



Ontario Energy Board Commission de l'énergie de l'Ontario



Improvement Action Plans to
Address 2014 Scorecard
Issues/Concerns/Opportunities

Improvement Action Plans to Address Issues/Concerns/Opportunities

Issues/Concerns/Opportunities	Action Undertaken	Status
Enhanced Regularly Calendar (Timelines) for Implementation of 2014 Scorecard (Agenda item 3)		
Timeline for CEO sign off was too short. More time needed to review CDM measures (filed August 27) and provide opportunity to address issues	<ul style="list-style-type: none"> The regulatory calendar for “Implementation Activity Schedule for 2014 Scorecards of Electricity Distributors” has been adjusted to allow a longer timeframe for CEO sign off (two weeks) OEB will schedule a meeting with the IESO to explore the possibility of receiving the CDM results in earlier date in August. 	Done
Some utilities were not clear on what they need to do or when to undertake specific activities.	<ul style="list-style-type: none"> Webinar on 2014 scorecard implementation on June 4, 2015. Issued an updated regulatory calendar on May 22 which includes activities and timelines to implement scorecard successfully. The OEB website to include reminders on deadlines. This will be available on the OEB webpage starting on June 4. 	Done
Scorecard MD&A Guide and Examples (Agenda items 4 & 5)		
MD&A platform not user-friendly (i.e. formatting issues, cannot paste graphs, tables).	<ul style="list-style-type: none"> The new template for MD&A section of the scorecard is in MS Word format. It is designed to allow flexibility for the distributors to create their MD&A section of their scorecards in the desired format and to include tables, graphs, etc. 	Done
No filing guideline of MD&A and lack of expectation	<ul style="list-style-type: none"> Scorecard MD&A guide issued by the OEB on May 22 to provide guidance to the electricity distributors in order to prepare the MD&A section of the scorecard. The MD&A Guide provides a framework and sets the minimum requirements for consistent preparation of MD&A section of the scorecard among electricity distributors. Examples of the MD&A from distributors’ 2013 scorecards’ MD&As are included in the MD&A Guide. 	Done
Definitions for the measures to be visible on scorecard MD&A	<ul style="list-style-type: none"> The link to the definitions is available on the MD&A template. The scorecard and Scorecard MD&A will be integrated as a single PDF file which will be available to the distributors to be posted on their website in mid-September. 	In progress

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Communications (Agenda items 6,7,8)		
Improved communications between Board staff and distributors regarding scorecard.	<ul style="list-style-type: none"> • Board staff have established more effective communication channels including webinars, web posting, letters, and phone calls with the electricity distributors regarding the scorecards. • All inquiries sent to Industry Relations hotline was reiterated at the April 13th webinar and by OEB staff in their communication with distributors. • EDA communication tools 	Done
Improve communication plan within distributor	<ul style="list-style-type: none"> • OEB staff issued the Scorecard Communications Guide for Electricity Distributors on May 22 to establish minimum requirements for communicating the scorecard to customers and provide other useful strategies and tools to be considered by the distributors. 	Done
No guidance on French presentation of scorecards.	<ul style="list-style-type: none"> • The OEB has developed a plan for French presentation on the Scorecard 	Done
OEB Portal (Agenda item 9)		
Need for the CEO to delegate sign off	<ul style="list-style-type: none"> • Under exceptional situations (i.e. unavailability), the CEO may have the option to electronically delegate sign off to another executive signing officer of the company. • The distributor will be required to obtain a user ID and password from the OEB via the Electronic User Form to Board Secretary's Office. 	Done
Scorecard sign off does not recognize COO credentials	<ul style="list-style-type: none"> • The COO can sign off the scorecard. However, the distributor will be required to obtain a user ID and password from the OEB for that person as noted above. 	Done
Last minute set up for CEO to access system.	<ul style="list-style-type: none"> • A letter was issued on April 17, 2015 with details on how to obtain ID/password for executive certification regarding 2014 annual RRR Filings and sign-off for the scorecards. 	Done
Distributors' workstations not set up with pre-requisites to view/print scorecard.	<ul style="list-style-type: none"> • Communication from OEB staff on computer requirements on e-filing services webpage http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/e-Filing%20Services 	Done
Automatic log out of portal after period	<ul style="list-style-type: none"> • Portal will stay open for 2 hours of inactivity 	Done

