



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **Defining & Measuring Performance of Electricity Distributors (EB-2010-0379)**

Board Staff Presentation

March 1, 2013

- In light of consultations to date, this presentation summarizes some current thinking on a revised proposed scorecard.
- Likely to evolve with further feedback from you today and with feedback from colleagues and the Board over the next few weeks.

# Revised Proposed Scorecard

Distributor Name ACME Electricity Distribution Inc.

Performance Outcomes	Performance Categories	Measures (new in red)	2006	2007	2008	2009	2010	Sparkline	Trend	Target		
										Industry	Distributor-specific	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	Connection of New Services (DSC s7.2) Low Voltage	100.00%	100.00%	100.00%	100.00%	100.00%		↻	90%		
		Connection of New Services (DSC s7.2) High Voltage	100.00%	100.00%	100.00%	100.00%	100.00%		↻	90%		
		Appointments: Scheduled (DSC s7.3)				100.00%	100.00%		↻	90%		
		Appointments: Met (DSC s7.4)	99.94%	99.80%	99.90%	99.80%	96.90%		⬇	90%		
		Telephone Accessibility (DSC s7.6)	90.87%	86.80%	88.60%	87.70%	88.70%		⬇	65%		
		Emergency Response (DSC s7.9)	100.00%	90.00%	87.00%	91.00%	90.00%		⬇	80%		
	Customer Engagement	May include customer surveys, focus groups, town hall meetings, etc.. Distributor is required to self-rate. Reported results may not be comparable across distributors. This measure is described in <b>Mangement Discussion &amp; Analysis</b>										
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives.	Safety	This measure is described in <b>Mangement Discussion &amp; Analysis</b>										
	System Reliability	System Average Interruption Duration Index - Code 2 Outages (RRR s2.1.4.2.2)	0.99	0.91	1.01	1.23	0.79		⬇		1.01	
		System Average Interruption Frequency Index - Code 2 Outages (RRR s2.1.4.2.4)	7.35	6.65	1.10	1.03	0.91		⬇		1.01	
	Overall cost performance	Efficiency ranking resulting from comparative cost analysis				2	1		⬆			
		OM&A Cost	per Customer	181.56	175.42	177.14	172.31	190.70		⬆		
			per Circuit Km of Line	1,099.87	951.99	966.46	952.12	1,066.59		⬇		
		Net Plant Cost	per Customer	1,840.18	1,881.65	1,955.39	2,153.71	2,461.50		⬆		
per Circuit Km of Line	66,884.20		61,268.70	64,010.45	71,402.30	82,602.64		⬆				
Asset Management	Capital Budget vs. Actual (acutal network capex % variance from plan)											
<b>Public Policy Responsiveness</b>  Utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Government Policy Directive on Conservation & Demand Management	2014 Net Annual Peak Demand Savings Target (MW)									15.79	
		2011-2014 Net Cumulative Energy Savings Target (GWh)										66.49
	Connection of Renewable Generation	Number of Offers to Connect Micro-Generation Facilities [≤10kW] (DSC s6.2) Number of CIA Completed for Other Renewable Generation Facilities [ >10 kW] (DSC s6.2)										
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio	2.07	1.76	1.84	1.06	0.94		⬇			
		Leverage: Total Debt to Equity Ratio	1.14	0.77	0.69	0.53	0.17		⬇	1.5		
		Profitability: Regulatory Return on Equity	Annual Cost of Capital ROE Parameter	9.00%	9.00%	8.57%	8.01%	9.85%				
			Achieved	9.94%	12.22%	13.56%	12.24%	11.65%		⬆		



# Revised Proposed Customer Focus Measures

## Service Quality

- Connection of new services expanded to include both LV and HV connections.
- Included “Emergency Response” (existing SQI).

## Customer Engagement

- Customer engagement is a broad perspective that encompasses:
  - identifying customer preferences;
  - addressing customer complaints; and
  - gauging customer satisfaction.

## Customer Engagement (... con't)

- A “self-rating approach” to reporting on Customer Engagement is proposed.
  - Results may not be comparable across distributors.
  - To be defined and described by distributor in Management Discussion & Analysis.
  - Prescribing a Customer Survey would be inconsistent with proposed approach.
- Premature to include “complaints” as a measure.
  - Need a more formalized way to define and measure complaints.

## Safety

- To emphasize the importance, distributors may include safety measures reported to their own Boards such as WSIB lost-time accident frequency and/or severity.
- To be defined and described by distributor in Management Discussion & Analysis.

## Overall Cost Performance

- Two unit cost “normalizers”:
  - Customer; and
  - Circuit km of Line.

## Asset Management

- Actual Network CAPEX % Variance from Plan (from DNIP Working Group).




