

Ontario Energy Board
July 29, 2005

Staff Report on

Ontario Gas Distributor Service Quality
Regulation

1. INTRODUCTION

The Natural Gas Forum (NGF) report issued by the Board on March 30, 2005 identified quality of service as one of the necessary criteria for the Board's proposed multi-year incentive ratemaking framework. A service quality framework would help to ensure that cost saving initiatives are not implemented at the expense of either customer service or the safe operation of the distribution system. The Board intends to implement a service quality framework through its rule making authority. The framework will not incorporate direct financial incentives. Instead, the Board will monitor service quality performance and utilities will be subject to the Board's compliance process.

Board staff have prepared this discussion paper in order to provide a starting point for consultations regarding the form of possible guiding principles and minimum standards relating to service quality measures for gas distributors. In order to provide context for the discussion, the paper presents a general overview of current Ontario natural gas consumer service quality concerns and issues as identified through contacts with the OEB. The document further discusses the historical experience in Ontario's energy sector with monitoring service quality performance within an incentive based ratemaking framework for electricity and gas distributors. A brief summary of service quality regulation "best practices" in other jurisdictions is also provided. The document concludes with a series of questions for further discussion and consideration among participants.

This paper is provided so that interested parties may use this paper as a basis for further discussion.

2. BACKGROUND

2.1 Regulatory Framework

In the Natural Gas Forum Report, the Board proposed a multi-year incentive rate-making framework for gas distributors be developed. As part of the framework, the need to establish service quality measures, standards and reporting mechanisms was identified as a means to ensure that cost saving initiatives are not implemented at the expense of customer service or the safe operation of the distribution system.

The Board concluded that service quality standards should not be developed on a utility specific basis within the rate setting process. Instead, the Board believes that service quality performance should be part of a broader framework for the entire gas sector. The framework will be implemented through the establishment of Service Quality Requirements under the Board's rule making authority prescribed within section 44 of the *Ontario Energy Board Act, 1998 (OEB Act)*.

Section 44 of the Act states, in part:

(d) establishing conditions of access to transmission, distribution and storage services provided by a gas transmitter, gas distributor or storage company...

(g) requiring and providing for the making of returns, statements or reports by any class of gas transmitters, gas distributors or storage companies relating to the transmission, distribution, storage or sale of gas, in such form and containing such matters and verified in such manner as the rule may provide;

2.2 Consumers' Service Quality Concerns & Issues

The OEB receives comments and complaints from customers regarding the service quality and business practices of natural gas distributors. While the volume of customer complaints remains moderately low as compared to the number of natural gas customers within Ontario, the trends noted are considered relevant in assessing the types of service quality standards and measures that consumers would expect to be developed.

A review of customer comments and complaints logged with the OEB between 2003 and 2004 identified the following common issues:

- slow telephone response times;
- no response to telephone or written complaints;
- failure to obtain regular meter reads;
- inaccurate billing;
- long payment processing times;
- long reconnection times, specifically after payment is made;
- long new connection times;

- slow response to gas emergencies; and,
- missed service appointments.

The trends have been identified as issues that may be addressed in the development of natural gas distributor service quality requirements. Accordingly, in considering the noted trends and their implications for service quality requirements, the following should be considered:

- What customer trends and issues have been identified by distributors/others?
- Do the trends and issues noted differ from those outlined above? If so, in what ways?
- Should customer complaint trends and issues be considered in the establishment of service quality standards and measures will be developed? What are the associated advantages and disadvantages of using such an approach?

Also of note is the fact that customers have observed the difference between the service quality requirements for gas and electricity distributors.

2.3 Current Service Quality Monitoring by Ontario Gas Distributors

Staff understand that gas distributors have internal reporting mechanisms in place to ensure that minimal service levels are met. Board staff understand that the indicators are monitored by the distributor as part of its general operating practices. These standards may include:

- minimum telephone response times;
- number of meter reading within a period of time;
- minimum emergency response times;
- minimum gas locate appointment times;
- minimum customer complaint response times; and,
- minimum enquiry response times.