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Issues/Concerns/Opportunities	Action Undertaken	Status
of time and could lose data	<ul style="list-style-type: none"> • Automatic saving of the form is not available • Warning message before 2-hour window was implemented on May 2, 2015. 	
Evolving scorecard measures (Agenda item 10)		
What is the RRR requirement for Public Safety?	<ul style="list-style-type: none"> • ESA has developed a three component measure and the OEB has approved its inclusion on the 2014 scorecard. The OEB issued the requirements in the May 13, 2015 letter. 	Done
Other Improvement Initiatives Undertaken		
Benchmarking Report		
<ul style="list-style-type: none"> • Distributors do not understand the benchmarking methodology, model or how their cost control figures were generated. • More time needed to review and understand the PEG Benchmarking report and provide opportunity to address data integrity, if required. • Validity of 2000 data applied in 2013 model • Data errors found after PEG report published not reflected and updated in benchmarking report • Capital proxy, model parameters have no transparency 	<ul style="list-style-type: none"> • All members of the Benchmarking Process Improvements subcommittee, OEB staff and PEG consultant met on March 30 and 31 at the OEB. The OEB's consultant provided detailed walk through of draft guide and Excel model on benchmarking, provided a comprehensive insight of how the model works, explained how the cost control figures are calculated, and obtained input from sub-committee members regarding potential improvements. • All subcommittee members reviewed and commented on the updated draft guide and Excel model on April 17. • In a conference call meeting on April 21, OEB staff and PEG consultant discussed comments received from the sub-committee and the PEG consultant sought clarifications and answered questions. • The implementation plan to roll out the documents to the sector is as follows: <ul style="list-style-type: none"> ○ OEB staff and PEG conducted a webinar on May 11 to provide an overview of the benchmarking model ○ OEB staff conducted a training/educational session (lead by PEG) on May 25 for the sector 	Done
RRR Data Quality and Revisions		
Many RRR Concerns raised:	<ul style="list-style-type: none"> • An enhanced RRR Filing Guide issued April 2, 2015. 	Done

Improvement Action Plans to Address Issues/Concerns/Opportunities

Issues/Concerns/Opportunities	Action Undertaken	Status
<ul style="list-style-type: none"> • Revision to RRR data process was not always clear to distributors. • Cumbersome to complete the revision request form • Need a more user-friendly, plain language RRR filing guide for non-RRR filers. • Further guidelines on the preparation of RRR filings to ensure consistency across the sector. 	<ul style="list-style-type: none"> • The RRR timelines calendar posted on the OEB website • The revision process was outlined in the April 13, 2015 webinar on annual RRR filing. Scorecard timelines calendar includes revision cut-off timeline of June 15. 	
<p>The revision request form is difficult to find on the OEB website.</p>	<ul style="list-style-type: none"> • Creation of an electronic version of the revision request form 	In progress
<p>Cut-off dates for any revisions to RRR data by the distributors are critical for timely preparation and issuance of Yearbook and Benchmarking report.</p>	<ul style="list-style-type: none"> • The scorecard regulatory calendar which is posted on the OEB website includes the June 15 cut-off date for RRR data revisions 	Done

Improvement Action Plans to Address Issues/Concerns/Opportunities

Issues/Concerns/Opportunities	Action Undertaken	Status
<p>Improve quality and reliability of RRR data.</p>	<ul style="list-style-type: none"> • Electronic uploading of hard copy filings i.e. audited financial statements and the reconciliation document. • Distributors are expected to establish internal quality control (QC) and quality assurance (QA) processes before filing RRR. • Business conditions added to forms based on previous experience with common errors e.g. reporting of negative cash in an asset account will show an error message, total number of Connection Impact Assessments is auto-calculated as CIAs completed within and outside time prescribed. • The executive certification introduced this year requires the distributor to certify that adequate data controls and quality assurance processes are in place at the utility to ensure accurate data is reported 	<p>Done</p>



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Enhanced Regularly Calendar
(Timelines) for Implementation of
2014 Scorecard

2014 Scorecard Activities Schedule for Electricity Distributors (Updated May 22, 2015)

Date	Activity	Performed By	Description
April 30	Submit all annual RRR filings for the respective reporting year	Distributors	
May 1	Draft scorecards available to distributors	OEB	The scorecard with its initial draft contents is accessible to a distributor in the OEB's portal via the e-Filing Services.
May 1 to September 4	Review draft scorecard in e-Filing Services webpage	Distributors	The scorecard management discussion and analysis ("scorecard MD&A") information is to be completed in a Microsoft Word template and submitted in PDF format in the OEB's portal via the e-Filing Services prior to signing-off on the scorecard. See September 4 below for further details on the scorecard MD&A.
June 15	Cut-off date for distributors to make revisions to their annual RRR filings for the respective reporting year	Distributors	<p>Effective for the 2015 RRR filings for the 2014 reporting year (and subsequent RRR filings for the respective reporting years), distributors will not be able to make changes to their RRR data after mid-June. For 2015, by June 15, distributors will need to file any changes to their RRR data. This cut-off date is established to ensure that the RRR data is available on a timely basis for the OEB to produce and publish by July 31 the total cost benchmarking analysis results and the annual Yearbook of Electricity Distributors.</p> <p>A distributor that wishes to revise previously reported RRR data may do so as set out in the Process for Revising Data Filed under the OEB's "Reporting and Record Keeping Requirements" letter of February 17, 2010.</p>

