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August 12, 2013

VIA EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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Dear Ms. Walli:

**Re: Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors
Board File No. EB-2010-0379
Vulnerable Energy Consumers Coalition (VECC) Comments**

As Counsel to the Vulnerable Energy Consumers Coalition (VECC), I am writing, per the Board's letter of July 4th, to provide VECC's comments regarding the Staff Report on the above issue.

The following comments are organized in accordance with the questions set out by the Board in its letter of July 4, 2013. For completeness and context the Board's preamble to each set of questions has also been included.

A. Existing Service Quality Requirements

Preamble:

The Board has implemented a "standards approach" to service quality requirements for electricity distributors. Distributors are currently required by the Distribution System Code to meet prescribed customer service performance standards in relation to the following:

- Connection of New Services;
- Appointment Scheduling;
- Appointments Met;
- Rescheduling a Missed Appointment;
- Telephone Accessibility;
- Telephone Call Abandon Rate;
- Written Response to Enquiries;
- Emergency Response; and
- Reconnection Standards.

Under the “standards approach”, compliance with the performance standard is mandatory and can be enforced through the Board’s compliance process.

Question #1: The existing service quality requirements (whether as mandatory requirements or as reported indicators) have been in place for a number of years. Do the prescribed performance standards set by the Board for distributors continue to be appropriate? Why? Why not?

VECC Comments

The following chart summarizes the current prescribed service quality standards set by the Board.

Item	DSC Reference	Requirement	Standard
Connection of New Services	Section 7.2	Low Voltage – 5 business days High Voltage – 10 business days	At least 90% of the time on an annual basis
Appointment Scheduling	Section 7.3	Schedule for within 5 days Arrive on day scheduled	At least 90% of the time on an annual basis
Appointments Met (presence required)	Section 7.4	Arrive within specified 4 hour window	At least 90% of the time on an annual basis
Rescheduling Missed Appointment	Section 7.5	Inform (prior to) if appointment to be missed Reschedule within one day	Meet 100% of time
Telephone Accessibility	Section 7.6	Incoming calls answered within 30 seconds	At least 65% of the time on an annual basis
Telephone Call Abandon Rate	Section 7.7	Calls abandoned before answered	10% or less on an annual basis
Written Response to Enquiries	Section 7.8	Sent within 10 business days	At least 80% of the time on an annual basis
Emergency Response	Section 7.9	60 minutes in urban areas 120 minutes in rural areas	At least 80% of the time on an annual basis
Reconnection Standards	Section 7.10	Within 2 business days	At least 85% of the time on an annual basis

When considering the Board’s question it is important to recognize the context in which the above service standards are applied by the Board, namely:

- They are mandatory standards which must be met as part of a Distributor's License conditions
- They apply to all licensed distributors in the province
- Meeting standards has a cost which is ultimately reflected in the rates paid by Distributors' customers.

Given this context it is VECC's view there must be strong evidence that customers view the current requirements and associated standards in a particular area as either a) an unacceptable level of performance or b) a higher level of service than they expect/require before requirements and/or standards are either increased or decreased respectively.

In VECC's view there is no evidence, at this time, that would suggest the current requirements and associated standards are inappropriate. However, this may be, at least in part, due to the fact that there has been no coordinated effort to determine the preferences of customers in these areas. It is also likely due, in part, to the fact there is currently no requirement for utilities to make the prescribed service quality requirements or the actual results widely known to their customers. However, this latter shortfall will be addressed, to some extent, with the introduction and publication of the Board's prescribed Scorecard.

On page 25 of the Staff Report, it is stated that "the Board currently monitors customer satisfaction through a number of existing measures". In VECC's view these measures do not in themselves indicate customer satisfaction they are simply an indication of utility performance. Whether customers are satisfied when the Board's performance targets are met and/or dissatisfied when they are not is a separate question. The Pollara research conducted as part of EB-2010-0249 explored this question but just with respect to reliability standards. The Board may wish to consider undertaking a similar initiative, but this time focusing on customer service standards. Going forward, another potential source of information on this issue will be the customer satisfaction surveys that the Staff Report has recommended be undertaken by all distributors.

