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June 26, 2025

Dear Sir/ Madam,

Advancing Performance-based Rate Regulation PIMs Discussion Paper: S&C Electric Canada Response

Thank you for the opportunity to provide written feedback on the OEB's 'Advancing Performance-Based Rate Regulation - PIMs' discussion paper.

S&C Electric Company is a global provider of equipment and services for electric power systems. Over 100 years ago, S&C transformed electricity distribution with the invention of the Liquid Power Fuse, leading to a new era of safer and more reliable power delivery. Today, S&C builds on this legacy of technology leadership to deliver innovative solutions that empower the transformation of the grid for a more reliable and sustainable energy future. We are very active in Ontario through S&C Electric Canada Ltd., providing equipment and services to electricity distributors and directly to commercial and industrial customers. We specialize in switching, protection and control equipment, all of which play a key role in improving the reliability of electricity distribution networks. As an organization we recognize that there has never been a period of greater change in the electricity sector. As energy systems transform, customers' needs and wants change including growing requirements for reliability and resilience.

One of the biggest factors impacting customers' experience both now and in the future as levels of electrification rise, is in the evolving challenge of ensuring network reliability and resilience. In regulated sectors, regulation will have a key role in driving the response of utilities to these challenges. Performance-Based Regulation has been used to support these aims and deliver better outcomes for consumers. On this basis, we very much welcome this discussion paper and we were also pleased to make an earlier submission on this important matter.

Overall, we support the OEB's proposed approach for introducing a small number of PIMs including reliability metrics. However, we consider that there are areas for further improvement such as having rewards as well as penalties for the SAIFI and SAIDI metrics and ensuring the incentives are appropriately calibrated using relevant customer research on the Value of Lost Load (VoLL). The Appendix provides a number of specific responses to the consultation questions posed by the OEB.



In Summary we consider that:

- (1) There should be rewards as well as penalties under the reliability incentives** - While, we welcome the focus on SAIFI and SAIDI reliability metrics as two of the four Performance Incentive Mechanisms (PIMs), we are concerned that the proposal only includes penalty incentives. We believe that penalty only incentives provide the wrong signal. i.e., a goal to meet the target, and no more. Greater improvements are likely to be achieved with symmetrical incentives. Provided rewards are based on customers' valuation of reliability, and there is little risk in terms of distributors overspending. LDCs will only invest where customer value is greater than the cost of the reliability improvements.
- (2) PIMs should be designed and calibrated appropriately** – In order to drive the right behaviours, targets must be challenging but achievable and should be based on robust data. The OEB suggest targets based on existing performance which may work but needs to be carefully considered. The value of incentives should reflect how customers value reliability and therefore we welcome the OEB's proposed work on VoLL.
- (3) Resiliency should also be an area of focus** – The OEB notes that this area was considered but rejected given it was “difficult to conclude which aspects of restoration are attributable to electricity distributors.” While we accept it is difficult, we do think it is possible if metrics are based on what is controllable. However, we recognize this might be a PIM for the future rather than a priority now.

Yours sincerely,

A handwritten signature in black ink that reads "C. Watts." with a horizontal line underneath.

Chris Watts

Director – Regulatory Affairs



Appendix: Responses to OEB questions

We directly address a number of the questions posed by the OEB below.

PIM 2 – System Average Interruption Duration Index (SAIDI)

Question 10. Are you supportive of implementing a PIM related to SAIDI? If not, why not?

Yes, we are supportive of implementing a PIM related to SAIDI. This is one of the key aspects of LDC performance that customers value as shown in Appendix A of the discussion paper. Further, with the energy transition an increasing proportion of customers' energy and transport needs will depend on the electricity system, and therefore the value of electricity distribution reliability will be increasing.

Question 11. Are there any specific characteristics of the SAIDI PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?

a. Please describe the issues and present alternative characteristics, if possible.