Date	Activity	Performed By	Description
July 31	Publish annual Yearbook of Electricity Distributors	OEB	The OEB will publish Annual Yearbook of Electricity Distributors by July 31.
July 31	Publish Total Cost Benchmarking analysis	OEB	The OEB will publish Total Cost Benchmarking results by July 31.
July 31	Publish annual Public Safety Measure	OEB	The OEB will publish the results of the 2014 public safety measure (Components B and C) received from the Electrical Safety Authority for the scorecards by July 31.
August 7	Updating of the scorecard	OEB	The OEB will update the scorecard in the OEB's portal (assessable via the E-filing Services) in the first week of August to include the benchmarking results for the cost control measure and the public safety measure (Components B and C).
August 24	Results for CDM savings available on the scorecard	OEB	The OEB will update the scorecard (OEB's portal assessable via the E-filing Services) to include the IESO provided CDM savings results by the end of the last week of August.
September 4	Scorecard MD&A template including French version	Distributors and OEB	<p>Distributors to complete the scorecard MD&A in Word template and upload in PDF to OEB's portal by the end of the first week of September.</p> <p>In addition, a distributor electing to publish a French version of the scorecard is required to complete and upload a Scorecard MD&A in French. The OEB will merge the scorecard MD&A with the scorecards and will make the final scorecard (English and French versions) available in</p>

Date	Activity	Performed By	Description
			the OEB's portal at the start of the second week of September.
September 18	Electronic sign off of final scorecard and MD&A by CEO	Distributors	The electronic sign off of the scorecard by the CEO of the distributor to be completed electronically in the OEB's e-Filing Services by the end of the third week of September.
September 30	Scorecard to be published on the website	Distributors and OEB	The scorecards are required to be published no later than the end of September. Distributors and the OEB will concurrently publish the final scorecard on their websites during the evening of September 29. This ensures that the scorecard is available to the public on September 30.
September 30	Notice of publication of scorecard to the OEB	Distributors	Distributors to send confirmation of the scorecard publication on their websites to the OEB's Audit and Performance Assessment department via email.



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➤ Scorecard MD&A Guide

Ontario Energy Board



The Scorecard Management Discussion & Analysis (MD&A) Guide

For Preparation of Management Discussion & Analysis on
Electricity Distributor Scorecards

PREPARED BY OEB STAFF

May 22, 2015

Disclaimer Notice

The *Scorecard MD&A Guide* (the Guide) has been prepared by OEB Audit and Performance Assessment as an operational document and is not intended to create any new OEB policy or to re-define the existing policy which can be found in *Report of the Board - Performance Measurement for Electricity Distributors: A Scorecard Approach*, the Renewed Regulatory Framework for Electricity or other documents of the OEB. Where needed, the Guide provides a reference for further information, or examples to clarify best practices that can be adopted by distributors.

All examples presented in the Guide regarding the Management Discussion and Analysis (the Scorecard MD&A) section of scorecard are for general illustration purposes only, and may not address the specific circumstances of any one distributor.

Purpose

The purpose of the *Guide* is to provide guidance to the electricity distributors and to aid distributors in preparation of the Scorecard MD&A section of their annual electricity distributor scorecards.

Introduction

The implementation of the distributors' scorecards has been a major and leading regulatory, consumer-centric initiative of the Ontario Energy Board's (the OEB) obligating the distributors to better serve their customers.

The scorecard and public reporting of distributor performance in a transparent manner is an important tool for customers to better assess the value they receive from their distributor, and how that compares to other distributors.

Producing high quality public reporting information for electricity customers in Ontario is expected from electricity distributors when they publish and disclose their scorecard performance on their websites. Scorecards need to be relevant and meaningful to distributors' customers. Therefore, ensuring that information for public consumption is informative, well written and well-presented is an important consideration.

The *Scorecard MD&A Guide* is intended to assist electricity distributors by providing guidance in preparing meaningful Scorecard MD&A commentary as part of their scorecard to allow distributors' customers to gain a better sense of how well their distributor is performing. The Scorecard MD&A forms a crucial part of the scorecard as discussed in the Guide.

The lack of context in the scorecard's performance figures and an inconsistency of style (within a Scorecard MD&A or among distributors' Scorecard MD&As) can be distracting to readers and diminish the effectiveness of the communication. Richness in the context of the Scorecard MD&A section of scorecard and a consistency in tone, structure and approach will:

- Enhance the effectiveness of the scorecard
- Provide appropriate context and management's insights
- Facilitate readers' understanding of the performance numbers, and
- Contribute to the interpretive experience of the distributor's performance

Ultimately, distributors will advance continuous improvement in the sector through achievement of benchmark performance on valued services and/or processes. As the Report of the Board on Performance Measurement for Electricity Distributors: A

Scorecard Approach (EB-2010-0379) dated March 5, 2014 stated regarding “Measure Refinement and Improvement over Time”:

Distributors are encouraged to differentiate themselves through sustained continuous improvement, innovation and services to their customers that are valued by those customers. Therefore and at this time, the Board encourages distributors to include discussion of their service offerings in the management discussion and analysis section of their Scorecards that are of particular importance and value to their customers, perhaps in the context of their customer satisfaction survey results. (page 31)