Finally, this does not mean that individual utilities cannot identify higher levels of service expectation as being a key preference of their customers and adopt distributor-specific standards that exceed the minimum levels prescribed by the Board.

B. Customer Satisfaction Surveys

Preamble:

In the Staff Report, Board Staff recommends that distributor customer satisfaction surveys be centrally guided by the Board and undertaken by the distributors. Board staff believes this approach will:

- build on existing surveys/practices (whether annual perception surveys, transaction surveys or other methods) that are already being conducted by distributors;
- avoid duplication of efforts (and therefore will be less costly in the long run); and
- encourage a distributor to "continuously improve its understanding of the needs and expectations of its customers and its delivery of services." Distributors across the Province do not have the same customers and therefore may not have the same priorities with respect to continuous improvement. A distributor's customer satisfaction results need to be internalized and operationalized by that distributor.

Board staff recommends that distributors retain the discretion on how to conduct their customer satisfaction surveys (e.g., annual perception, on-going transactional survey, focus group, telephone, “in-house”, outsourced, joint, etc.). However, Board staff recommends that distributors be expected to follow good survey practices, and recommends that distributors be asked to describe how they conduct their surveys in the management discussion and analysis section of the Scorecard. In addition to helping the Board understand the distributor’s results, the sharing of this information may be beneficial to other distributors pursuing continuous improvement in their own approaches to customer satisfaction.

Question #2: If Board staff’s recommended approach were implemented:

- a. How might the sharing of information amongst distributors be facilitated to encourage “good survey practices”?
- b. How would the Board know that a distributor’s survey has been designed and implemented following “good survey practices”?

VECC Comments

Before addressing the Board’s questions, VECC notes that the question as to whether the surveys should be centrally designed and administered (e.g. by the Board) or developed and administered depends on the objectives of the process. If the main objective is to compare the performance across distributors then a centrally designed and administered survey is best suited to the task. In the alternative, if the purpose is to: i) provide distributors with input that will help them better identify and respond to their customers’ needs and ii) demonstrate to Board the extent to which they are doing so, then a locally designed survey is preferable (i.e. one that can be tailored to locally identified issues). In VECC’s view the later alternative (and associated approach) are best aligned with the overall objectives of the Board’s RRFW.

At the same time, it is important that the surveys be “valid” and, to this end, it is important that the Board establish standards/guidance as to how the surveys should be carried out. Furthermore, if the surveys are to provide useful insight into how distributors are performing overtime (i.e. are they improving) then it is also important that there be, at least, a core set of questions and question areas that are standard and do not change overtime. This is also an area where Board can provide some guidance and direction. In VECC’s view, the customer service areas noted on page 29 of the Staff Report represent the core areas that should be canvassed on a regular and consistent basis.

One issue VECC can foresee arising is that, since very few customers actually interact with their electricity distributor other than through regular bill payments, until the Scorecard is widely available, most customers will have little to no information on the actual performance of their distributor and therefore little to base an “informed response” on. This applies both the distributor’s performance on individual customer service activities as well as the distributor’s overall performance with respect to cost and rates relative to that of other distributors. This situation should improve over time as the Scorecard results for distributors are made available to customers. However, it does highlight the need for the Scorecard to be readily accessible through means such as the web and perhaps even bill inserts. The Board should ensure that distributors take the appropriate steps to make their Scorecard results available to their customers. Even after the Scorecard results are widely available it will be important for the

customer surveys to separate out the views of customers who have had actual experience with the distributor with regard to a particular area of customer service versus those that are responding from general impressions.