## Connection of Renewable Generation

- Measure is now similar to load connection measure (i.e., compliance with Code requirement):
  - Number of Offers to Connect; and
  - Number of Connection Impact Assessment (CIA) Complete.

## Financial ratios

- Not necessary to report Financial Statement ROE on scorecard.
- Included “guideline levels” on certain measures that have been set by the Board:
  - Leverage; and
  - Regulatory Return on Equity.

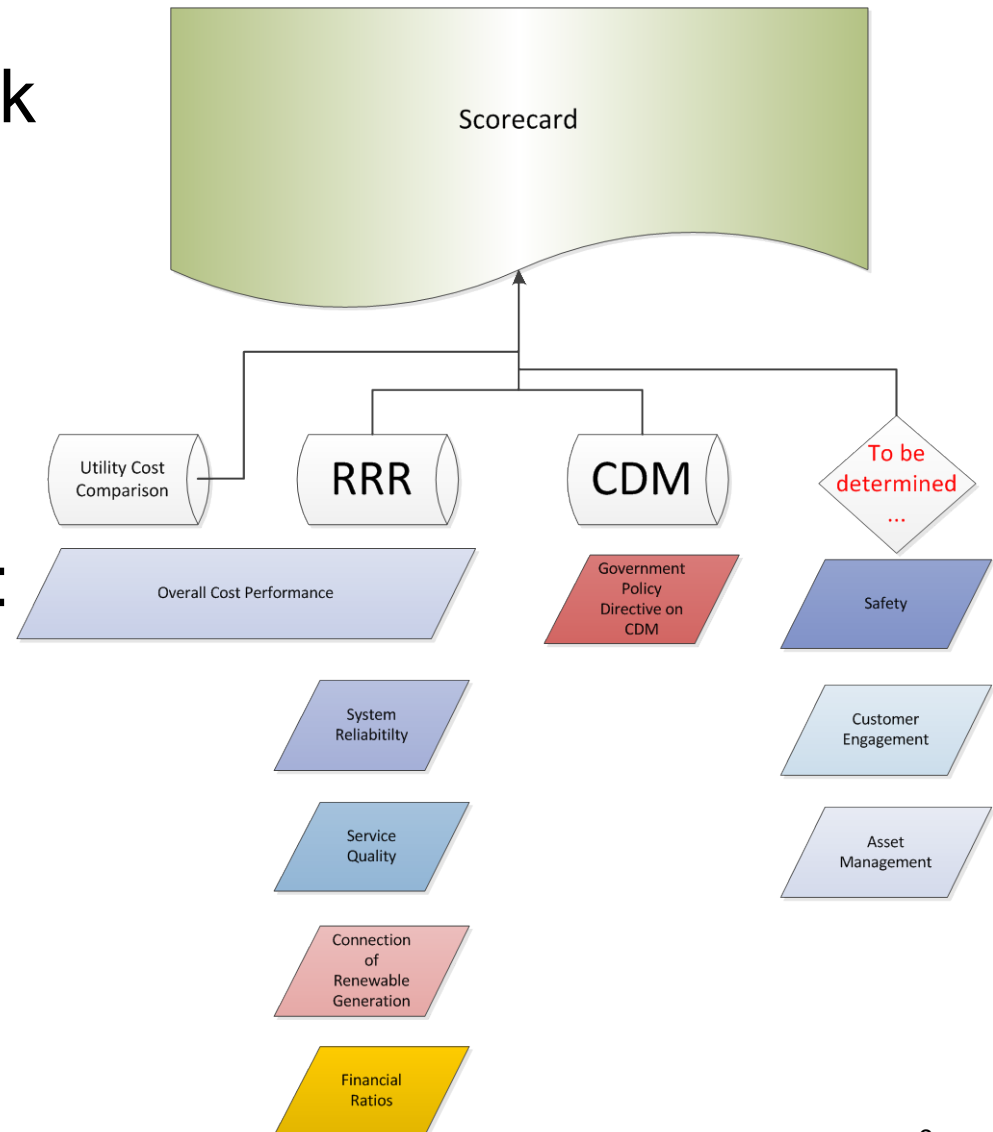
# Revised Proposed Scorecard

- Scorecard features:
  - Five-years of numbers;
  - Trend line is a “sparkline”; and
  - Industry and distributor-specific targets included.
    - Industry targets (e.g., SQI) are set by the Board.
    - Distributor-specific targets may be approved by the Board in an application.
- In light of concerns expressed over how graphic representations might be interpreted:
  - No color; and
  - No “good” or “bad” labels.
  - Just simple directional arrow included (i.e.,  ,  ,  ).
- Premature to show “aggregate” performance on the scorecard.
  - “Need to walk before we run...”

