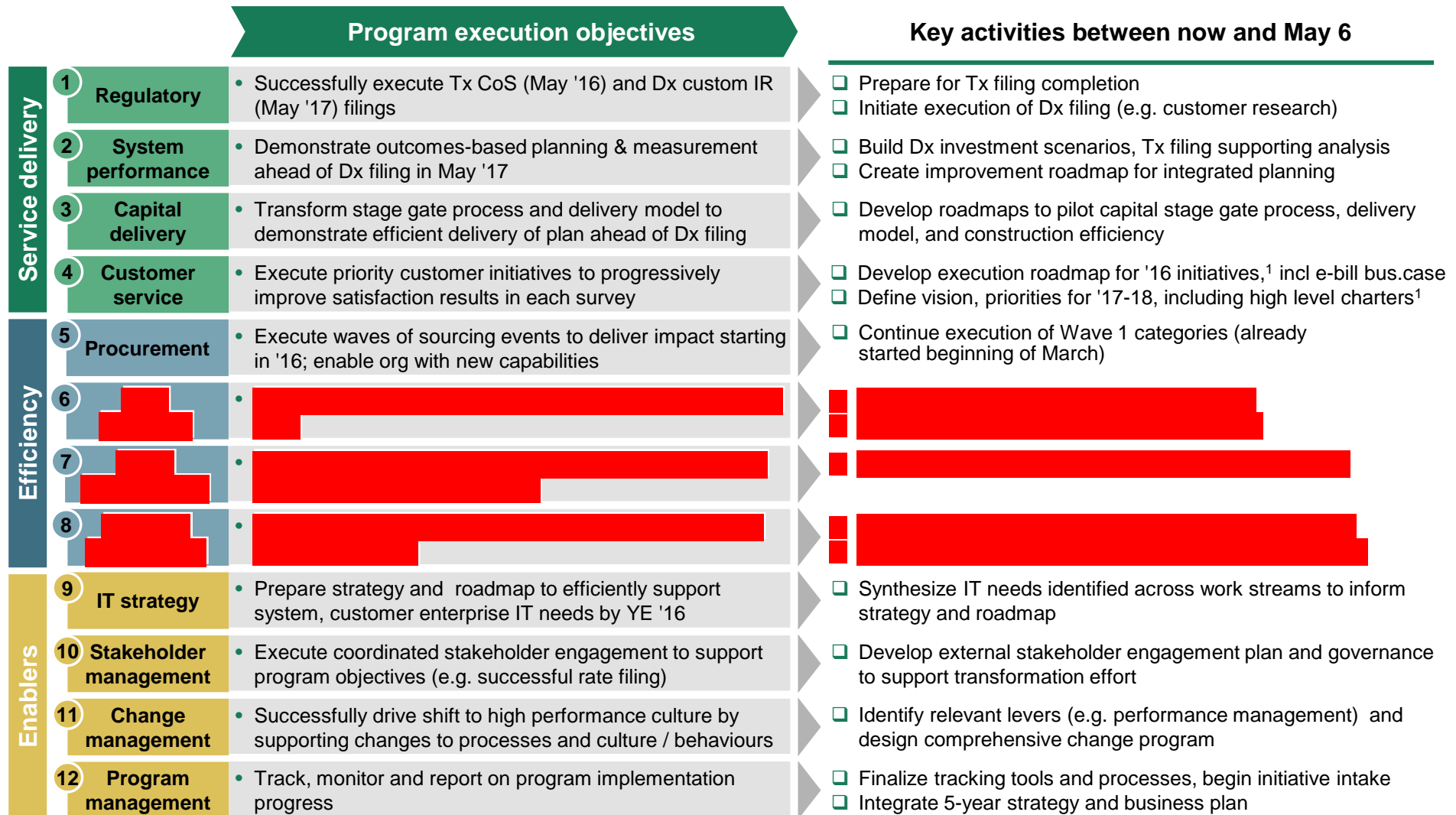


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<b>Path forward: Looking ahead to execution phase</b>	Mayo Schmidt	<b>15 mins</b> (11:45-12:00)

# 12 focus areas that will define successful execution

Note: Excludes preparation work to explore strategic growth opportunities



1. For all customer segments

# Rigorous program management will support execution

## Clear program structure in place

- Dedicated TMO resources
- Defined governance structure

## Detailed execution planning

- Clear milestone plans
- Measurable KPIs and targets

## Rigorous tracking and monitoring

- Status of individual milestones
- Management of risks and interdependencies

## Clear information flow and escalation paths

- Defined reporting cadence
- Formal issue resolution and change processes

Not for Board



Team structure

LA 19.Mar.16:  
Why not for board?

