August 20, 2014

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

Via web portal and by courier

Dear Ms. Walli:

**Re: Initiative to Develop Electricity Distribution System Reliability Performance Targets**
**Board File No.: EB-2014-0189**

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (LDCs). The EDA represents the interests of over 70 publicly and privately owned LDCs in Ontario.

On July 15 the OEB released a Staff Discussion Paper on Electricity Distribution System Reliability Measures and Targets (EB-2014-0189). The discussion paper was based on input from the OEB Distribution System Reliability Working Group and an analysis by Pacific Economics Group (PEG). The OEB has invited stakeholders to provide comments on a number of questions and provide their responses by August 20th.

**Distribution System Reliability Targets**

The OEB is seeking stakeholder views on the proposal that distributor reliability targets be based on historical performance. The OEB has noted that reliability performance targets should reflect external business conditions such as weather events, the amount of underground assets mandated by the local authority, the mix of customers and other factors. In addition, performance targets should be stable in order to give utility managers more certainty when making decisions on distribution investments to improve reliability.

The EDA notes that SAIFI and SAIDI are generally lagging indicators of reliability and are not the most relevant indicators to identify which assets and when assets should be replaced or repaired to maintain reliability. Good asset management practices are proactive, and require asset condition assessments to determine which assets to repair/replace before they fail and impact reliability. If a distributor does not carry out good asset management, it may be several years before SAIDI and SAIFI reliability measures are impacted. On the other hand, reliability could worsen due to factors beyond a distributor's control if assets begin to fail prematurely with no indication from any condition assessment.

The EDA members believe that stakeholders should not rely on SAIFI and SAIDI indicators as a measure of good asset management practices. When these measures demonstrate reduced reliability



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performance, it may or may not indicate a distributor was not carrying out reasonable asset management. Poor reliability performance may be due to a situation beyond the distributor's control. Good reliability may not indicate when asset replacement can be deferred. Distributors believe that good performance in SAIDI and SAIFI should not be used by intervenors as an argument for denying a distributor's asset management plan, when asset condition assessments indicate a need to replace assets.

Given that the available data from 2002 through 2012 demonstrates significant variability and randomness among distributors, the EDA agrees that it would be difficult to compare distributors' reliability performance. Therefore, the EDA recommends that performance targets should be set based on the distributor's own past performance, for lack of a better system that accurately and comprehensively captures econometric differences.

Distributors should have the ability to demonstrate that their future reliability performance would be markedly different due to the implementation of new measurement practices, or new technologies which improve the accuracy of the reliability measurement. In addition, there may be situations where the distributor believes reliability could worsen temporarily over certain years, given new information on the condition of its distribution assets, which will require additional efforts to resolve.

We understand that in the discussion paper, OEB staff indicate that under the Renewed Regulatory Framework for Electricity (RRFE) there is an expectation that all distributors should be working towards improved operational efficiency, and allowing distributors to establish performance targets that are poorer than those historically experienced by customers may seem to misalign with this RRFE objective. In addition, the discussion paper notes that another RRFE objective includes that distributors will provide services in a manner that responds to identified customer preferences, and any proposed reliability targets should be based on discussions with customers and an understanding of their expectations. These expectations are reasonable for most distributors, but we suggest there may be situations where a distributor that has been carrying out reasonable asset management practices could find that certain assets have prematurely failed and will need to be replaced over a reasonable timeframe within its capital budget and current labour force. Customers would understand why it may take time to improve the situation given the need to manage costs.

We note that the OEB's consultant, PEG, has found that the average values for SAIFI and SAIDI over the five most recent years (2008-2012) would be the most appropriate historical basis for setting distributor-specific reliability benchmarks. The consultant believed five years would capture the impact of a distributor's external business conditions on its measured reliability data, and be recent enough to reflect the current methods that are used to collect data on interruptions.

The EDA agrees that the five year average is a reasonable trade-off given the quality of the data from earlier periods, but we suggest averages based on longer periods would be better at capturing the overall impact of random weather events, and this could be considered in the future. The data used could also be improved by having a standard approach for all distributors on how to address major weather events. It is our understanding that the CEA is currently considering a review of methods to improve consistency in reliability measurement reporting by standardizing the approach used to remove the impact of major event days. The review may be in concert with EPRI and IEEE to adopt a standard approach to define what constitutes a major event day.

Events caused by loss of supply should continue to be tracked separately in the reliability data on a consistent basis. The EDA recognizes that loss of supply can be a significant driver of reliability for many distributors and we suggest there should be separate distributor specific performance targets for loss of supply applicable to the upstream supplier which takes into account the number of customers impacted behind the supply point. This would help in identifying where upstream system upgrades may be needed.

A note in the management discussion section of the scorecard could identify that actual reliability experienced by customers was impacted by the loss of supply and that the major events that occurred on certain days is reflected in the reliability performance score.

With respect to using a target range rather than a specific target, such as a dead band around the average based on standard deviations (as discussed in the discussion paper), it may be more reasonable to set a minimum threshold based on the worst performing year over the past five years with all major events removed. The scorecard would include the past year performance measure and indicate whether it is above the threshold. This measure would be more understandable for customers who would easily see if reliability was meeting a threshold.

