



Ontario Energy Board

Commission de l'énergie de l'Ontario

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

Board Staff Presentation

February 4, 2013

Draft Agenda

Monday, February 4, 2013

9:30 AM - 10:00 AM

Overview for the Next Two Days &
Review of Action from Last Meeting (Board Staff)

Effectiveness and/or continuous improvement in achieving desired performance outcomes

10:00 AM - 11:00 AM

Refresher on Continuous Improvement Concepts (Lisa Brickenden, Board Staff)

11:00 AM - 12:00 PM

Customer Value Analysis (Colin McLorg, Toronto Hydro)

12:00 PM - 12:30 PM

Lunch

The scorecard as an effective performance reporting and management tool

12:30 PM - 1:30 PM

Scorecards in Business (Carm Altomare, Hydro One)

Staff's Proposed Measures and Scorecard – Part One

1:30 PM - 4:30 PM

Staff Presentation & General Discussion (Start today, continue Feb 14th)

4:30 PM

Adjournment



Draft Agenda

Tuesday, February 5, 2013

“Datapaloosa” II

9:30 AM -

General Discussion

The Ontario Electricity Distributor Historical Cost Data – General Discussion, including:

1. Continuation of January 22, 2012 discussion on defining and measuring a “standard distributor” for the purposes of total cost benchmarking:
 - a. The treatment of LV and HV costs
 - b. Business conditions (i.e., cost drivers)

12:00 PM - 12:30 PM

Lunch

- 2:00 PM

2. The reliability of the pre-2002 data for accuracy and consistency with the 2002 to 2011 Reporting & Record Keeping Requirements data
3. Implications to empirical analysis and benchmarking

2:00 PM - 4:00 PM

Finalizing the Data Request to Electricity Distributors

4:00 PM - 4:30 PM

Wrap Up & Next Steps (Board Staff)

4:30 PM

Adjournment



Customers are Central to the Board's Renewed Regulatory Framework

- The Board's mandate includes two important objectives related to consumers:
 - Protecting the interests of consumers; and
 - Ensuring a financially viable industry to provide service to those consumers.
- The Renewed Regulatory Framework
 - Prompted by a number of factors including aging infrastructure and concerns about rate increases
 - Focus on outcomes for:
 - Achieving greater efficiency, effectiveness and responsiveness;
 - Continuous improvement in productivity and cost performance;
 - Delivery on system reliability and quality objectives; and
 - Providing customers with good value for their energy dollar.



Scorecard Development and Implementation: Short-term and Longer-term

Short-term: What will be implemented for the 2014 rate year?

- A scorecard containing a set of measures that best align with, and reflect a distributor's effectiveness in achieving, the Board's performance outcomes.

Longer-term: What's "in due course"?

- Development and implementation of:
 - incentives for superior performance and inferior performance;
 - new measures; and
 - potential targets set by the Board.

- **Proposed Measures**
 - measures that might best reflect a distributor's effectiveness and/or continuous improvement in achieving the performance outcomes; and
- **Proposed Scorecard**
 - a way to effectively organize how distributors report on their performance.

Staff's Process for Developing the List of Proposed Measures

- Board staff reviewed all codes, including RRR.
- Catalogued requirements on a distributor to record, report, or perform
 - The measurable requirements were summarized in the “Measures of Electricity Distributor Performance” matrix.
- For each measure in the “Measures of Electricity Distributor Performance” matrix:
 - Included the **description** from the code;
 - Indicated whether it **exists**;
 - Do we have **confidence in the data**?
 - Is it something that is currently recorded, reported, or derived from other existing measures that are recorded or reported?
 - Described how it is **quantified**.
 - Identified whether a **target** has been set by the Board.
 - Identified any **consequences** associated with it.
 - **Assessed how strongly it meets the Board's six criteria.**



Staff's Proposed Approach for Documenting any **New** Proposed Measures

- For any **new** measure we propose, we need:
 - it to be well **defined**;
 - to **assess whether it meets the Board's six criteria**;
 - to be able to **measure and quantify** it:
 - Would it rely on existing data that are recorded or reported by a distributor as a Board requirement? If so, do we have **confidence in that data**?
 - to align it with the Board's **performance outcomes**.