In considering the implementation of service quality requirements for natural gas distributors, it is useful to discuss and identify current service quality monitoring in place by natural gas distributors. Specifically,

- What standards are monitored, measured and reported on?
- How are they currently used?
- What difficulties, if any, are associated with the monitoring and measuring of the standards?

2.4 The Experience with Service Quality Regulation in the Ontario Energy Sector

Electricity:

The Board recognized the importance of service quality regulation for the development of Performance Based Rate Regulation (PBR) for electricity distributors within Ontario, which was implemented in 2000.

The first stage of formal service quality regulation was developed within first generation PBR. Firms began to implement a preliminary list of service quality indicators (SQIs) and measurement plans on which electricity distributors would be required to report. Reporting requirements were implemented within the Board's approved Reporting and Record Keeping Requirements (RRR) which are a condition of distributor licences, and required distributors to report a yearly average of institutionalized performance results. These requirements were later amended to require distributors to report monthly results for the previous year with their annual filings. The approved list of indicators is provided in Appendix 1. While the Electricity SQI plan included measures, standards and reporting requirements specific to customer service and service reliability within the electricity sector, it may be appropriate to consider the applicability of the established standards to the natural gas sector.

Reflection on the established SQIs by stakeholders has raised the need to ensure that standards and measurement techniques are clearly and consistently defined across the sector, standards are relevant and responsive to the trends and experiences within the sector, and clear direction is provided to the sector with regard to the OEB's response to below standard performance.

- Which, if any, of the electricity sector SQIs are relevant to the natural gas sector?

Gas:

In the past, the Board encouraged gas distributors to bring forward applications for PBR. Both Union Gas and Enbridge filed PBR plans with the Board, which the Board subsequently reviewed and approved. The utilities' plans included service quality standards and measurement of:

- Telephone Service Factor - Percentage of calls answered within x seconds;
- Meter Reading - Percentage of meters not read within 4 consecutive months;
- Emergency Response Times - Percentage of calls responded to within 1 hour;
- Distribution System Integrity survey - Completion of leak surveys and corrosion surveys annually; and,
- Gas Utilization Infractions - Percentage of "red tagged" code infractions outstanding beyond 90 days.

The indicators on which the distributors reported were few, but were considered valuable in monitoring some aspects of service quality performance for PBR.

Although in recent years both Enbridge and Union have returned to more traditional cost of service regulation and the standards have not been reported, it would be appropriate to consider this experience. Specifically:

- Did the standards ensure that customer service and the reliable operation of the distribution system were maintained within an incentive based rate making framework?

3. OTHER JURISDICTIONS: Service Quality Standards and Measures

The following briefly discusses the service quality standards currently established for gas distributors in other jurisdictions, mainly the United Kingdom, Australia, Pennsylvania and Alberta. The standards that will be discussed are those that Board staff have identified as most relevant to Ontario. Staff noted considerable similarities and consistencies in the types of standards measured. A comparative chart outlining the standards and measures of each is provided in Appendix 2.

3.1 Australia, State of Victoria – Essential Services Commission (ESC)

The ESC established Key Performance Indicators in 1999, which were later revised in 2004. Utilities in the state of Victoria are required to disclose publicly its service quality measures, standards and reports. As part of the requirements, each gas company must publish on, either a quarterly or annual basis, its performance for a variety of SQRs. The results for each company are presented to the public for comparative purposes and are also used by the ESC to identify systemic weaknesses in the operational performance of particular companies relative to their peers. If the ESC identifies chronic weaknesses and violations of service quality, it may require that the company file a comprehensive action plan to resolve the issues.