With respect to the Board's specific questions, there are established arrangements already in place by which distributors share information (e.g. the CHEC group, the CLD and the EDA) and VECC expects that distributors would use them to share information regarding "good survey practices". Indeed, in order to avoid "re-inventing the wheel" and to "learn from the mistakes others" VECC expects that distributors will actively seek out information on best practices and that encouragement from Board should not be required.

However, if the Board wishes to be "pro-active" in this area it could, on its own (or request the EDA to), facilitate a process whereby distributors that currently do undertake customer satisfaction surveys are identified and these distributors are then "invited" (not directed) to share their approaches with other distributors. This sharing could be done in person or via web/teleconferencing.

VECC notes that the staff recommendation (page 30) includes requiring distributors "to describe how they conducted their customer surveys in the management discussion and analysis section of the Scorecard". One way for the Board to know that distributors are following good survey practices would be to require distributors, as part of this discussion, to provide information (e.g. credentials, etc.) on any 3rd parties employed to assist with the design and/or implementation of their customer satisfaction survey.

Question #3: The Staff Report notes that the results of locally undertaken customer satisfaction surveys may not be readily comparable across distributors. What are the implications, if any, of customer satisfaction surveys not being comparable across distributors?

VECC Comments

VECC acknowledges that locally undertaken surveys will produce results that are not readily comparable across distributors. However, as discussed above, the main purpose of the surveys is not so that distributors can be compared against each other based on "customer satisfaction". This being said, it is obvious that the results will be compared across distributors.

If the Board is interested in creating some degree of comparability, this could be done by requiring all distributors to include (in their "surveys") a few common questions – which would focus on overall customer satisfaction and specific service areas. Again VECC considers the key service areas identified in the Staff Report (page 29) to be good starting point. The Board should also consider periodically (say every 3-4 years) undertaking a province-wide survey of its own.

Question #4: To help the Board understand distributors' existing practices, the Board asks all distributors to provide with their written comments an overview of how they conduct their customer satisfaction surveys.

VECC Comments

Not applicable.

C. 1st Contact Resolution

Preamble:

In the Staff Report, Board staff recommends that a measure of 1st Contact Resolution be reported on the Scorecard. Board staff acknowledges that information to assess this measure may be gathered in different ways. Furthermore, Board staff does not believe it necessary for the Board to prescribe how 1st Contact Resolution information is gathered at this time. Rather, Board staff thinks that establishing a 1st Contact Resolution expectation will encourage distributors to focus on what they are expected to achieve, not a prescriptive “how” to achieve it. However, Board staff recommends that distributors be asked to describe how they are gathering 1st Contact Resolution information in the management discussion and analysis section of the Scorecard. In addition to helping the Board understand the distributor’s results, the sharing of this information may be beneficial to other distributors pursuing continuous improvement in their own approaches to 1st Contact Resolution.

Question #5: If Board staff’s recommended approach were implemented, how might the sharing of information amongst distributors be facilitated to encourage the pursuit of “best practices” in relation to 1st Contact Resolution?

VECC Comments

- Please refer to the comments made in response to Question #2 and below.

Question #6: To help the Board understand distributors’ existing practices, the Board asks distributors that currently measure 1st Contact Resolution to provide an overview of their approach in their written comments.

VECC Comments

With respect to customer calls and first contact resolution, VECC is of the opinion that customer calls come in three forms: i) inquiries (i.e. “how can I ...”); ii) complaints about specific utility actions (i.e. why did you/why do you/why don’t you ...”); and iii) more general questions/complaints to the utility (“why is this done”). Some of these calls may be misdirected and be regarding issues which are not within the responsibility of the utility. It is important for any reporting system to be able to separate out those calls regarding issues not within the utility’s responsibility.