Initiative description			
Module	Name	Initiative Leader	Executive Sponsor
TAC		Initiative Leader	Sponsor
Objective		Key KPIs to measure success	
• Main goal of initiative e.g. improve customer experience		• e.g. customer satisfaction by 10 points, 4 of savings delivered by 10%	
Potential cost of implementation (\$)		Expected benefits	
• e.g. mobile application, \$200k		• Savings, FTE reduction, improved customer satisfaction, etc.	
Other considerations		In scope / Out of scope	
• Risks, interdependencies, assumptions, etc.		• e.g. Phase 1 includes contract renegotiation, no volume reduction	
✔✔✔ support required? (check box if yes)			

Initiative charter

Initiative Tracker											
Module	Task	Start	End	Owner	Status	Start	End	Owner	Status	Start	End
100	100	100	100	100	100	100	100	100	100	100	100
101	101	101	101	101	101	101	101	101	101	101	101
102	102	102	102	102	102	102	102	102	102	102	102
103	103	103	103	103	103	103	103	103	103	103	103
104	104	104	104	104	104	104	104	104	104	104	104
105	105	105	105	105	105	105	105	105	105	105	105
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115	115	115	115	115	115	115	115	115	115	115	115
116	116	116	116	116	116	116	116	116	116	116	116
117	117	117	117	117	117	117	117	117	117	117	117
118	118	118	118	118	118	118	118	118	118	118	118
119	119	119	119	119	119	119	119	119	119	119	119
120	120	120	120	120	120	120	120	120	120	120	120

Tracker

Description		Initiative Leader	Initiative Sponsor	Initiative Description	
3 day Reporting for steering committee		John Mitchell	Simon Brown	Initiative Description	
Party					
Overall Milestone Plan					
Milestone	Expected savings (\$M)	Savings realised (\$M)	Expected date	Effective date	Status
Contract Assessment - 3rd Party			1 Jan	1 Jan	✓
Contract Assessment - 3rd Party			1 Jan	1 Jan	✓
Contract Assessment - 3rd Party			20 Feb	20 Feb	✓
Contract Assessment - 3rd Party	1.5		20 Feb	20 Feb	✓
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# We are on a journey to change culture and behaviours

## *Preliminary*

### Historically...

**Vaguely defined accountabilities and lack of ownership**

**No clear consequences for missed deadlines and commitments**

**Poor execution discipline – lack of urgency regarding on-time, on-budget delivery**

**Managers find "work arounds" to avoid dealing with poor performers**

**Insufficient facts to make decisions**

**Risk aversion slowing down work – check and balance for sake of check and balance**

### Moving to...

**Clear role mandates, articulating individual accountabilities and decision-rights**

**KPIs monitored for all accountabilities, with rewards and penalties enforced**

**Project management discipline embedded in every organization**

**Managers feel empowered and responsible to uphold performance standards**

**Fact-based organization**

**Aligned understanding of "acceptable" risk and required checks and balances**

# Commitments to foster high performance culture include

## Performance management & culture

- Clearly define KPIs and establish systematic tracking
- Align accountabilities with consequences
- Conduct business performance reviews

## Employee engagement

- Communicate frequently and transparently with employees
- Create opportunities for employee involvement

## Capabilities & enablement

- Understand capabilities required for success and gaps
- Create enablement plans – "See one, do one, teach one"
- Develop training on new processes

## Org principles

- Review operating model and conduct cascaded org design
- Draft role mandates with clear decision rights and accountabilities



# What to expect at May 6 Board meeting

January 14

March 31 (Today)

May 6

August TBD

Board  
meeting  
agendas

## Review strategic framework

- Baseline trajectory
- Strategic framework
- Strawman strategy and transformation sequence
- Plan to finalize strategy and launch transformation