Distributors are encouraged to follow a series of governing principles when preparing the Scorecard MD&A section of their scorecards. The results for the financial and non-financial scorecard performance for the given year should be clearly explained. Information presented in the Scorecard MD&A should aim to focus on material information and trends, and discount immaterial or unimportant matters. The analysis part of the Scorecard MD&A should focus on the “story behind the numbers”, explaining the trends and reasons that account for the distributor’s performance during the reporting period. The Scorecard MD&A should be simple to understand and written using plain language, and should be kept to a reasonable length so as not to alienate or exhaust the reader. Finally, the Scorecard MD&A should provide an indication of any potential risks facing the company, the future prospects of the company and how the distributor expects to perform in the future based on an objective evaluation of the distributor’s results from past periods and an assessment of potential risks. The governing principles are discussed in greater detail in the balance of the Guide.

The Guide contains seven key sections:

- The Scorecard and its Objectives
- Definition of Scorecard MD&A
- Purpose of Scorecard MD&A
- Governing Principles for preparing Scorecard MD&A
- Minimum Requirements for Scorecard MD&A
- Scorecard MD&A - General Overview
- Appendices

The Scorecard and its Objectives

The scorecard underpins the Renewed Regulatory Framework (RRF) outcome-based approach wherein distributors are expected to meet the Board’s requirements and

achieve continuous improvements that reduce costs and deliver service levels that their customers value. Ultimately, the scorecard is a tool for customers to improve their energy literacy by providing information about their distributors and allowing them to assess for themselves the value of the service they receive.

The scorecard is designed to track and show an individual distributor's performance gains over a five-year period at a point in time. The scorecard measures how well Ontario's electricity distributors are performing each year. It is designed to encourage electricity distributors to operate effectively, continually seek ways to improve productivity and focus on improvements that their customers value. As of 2013, electricity distributors have reported their scorecard performance results annually, and the results are available to the public on both the [OEB's website](#) and company websites.

The OEB expects that scorecards serve as effective tools to allow meaningful comparability among distributors under a comprehensive and consistent set of performance measures. The scorecard includes traditional metrics for assessing a distributor's services, such as frequency of power outages, financial performance and costs per customer. In addition, future performance results (for 2014 and onward) will include a number of evolving metrics that directly reflect the customer experience, such as how well the distributor resolves a customer's concern on the first contact, the accuracy of customers' bills, public safety and more. The customer is the primary audience for the scorecard and it should be written and presented in a manner that is sensitive to that readership. The Scorecard MD&A is intended to help educate customers on the company's performance by providing them with a "story behind the numbers".

The Guide is greatly informed by Scorecard MD&A resources published by the Ontario Security Commission (OSC) and the Securities and Exchange Commission (SEC)¹ and, in developing the Guide, adopted many of their terms and definitions as well as their guidance regarding the Scorecard MD&A, in order to provide specific guidance for Ontario's electricity distributors for the purposes of preparation of the Scorecard MD&A.

¹ Ontario Security Commission, *National Instrument 51-102*, effective January 1, 2011.

Securities and Exchange Commission (USA), *Interpretation: Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations*, effective December 29, 2003.

Definition of Scorecard MD&A

The Scorecard MD&A is a narrative explanation, through the eyes of management, of how the distributor performed during the period, with respect to both financial and non-financial indicators. The Scorecard MD&A is an explanation of the company's financial and operational conditions and future prospects as well as performance relating to applicable distributor and industry standards and metrics. The Scorecard MD&A is intended to describe how the company measures the results in its scorecard and provide the context within which financial and non-financial information should be analyzed.

Purpose of Scorecard MD&A

The Scorecard MD&A is intended to provide a balanced discussion of the company's results of operations and financial condition including, without limitation, such considerations as service quality, service reliability, customer satisfaction, liquidity, and profitability. It is expected to be an open reporting of "good" news as well as "bad" news.

The Scorecard MD&A is intended to provide readers information necessary for them to gain a better understanding of a company's financial and non-financial condition, changes in financial and non-financial condition and results of operations. The Scorecard MD&A is expected to provide a narrative from a customer lens that is useful to customers. It contains important disclosures and provides an indication of the current period's performance and management's expectation regarding future performance.

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. Some of the factors that could cause such differences include legislative or regulatory developments, 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.

The Scorecard MD&A is intended to provide information about the quality of, and potential variability of, a company's performance, so that customers can ascertain the likelihood of whether past performance is indicative of future performance. The

Scorecard MD&A is not intended for the distributor to disclose confidential and competitive information regarding its business activities.

A distributor may include discussion of any specific target that it sets for itself against any measure for which the OEB has not established industry or distributor-specific targets in the Scorecard MD&A.

