

Scorecard - Hydro One Networks Inc.

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.60%	98.06%	99.32%	99.81%	99.78%		90.00%		
		Scheduled Appointments Met On Time	99.50%	98.94%	99.95%	100.00%	99.98%		90.00%		
		Telephone Calls Answered On Time	74.20%	81.85%	78.05%	76.83%	70.18%		65.00%		
	Customer Satisfaction	First Contact Resolution	82%	85%	87%	85%	77%				
		Billing Accuracy	99.04%	99.28%	99.43%	99.41%	99.35%		98.00%		
		Customer Satisfaction Survey Results	84%	85%	86%	84%	82.6%				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	81.00%	81.00%	80.00%	80.00%	78.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	11	8	11	18	33			5
			Rate per 10, 100, 1000 km of line	0.091	0.065	0.090	0.146	0.267			0.040
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	7.83	7.95	6.82	7.04	7.27			7.56	
		Average Number of Times that Power to a Customer is Interrupted ²	2.47	2.32	2.21	2.50	2.54			2.52	
	Asset Management	Distribution System Plan Implementation Progress	105%	103%	97.93%	106.6%	100.2%				
	Cost Control	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer ³	\$987	\$974	\$1,022	\$1,051	\$1,024				
		Total Cost per Km of Line ³	\$10,551	\$10,444	\$11,069	\$11,472	\$11,286				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	99.71%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	99.22%	99.77%	99.45%	96.43%	97.10%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.80	0.55	0.50	0.62	0.72				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.46	1.39	1.44	1.61	1.72				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	8.78%	9.00%	9.00%	9.00%			
			Achieved	8.41%	7.94%	8.07%	10.90%	10.56%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend
 up down flat
 Current year
 target met target not met

Fiscal 2020 Scorecard Management Discussion and Analysis (“Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2020 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

Hydro One Networks Inc.’s distribution business (referred to as “the Business” or “Hydro One’s Distribution Business”) Fiscal 2020 performance has met or outperformed the Targets noted in the OEB Distribution Scorecard in all areas except for the “Serious Electrical Incident Index” (“Number of General Public Incidents” and “Rate per 10, 100, 1000 kilometers of line”), and “Average Number of Times that Power to a Customer is Interrupted”.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2020, Hydro One's Distribution Business processed 14,154 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts). Of these, 99.78% were completed within five business days (or as otherwise agreed to by the customer and the distributor), better than the industry target of 90% for the eighth consecutive year. The Business's steady improvement over the past five years is attributable mainly to strong customer-focused business processes, improvements in scheduling practices, and focus on achievement of an internal target of 98%.

- **Scheduled Appointments Met On Time**

Hydro One's Distribution Business had 29,552 appointment requests in 2020. The Business recorded a 99.98% success rate in meeting these commitments, better than the industry target of 90% for the eighth consecutive year. The Business's performance in appointment scheduling has benefited from the same factors that contributed to the ability to connect residential and small business services within five business days. This measure applies to appointments where customer presence is required and also to those where customers do not need to be present. When a customer requests an appointment, the appointment must be scheduled within five business days (or as otherwise agreed to by the customer and the distributor). If customer presence is required, the distributor must commit to, and arrive within a four-hour window for the appointment. If customer presence is not required, the distributor must arrive on the scheduled date.

- **Telephone Calls Answered On Time**

The OEB's Distribution System Code (DSC) requires call centre staff to answer calls within 30 seconds, 65% of the time, whenever the customer reaches an agent either directly or by means of a transfer. In 2020, the Business answered 70.18% of calls within 30 seconds, exceeding the industry target by 5.18%. The call centre handled a total of just over 2 million phone calls from customers in 2020. Of this total, over 0.9 million phone calls were handled by agents and over 1.1 million calls were managed by the Business's Interactive Voice Response (IVR) system.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution (FCR) reports the success of the distributor in resolving a customer's issue during the first contact by the customer. Hydro One's Distribution Business measures FCR based on transactional surveys that are performed within five days of interaction with the customer. In 2020, 77% of issues were resolved during our first contact which is a decrease of 8% from 2019 (when the value was 85%). There are several reasons for this decrease, one of which includes Hydro One's investments in its communication channels to offer customers more choice and convenient options to complete transactions. This has led to a shift in the type of calls to the call centre. Simple transactions are now routinely completed via the web, or through the IVR without the need to engage a Customer Service Representative (CSR). The result is a higher share of complex transactions that are handled by CSRs. Additionally, during 2020, the COVID-19 pandemic created a backlog of forestry and other field requests which affected the Business' FCR with customers.

