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BY COURIER

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, ON, M4P 1E4

Dear Ms. Walli:

**EB-2014-0189 – Initiative to Develop Electricity Distribution System Reliability Performance Targets – Hydro One Networks Inc. Comments**

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Hydro One is providing its' comments on the Board's initiative to establish distribution system reliability performance targets or standards. Hydro One's responses to the questions posed by Board staff are detailed below. Additionally, Hydro One is providing the following recommendations with measuring reliability and performance improvement programs:

- All costs required to implement targets and measurements should be balanced against the benefits of improving customer satisfaction.
- Research has shown that some leading Regulators are reporting events that are beyond the control of the utility separately to measure utility performance for the factors the utility can control.
- To ensure customer and stakeholder confidence and understanding of the Measures they should be empirical in nature based on the LDC's own data rather than broad, statistical, theoretical measures.
- A five year rolling average to establish targets is appropriate.

Hydro One looks forward to continued participation in the *Initiative to Develop Electricity Distribution System Reliability Performance Targets*.

**Distribution System Reliability Targets**

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

Hydro One recommends that the distributor's own historical performance, a five year rolling average, be used in establishing performance targets for SAIDI and SAIFI. Further, Hydro One recommends that severe weather and other events beyond the distributors control be excluded from the historical

performance so that targets can be set such that it is within the distributor's capability (based on historical average) and control (no weather related events) to meet/exceed the targets.

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

Again, Hydro One recommends that the distributor's own historical performance be used in establishing performance targets for SAIDI and SAIFI. By doing so, that eliminates the complex task of normalizing to be able to compare data between distributors that service areas with different geography, vegetation and customer density. Also, Hydro One believes there is a shortage of reliable comparison data for distributor-specific target(s).

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

Performance targets should be based on a target level that is the minimum a distributor is required to achieve. Hydro One believes that a reliable, and cost-efficient system, is an ideal state and therefore the upper bound of a range is not applicable. Further, given the volatility the Board should view any missed target in a given year in line with the overall trend of the distributor and the distributor's comments on the annual performance.

***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.***

Hydro One believes that a rolling target is appropriate. However, aggressively increasing targets each year will result in increased costs. The Board will need to consider the customer's desire for low rates and a reliable system when setting annual targets.

### **Customer Specific Reliability Measures**

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

***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?***

Hydro One believes it would be premature for the Board to set implementation time lines for customer-specific reliability measures. Instead, it is Hydro One's recommendation that the Board undertakes a pilot project and then bases the broader implementation time lines on the results of the pilot project.

The objectives of the pilot project should be to: (a) determine what leads to customer satisfaction with the reliability of service; (b) determine how best to empirically measure the indicators of customer satisfaction; and (c) perform a cost-benefit analysis to ensure that there is value for ratepayers in collecting and analyzing the data required for such measurements.

***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?***

Hydro One recommends that a section on momentary outages should be included in a distributor's Conditions of Service; similar to the section that currently exists on Stray Voltage.

### **Other Comments**

Some responses to such proposals tend to focus on the result of the event e.g. the percentage of customers affected, rather than the performance of the distributor against factors within its' control. Hydro One agrees with the Council of European Energy Regulators (CEER) when it stated that,

*“The ability to identify, monitor and possibly incentivize underlying performance is greatly aided by stripping out large-scale events outside of the control of distribution companies.”*

Assessing performance based on the outcome of the event irrespective of the cause, a regulator or stakeholder would not be able to make the distinction between a poor performing distributor and another distributor that performs well but was subjected to severe weather. That type of outcome based analysis will most certainly lead to inappropriate conclusions of the distributor's abilities and actions. By limiting the analysis to events within the distributor's control, a regulator or stakeholder can easily identify if the distributor was truly poor performing or not.

Sincerely,

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