## Review draft of 5-year strategy

- Voice of the customer
- System investment plan
- Capital delivery strategy
- Customer service roadmap
- Efficiency opportunity

## Confirm direction of Tx filing

- Investment plan and supporting evidence
- Customer input
- Bill impact

## Approve

- 5-year strategy (including impact – if any – of innovation & technology)
- 5-year business plan
- Transmission filing

## Review execution plan

- Portfolio of initiatives to achieve strategy
- Milestones, metrics & targets
- Governance process
- Tracking mechanism

*Focus of May 6 Board meeting*

## Update on Good to Great execution

## Discuss short list of strategic growth options for investigation

Board  
education  
agendas

## Provide overview of Innovation & technology landscape

- [Redacted]

## Provide overview of Ontario LDC opportunity

- [Redacted]

## Provide overview of strategic growth market landscape

# Path to March 31st

not for board

Milestone	Date
Final board materials due to TMO	Wed, Mar 23 @ 5pm
Materials posted for Board of Directors meeting	Thurs, Mar 24
Dry-run of Board presentation	Wed, Mar 30, 11am-2pm (TBC)
Board of Directors meeting	Thurs, Mar 31, 1pm-5pm

SteerCo 5 scheduled for April 5<sup>th</sup> to regroup on Board direction, customer feedback and align on path forward



Filed: 2018-06-22  
EB-2017-0049  
Exhibit J 7.1  
Attachment 5  
Page 1 of 15



# **Good to Great Program**

## **Steering Committee meeting**

April 5, 2016

THE BOSTON CONSULTING GROUP

# Our agenda for today

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## Board meeting debrief

Stef

15 mins

- Implications for May 6 deliverables?

## Customer consultation debrief

Mike P.

15 mins

- Implications for Tx filing narrative?
- Implications for Tx investment plan?

## Good to Great efficiency inputs to Tx filing

BCG

120 mins

- Review of LoB worksheet summary
- Group discussion: Fair and adequate representation without over-committing?

## Board meeting debrief

# Key Takeaways from March 31 Board Meeting

## Tx System Investment Plan and Rate Filing



## Customer

- What is the size/value of the various segments and how do we prioritize them
- How will our customer service initiatives be impacted by expected policy changes to customer rate design (i.e. shift from variable to fixed)
- How are we leveraging CRM databases
- Consider embedding into the Design of bill how rate breakdown is presented as it will be important in how it shapes R&SB perception

## Efficiency

- View of how savings will flow to customers (via rate offsets) and how it flows to Hydro One P&L

## General

- Come back with a view on financials (i.e. TSR, 5 year outlook)
- Can we look at risks to our domestic Ontario business (i.e. disruptors to core business in Ontario)
- Can you come back with an update on SAP, IT Strategy?
- Regular updates on execution of Good to Great and Board-level tracking dashboard

# Key Takeaways from March 31 Board Meeting

## Items to Align on Today:

### 1) Why did we choose the path that we are on – what was the regulatory strategy?

- What will increase chances of success and what are the risks

### 2) Establish an overall narrative for Tx filing in light of the recent privatization and demonstrate how the incremental investment benefits the Province

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

### 3) Disaggregation of rate increases and a buildup of the elements of revenue requirement would be helpful, along with more robust analysis to support the recommendation

- To be handled in advance of or as part of submission May Board?
- Content Considerations:
  - Here's the recommendation and how it breaks down into the elements investment plan
  - How do the elements of the investment plan translate into revenue requirement and rates
  - Here's the rate impacts and customer bill impact