Governing Principles for Preparing Scorecard MD&A

When preparing the Scorecard MD&A, distributors are encouraged to adhere to the governing principles as set out below:

	Governing Principle	The Scorecard MD&A Commentary
1	Express value of the service and performance results from a customer-centric lens and through the eyes of customers	<p>The scorecard is a tool for customers to improve their energy literacy and their knowledge of their distributor’s performance. Scorecard MD&A needs to provide information about distributor’s performance to allow the distributor’s customers to assess for themselves the value of the service they receive.</p> <p>The Scorecard MD&A needs to explain the distributor’s performance in a clear and concise manner from customer perspectives and using a customer centric lens. Customers should be able to understand and gain better insights about their distributor.</p> <p>Keep it simple. Use plain and neutral language in the Scorecard MD&A narrative. Avoid using technical terms.</p> <p>The distributor needs to strike a balance between providing sufficient details and making the report accessible, relevant, and meaningful to customers.</p>
2	Analyze and provide the “story beyond the numbers”	<p>Identify, discuss, and address the qualitative and quantitative factors which are necessary for an understanding and evaluation of the scorecard performance results.</p> <p>While the OEB uses distributors’ data to produce consistent scorecard reports for distributors, ownership of the data and scorecard resides with the distributor. Therefore, the distributor is the only party that knows why its numbers turned out the way they did.</p> <p>Explain the nature of and reasons for changes, trends, uncertainties and risks that have materially affected your company’s performance. The discussion should assist customers to understand trends, events, risks, and the underlying reasons or implications, and interrelationships between performance measures.</p>

	Governing Principle	The Scorecard MD&A Commentary
		<p>In specific circumstances, to the extent it is desirable to provide relevant information to enhance customers' understanding of an issue in greater detail, a web link to or highlight of a distributor's document may be provided in the Scorecard MD&A.</p> <p>Where practical, a distributor may make use of charts or graphs in the Scorecard MD&A where these tools aid discussion or make an important point not captured easily by text or the scorecard numbers.</p>
3	Provide objective forward looking views and explain the expected future outcomes	<p>Where applicable, e.g., performance target not met for a measure, the Scorecard MD&A should provide an indication of how the distributor expects to perform in future periods including any trends, events, risks, and underlying reasons.</p> <p>Where applicable for any scorecard measure, the distributor should describe any initiatives or plans and associated expected impacts and outcomes, if any, that the distributor is currently implementing or will be undertaking in the future that could influence the company's performance. This may include all categories of system investments such as distributor's capital expenditure plan, including investments to renew and expand the distribution system, investments identified in a regional planning process, and investments to accommodate the connection of renewable generation or to implement a smart grid, etc.</p>
4	Focus on materiality and material trends and uncertainties.	<p>Eliminate immaterial information that does not promote understanding of the distributor's operational and financial conditions, regulatory performance, capital resources, and changes in scorecard results.</p> <p>Identify and discuss known trends, demands, commitments, events and uncertainties that are reasonably likely to have a material effect on the distributor's scorecard performance.</p>
5	Provide important disclosures.	<p>The distributor should treat the scorecard like any other financial reporting document by providing disclosure through notes in the Scorecard MD&A. The scorecard should be 'full and frank' about both good and bad results at the company.</p> <p>Reporting issuers of financial statements may refer to any information that is used in their publicly filed MD&A for areas applicable to the Scorecard MD&A. The distributor may include such information in the Scorecard MD&A as long as the information is either already described from a customer-centric lens, or can be readily re-told if necessary from a customer-centric lens rather than an investor-centric lens. Such information needs to be in plain language and be intended to help customers better understand the distributor's performance results.</p>

Minimum Requirements for Scorecard MD&A

The Guide provides the following guidance with respect to the minimum requirements for preparation of Scorecard MD&A:

1. No blank fields on the Scorecard MD&A for any of the scorecard's performance measures;
2. Scorecard MD&A for measures with an industry or distributor-specific target and;
3. Scorecard MD&A for measures without an industry or distributor-specific target.

1. No blank fields on the Scorecard MD&A for any of the scorecard's performance measures

Excluding conservation & demand management, efficiency assessment, total cost per customer and total cost per Km of line measures, distributors are expected to report all scorecard measures on their 2014 Scorecard. Therefore, there should be no blank fields on the Performance Categories and Results Table going forward. Blank fields in the Scorecard MD&A are also unacceptable, even where the performance for the current year is steady and meets or exceeds applicable standards or metrics. Even when there is no change in performance for the year in question, the distributor is expected to provide commentary that augments the numbers provided in the scorecard, and provide a more complete picture of the distributor's performance.

Examples:

- *Distributor XYZ scheduled almost 1,500 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 99% of these appointments on time, which significantly exceeds the industry target of 90%.*
- *Distributor XYZ's return achieved in 2014 was 10%, which is well within the +/- 3% range allowed by the OEB. The average return over the past 3 years was 10.5% which is also well within return included in Distributor XYZ's approved rates. Distributor XYZ achieved returns higher than the deemed rate in 2013 and 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs. Distributor XYZ has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives.*

2. Scorecard MD&A for measures with an industry or distributor-specific target

Several measures on the scorecard have industry or distributor-specific targets. In addition to the governing principles, the Scorecard MD&A for these measures should address whether the target was met or not met, and what actions or strategies, if any, are contemplated by the distributor as a result of such performance.