- **Billing Accuracy**

In 2020, the Business issued 13,566,953 bills and achieved a 99.35% Time-of-use billing accuracy, exceeding the industry target by 1.35%. Compared to 2019, the Business issued 291,735 additional bills in 2020 with consistent billing accuracy year-over-year. The increase in the number of bills issued compared to last year was driven by customer growth.

- **Customer Satisfaction Survey Results (Customer Satisfaction Index Result)**

Customer satisfaction remained high at 82.6% in 2020. Hydro One's Distribution Business utilizes an equally weighted composite index consisting of seven components measuring: Customer Satisfaction with Outage Handling, Agent Handled Calls, Forestry Services, New Connections and Upgrades, myAccount CSAT, Large Distribution Accounts and Distribution Generator Percent of Milestones met. To achieve improvements, Hydro One will remain committed to delivering high quality service to its customers and is planning a variety of initiatives including: regular coaching and training to all CSRs, adopting a customer experience approach to identify and reduce pain points for customers and enhancements to the myAccount portal.

Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (ESA) made recommendations to the OEB for a scorecard public safety measure that includes three main components: A) Public Awareness of Electrical Safety, B) Compliance with Ontario Regulation 22/04 made under the Electricity Act, 1998, and C) the Serious Electrical Incident Index. Components B and C were reported in previous years and results for Component A were tracked for the first time for fiscal 2015 performance.

- **Component A – Level of Public Awareness (Public Awareness of Electrical Safety)**

For 2020, a value of 78% was realized. The continued strong results reflect Hydro One's commitment to communicate with customers and communities regarding such items as the impact and danger of contacting power lines, safe proximity to overhead power lines and the danger of tampering with electrical equipment. The Public Awareness survey is conducted every two years (conducted in 2018, 2020 and slated again for 2022).

- **Component B – Compliance with Ontario Regulation 22/04**

Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to enhance electrical safety for the people of Ontario. The regulation sets the basis for the requirements for the safe operation of the distribution system in Ontario. Distribution companies are required to be audited yearly on the design, construction, and maintenance of distribution systems in accordance with the regulation. An external auditor performs the audit. A final report by the external auditor, along with a signed declaration of compliance to the regulation by an officer of the company for all sections that are not covered by the audit, is provided to the ESA. The performance target for compliance with the regulation is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). For 2020, the Business met the performance target and received a Compliant (C) score from the ESA.

- **Component C – Serious Electrical Incident Index**

The Serious Electrical Incident Index was designed to track and help improve public electrical safety on the distribution network over time. A distributor and its contractors and operators are required to report to the ESA, within 48 hours, any serious electrical incident involving members of the general public. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or has the potential to cause, critical injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes).

For 2020, the ESA identified 33 incidents that met the serious electrical incident criteria (actual or potential electrical contact). Of the 33 incidents, 21 were attributed to motor vehicle accidents which represent an increase of five from 2019. Incidents involving customers who felled a tree into Hydro One's lines increased to five from one in 2019. Failed equipment and a large vessel move represent the seven remaining incidents in 2020.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted¹ (SAIDI)**

For 2020, Hydro One's Distribution Business reported an average outage duration of 7.27 hours. This is in line with 2019 and remains better than the OEB target of 7.56 hours. The metric represents the average duration of customer interruptions, as the ratio of total customer hours of interruption to the total number of customers served and expressed as the average time in hours over the reporting period.

- **Average Number of Times that Power to a Customer is Interrupted¹ (SAIFI)**

The frequency of customer outages was reported at 2.54 outages per customer in 2020. This is close to the outages experienced per customer in 2019 and the 2020 OEB target of 2.52 outages per customer. This metric represents the average frequency of customer interruptions, as the ratio of total number of customer interruptions to the total number of customers served and expressed as the average number of customer interruptions over the reporting period.

For the above two metrics, the impacts due to force majeure events and loss of supply events are excluded.

Asset Management

- **Distribution System Plan Implementation Progress**

Established by the OEB in 2013, the Distribution System Plan (DSP) implementation progress is a distributor-defined performance metric. Hydro One Distribution Business's DSP outlines the Business's forecasted capital expenditures over the next five years, required to maintain and expand the electricity system to serve current and future customers. Progress is measured as the ratio of actual total in-service capital expenditures made in a calendar year to the total amount of planned in-service capital expenditures for the same year. At year-end 2020, distribution in-service additions were \$678.0M compared to a target of \$676.6M which is within 1% of the target.

¹ Note: The distributor specific target for Hydro One's Distribution Business is located on the OEB Scorecard and is based on the currently approved Distribution System Plan.