## Customer consultation debrief

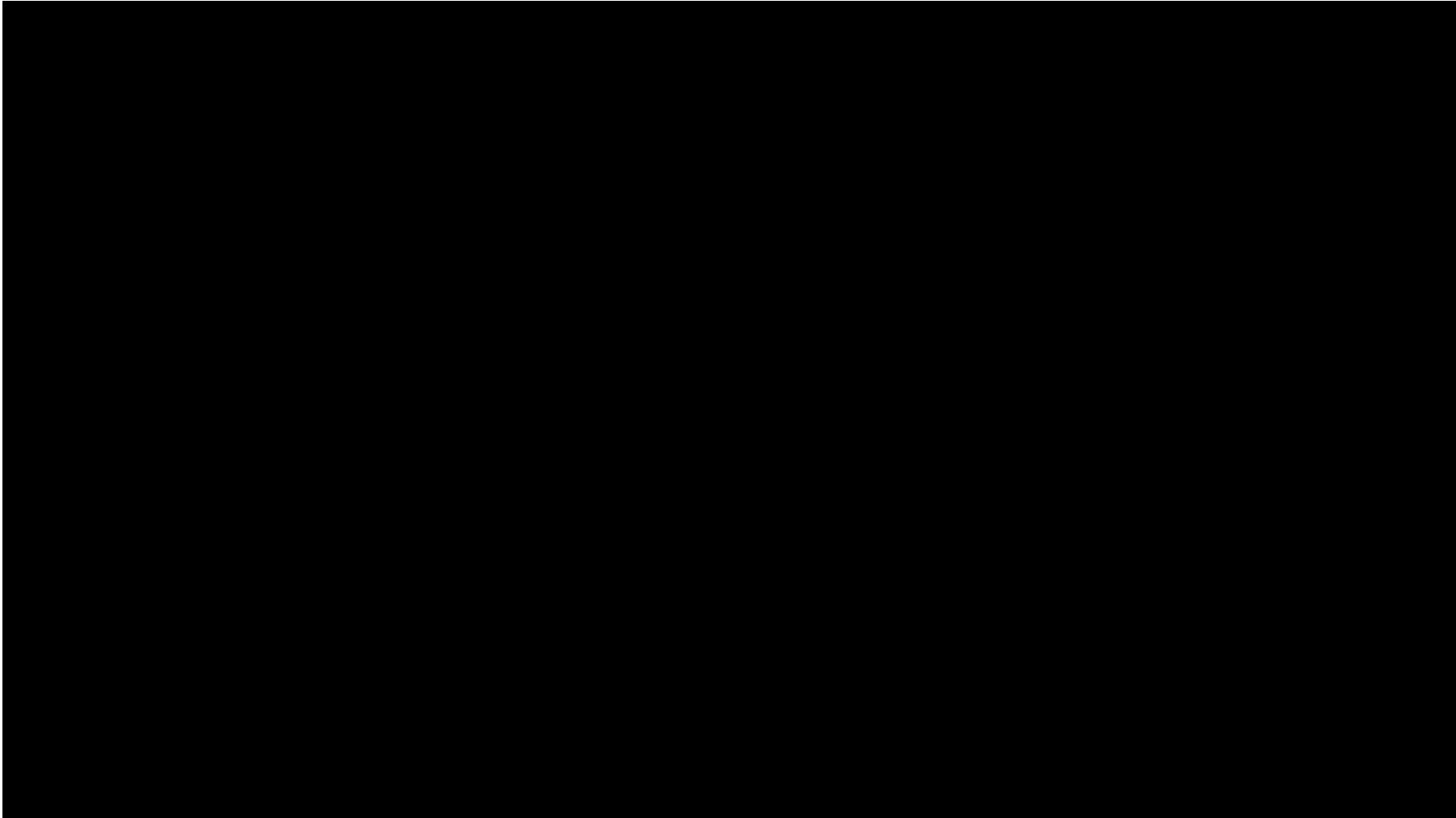


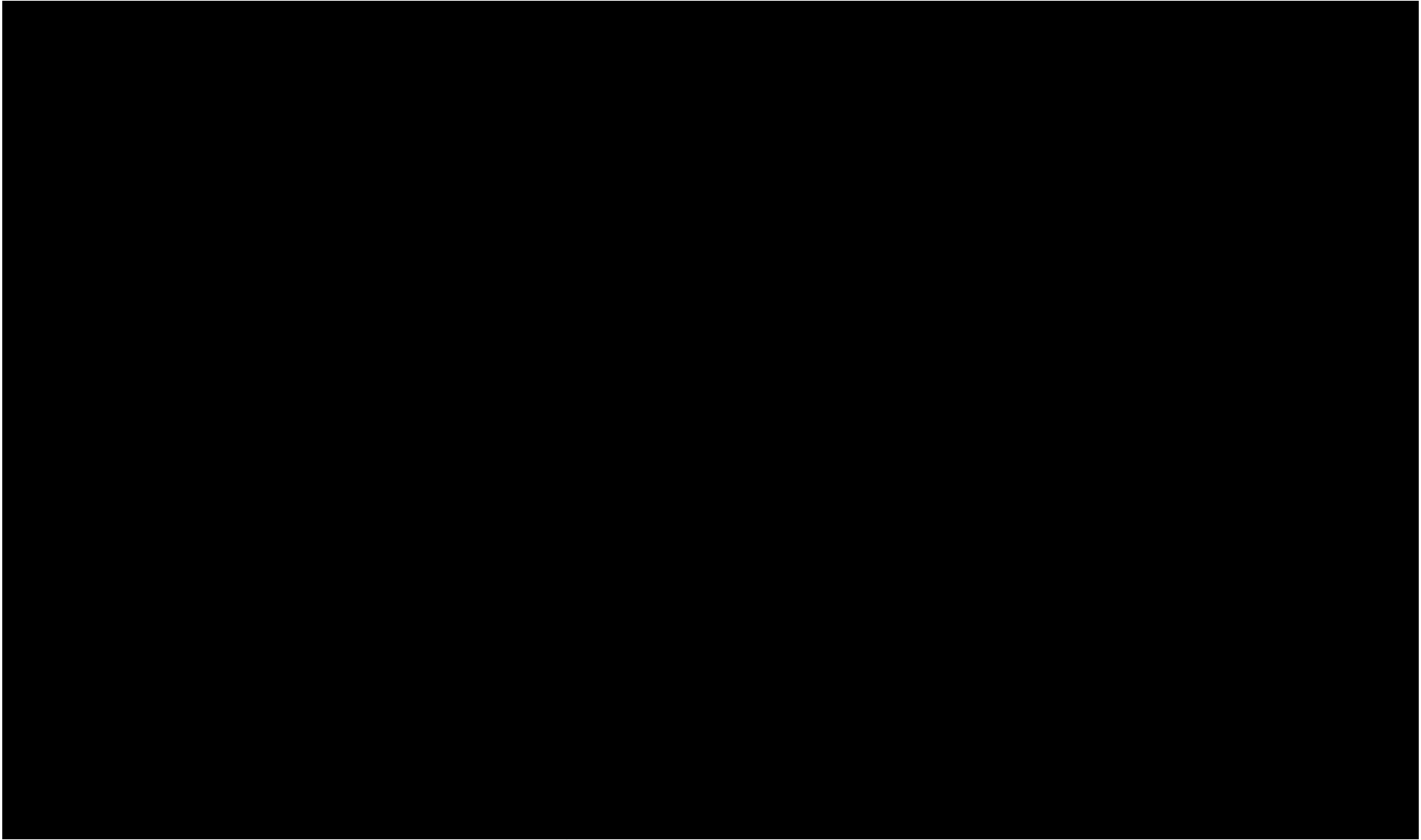
