

**Comments to the Ontario Energy Board  
Review of Further Efficiencies in the  
Electricity Distribution Sector  
February 13, 2004  
Prepared by Gord Eamer P.Eng.**

**1.0 Introduction:**

These comments are in response to the Ontario Energy Board's (OEB) request for stakeholder input with respect to the "review of further efficiencies in Ontario's electricity distribution sector".

Two recommendations are made:

- It is recommended that the OEB develop a comparison report that outlines the critical value measures of price, reliability and customer satisfaction and that this report be readily available to the electrical consumers of Ontario.
- It is recommended that the OEB develop the methodology to compare rates, reliability and customer satisfaction between LDC's, and further develop benchmarks within the PBR framework that defines acceptable performance.

The application of "value measures" and appropriate regulation will help to ensure an efficient system independent of LDC size.

**2.0 Measures Relevant to Customers:**

In the February 10<sup>th</sup> Discussion Paper it is stated that "... consumers are interested in a broader concept of "value" that encompasses various features of a product or service (safety, reliability, convenience, customer service, environmental impacts, and so on) in addition to price." In this list of "values" efficiency is not a measure that customers focus on. The customers are focussed on the results and the deliverables; the cost, reliability and level of service received.

The Discussion Paper also talks about the economies of scale, numbers and size of utilities in other jurisdictions and the expected outcomes of ongoing reviews and changes within the industry. For many business processes, studies indicate spreading capital costs for equipment, systems and overhead over a larger customer base, lowers the per unit cost. However for many other factors, not so easily evaluated, larger size may actually be an impediment. Such factors as; management structure, organizational culture, ownership, ability to adapt, implementation and partnering may gain advantages on a smaller scale. The review of efficiencies within the LDC sector must take these into account.

The development of a report that lists the “value measures” as defined by the customers will provide an excellent benchmark to determine the efficiencies that are available within the LDC sector. This report will also clearly indicate which LDC’s are best meeting them. The report should contain a comparison of the following three measures:

- **Price:** A comparison of rates charged for services provided by the LDC’s. The volumetric charge and service charge would be reported and comparisons could be made on typical customer size (1000 kWh). An adjusted rate, taking into account output density and customer density, will be required to allow fair and equitable comparison between LDC rates. Actual rates and adjusted rates should be reported for each LDC.
- **Reliability:** A reporting of outage occurrence is to be included. This is already a measure in PBR however, the information will require some interpretation to make it more useful to customers and the industry in general. The OEB is well positioned, through stakeholder input, to further develop this reporting format.
- **Customer Satisfaction:**  
Customers are satisfied by the timeliness of response, the accuracy of the information and the manner in which it is provided from the LDC. Customer satisfaction is not dependent on the size of the LDC, but is dependent on the value provided to the customer. A customer satisfaction rating should be developed and applied to all LDC’s. Relying on “complaints” to determine customer satisfaction does not provide a true measure. It will be necessary to request customer input (surveys) either through a third party or through the LDC’s.

**Recommendation:** It is recommended that the OEB develop a comparison report that outlines the critical value measures of price, reliability and customer satisfaction and that this report be readily available to the electrical consumers in Ontario.

### **3.0 From Information to Efficiencies:**

The development of comprehensive and readily available comparisons between the value indicators for the various LDC’s provides the foundation for continued efficiency gains within the industry. The ability of LDC managers, shareholders, customers and regulators to compare the operation of each LDC on a common scale provides the incentive for improvements.

An LDC that is providing standard customer satisfaction (according to customer input) but is high on rates will recognize the need to review opportunities to lower rates. This will encourage the review of processes, the use of technology and partnering with others. Indeed as their customers and shareholder are also aware of the measures, it may encourage consolidations or the implementation of new business practices aimed at improvement.

The Regulator will have the “value” comparisons, the methodology to ensure fair comparisons and the tools through PBR and rate reviews to set parameters for acceptable performance. Change within the industry can be facilitated by the Regulator applying minimum benchmarks to the measured criteria. If an LDC, big or small, cannot meet the measures then financial impacts should be available to the Regulator to ensure that the customers of the particular LDC are not disadvantaged. Comparisons of the Ontario measures to those of LDC’s in other jurisdictions will provide further evaluation of the efficiency of the Ontario system and help to set acceptable standards for the sector.

**Recommendation: It is recommended that the OEB develop the methodology to compare rates, reliability and customer satisfaction between LDC’s, and further develop benchmarks within the PBR framework that defines acceptable performance.**

#### **4.0 Application:**

The PBR framework allows for special considerations within any LDC; the need to rebuild an aging infrastructure, high growth or other special needs. These issues should continue to be considered, however it is important that these activities be undertaken in the most effective manner possible. The OEB as regulator will be required, as they do now, to oversee many details of LDC operations that are not reported in the “value measures.” The fact that the “value measures” are readily available will drive improvements and innovative thinking within the LDC’s, and with other stakeholders in the industry.

#### **5.0 Future Challenges:**

The need for innovation within the industry will continue as generation supply and DSM issues are addressed. Innovation, partnering and the problem solving of competent industry professionals will drive the solutions in large and small LDC’s. The OEB should ensure that LDC’s have clear market rules, clear benchmarks and the confidence that if they meet the challenges, their shareholders will reap the benefits.

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