Ms. Nancy Marconi
Registrar (registrar@oeb.ca)
Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

February 23, 2022

Dear Ms. Marconi,

RE: EB-2021-0041 London Hydro Inc. 2022 Cost of Service Application
Decision on Confidentiality dated February 22, 2022

We are writing in response to the Ontario Energy Board's ((the "OEB") decision dated February 22, 2022 with respect to London Hydro Inc.'s (London Hydro") request for confidential treatment of several documents provided through the application process (the "Decision").

In reviewing the Decision it appears that the OEB misconstrued a portion of London Hydro's reply submissions on confidentiality, and accordingly did not fully address London Hydro's reply proposal. Although London Hydro understands that it can make a request for review under Rule 40.01 of the Ontario Energy Board Rules of Practice and Procedure the nature of the misunderstanding, London Hydro believes, is such that it wanted to bring it to the OEB's attention in the event such a motion can be obviated.

The issue is restricted to the documents filed by London Hydro in response to 2-SEC-11 a) and d). More specifically, in the first instance, London Hydro filed and claimed the need for confidential treatment for the following three documents filed in response to 2-SEC-11 a) and d):

1) "Dec 2019 Board of Directors Package";

2) "April 2021 Board of Directors Package"; and

3) "CIS Refresh – Planning and Business Requirements".

In its Decision the OEB asserted that London Hydro, in its reply submissions, agreed with the submissions of OEB Staff and SEC that only the third document, "CIS Refresh – Planning and Business Requirements", should be treated confidentially:

> *While OEB Staff and SEC agreed that there was commercially sensitive information contained in 2-Staff-32 b), they argued that the request for confidential treatment of 2-SEC-11 a) and d) relating to the Customer Information System refresh project was too broad and only the document entitled CIS Refresh – Planning and Business Requirements should be treated confidentially. In its reply, London Hydro agreed.*

The OEB is satisfied that of the three documents in question, only the document "CIS Refresh – Planning and Business Requirements" contains commercially sensitive information that, if disclosed publicly, could materially impair London Hydro's procurement process for the project. London Hydro is directed to:

(a) provide individuals that have signed and filed a Declaration and Undertaking with a non-redacted, confidential version of the document "CIS Refresh – Planning and Business Requirements"; and

(b) file an unredacted copy of the other two documents on the public record.[1]

With respect, it is not true that London Hydro agreed in its reply submission that only the document "CIS Refresh – Planning and Business Requirements" required confidential treatment. As set out in its reply submissions, while London Hydro agreed that the "April 2021 Board of Directors package" could be placed on the public record, London Hydro also submitted that there was a need to redact costing information on pages 9 and 11 in the "December 2019 Board of Directors package" document and filed a version of that document with its reply submissions illustrating the proposed redaction of costing information that would serve to prejudice London Hydro's CIS procurement process:

On review of OEB Staff and SEC's submissions and the documents in question London Hydro respectfully agrees with OEB Staff's submission (which is similar in scope to SEC's submission) to the effect that of the three documents provided in response to 2-SEC-11 a) and d) only the document titled CIS Refresh – Planning and Business Requirements need to be filed on a confidential basis, the April 2021 Board of Directors package can be filed on the public record, while the December 2019 Board of Directors Package can be filed on the public record with pages 9 and 11 being redacted as it contains cost information. We have provided a version of that document with the proposed redactions.[2]

We have attached to this letter the redacted version of the "December 2019 Board of Directors Package" that London Hydro provided as part of its reply submission filed on January 17, 2021.[3] On reviewing the OEB's webdrawer listing for this application London Hydro notes that the proposed redacted version of the "December 2019 Board of Directors Package" document was filed as a separate pdf document from London Hydro's reply submission.

Given:

a) that the redacted costing information on pages 9 and 11 of the "December 2019 Board of Directors package" document is of the same commercially sensitive nature as the information in the "CIS Refresh – Planning and Business Requirements" document (which the OEB agreed should be maintained on a confidential basis),

b) the mischaracterization of London Hydro's reply submission with respect to the "December 2019 Board of Directors package" document, and

c) London Hydro's proposed redactions to the "December 2019 Board of Directors package" document were not addressed by the OEB in the Decision,

[1] EB-2021-0041, Decision on Confidentiality dated February 22, 2022, page 2.
[2] EB-2021-0041, London Hydro Reply Submissions on Confidentiality, January 17, 2022, page 2.
[3] London Hydro notes that its proposal to redact limited portions of the document rather than seek confidential treatment of the entire document was responsive to SEC's submission that "London Hydro should be required to revise its request and only seek confidential treatment over specific aspects of the attachments that are truly commercially sensitive and would harm the RFP process." (EB-2021-0041, SEC Submission dated January 10, 2022, page 2).

we are concerned that the proposed redacted version of the “December 2019 Board of Directors package” document was not before the OEB when it deliberated this issue, leading the OEB to misunderstand London Hydro’s reply submission with respect to that specific document.