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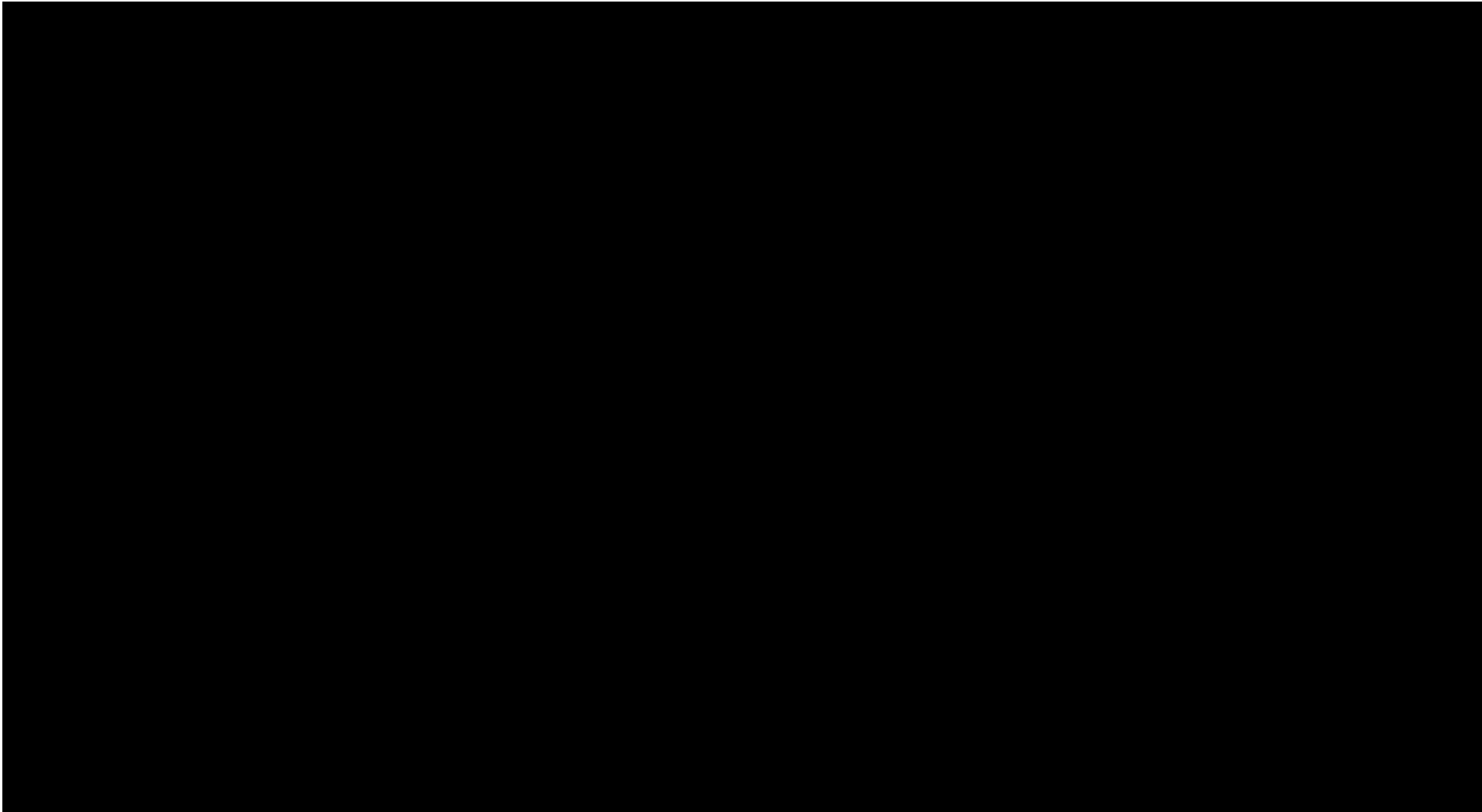
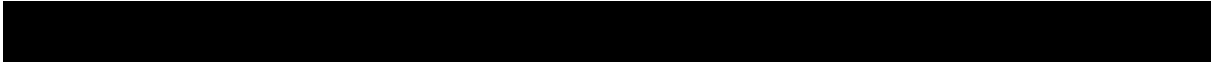
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## Good to Great efficiency inputs to Tx filing