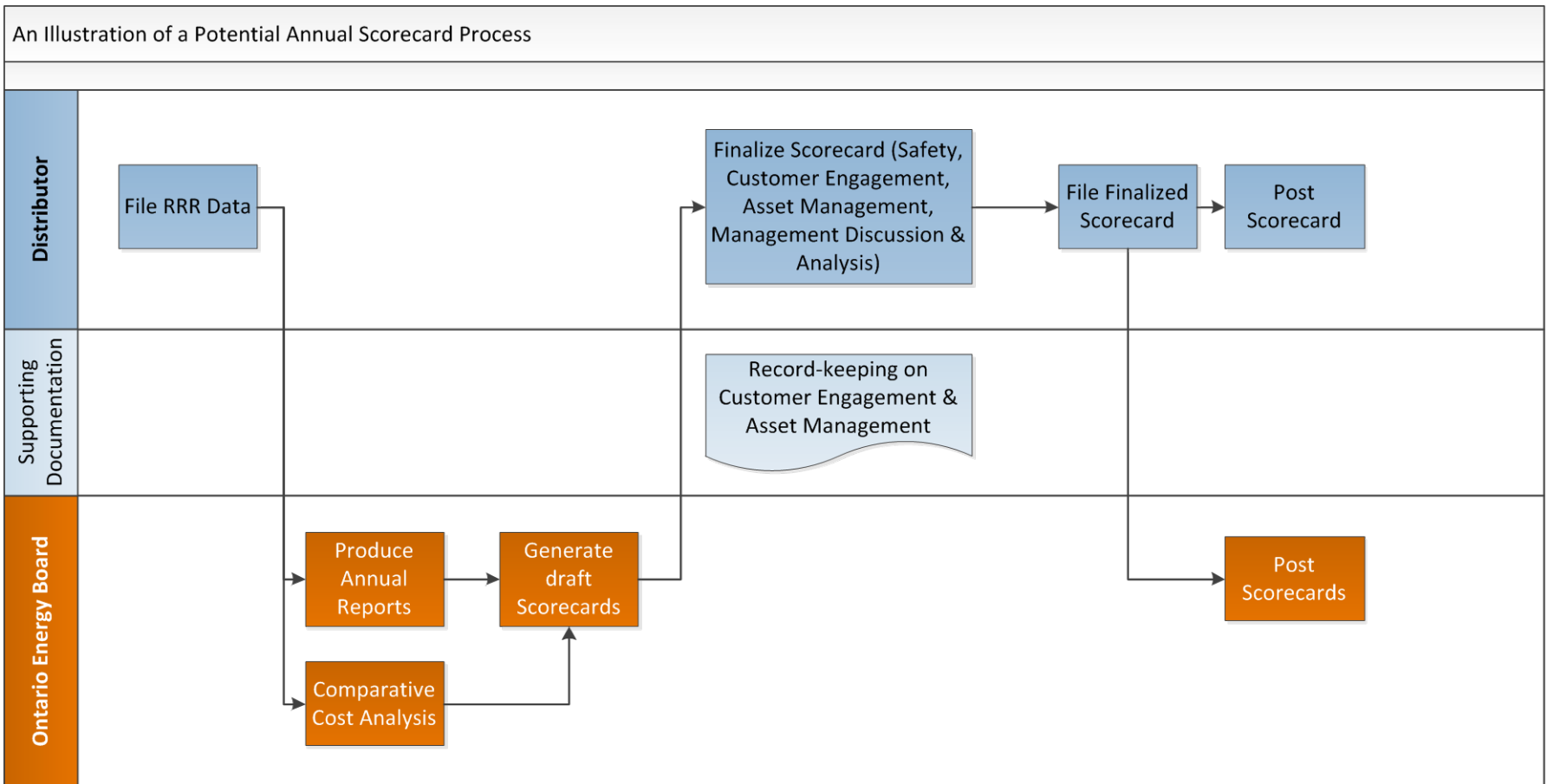


# Data Sources

- Scorecard should pick up data from existing databases
- Databases do not exist at the Board for:
  - Safety;
  - Customer engagement; and
  - Asset management.



# Annual Scorecard Process?...



# Next Steps

Target	The outcome based framework		Electricity distribution rate-setting
	Performance	Benchmarking & Rate Adjustment Indices	
<b>2013</b>			
<b>April</b>	Staff Report issued	Consultant report issued	
	Stakeholder meeting		
<b>May</b>			Stakeholder conference
	Written comments due		
<b>June</b>	Supplemental Report of the Board & Consultant final report issued (incl. rate adjustment indices & filing guidelines)		
<b>July</b>	Proposed RRR amendments issued		

All materials will be posted on the Board's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca) as they become available.