Accordingly, we would respectfully ask that the OEB consider whether there was an inadvertent oversight in its consideration of the confidentiality request for the “December 2019 Board of Director package” document. If the OEB agrees that there was such an oversight, we would ask that OEB consider and accept London Hydro’s proposal in its reply submissions to redact costing information on pages 9 and 11 of the “December 2019 Board of Directors package” document without the need to file a motion for review.

Respectfully submitted,

Martin Benum
Director of Regulatory Affairs
London Hydro
Tele: 519-661-5800 ext. 5750
Cell: 226-926-0959
email: benumm@londonhydro.com

London Hydro
CIS Strategy
Board Presentation

17 December 2019

Building a better working world

Introduction
Developing a CIS strategy

London Hydro (LH)'s current CRM and Billing (Customer Relationship and Billing) solution will no longer be supported post 2025 which presents a technology obsolescence risk. Due to the complexity of these types of solutions, LH approached the market to better understand the magnitude of the risk in addition to what mitigations can address the risk via the development of a CIS strategy.

EY was selected to partner with LH to develop a CIS strategy aligned to corporate goals that would address current pain points and meet the needs of tomorrow, add value to the business and reduce LH's CIS platform complexity and cost of ownership.

Over a period of 10 weeks, EY carried out the following scope of work:

1. Conducted a **review** of London Hydro current CIS solutions (Customer Relationship Management, billing and meter data management), pain points and future vision along with market scan to determine what CIS are deployed at other North American utility companies. As a part of the review, EY conducted 15 workshops and meetings with five departments of Customer Service, Finance, Device Management, Billing and IT and met with LH leadership
2. Conducted a **review** of London Hydro's current bill imaging solution provided by an external 3rd party
3. Worked with London Hydro to conduct a business case driven options analysis to select the most feasible option
4. Collaborated with London Hydro to develop the **roadmap and the supporting business case** for the selected CIS strategy

The objective *of EY's work was to deliver a pragmatic CIS strategy and business case for London Hydro execution that not only supports the future growth for London Hydro, but also meets the needs of the future customer.*

Our observations of LH's current CIS landscape

LH is providing reliable electricity services and positive customer experience

Key highlights from our workshops include:

High accuracy in processing transactions
London achieved a billing accuracy of 99.8%, strongest quartile for cost per customer in the province

Customer-focused services
LH has achieved first contact resolution of 99.6% and an overall customer satisfaction rating of A

Stable CIS environment
Established processes around customer service, billing, device management and finance to support ecosystem

Enhanced customer experience and engagement
LH has invested in initiatives to meet customer needs such as the web-based MyLH portal for self service, Trickl app for energy management and conservation, Builder's Portal, Property Management Portal for managing tenancies and Green Button for energy usage data management

In addition, LH have realized opportunities to further streamline capabilities that include:

- Exploring alternative bill imaging solutions
- Review and implement new features in EHP8
- Optimizing collections and dunning process
- Improve service order management process for engineering and maintenance
- Improve settlement and finance processes

We advise LH to hold any investments in current system unless absolutely necessary. LH will need to assess and prioritize the mentioned initiatives