Staff's Process for Designing the Proposed Scorecard

- Board staff reviewed scorecards of other companies and adopted common features:
 - **categories** created to group the measures into meaningful buckets to align the measures with the performance outcomes;
 - **five** of the most recent years of available data displayed to align with planning and rate-setting;
 - existing **targets** set by the Board displayed; and
 - “**Management Discussion and Analysis**” included to provide distributors the ability to annotate their score card.

What do you think?

- ✓ Need your feedback.
- ✓ Need to discuss the “Issues for Consultation” on slides 10 through 12.

Proposed Scorecard

Performance Outcomes	Performance Categories	Measures (new in red)	2011	2012	2013	2014	2015	Trend	Target	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	Connection of New Services (DSC s7.2)							90%	
		Appointments: Scheduled (DSC s7.3)							90%	
		Appointments: Met (DSC s7.4)							90%	
		Telephone Accessibility (DSC s7.6)							65%	
	Customer Satisfaction	Complaints by consumers and market participants (RRR 2.3.1) Customer Survey Results								
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives.	System Reliability	System Average Interruption Duration Index - Code 2 Outages (RRR s2.1.4.2.2)								
		System Average Interruption Frequency Index - Code 2 Outages (RRR s2.1.4.2.4)								
	Overall cost performance	Efficiency ranking resulting from comparative cost analysis								
		OM&A Cost per Customer Net Plant Cost per Customer Capital Budget vs. Actual								
	Asset Management	<i>To be determined in consultations...</i>								
Public Policy Responsiveness 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 CDM	2014 Net Annual Peak Demand Savings Target (MW) 2011-2014 Net Cumulative Energy Savings Target (GWh)								
	Connection of Renewable Generation	Average time to connect (DSC s6.2 and RRR s2.3.11)								
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio								
		Leverage: Total Debt to Equity Ratio								
		Profitability: Financial Statement Return on Equity								
		Profitability: Regulatory Return on Equity								



Issues for Consultation on the Proposed Measures

1. Do the proposed measures (on the proposed scorecard) align with, and reflect a distributor's effectiveness in achieving, the Board's performance outcomes?
2. Do the proposed measures meet the Board's criteria?

Criteria	Description in Board Report
Customer-oriented	be reflective of customer needs and expectations
Encourages Improvement	encourage year-over-year performance gains
Trend Analysis	reveal current performance and signal future performance
Measurable	be measurable by each distributor, and be aligned with their reporting for their own internal purposes to the extent possible
Considers Business Conditions	consider the characteristics of a distributor's service territory
Practical	be practical

3. What are your preferred measures and why?

Issues for Consultation on the Proposed Measures / 2

4. With respect to the financial ratios, staff proposes that ROE be calculated two ways: based on “regulatory” and “financial statement” assumptions. Is this appropriate?
5. Do existing consequences associated with the proposed measures (e.g., retention of achieved productivity gains, compliance process; stretch factor assignment; or case-by-case review) continue to be appropriate? Why/why not?
6. Are the **new** proposed measures appropriate?
 - a. What are the costs of tracking the **new** proposed measures that do not leverage existing Board requirements?
 - b. Are there other measures that should be considered (e.g., community involvement, employee safety, environmental impact)?

Issues for Consultation on the Proposed Scorecard

7. With respect to scorecard features:
 - a. is five-years appropriate?
 - b. is the trend line appropriate?
 - c. should all measures have targets? If so, how should they be determined?
 - d. are other features needed (e.g., graphics, averages, absolute values, etc.)?

8. Should “aggregate” performance be shown on the scorecard? Why/why not? For example:
 - a. Should the performance categories be weighted to prioritize them in order of importance? If so, how and by whom?
 - b. Should the measures be weighted? If so, how and by whom?

Next Steps

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