Yes, we are concerned with the OEB's proposal for the SAIDI PIM to be penalty only. Penalty only incentives are most effective where the intention is to maintain the status quo or prevent performance from deteriorating. Given the energy transition, the value of reliability is increasing and it's therefore important to have incentives that provide the opportunity for rewards as well as penalties. This would allow LDCs to optimize reliability based on both the value to customers and the costs of investment to improve reliability.

The discussion paper notes that one approach to determining whether a PIM is reward only, penalty only or financially symmetric is whether the distributors have been required to produce the outcome in the past. Where this is the case, for example for more traditional outcomes such as reliability, the PIM would be penalty only.

We note that financial reliability incentives are among the most common PIMs globally based on traditional reliability metrics. While Hawaii and New York have penalty only incentives, more typically these incentives are symmetric with reward as well as penalty components. For example:

- The Australian Energy Regulator's Service Target and Performance Incentive Scheme¹ (STPIS) in Australia has rewards and penalties for SAIFI and SAIFI
- The New Zealand reliability incentives² include symmetric incentives on SAIFI and SAIDI
- The British Interruption Incentive Scheme (IIS) for RIIO-ED2³ includes both rewards and penalties. Ofgem has recently confirmed that this incentive will continue into RIIO-ED3.

¹ <https://www.aer.gov.au/system/files/AER%20-%20Service%20Target%20Performance%20Incentive%20Scheme%20v%202.0%20-%202014%20November%202018%20%28updated%2013%20December%202018%29.pdf>

² https://comcom.govt.nz/_data/assets/pdf_file/0027/363285/EDB-DPP4-Final-decision-Reasons-paper-Attachment-E-Setting-quality-standards-and-incentives-20-November-2024.pdf

³ <https://www.ofgem.gov.uk/sites/default/files/2022-11/RIIO-ED2%20Final%20Determinations%20Core%20Methodology.pdf> , page 160



- The Italian reliability incentives include both rewards and penalties.⁴
- The reliability incentives in place on ComEd⁵ and Ameren Illinois⁶ in the U.S. are symmetric.

PIM 3 – System Average Interruption Frequency Index (SAIFI)

Question 12. Are you supportive of implementing a PIM related to SAIFI? If not, why not?

Yes, our answer is the same as for question 10 above.

Question 13. Are there any specific characteristics of the SAIFI PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?

a. Please describe the issues and present alternative characteristics, if possible.

Yes, we are concerned with the OEB's proposal for the SAIFI PIM to be penalty only. Penalty only incentives are most effective where the intention is to maintain the status quo or prevent performance from deterioration. Given the energy transition, the value of reliability is increasing and it's therefore important to have incentives that provide the opportunity for rewards as well as penalties. See our further explanation in our response to Question 11 above.

PIMs Considered but not Included

Question 18. Looking at the PIMs considered but not included (Table 10 in the Discussion Paper), which of these PIMs deserve further consideration?

a. Please describe why the PIM deserves further consideration and what the characteristics of this PIM may be.

We consider that resiliency merits further consideration. The Customers Experiencing Long Interruption Duration metric which has been proposed is part of a PIM that is currently in place for ComEd in Illinois for disadvantaged communities might be a useful example.

While we accept it is more difficult to develop broader metrics for resiliency, we do think it is possible if based on what is controllable. However, this might be a PIM for the future rather than an immediate priority.

Incentive levels

Question 22. Do you agree with the methodology presented for setting the incentive levels for the PIMs? If not, which aspects of the incentive setting methodology do you disagree with and why?

⁴ <https://www.cired-repository.org/server/api/core/bitstreams/11baa975-40da-4508-a96c-d3af9983f994/content>

⁵ https://icc.illinois.gov/api/web-management/documents/downloads/public/Performance%20Metrics%20Workshop_ComEd%20presentation_3-4-25.pdf

⁶ https://s21.q4cdn.com/448935352/files/doc_events/2023/Dec/18/ameren-illinois-electric-myrrp-rate-review-final.pdf



We support the approach of carrying out empirical work to determine the incentive levels. We consider customer research on the value of reliability or VoLL is the best approach for informing the value of incentives for the reliability metrics.