Case for change

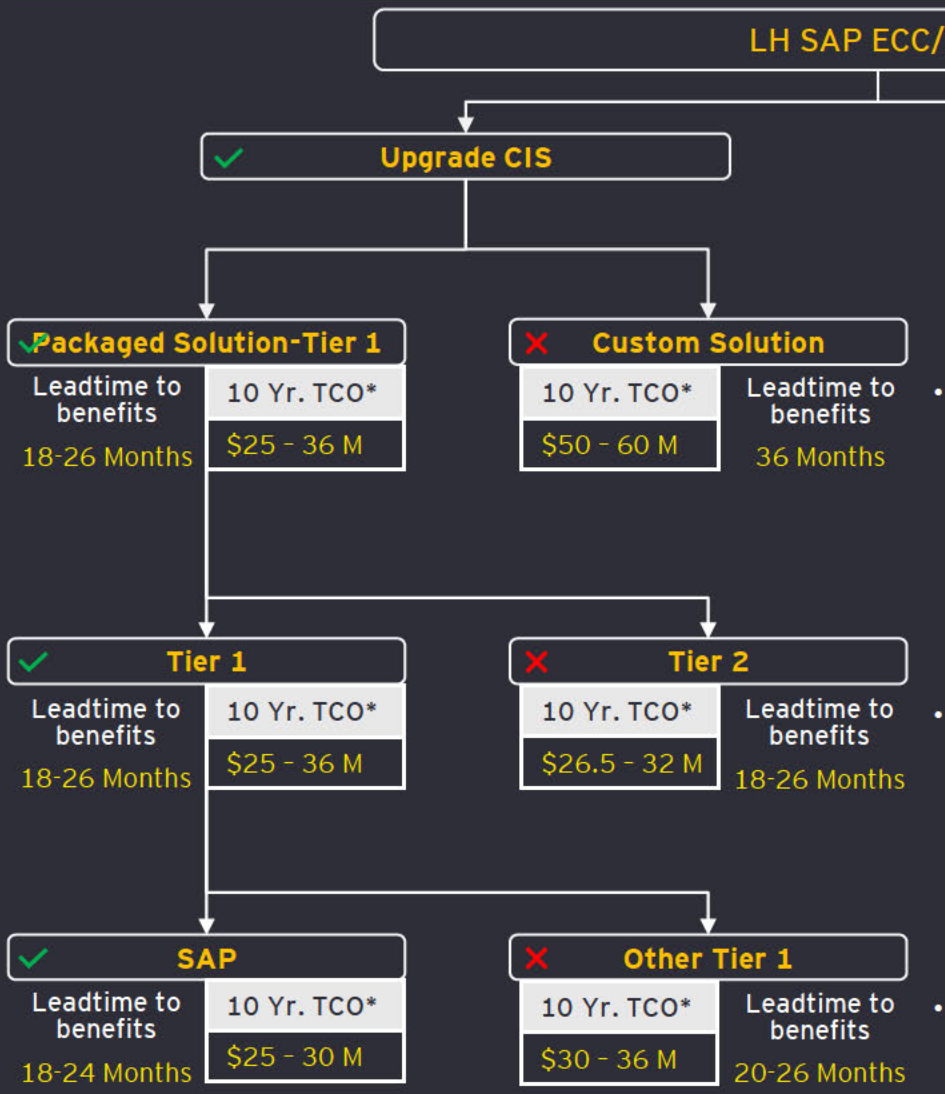
Lack of support for current CIS platform rules out the option of retaining the status quo

By 2025, the current instance of SAP will no longer be supported. With an unsupported system, there are potential risks related to critical system updates, security and technical support.

Implications for maintaining current system	Opportunities for replacing current system
Changing customer expectations Digital technology is influencing customer expectations and behaviour. A legacy system may lack the capabilities to adapt to increasing customer demands for more granular data	Establish integrated customer interaction management across departments for a 360 degree view of the customer
Inhibit digital innovation A legacy SAP system may inhibit LH's ability to leverage improvements to drive innovation or would require LH to build a complex environment around the legacy SAP instance to support innovations	Respond to increasing customer demand for personalized, real-time data
Exposure to security vulnerabilities Without critical system updates, LH will vulnerable to security threats that may expose customer information in an ever increasing digital and connected environment.	Harmonize established processes across LH departments and align to industry best practices
Regulatory and compliance issues A legacy system may have compliance issues as OEB regulations and programs continually change	Complement LH's digital agenda
Resourcing challenges It would be increasing difficult for LH to find new resources to continue supporting SAP in house and retention of existing resources will be challenging as resources inherently want to 'skill up'	Enhance data management and analytics at LH
	Manage resource risk and resource dependency

High-level CIS options decision tree

Compared to other solutions, upgrading to the latest SAP platform is the preferred option