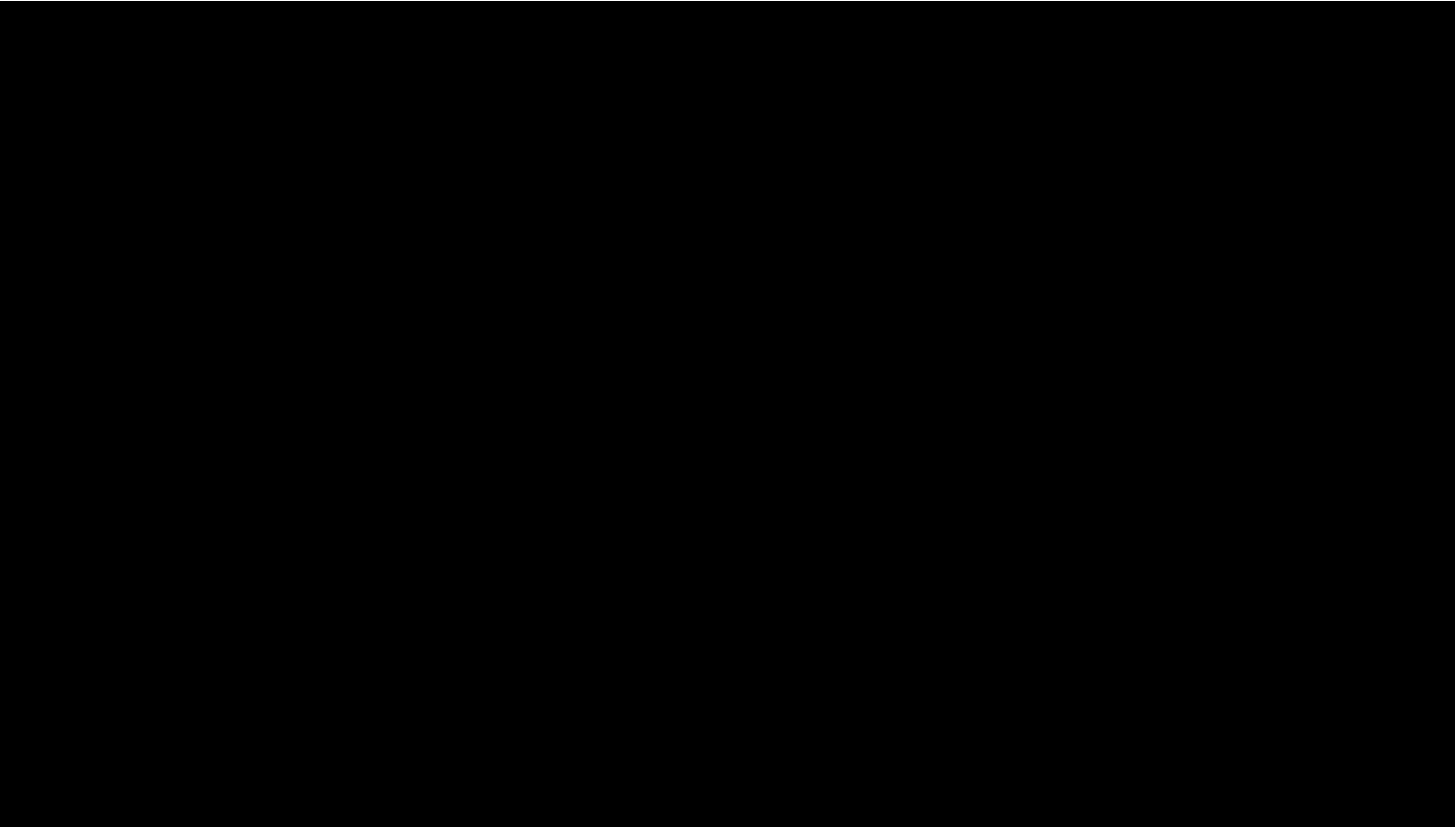




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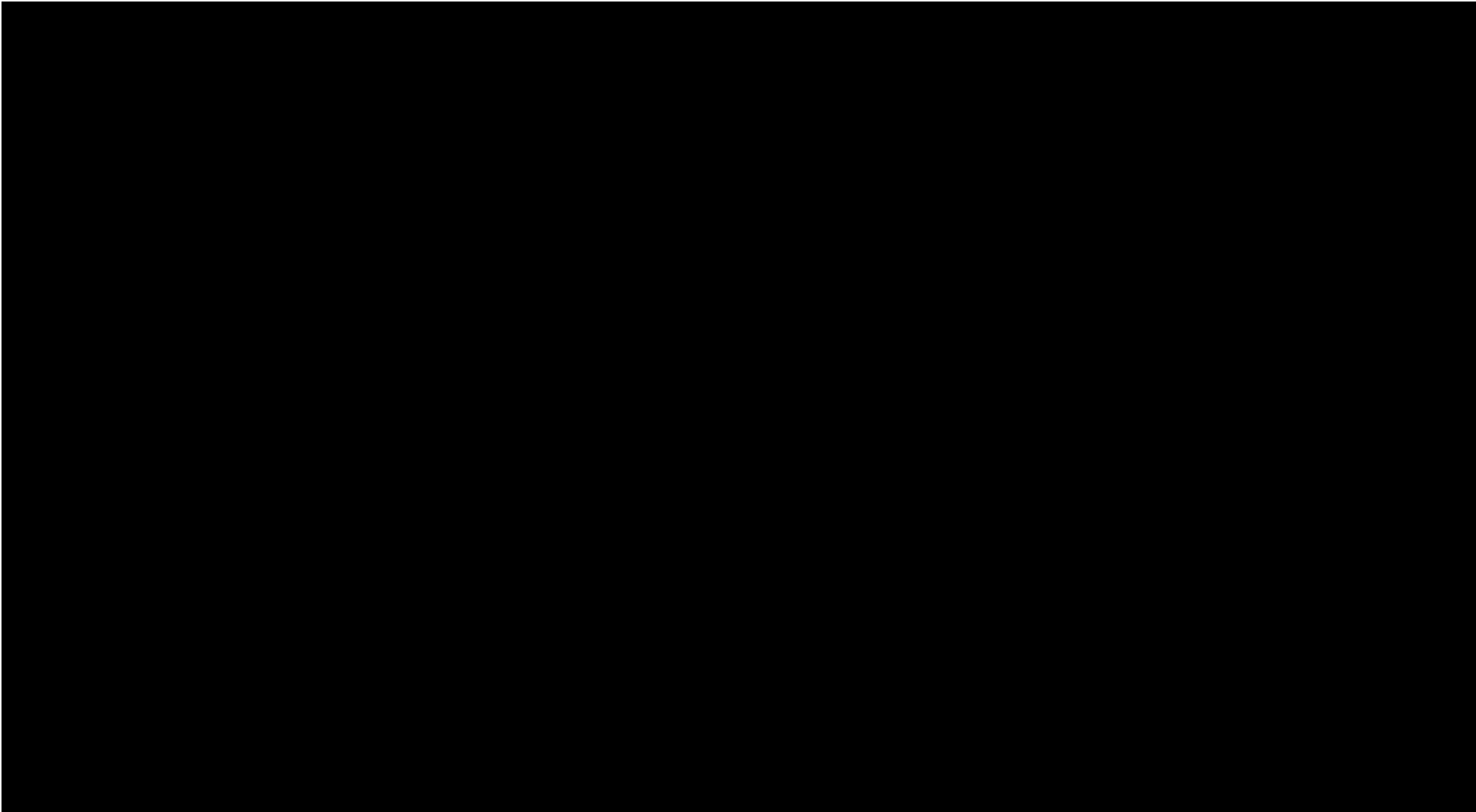
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# Next steps

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## **Finalize inputs by EOD Friday April 8<sup>th</sup>**

- Based on outcomes of discussion today

## **Looking ahead on the org front: Kicking-off our 2016 LoB plans next week**

- April 12<sup>th</sup> workshop to kickoff as a group the "2016 action planning" process
- Expect to receive excel sheet for review and inputs April 12<sup>th</sup>-18<sup>th</sup>

# Agenda for Steering Committee 6 (April 25, 9-11am)

Topic	Objectives for today	Lead	Time
Opening	<input type="checkbox"/> Safety moment <input type="checkbox"/> Review agenda for SteerCo, establish ground rules <input type="checkbox"/> Raise other questions or concerns on Board materials	Stef	10 min
Overall strategic narrative	<input type="checkbox"/> Voice over narrative and set expectations on what will (and will not) be delivered at May 6 Board meeting	Mayo	10 min
Top down 5 year financials	<input type="checkbox"/> Set the tone for business planning process forward	Mike V.	5 min
Dx filing	<input type="checkbox"/> Talk through strategy on Dx (how we file, implications) <input type="checkbox"/> Discuss approach to customer consultation	Oded & Laura	40 min
Tx filing	<input type="checkbox"/> Pressure-test rationale and brainstorm tough questions <input type="checkbox"/> Share back responses to core March Board questions	Oded & Mike P.	40 min
Closing and next steps	<input type="checkbox"/> Recap of action items to finalize Board materials	Stef	5 min