If the five year average performance is used as the performance target, the issue becomes whether the average should be based on a fixed five year period that provides a fixed target number for the term of the five year period between rebasing, or whether the average should be based on a rolling five year average using always the most current five years. EDA members noted that there were tradeoffs between both approaches. A fixed number would provide certainty for managers as they would know their performance target going forward which could assist in making decisions on ongoing capital investments. A rolling average would track the changes in performance measurement over time caused by changes in technology and may better reflect the continuing increased occurrences of extreme weather.

**Customer Specific Reliability Measures**

The OEB is considering the use of two measures sometime in the future on customer specific reliability:

- Customers Experiencing Multiple Interruptions (CEMI); and
- Customers Experiencing Long Duration Interruptions (CELDI).

The OEB staff has noted that many distributors agree there is value in monitoring reliability at the individual customer level and some are taking steps to implement such capability. The OEB understands that presently the ability to monitor reliability performance at the customer specific level is not yet readily available and more time will be needed before it is made mandatory.

Given the value the stakeholders put on being able to measure customer specific reliability, OEB staff have suggested that efforts should be made to move this initiative forward by undertaking a pilot project with a number of willing distributors who would work on implementing the monitoring of outages at the individual customer level. The lessons learned from the pilot project would be provided to all distributors for their consideration on how to implement similar processes. The pilot results may also assist the OEB in determining the level of effort and time required for other distributors, and the appropriate date for the implementation of customer-specific reliability measures by all distributors.

The EDA notes that distributors do see value in the pilot project as a way to assist distributors in understanding what steps are needed to achieve customer specific reliability measures. A number of distributors would be interested in participating in the pilot project. Distributors that are taking a lead in this area note that it took years and considerable effort to get a good working connectivity model.

As noted by the OEB's System Reliability Working Group, the costs of implementing an Outage Management System (OMS) and the connectivity model to track individual customer performance is not cost effective if it is used just for reporting CEMI results. These systems could be designed to provide other customer benefits, such as providing current information on which areas have outages and possibly also when power will be restored. In the recent past, it has been difficult for some distributors to justify investments in OMS, if customers do not see the value. The pilot study should focus on identifying all the benefits and all the associated costs with the OMS and connectivity model.

The EDA reserves comments on the timeline for mandatory reporting pending the results of the pilot and a better understanding of the amount of time needed by each distributor, given their situation. We assume the mandatory timeline will follow the approval of each distributor's multi-year project for implementing an OMS and connectivity model which tracks reliability performance at an individual customer level.

**Momentary Outages**

Distributors have pointed out that many momentary outages occur because of an upstream event, and that momentary interruptions are a key part of operating the distribution system effectively and safely. Momentary interruptions can protect the system from outage events; therefore, they can never be completely eliminated, otherwise system performance will suffer. Distributors monitor momentary outages to determine their causes and consider options for reducing their frequency if it is within their control. For example, some momentary outages could be caused by tree contacts that could reflect a need to increase tree trimming, while other momentary outages could be caused by lightning which could be more difficult to completely protect against.

Large commercial customers have noted that distributors respond to momentary outage concerns on a one-off basis and that there is no standard protocol or formal process for responding to customer complaints about momentary outages.

Distributors note that while there may be no standard protocols, they generally all follow the same best practices in responding to customers' inquiries and a written standard protocol would not provide a material benefit to customers. If there are distributors who are not adequately responding to customer inquiries regarding momentary outages, customers have the ability to complain to the regulator, if complaints to the distributor itself are unsatisfactory.

OEB staff have suggested that having distributors develop and implement written practices and procedures for responding to customers' complaints about momentary outages, including investigating ways to minimize the effect of such outages, will exhibit a distributor's commitment to customer service and to providing service in a manner that responds to customer preferences.

The EDA believes distributors have already demonstrated their commitment to customer service through their existing practices. The EDA notes that distributors are already discussing with their large customers approaches for mitigating the effects of momentary outages. Distributors typically have

regular meetings with their larger customers to discuss issues, provide information on what they, the distributors are doing, and provide advice on what efforts could be taken by the customer to mitigate the impacts of momentary outages.

Stakeholders have noted that residential customers can suffer impacts from power quality issues and believe no one is helping these customers understand the actions they can take to protect themselves. The distributors respond to customer inquiries about momentary outages and power quality issues, and provide advice directly to these customers on what investments could be made in the home to avoid the negative impacts. The vast majority of residential customers are not significantly impacted by momentary outages. Generally, it has been customers with home offices who have called looking for advice and distributors have noted that the solution is uninterrupted power supply equipment and surge arrestors.

Customers both large and small often are seeking the distributor to make investments paid for by all ratepayers in order to reduce their momentary outages, but in most situations this is not as cost effective as investments behind the meter. Distributors are willing to work with customers on identifying potential behind the meter solutions.

The EDA believes it will not be beneficial to require each distributor to revise its Conditions of Service to include specific written practices and procedures on how to respond to customer complaints about momentary outages. The Conditions of Service provide a complaints process for customers (section 1.8 Disputes). Distributors have noted that they talk to customers to inform them of their options for mitigating the effects of momentary outages, and point out when customers need to make their own investments to protect themselves from the effects of such outages.

Sincerely,

"Original Signed"

Teresa Sarkesian
Vice President, Policy and Government Affairs
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