Target Met

Where a target is met, the distributor should provide a Scorecard MD&A that discusses past results, results during the period, and how the distributor expects to perform in future periods.

Examples:

- *“In 2014 Distributor XYZ customer contact centre agents received over 104,000 calls from its customers – over 400 calls per working day. An agent answered a call in 30 seconds or less in 75% of these calls. This result significantly exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2014 result amounts to a 5% improvement over 2013, driven primarily by a reduction in the number of calls. Call volumes decreases are attributed to successfully promoting online self-serve features, internal process improvements, and increased customer preference to contact Distributor XYZ via email.”*
- *“Distributor XYZ successfully met its Net Annual Peak Demand Savings target for 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority (“OPA”) province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. A new full time energy manager was retained to identify and pursue opportunities within these sectors.”*

Target Not Met

Where a target is not met, the distributor should provide Scorecard MD&A as to the past results, results during the period, and how the distributor expects to perform in future periods. Additionally, distributors are encouraged to comment on (a) material reasons for why the target was not met, (b) Management’s action plan or investment to meet the target in future year(s), and (c) any other important information relevant to the measure and expected performance. Distributors should use appropriate language that provides a reasonable indication of future expectations and levels of service that customers can expect from the distributor.

Examples:

- *“Distributor XYZ failed to meet the target to connect 90% of new residential services within the prescribed time frame of five business days. The company has undertaken a review of its internal processes and controls which affect this measure. The company has identified specific process improvements and expects to see an improvement in future periods.”*
- *“Distributor XYZ’s Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.4 was above the target range of 0.7 – 1.3. The frequency of outages has gradually increased in recent years. The failure of aging infrastructure is causing a high volume of service interruptions. Distributor XYZ is taking action to address its declining trend in system reliability. It has conducted a detailed review of its distribution assets and prepared a comprehensive plan, which provides for the renewal of its distribution system over the next twenty years. Distributor XYZ has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.”*

3. Scorecard MD&A for measures without an industry or distributor-specific target

Where the measure specifies no target, the distributor is expected to provide commentary that provides the reader with insight into the measure, and the company’s internal perspective with respect to the measure and how the company feels it is performing in this area. A distributor may include discussion of any specific target that it sets for itself against any measure without an industry or distributor-specific target.

Examples:

- *“Total cost per customer is calculated as the sum of Distributor XYZ’s capital and operating costs, including certain adjustments to make the costs more comparable between distributors and dividing this cost figure by the total number of customers that XYZ serves. The cost performance result for 2014 is \$500 /customer which is a 1.2% increase over 2013.”*
- *“Distributor XYZ’s Total Cost per Customer has increased on average by 1.8% per annum over the period 2010 through 2014. Similar to most distributors in the province, Distributor XYZ has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such*

as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Distributor XYZ will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2015 rate application, Distributor XYZ will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on Distributor XYZ's capital spending plans. The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure."

- *"Over the past three years, Distributor XYZ has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within Distributor XYZ. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Distributor XYZ, reliability, customer service, outages, billing and corporate image. In addition, Distributor XYZ provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into Distributor XYZ's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. Distributor XYZ's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard Distributor XYZ reported the number of customers that were very or fairly satisfied with Distributor XYZ. Distributor XYZ received a score of 95% in 2014 on this measure as compared to a score of 90% for 2013. Customer feedback indicates that the improvement in customer satisfaction result is due in part to our improved website and online self-service tools. Distributor XYZ will continue to use the survey results to identify additional improvement opportunities."*

Scorecard MD&A - General Overview

The distributor is expected to provide an overall overview of the scorecard performance for the reporting period. This general section serves as an executive overview that provides context for the remainder of the discussion. It provides a “big picture” of how the distributor performed and how the distributor expects to perform in future periods if such information helps increase customers’ energy literacy and their knowledge of distributors’ expected scorecard results. The distributor should avoid including any unnecessary duplication of the disclosure that is included in the remainder of the discussion of the MD&A in order to not overwhelm customers. The intent of the section is not to summarize the remainder of the discussion. Instead, the section should help customers understand material matters and significant events that are the most important information on the scorecard. This includes major known trends, demands, commitments, investments, events and uncertainties that are reasonably likely to have a material effect on the distributor’s performance.

Example of a General Overview of the Scorecard MD&A:

“In 2014, the Distributor XYZ exceeded all performance targets with the exception of the two measures of system reliability. Bad weather and increasing failure rates for aging distribution assets resulted in continued reliability challenges. A concerted effort was to reverse the decline in reliability and 2014 was a record year for distribution system investments. Like most utilities in Ontario, Distributor XYZ must replace aging infrastructure at an accelerated pace. In addition, vegetation control including tree trimming activities were increased in the year to reduce the vulnerability of the distribution system to bad weather events.

