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VIA COURIER and RESS FILING

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

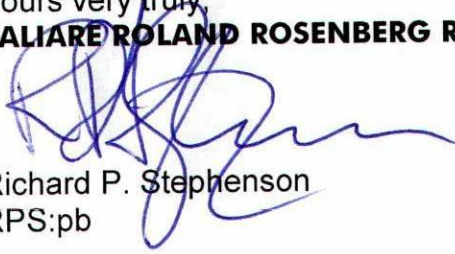
Dear Ms. Walli:

**Re: Electricity Distribution System Reliability Performance Targets
EB-2014-0189**

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find the PWU's comments on the Board staff Discussion Paper, *Electricity Distribution System Reliability Measures and Targets* as well as the questions provided in the Board's letter of July 15, 2014.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP


Richard P. Stephenson
RPS:pb

Encl.

c: John Sprackett, PWU (*via email*)
Kim McKenzie, Elenchus (*via email*)

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Electricity Distribution System Reliability Performance Targets Submission of the Power Workers' Union

I. BACKGROUND

On September 18, 2013 the Ontario Energy Board (the "OEB" or "Board") issued a letter announcing the commencement of the electricity distribution reliability standards and presented a work plan to complete the following objectives:

- **Establishment of specific performance standards for the existing system reliability measures. (SAIDI and SAIFI)**
- **Develop and implement new customer specific reliability measures (e.g. customers experiencing multiple interruptions), and the monitoring of momentary outages.**

The Board retained Pacific Economics Group Research LLC to facilitate the discussion on the objectives of this initiative and prepare reports on two topics:

The first report is an analysis of historic Ontario distributor reliability performance data that has been filed with the Board. This analysis considered how distributor specific performance standards should be set.

The second report is an analysis of the issues related to establishing customer specific reliability measures. This analysis includes a review of the use of such measures in other jurisdictions and any technical/engineering issues that have been experienced by those who implemented these types of measures.

On March 5, 2014, the Board released the *Report of the Board Performance Measurement for Electricity Distributors: A Scorecard Approach* and stated that each measure included on the Scorecard will have an established minimum level of performance that a distributor is expected to achieve. The Board states that distribution system reliability performance measures and targets are one of the key performance measures to be used when assessing the achievement of *operational effectiveness* – one of the four outcomes identified in the Board's Renewed Regulatory Framework

("RRF"). The Scorecard will therefore include two of the Board's existing system reliability indicators: SAIDI (Loss of Supply) and SAIFI (Loss of Supply).

On July 15, 2014 the OEB posted a Board staff *Discussion Paper* ("Discussion Paper"), *Electricity Distribution System Reliability Measures and Targets* as the next step in the Board's initiative to establish distribution system reliability performance targets or standards. The purpose of this initiative is to consider the establishment of different and/or revised specific performance targets for the current reliability measures and to examine the potential for establishing new customer specific reliability measures.

The Board is inviting stakeholders to provide written comments on the Discussion Paper and the specific questions listed in the Board's letter.

II. POWER WORKERS' UNION'S COMMENTS

a. General

The Power Workers' Union ("PWU") is encouraged by the Board's commitment to work on the establishment of performance standards for the existing electricity distribution service reliability performance metrics. The PWU has strongly advocated effective electricity system service reliability regulation in the OEB's regulatory framework in numerous submissions made in various proceedings starting with the Board's First Generation PBR. Service reliability regulation is a fundamental component of an incentive regulatory framework ("IR framework") intended to ensure that financial incentives are pursued without negatively impacting service reliability performance. It is the PWU's view that the Board's IR framework has lacked effective service reliability regulation. Effective service reliability regulation requires realistic and fair targets and performance incentives (i.e. penalties and rewards) provided through clear guidelines to ensure that distributors maintain/improve reliability performance.

The Board has required reporting of the reliability metrics SAIDI, SAIFI and Customer Average Interruption Duration Index ("CAIDI") starting with 1999 data. In addition, since 2000 the Board has had guidelines in place for these metrics intended to prevent

reliability degradation below a distributor's historic worst performance. Unfortunately a 2008 Board report characterized the compulsory minimum standards implemented in 2000 as voluntary. Evidence filed by the PWU in EB-2010-0249¹ indicates that there has been service reliability degradation, while discussions at the October 15, 2010 stakeholder conference (EB-2010-0249) indicated that some distributors interpret the guidelines as rolling guidelines that accommodate deteriorating performance. As a result the existing guidelines have been ineffective. The PWU raised this issue in its December 20, 2011 comments (EB-2010-0249) and recommended that the Board amend the existing guidelines to ensure that they do not accommodate service reliability deterioration. To date the Board has not addressed this issue. It is important, therefore, to ensure that service reliability performance standards and targets are realistic and compulsory and do not accommodate deterioration of service reliability.

The PWU notes the comments of some distributors made in the past that, while their performance is good relative to other distributors, they are in a position where their performance is declining relative to their own prior performance because they have insufficient funds to make all the necessary investments on their aging assets. The Board should recognize that there is a cost to maintaining service reliability and that must be recognized in the regulatory framework.

b. Board Staff Questions

1) What approach should the Board take to establish performance targets for SAIDI and SAIFI (i.e. historical or projected performance)?