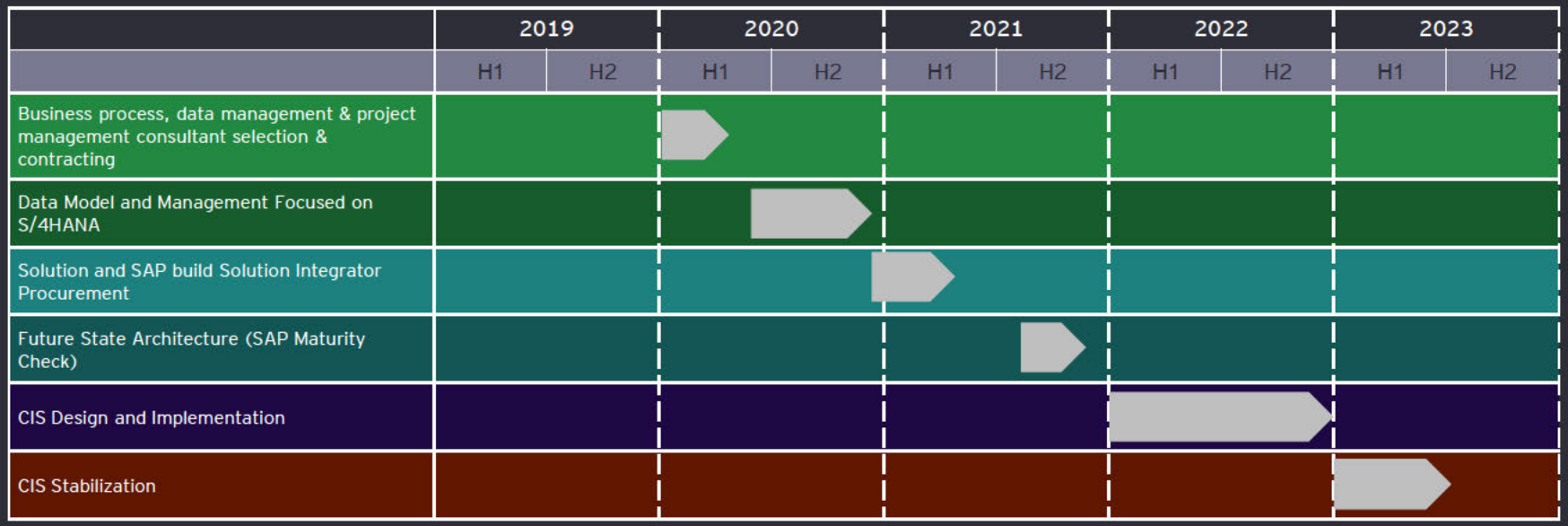
- An upgrade to SAP S/4 HANA would pre-emptively resolve the obsolescence risk. Maintaining the current system would defer the upgrade and the overall TCO would be higher.
- A Tier 1 has a lower TCO, lower implementation and operational risk in addition to a lower opportunity cost due to a high level of effort and commitment from internal resources for a custom built solution.
- A Tier 2 product will drive a higher cost to switch technology including larger OCM and training impacts. There are also limitations to vendor partners, and product capabilities which increase overall risk to meet requirements.
- LH would leverage their existing SAP experience to de-risk any implementation, in addition to limiting OCM and training impacts

*All costs are for illustrative purposes only. Final costs will depend on finalized requirements, scope of work, solution architecture and vendor discount. These are rough order of magnitude costs with a variance of +/- 30%
TCO are illustrative costs that incorporate implementation costs Subscription/ licence fees and LH support costs

Roadmap for future S/4 HANA implementation

The S/4 HANA implementation will be a technical and functional upgrade from ECC/IS-U

By 2021, market forces are expected to drive significant development in SAP accelerators and SI experience in SAP S/4 HANA implementations. An implementation in 2022 will allow LH to take advantage of these developments, mitigate implementation risks and allow for runway to prepare for CIS go live at the end of 2022



- The S/4 HANA Single Tenant Edition is SAP's latest available cloud solution, but is not a complete SaaS cloud solution. SAP plans to incorporate the Meter to Cash for energy products in the public cloud by 2020
- 2020 - we suggest LH should reassess the maturity of the SAP solution stack
- Go live date of end of 2022 provides contingency for LH prior to end of mainstream support in 2025
- 2025 is the announced end of life date for SAP ECC/IS-U systems
- Levers exist to minimize LH resource effort during phases for design and before build to allow for bandwidth for rate filing

Risks and mitigation strategies

Strategic planning and preparation needed to mitigate people, process and technology risks