Also of note is a significant improvement in customer satisfaction in 2014. This is a result of soliciting and responding to customer feedback. In particular, new online self-service tools were introduced in the year. To further address growing customer demands for information, in the latter part of 2014, Distributor XYZ replaced its legacy billing and customer information system with a modern Enterprise Resource Planning (ERP) system. While the new ERP system is expected to take 18-months to fully implement, Distributor XYZ expects that, once it is operational, the richness of data in the new system will provide its customers with a broad array of useful, real-time, and interactive information that will permit them to better monitor and control their electricity consumption.

In 2015, the company expects to improve its overall scorecard performance results as compared to prior years. The performance improvements are expected as a result enhanced system reliability due to the company’s major investment in its distribution system reliability and continued responsiveness to customer feedback.”

Appendices

- Appendix A of the Guide provides the template for the Scorecard MD&A
- Appendix B of the Guide illustrates a number of examples to provide further guidance to the electricity distributors regarding preparation of an effective Scorecard MD&A

Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 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

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Service Quality

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

- **Scheduled Appointments Met On Time**

- **Telephone Calls Answered On Time**

Customer Satisfaction

- **First Contact Resolution**

- **Billing Accuracy**

- **Customer Satisfaction Survey Results**

Safety

- **Public Safety**
 - **Component A – Public Awareness of Electrical Safety**

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

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

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

- **Average Number of Times that Power to a Customer is Interrupted**

Asset Management

- **Distribution System Plan Implementation Progress**

Cost Control

- **Efficiency Assessment**

- **Total Cost per Customer**

- **Total Cost per Km of Line**

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

- **Net Cumulative Energy Savings (Percent of target achieved)**

Connection of Renewable Generation

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

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

Financial Ratios

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

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

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

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

Note to Readers of 2014 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. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.



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➤ Scorecard MD&A Examples

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Scorecard MD&A - General Overview

In 2014, the Distributor XYZ exceeded all performance targets with the exception of the two measures of system reliability. Bad weather and increasing failure rates for aging distribution assets resulted in continued reliability challenges. A concerted effort was to reverse the decline in reliability and 2014 was a record year for distribution system investments. Like most utilities in Ontario, Distributor XYZ must replace aging infrastructure at an accelerated pace. In addition, vegetation control including tree trimming activities were increased in the year to reduce the vulnerability of the distribution system to bad weather events.

Also of note is a significant improvement in customer satisfaction in 2014. This is a result of soliciting and responding to customer feedback. In particular, new online self-service tools were introduced in the year. To further address going customer demands for information, in the latter part of 2014, Distributor XYZ replaced its legacy billing and customer information system with a modern Enterprise Resource Planning (ERP) system. While the new ERP system is expected to take 18-months to fully implement, Distributor XYZ expects that, once it is operational, the richness of data in the new system will provide its customers with a broad array of useful, real-time, and interactive information that will permit them to better monitor and control their electricity consumption.

In 2015, the company expects to improve its overall scorecard performance results as compared to prior years. The performance improvements are expected as a result enhanced system reliability due to the company’s major investment in its distribution system reliability and continued responsiveness to customer feedback.

Service Quality

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

In 2014, Distributor XYZ connected 98% of approximately 320 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is an 8% improvement from the previous year and above the OEB-mandated threshold of 90%. The improvement over the prior year was primarily the result of a newly implemented work order scheduling and tracking system. In addition, where possible, Distributor XYZ also coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Distributor XYZ is currently working with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

Distributor XYZ scheduled almost 1,500 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 99% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014 Distributor XYZ customer contact centre agents received over 104,000 calls from its customers – over 400 calls per working day. An agent answered a call in 30 seconds or less in 75% of these calls. This result significantly exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2014 result amounts to a 5% improvement over 2013, driven primarily by a reduction in the number of calls. Call volumes decreases are attributed to successfully promoting online self-serve features, internal process improvements, and increased customer preference to contact Distributor XYZ via email.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For Distributor XYZ, First Contact Resolution was measured based on live agent transactional phone surveys conducted by a third party service provider. For the period July 1, 2014 to December 31, 2014, Distributor XYZ provided the third party service provider with a twice weekly report of all inbound customer telephone calls into Distributor XYZ Customer Service.

Third party telephone agents, in turn, contacted and surveyed customers - typically within 48 hours of their initial inbound contact. Customers were asked to rate various facets of their customer experience, and were also asked if their issue (i.e. their reason for calling) was resolved on their first call to Distributor XYZ. Of the 153 customers surveyed from July 1, 2014 to December 31, 2014, 116 customers indicated that their issue was resolved on the first call to Distributor XYZ. This equates to the reported First Contact Resolution figure of 76%. Distributor XYZ endeavours to use the customer survey results to identify customer service improvements which will increase first contact resolution in the future.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors,

the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Distributor XYZ issued more than 10,000 bills and achieved a billing accuracy of 99.8%. This compares favourably to the prescribed OEB target of 98%.