Ideally, the utility’s representative can explain such (misdirected) issues and point the customer in the correct direction (i.e. to whoever has responsibility). While tracking utility performance on such calls is of interest, it should not be the primary focus of this measure. What is of prime concern is how effectively the utility deals with calls regarding matters that do fall within its realm of its responsibility

VECC supports the use of First Contact Resolution as both service quality measure for utilities and a measure for the Scorecard. In VECC’s view it is the first category of customer calls (i.e. inquiries) that lend themselves most readily to reporting from a “first contact resolution” perspective. However, first contact resolution reporting should attempt to track how well the utility manages to address all three noted categories of customer calls.

Finally, as well as reporting the % of calls where 1st contact resolution was achieved, VECC believes it would also be useful for distributors to report the total number of “complaint” calls received (i.e. categories (ii) and (iii)) versus the number of inquiries. Such reporting would be instructive in illustrating whether a utility’s customer service focus and overall customer communications are addressing the needs of customers. Furthermore, a review of the issues most frequently raised in calls would help the distributor determine which customer service areas need to be focused on for improvement in the future. To do so, inquiries and complaints will need to be categorized in a meaningful way (e.g. rates, interruptions, service requests/response etc.). In order to address utility concerns regarding high frequency complainers the metric could track number of accounts making complaint calls as well as the number of calls actually received.

D. Billing Accuracy

Preamble:

In the Staff Report, Board staff recommends that a measure of Billing Accuracy be reported on the Scorecard and notes that a measure would need to be developed.

Question #7: To help the Board understand distributors’ existing practices, the Board asks distributors that currently measure Billing Accuracy to provide an overview of their approach in their written comments.

VECC Comments

Not directly applicable. However, VECC notes that it is important to clearly distinguish between “metering accuracy” and “billing accuracy”. Also, with the advent of smart meters and the SME, it will be important to clearly distinguish between those activities that distributors are responsible for and should therefore be “judged” on versus activities that are the responsibility of the SME.

E. Regulatory Return on Equity

Preamble:

In the Staff Report, Board staff recommends that a distributor’s achieved Regulatory Return on Equity (ROE) be reported on the Scorecard; however, Board staff does not recommend that a “target” for the ROE be displayed on the Scorecard.

Question #8: Should the Board’s allowed ROE be included as a “target” on the Scorecard? Why?

- a. If the Board’s allowed ROE were included on the Scorecard, which value would be appropriate: the recent value determined by the Board in its annual Cost of Capital Parameter Update (e.g., in the illustration of Board staff’s recommended Scorecard, this would be the value for 2011); or the value of the ROE that is embedded in the distributor’s base rates? Please provide a rationale for your response.

VECC Comments

VECC agrees with the comments in the Staff Report (page 44) that the allowed ROE is not a “target” in the same sense as the targets or standards the Board has established for service and reliability measures. However, in any given year most distributors will be under PBR-based

regulation, and therefore if the ROE is materially different from what has been historically allowed by the Board there will be some interest in knowing how the distributor's ROE compares with the +/- 300 basis points dead band. In VECC's view this is something that, when relevant, could be addressed in the management discussion that will accompany the Scorecard.

F. The Scorecard

Preamble:

In the Board Report, the Board concludes that a Scorecard will be used to monitor individual distributor performance and to compare performance across the distribution sector. The Board Report further explains that "the Scorecard effectively organizes performance information in a manner that facilitates evaluations and meaningful comparisons [year-over-year and across the sector], which are critical to the Board's rate-setting approach under the Renewed Regulatory Framework."¹ The Board Report also states that distributors will be required to report their progress against the Scorecard on an annual basis.²

In the Staff Report, Board staff notes that it drafted its recommended Scorecard with this direction in mind.

Question #9: The Scorecard has to be relevant and meaningful to all, including consumers. How might the results presented on Board staff's recommended Scorecard be summarized in a manner that might be most easily understood by consumers?

VECC Comments

As noted above, VECC is in favour of a publically available (web and/or bill insert published) Scorecard. However, in order for the Scorecard to be meaningful to consumers it must aim for simplicity in terms of format and understandability.