People

Process

Technology

	Risk	Mitigation Strategy
	Internal resistance to change	Develop robust change management strategy and plan to promote communication of change impacts and drive awareness of project goals to all relevant stakeholders
	Ability to recruit SAP resources locally	Focus on training and reskilling internal resources; assess current end-user skillset and budget to staff project with offshore resources
	Key person dependencies	Develop an enterprise wide documentation for critical business and technology processes; create cross functional teams to facilitate interdepartmental communication and mitigate single point of failure
	Data duplication and inconsistencies across multiple systems	Identify system of record for enterprise entities, standardize information sharing across multiple application and business units; develop inventory of processes and interfaces
	Regulatory changes	Maintain routine communication with regulators and key governance structure to respond to regulatory changes appropriately
	Lack of common data definitions	Define and socialize an enterprise data dictionary; implement enterprise governance around process changes, data design, documentation and ongoing support
	Inability to scale and adapt to customer demands	Collaborate with industry consultants and SAP vendor to design a scalable CIS solution to address evolving industry trends and increasing customer demand

Recommendations for LH

Key features, outcomes and risks

Through our observations and analysis of LH's current state, our recommendation includes the following:

- Upgrade to SAP S/4 HANA cloud-based platform in 2022 to take advantage of the following:
  - Higher likelihood for advantageous pricing (SI and software)
  - Resource availability to support the upgrade
  - Minimize risk due to obsolescence
- Prioritize process standardization (where applicable) and master data management prior to implementation
- Define and socialize an enterprise data dictionary
- Implement enterprise governance around process changes, data design, documentation and ongoing support

Key outcomes

Mitigating future technology risks
As end of life for LH's current CIS approaches, a SAP S/4 HANA upgrade will mitigate the risks associated with technology obsolescence

Enhanced customer engagement
Accurate, real-time consumption data to meet customer demands with increasing analytical capabilities

System scalability and flexibility
Ability to support current needs today and tomorrow by continually enhancing service capabilities to meet customer needs

Process standardization where applicable
Opportunity to streamline and reduce resource dependencies for critical processes

Key risks

Organizational impact
As multiple departments across the organization will be affected, proper governance and change management will be required

Training
An updated CIS system will require training and process changes for end users

Implementation effort
Significant time and effort is required to ensure a successful implementation

Skilled resources
Experienced implementation resources with industry knowledge is essential to prevent cost overrun

Estimated project costs for S/4 HANA implementation

Accelerators across the SI network in 2022 drive LH costs to the lower end of benchmarks

The total implementation costs will be influenced by cost levers which include (but not limited to) the level of transformation (minimal to small), level of customization (for non-regulatory purposes), degree of interface rationalization, data conversion efforts and training of internal resources

CAPEX	Prices (in CAD)*
Total One-time Implementation Cost: (includes SI Labour cost, Hardware/Infrastructure cost, Initial Setup cost, Contingency, Travel & sundry expenses)	[redacted]