3.2 United Kingdom – Office of Gas & Electricity Markets (Ofgem)

Service quality mechanisms by Ofgem were introduced in 1999 and based on a “pay as you violate” mechanism. As a condition of British Gas’ licence to supply gas, it is required to compensate customers for missed appointments, missed meter reads, or missed meter appointments requested by the customer. These are defined as Guaranteed Service Levels to which the customer is entitled. There are also other indicators such as customer complaints, telephone answering and billing performance, which are reported on a quarterly or yearly basis to the regulator to ensure that the distributor is meeting the minimal targets established within the rate setting process, and the distributor’s licensing conditions.

3.3 United States, Pennsylvania – Pennsylvania Utilities Commission (PUC)

The PUC established service quality benchmarks and standards for natural gas utilities in 2000. The standards are reported to the Commission on an annual basis by those distributors who have more than 100 000 customers. While smaller distributors are not required to report on the standards, they are required to mail out customer surveys and report the results of these surveys to the Commission. Service quality reporting requires distributors to report on the following standards; telephone access, billing frequency, meter reading, and response to customer disputes. The results for each company are presented to the public by the regulator for comparative purposes, and used by the regulator to identify issues.

3.4 Alberta – Alberta Energy and Utilities Board (AEUB)

AEUB implemented service quality requirements for natural gas distributors in 2004. Reports are submitted on a quarterly basis, except for transactional customer satisfaction measures (including percentage of customer satisfaction following customer initiated contact with the distributor, total number of complaints, complaint response times and customer satisfaction survey results) which are to be reported on an annual basis. Currently, the standards are not associated with a PBR based ideology. The information is gathered for the purpose of establishing baseline information. However, this may change with the recent recommendation to consider a reward framework for companies who perform better than the prescribed standard.

4. DEVELOPING A SERVICE QUALITY FRAMEWORK FOR ONTARIO

Based on the assessment of consumer service quality concerns and issues, and the review of jurisdictional best practices, Board staff have identified a number of potential service quality standards which could be applicable to Ontario. These may include, but are not limited to, the following:

1. Telephone Answering Performance
2. Billing Performance
3. Payment Processing Performance
4. Meter Reading Performance
5. Service Appointment Response Times
6. Reconnection Performance
7. New Connection Performance
8. Gas Locate Performance
9. Gas Emergency Performance
10. Customer Complaint Response Times

In order to develop and implement a natural gas service quality framework for Ontario which balances the interests of both consumers and distributors, the following questions need to be addressed:

- What aspects of service quality should be considered as standards for the framework? Which aspects should be excluded?
- What differences exist between the standards currently monitored by distributors?
- What standards should be included as a service quality requirement?
- How should the standards be defined and measured?
- What are the costs and benefits of the standards to consumers and to distributors?
- What are the barriers to implementing the standards and how can they be overcome?

These are only preliminary considerations for the consultation. Board staff are seeking oral and/or written comment on the points noted in the discussion paper. Interested parties are invited to submit oral presentations and/or written comment to the OEB no later than August 19, 2005. Discussions with stakeholders will be held August 22, 23 and 25, 2005.

The potential standards listed above are included for discussion purposes only. As such it is intended that the interested parties use this paper as a basis for further discussion during the consultation.