Cost Control

- **Efficiency Assessment**

Cost control metrics are evaluated on behalf of the OEB by an independent party, the Pacific Economics Group LLC (PEG). The PEG study segments electrical distributors into five groups based on actual costs vs. the prediction of costs from PEG's econometric model. Group 1 distributors are considered most efficient, with actual costs 25% or more below predicted costs. Group 5 distributors are considered least efficient, according to the PEG methodology, with actual costs 25% or more above predicted costs. For 2020, Hydro One's Distribution Business was evaluated by PEG and remained in Group 4. Group 4 comprises those utilities with actual costs between 10 and 25% above predicted costs.

- **Total Cost per Customer**

The Total Cost per Customer is defined as the total Capital and Operations Maintenance & Administration (OM&A) costs, divided by the total number of customers served. This includes certain adjustments prescribed by the PEG methodology. In 2020, the Business's annual Total Cost per Customer equaled \$1,024, a decrease of \$27 per customer or -2.6% from 2019. The decrease in Total Cost from 2019 was 1.3%. This, combined with the year over year increase of 1.3% in the number of customers, resulted in the decrease in Total Cost per Customer.

- **Total Cost per Kilometer of Line**

The Total Cost per Kilometer of line is defined as the total Capital and OM&A costs, divided by the total number of kilometers of line operated to serve customers, along with certain PEG prescribed adjustments. In 2020, the Business's Total Cost per Kilometer of line equaled \$11,286, a decrease of \$186 per kilometer or -1.6% from 2019. The decrease in Total Cost from 2019 was 1.3%. This, combined with the slight, year over year increase of 0.3% in the number of kilometers of line, resulted in the decrease in Total Cost per Kilometer of Line.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

The Business completed 100% of the Connection Impact Assessments (CIAs) on time (within 60 days from the date the CIA is received as per Section 6.2.12 of the Distribution System Code - DSC) in 2020. A CIA is used to assess the impact of a new connection on the distribution system and is applicable to facilities that are greater than 10 kW.

- **New Micro-embedded Generation Facilities Connected On Time**

This metric measures the Business's success in connecting micro-embedded generation facilities (10kW or less) 90% of the time within a five-business day window, or at such later date as agreed to by a micro-embedded generator and the distributor, of the generator informing the distributor that it has satisfied all applicable service conditions and received all necessary approvals, as per sections 6.2.7 and 6.2.7A of the DSC. The Business exceeded the industry target for the eighth consecutive year, achieving a 97.1% on-time rate for connecting new micro-embedded generation facilities on time.

Financial Ratios

The basis for these financial ratios is Hydro One's Distribution Business Financial Statements for the year ended December 31, 2020, filed with the OEB under the Electricity Recording & Record-Keeping Requirements (RRR) submission.

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

The Current Ratio for 2020 is reported as 0.72, which is higher than the 0.62 reported in 2019. The result indicates that for every dollar of debt due within the year, the Business had \$0.72 in cash or cash equivalents on-hand to cover the obligations. The increase in 2020 liquidity relative to prior year is primarily attributable to a debt issuance in October 2020.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The Total Debt-to-Equity Ratio is a measure of the Business's financial leverage and serves to identify the ability to finance assets and fulfill obligations to creditors. The OEB-deemed capital structure is 1.5. For 2020, the Business's Total Debt-to-Equity Ratio is 1.72, compared to 1.61 in 2019. The increase in the Total Debt-to-Equity Ratio for 2020 is primarily due to the debt issuance in October 2020.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Hydro One's Distribution Business deemed regulatory return on equity (ROE) for 2020 is 9.00%, as approved by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

For the year 2020, the Business achieved a regulatory return on equity of 10.56%, compared to 10.90% in 2019. This represents a decrease of 0.34% compared to 2019.

The 2020 ROE was 1.56% higher than the deemed ROE of 9.00%. Achieved ROE was higher than deemed in 2020 primarily due to higher actual loads than anticipated which resulted in increased revenues, and lower removal costs. After application of the OEB approved earnings sharing mechanism, the Business will share \$14.92M with ratepayers which reduced the 2020 Achieved ROE from 10.56% to 10.23%.

Note to Readers of Fiscal 2020 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance.

Words such as “expect,” “anticipate,” “intend,” “attempt,” “may,” “plan,” “will”, “can”, “believe,” “seek,” “estimate,” and variations of such words and similar expressions are intended to identify such forward-looking statements and information. Such statements include, but are not limited to, references to planned improvements related to customer satisfaction and anticipated timelines, customer service and related initiatives, expected timing of Public Awareness surveys, earnings shared with ratepayers, and industry and internal targets. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Some of the factors that could cause such differences include the scope and duration of the COVID-19 pandemic and related developments including government and the company’s response and mitigation measures, legislative or regulatory developments, government policy and program developments, an unexpected increase in call centre volumes, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management’s best judgment on the reporting date of the performance scorecard, and could be markedly different in the future. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.