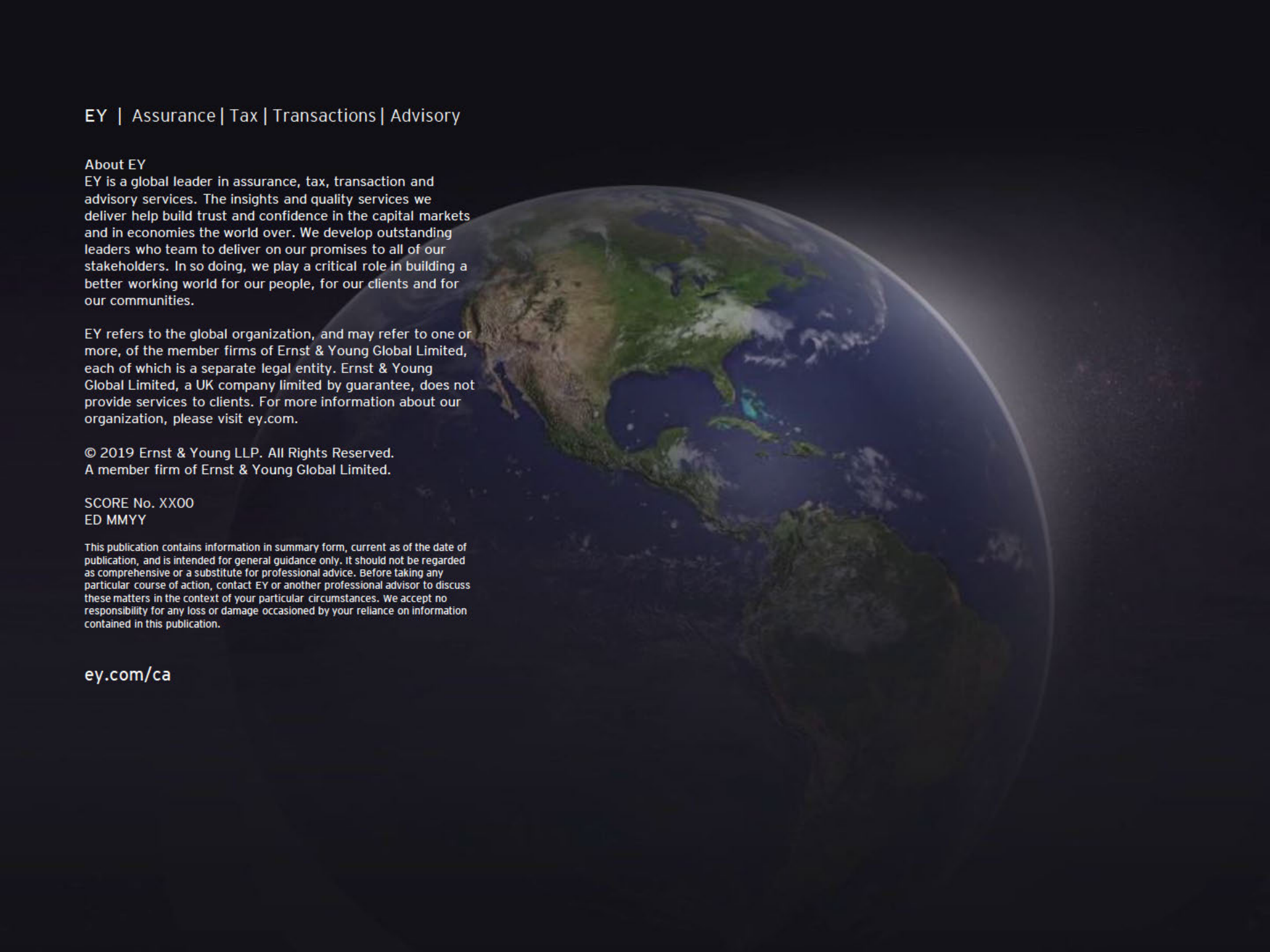
OPEX	Prices (in CAD)*	
Annual operational expenses: (includes annual SAP subscription fee, Internal IT Support cost & 3rd party testing)	Future	[redacted]
	Current	[redacted]
	Incremental	[redacted]

Typical benchmark for CIS implementation is approximately [redacted]

Utility with 380K customers (2 services, de-reg) [redacted] CAD/customer for SI cost

Utility with 500K customers (single service, regulated) [redacted] CAD/customer for SI cost

**All costs are for illustrative purposes only. The estimates are based on current market costs and might be impacted by SI resourcing costs in 2021. Final costs will also depend on finalized requirements, scope of work, solution architecture and vendor discount. These are rough order of magnitude costs with a variance of +/- 30%.*
***TCO are illustrative costs that incorporate implementation costs Subscription/ licence fees and LH support costs*



EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

SCORE No. XX00
ED MMYY

ey.com/ca

Estimated project costs for S/4 HANA implementation

Accelerators across the SI network in 2022 drive LH costs to the lower end of benchmarks

The total implementation costs will be influenced by cost levers which include (but not limited to) the level of transformation (minimal to small), level of customization (for non-regulatory purposes), degree of interface rationalization, data conversion efforts and training of internal resources

CAPEX	Prices (in CAD)*
SI Labor Costs [redacted] external to internal ratio)	[redacted]
Hardware/Infrastructure (to support full cloud model)	[redacted]
Setup	[redacted]
Contingency [redacted]	[redacted]
TOTAL	[redacted]
Travel and Expenses [redacted]	[redacted]
Total One-time Implementation Cost	[redacted]

OPEX			
Current Expense	Prices (in CAD)*	Future Expense	Prices (in CAD)*
Annual Maintenance	[redacted]	Subscription Licenses	[redacted]
Internal IT Support	[redacted]	Internal IT Support	[redacted]
External IT Support (Cloud)	[redacted]	External IT Support (Cloud)	[redacted]
Third-party Regression Testing	[redacted]	Third-party Regression Testing	[redacted]
Total Ongoing Cost	[redacted]	Total Ongoing Cost	[redacted]

*All costs are for illustrative purposes only. Final costs will depend on finalized requirements, scope of work, solution architecture and vendor discount. These are rough order of magnitude costs with a variance of +/- 30%

**TCO are illustrative costs that incorporate implementation costs Subscription/ licence fees and LH support costs