The PWU is of the view that initial distributor reliability targets should be based on historical performance. This should not mean, however, that a distributor should be allowed to continue to perform at historical levels even if its performance has been deteriorating. As stated in the Scorecard Report, each measure included on the

¹ EB-2010-0249. PWU Submission. October 29, 2010. Prepared by Frank Cronin. Service Reliability and Regulation in Ontario.
http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/221949/view/PWU_WritteComment_20101029.PDF

Scorecard will have an established minimum level of performance that a distributor is expected to achieve.² Historical performance, therefore, should only serve the Board to determine the appropriate target that not only establishes minimum level of performance that a distributor must meet but also one that ensures the distributor achieves continuous improvements. In this regard, a distributor's SAIFI and SAIDI performance data that has been reported through the Board's RRR filings over the five most recent years would be the most appropriate historical basis for setting the distributor's reliability performance target. As PEG notes, five years is long enough to capture the impact of a distributor's external business conditions on its measured reliability data, but recent enough to reflect the current methods that are used to collect data on interruptions.³

On the other hand, the PWU is opposed to the suggestion that distributors should be able to present the Board with their proposal of what a reasonable performance target would be, rather than use the historical data reported to the Board. In the PWU's view, there is no better indicator of the reliability performance that a distributor can achieve than its own historical performance. It is true that some distributors may not be able to achieve their performance targets; however, it should be up to the distributors to explain why they failed to achieve the targets and the Board should determine, based on evidence, what the consequences should be on a case by case basis. Allowing distributors to recommend to the Board performance targets that they can achieve would open the door for low performance targets and hence deterioration in service reliability performance or at least the maintenance of performance levels that are already low.

2) Whether the performance targets should be distributor-specific, a single province-wide target for all distributors, regional or based on peer-groups?

In the PWU's view, province-wide, regional and peer-based targets would not be fair and realistic and therefore targets will need to be set for individual distributors. The PWU notes PEG's analysis of the available data from 2002 through 2012 which demonstrates that there is too much variability and randomness in Ontario distributors'

² Scorecard Report, Page iii

³ Reliability Standards Report, Page 3

underlying SAIFI and SAIDI data for these approaches to be effective. It is important to recognize that distributors face varying external business conditions including weather events, the type of assets, for example, the amount of underground assets, customer density and the mix of customer base, etc. Performance targets that reflect these varying business conditions would be fair and realistically achievable.

3) Should performance targets be based on a specific target, or a target range?

The current performance levels associated with SAIDI and SAIFI are that a distributor will remain within the range of its historical performance. As stated earlier, the existing guidelines have been ineffective not only because targets are considered to be voluntary but also the distributor is only required to achieve its poorest historical performance so long as it is within the target range. The PWU shares Board Staff's view that reviewing reliability performance of a distributor within a target range is less precise and more difficult to determine if a distributor is making real gains in performance. A target range leads to a situation wherein a distributor would be considered as performing well just because it remains within the range regardless of whether its performance is at the lowest value of the range. The PWU, therefore, recommends that performance targets should be based on a specific target.

4) What is the appropriate time frame for performance targets to be in place, i.e. should targets be fixed for a five year period or should a rolling target be used to adjust for the most recent performance?

In the PWU's view, both approaches have advantages and disadvantages. Putting performance targets in place for a five year period is not only consistent with the planning time frame the Board has established under the new regulatory framework, which makes sense in terms of regulatory efficiency and asset investment planning, but also allows the distributor and the Board to assess reliability performance over a sufficiently longer period with no need to revise performance targets for every random or specific instance that affects the distributor's performance in a particular year.

On the other hand, updating the performance target, every year, based on the most recent five years of data, would mean targets would be based on a rolling five year average. As the Discussion Paper notes⁴ the benefit of this approach would be that improvements in performance would be recognized in the updated target. However, the PWU is concerned that this approach would also require the Board to lower performance targets in circumstances where a distributor's most recent year performance is below the target that had been set for it due to some unusual and isolated reason.

On balance, therefore, the PWU sees merit in having performance targets in place for five years. Moreover, it is the PWU's view that the efficacy of any of the options that the Board may choose depends on whether there are consequences to performance in relation to targets, i.e., incentives and penalties.

5) Should the Board introduce a time line for the implementation of customer-specific reliability measures?

The PWU recognizes a distributor's system-wide reliability performance measures such as SAIDI and SAIFI are not directly linked to the customer experience and do not directly address the issue of certain customers receiving less reliable service than other customers. In this regard, reliability measures at the individual customer level are needed.

The PWU also notes that most distributors, while showing interest, do not currently have the technology in place to effectively measure reliability at individual customer level and that systems are being developed. The Discussion Paper also notes that some distributors may have the capability to monitor reliability at customer level, but they are not putting this capability into practice.⁵

In the PWU's view, a target timeline to measure customer specific reliability would encourage distributors to put in place the required systems and technology. The appropriate target timeline should be determined by the Board after reviewing

⁴ Discussion Paper, page 17

⁵ Discussion Paper, page 23

comments of distributors on their current status and expectation with respect to systems and technology required to measure reliability at the customer level.

- 6) Would it be useful for the Board to undertake a pilot project with a number of willing distributors to explore the implementation issues related to the introduction of customer-specific reliability measures? What should be the objectives and/or goals of this pilot project?**

The PWU agrees that it would be useful to undertake a pilot project with willing distributors to work towards the goal of implementing customer-specific reliability measures such as the monitoring of outages at the individual customer level. Such a project would help to assess existing capabilities, determine systems and processes that need to be available, and identify challenges. The lessons learned can be used by distributors in their preparation to implement customer-specific reliability measures and also could inform the Board as to an appropriate date for the implementation of customer-specific reliability measures by all distributors.

- 7) Should distributors be required to develop and implement written practices and procedures for responding to customer complaints about momentary outages as part of their Conditions of Service?**

The PWU defers comment on this issue to distributors

All of which is respectfully submitted.