VECC notes that the Pollara research and the Bain & Company Report cited by Board Staff indicate that among the highest (if not the highest) concern of utility customers is their utility's costs (rates). It is important that the Scorecard clearly communicate information in this regard in any publicly disseminated version. To this end, VECC is concerned that customers may find it difficult to readily interpret/understand the sophisticated types of cost benchmarking developed by PEG for 4GIRM. Consumers are most interested in rates and rate increases. Other measures that are more easily understood, such as average rate increases over the last 5 years (i.e. one cost of service cycle) and relative rate/bill comparisons across similar distributors, may have to be considered. This may be particularly important if there appears to be any significant disconnect between distributors' relative cost rankings and their overall performance in terms of relative rates levels vis-à-vis other distributors. (Note: Such results could arise using PEG's cost benchmarks as they are not directly related to distributors' revenue requirements)

Similarly, with respect to the existing system reliability measures (SAIDI/SAIF), VECC notes that comparison among utilities or from year to year for the same utility are largely irrelevant unless one understands the causes of the disruptions. As a result, it may be more useful to compare interruptions caused by equipment failure (potential indicative of undercapitalization or maintenance issues); and/or those related to planned outages (potentially showing system design

issues) as opposed to comingling these events with outages caused by weather or other factors that are beyond the utility's control.

G. Other Issues/Observations

G-1 Customer Satisfaction versus Customer Engagement

In VECC's view there is a clear distinction between customer engagement and customer satisfaction. As noted on pages 14-16 of the Staff Report, customer satisfaction results from a utility identifying and then addressing the needs/preferences of its customers. In contrast, customer engagement is the process by which a utility determines: a) the needs/preferences of its customers and b) the degree to which it is meeting those needs and preferences. While customer engagement (in and of itself) may enhance customer satisfaction (e.g. customers feel their needs/wants are being listened to), real customer satisfaction arises when utilities undertake initiatives that respond to customer preferences and needs. In the context of the Renewed Regulatory Framework (page 2) – customer engagement (including customer satisfaction surveys) is the activity while customer satisfaction is the result.

G-2 Gauging Customer Satisfaction

With reference to the Staff Report (page 20), in VECC's view there is a clear difference between customer satisfaction surveys and customer transactional surveys. The later focus on specific activities (e.g. service connection, call centre response, etc.) and seek input on a utility's performance in these areas as it relates to specific transactions that have recently occurred. In contrast, customer satisfaction surveys have a broad scope and seek to determine the utility's performance overall and those areas in which it particularly excels or is deficient. Each plays a different role. For example, transactional surveys can be a useful tool in determining how and what improvements should be made in those areas where more general customer satisfaction surveys have determined that customer preferences and needs are not being satisfied. In the context of Scorecard, what is required is the type of input that is more typically received through broader customer satisfaction surveys as opposed to activity specific focused transactional surveys.

G-3 Overall Cost Performance

The Staff Report (page 39) supports Dr. Kaufmann's recommendations regarding how the total cost benchmarking results should be presented on the Scorecard. However, VECC notes that the question of exactly what approaches and/or measures will be used to benchmark utilities in terms of cost performance is still an unresolved issue that is currently before the Board. In VECC's view this entire aspect of the Scorecard will need to be revisited once the Board has made its determinations regarding the cost benchmarking to be used for purpose of the assigning stretch factors under its 4GIRM, taking into consideration the issues already discussed in response to Question #9 (see above).

G-4 Public Policy Responsiveness

Staff recommends (Staff Report, page 41) that the Net Peak Demand (MW) and Net Cumulative Energy Savings (GWh) be included on the Scorecard. However, on their own, the MW and GWh savings figures are somewhat meaningless. In VECC's view, what is more important is each distributor's progress towards meeting the targets that have been set for it. In this context, a "percent" of target figure may be more useful and relevant.

Thank you for the opportunity to comment.

Yours truly,



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