Appendix 1
Service Quality Indicators for Electricity Distributors

Indicator	Description	Standard
Connection of New Services	The percentage of requests where connection is made within 5 days of all prerequisites	90% or more
Underground Cable Locates	The percentage of requests for cable locates that are completed within 5 days (of the initial date of the request or, if the customer so designates, a specific requested date).	90% or more
Telephone Service Factor	The percentage of calls to the utility's general inquiry number that are answered within 30 seconds.	65% or better
Appointments Met	The percentage of appointments involving a customer premises visit where appointment date is met	90% or more
Written Responses to Inquiries	The percentage of customer inquiries requiring a written response where the response is provided within 10 days of receipt of the initial inquiry	80% or more
Emergency response - urban	The percentage of emergency situations in urban areas where the presence of utility personnel is requested by police, fire, etc, where qualified personnel are on site within 60 minutes. The definition of urban corresponds with that of the "urban" area for municipal governmental purposes.	80% or more
Emergency response - rural	The percentage of emergency situations in rural areas where the presence of utility personnel is requested by police, fire, etc, where qualified personnel are on site within 120 minutes. The definition of urban corresponds with that of the "rural" area for municipal governmental purposes.	80% or more
System Average Interruption Duration Index "SAIDI"	Defined as the ratio of the total customer hours of interruption to the total number of customers served. In lay terms, it provides the average amount of time (in hours) that a customer experiences service interruptions over the reporting period.	Within the range of 3 years of historical performance, for LDCs with such information.
System Average Interruption Frequency Index "SAIFI"	Defined as the ratio of the number of customer interruptions (the sum of the total number of interruptions by the number of customer affected by each interruption) to the total number of customers served.	Within the range of 3 years of historical performance, for LDCs with such information.
Customer Average Interruption Duration Index "CAIDI"	Defined as the ratio of SAIDI to SAIFI.	Within the range of 3 years of historical performance, for LDCs with such information.

Appendix 2
Selected Service Quality Standards and Measures for Distributors in Selected Jurisdictions

	Essential Services Commission (ESC), Australia (Victoria)¹	Office of Gas & Electricity Markets (Ofgem), United Kingdom²	Public Utilities Commission (PUC), United States³	Alberta Energy & Utilities Board (AEUB), Canada⁴
Selected Service Quality Standards & Measures	Call Center Response Time			
	Calls answered within 30 seconds, and average wait times.	Calls answered within 30 seconds, 90% of the time	Percent of calls answered with a live voice in 30 seconds Busy Out Rate: Ratio of busy calls to calls received Abandoned Rate: Ratio of calls that entered holding queue but caller ended the call	Percent of calls answered within 20 seconds, 80% of the time Percent of calls abandoned, not to exceed 5%
	Guaranteed Service Levels			
	Number of appointments scheduled	Number of service appointments met	Number and percent of meters not read within 6 or 12 months	Number and percent of meters not read every 6 months
	Percent of appointments not met within 15 minutes of scheduled time	Number of on time meter reads		Percent of appointments met
	Number of customer disconnections for non-payment			Average numbers of days after missed delivery date
	Complaints			
Number of customer complaints	Number of complaints Percent of customer correspondence acknowledged within 5 days of receipt, 97%	Number of disputes that did not receive a response within 30 days	Number of complaints by category Number of complaints responded to within 14 and 30 days, 80% and 100% of the time	

¹ For further information please visit www.reggen.vic.gov.au.

² For further information please visit www.ofgem.gov.uk.

³ For further information please visit www.puc.state.pa.us.

⁴ For further information please visit www.eub.gov.ab.ca.

		Percent of enquiries responded to within 10 days of receipt with substantive response, 90%		
Selected Service Quality Standards & Measures	Emergency Response Time Performance			
	Percent of emergency calls responded to within 60 minutes	Percent of emergency calls responded to within 1 hour		
	Service Reliability Performance			
	Number of unplanned outages	Percent of planned interruptions in which customers were notified at least 12 hours prior, 97% of the time		
	Number of planned outages			
	Connection Performance			
	Percent of customers connected within 2 days of scheduled date			
Billing Performance				
		Percent of bills rendered once per billing period	Percent of bills not rendered as per scheduled billing cycle, not to exceed 1%	
			Percent of bills that were found to be inaccurate due to billing errors, not to exceed 1%	
			Number of inaccurate bills that were corrected	
Reporting	Quarterly Annually	Quarterly Annually	Quarterly Annually	Quarterly Annually
Compliance	Performance made public; but no action other than occasional action plans	Guaranteed compensation to consumer for below-standard performance for some indicators, others are just reported	Subject to compliance plan - which includes action plan to resolve	Meet with party to discuss issues and action plans