

March 26, 2019

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

Dear Ms. Walli:

**Re: EB-2018-0278 – Activity and Program-based Benchmarking Initiative - Comments**

On October 10, 2018, the Ontario Energy Board (OEB) announced it was launching an initiative to develop an Activity and Program-based Benchmarking Framework (APB) to encourage continuous improvement by regulated utilities. Following the announcement, the OEB formed a working group to gather input on identifying the significant activities and programs that could be used for performance benchmarking and to consider feedback on the overall initiative. The Consumers Council of Canada (Council) participated in the working group. On February 25, 2019, the OEB issued, for comment an OEB Staff Discussion Paper: Activity and Program-based Benchmarking in the Electricity Distribution Sector (Discussion Paper).

To support the development of a proposed APB framework the OEB staff retained two experts. Pacific Economic Group Research LLC (PEG) identified potential methodologies that could be used to benchmark activities/programs and to assess data availability. Midgard Consulting Inc. undertook a specific analysis of distributors' capital accounts and distribution system plans (DSPs) to identify accounts that would be significant to a distributor's operations and delivery service to customers.

OEB Staff has invited stakeholders to provide comments on the Discussion Paper. The Council is generally in support of the development of the APB framework. We realize this is a work in progress. The Council is making general comments regarding the Discussion Paper as it participated in all working group discussions. We agree with the following important key points set out in the Discussion Paper:

- It is recognized that the APB model will evolve, with iterative improvements leading to increased utilization of the results<sup>1</sup>;
- Effective use of APB can provide benefits to all stakeholders. Achieving these benefits requires broad stakeholder acceptance of the APB framework<sup>2</sup>;
- APB seeks to understand a utility's cost performance and allows cost comparisons with peers plus assessment of year-over-year continuous improvement in the selected activities and programs that are known to drive the quality of customers service and utility operations efficiency;<sup>3</sup>

---

<sup>1</sup> Discussion Paper, p. 5

<sup>2</sup> Ibid, p. 5

<sup>3</sup> Ibid, p. 7

- From the jurisdictional review it can be inferred that there is perceived value in pursuing benchmarking at the program level. The other key observation is that the approach will evolve from the experience of utilizing multiple benchmarking methodologies and the iterative process of improving the quality of the data and the interpretation of the results<sup>4</sup>;
- Benefits can be seen from three perspectives – Customer, Utilities and the OEB<sup>5</sup>;
- APB can be used to monitor utility performance, to review investments and expenses requested in rate applications, to encourage improved performance, and to support the development of regulatory policies<sup>6</sup>
- The APB framework development will need to consider the value of the gathering of additional data against any incremental reporting efforts for the utilities<sup>7</sup>;
- In order to facilitate the benchmarking of as many activities/programs as possible and the interpretation of benchmarking results, OEB Staff proposes using unit cost benchmarking as the primary method under APB. Econometric models can play a supporting role to enhance unit cost accuracy and usability<sup>8</sup>;
- The quality of data, in terms of accuracy and consistency across the sector, is essential to the robustness of any of the methodologies used for APB. Better data quality further enhances comparability which promotes more widespread use and acceptance of the benchmarking results.<sup>9</sup>

The Council supports the initiation of the APB Framework. We recognize that there may be concerns initially about the accuracy and consistency of the data across the sector. This should be the primary focus of the OEB Staff as this project proceeds. How can the OEB ensure that the data is reported consistently and what measures need to be in place to ensure consistency is maintained?

The Council believes that the benefits should outweigh the costs. If for example, the burden on the LDCs to produce new information outweighs the value of obtaining the benchmarking results this should be a consideration for the OEB. The Council also believes this should be a “work in progress”. As the initiative proceeds, there will be lessons learned. We suggest that the working group be maintained to deal with ongoing issues.

Overall, APB should be viewed as a positive initiative. This type of initiative has been employed in other jurisdictions and demonstrated value. It should ultimately produce value for the OEB in the areas identified in the Discussion Paper. We are hoping this will be the case. The Council appreciates the opportunity to comment on the Discussion Paper and to have participated in the working group process.

Yours truly,

---

<sup>4</sup> Ibid, p. 9

<sup>5</sup> Ibid, p. 9

<sup>6</sup> Ibid, p. 11

<sup>7</sup> Ibid, p. 13

<sup>8</sup> Ibid, p. 40

<sup>9</sup> Ibid, p. 44

*Julie E. Girvan*

Julie E. Girvan