Distributor XYZ continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

Over the past three years, Distributor XYZ has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within Distributor XYZ. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Distributor XYZ, reliability, customer service, outages, billing and corporate image. In addition, Distributor XYZ provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into Distributor XYZ's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. Distributor XYZ's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard Distributor XYZ reported the number of customers that were very or fairly satisfied with Distributor XYZ. Distributor XYZ received a score of 95% in 2014 on this measure as compared to a score of 90% for 2013. Customer feedback indicates that the improvement in customer satisfaction result is due in part to our improved website and online self-service tools. Distributor XYZ will continue to use the survey results to identify additional improvement opportunities.

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

Component A – Public Awareness of Electrical Safety

This year, Distributor XYZ launched the new public awareness survey among a representative sample of its territory population. The survey gauges awareness levels of key electrical safety concepts related to distribution assets and is based on a template survey provided by the Electrical Safety Authority (ESA.) The survey provides a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required. In the past year, Distributor XYZ undertook major safety awareness efforts, which included both workers and members of the public. **Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 2016 will be the first year that the data for this component of measure will be shown on the scorecard for the 2015 results.**

Component B – Compliance with Ontario Regulation 22/04

Over the past three years, Distributor XYZ was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

Component C - Serious Electrical Incident Index

Distributor XYZ reported one (1) fatality due to contact with its infrastructure. In March 2014, a student was using a lawn mower to cut the grass around his parent's house. When he moved a ladder it came in contact with a powerline, and the student was electrocuted. In addition, there were three (3) other serious incidents that occurred on its infrastructure. This results in a total of four (4) incidents with a rate of 1.32 incidents per 1,000 km of line for 2014. This is a 50% reduction in the number and rate compared to last year eight (8) and 2.64 per 1,000 km of line. The reduction can be associated with several actions taken by Distributor XYZ. A detailed analysis of data helped to identify the locations and type of equipment most commonly associated with these incidents. Next, efforts were made to modify access to the equipment by erecting additional barriers and other engineering methods.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

Distributor XYZ experienced a significant increase in the average number of hours that power to a customer was interrupted during 2014 as a result of two significant weather events; a severe wind storm in July and a severe ice storm in December. The July wind storm affected approximately 5,000 customers and the December ice storm affected approximately 50,000 of Distributor XYZ's customers. If these severe weather events are not considered, Distributor XYZ's average number of hours that power to a customer was interrupted would be 1.6. With the 2014 severe weather events excluded, Distributor XYZ's system reliability has been trending in an improved manner, when analyzed over the past five year period. The severe storm events described above has provided Distributor XYZ with an opportunity to review its practices with regards to a number of systems and to make improvements that will have a positive effect on reliability. For example, Distributor XYZ's construction standards are being reviewed to improve resiliency to severe weather, back-up power supplies are being enhanced to improve remote operating time for automated distribution system components, enhanced tree trimming practices are being enacted and investments in distribution system automation technology that will provide Distributor XYZ an improved level of situational awareness during large scale power outages is occurring.

Distributor XYZ continues to view reliability of electricity service as a high priority for its customers and as such developed a program several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control center and an immediate response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with the Distributor XYZ's senior management team's commitment to review the worst performing feeders on a quarterly basis for the opportunity to improve reliability, will ensure customers continue to receive high value from their electricity service.

- **Average Number of Times that Power to a Customer is Interrupted**

Distributor XYZ's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.4 was above the target range of 0.7 – 1.3. The frequency of outages has gradually increased in recent years. The failure of aging infrastructure is causing a high volume of service interruptions. Distributor XYZ is taking action to address its declining trend in system reliability. It has conducted a detailed review of its distribution assets and prepared a comprehensive plan,

which provides for the renewal of its distribution system over the next twenty years. Distributor XYZ has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

Asset Management

- **Distribution System Plan Implementation Progress**

For Distributors with a completed Distribution System Plan

Distribution system plan implementation progress is a new performance measure instituted by the OEB starting in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan (“DSP”) outlines Distributor XYZ’s forecasted capital expenditures, over the next five (5) years, required to maintain and expand the distributor’s electricity system to serve its current and future customers. The “Distribution System Plan Implementation Progress” measure is intended to assess Distributor XYZ’s effectiveness at planning and implementing the DSP. Distributor XYZ measures the progress of its DSP implementation as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year per the DSP. The 2014 measure indicates that Distributor XYZ exceeded its planned project spending by 5%, due to unplanned asset failure, aging infrastructure, and extreme weather events.

For Distributors in the process of completing their Distribution System Plan

Distributor XYZ plans to file an application with the OEB for a full review of its rates effective May 1, 2016. Accordingly, as of April 2015, Distributor XYZ is now in the process of finalizing its Distribution System Plan (“DSP”).

Distributor XYZ has reported 80% completion of the DSP at December 31, 2014 herein with the understanding that the measure refers to the percentage represented on a project management progress view of the drafting of the DSP document itself, and does not reflect implementation.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2014, for the second year in a row, Distributor XYZ was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, XYZ’s costs are within the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 26%

were ranked as “least efficient. Although Distributor XYZ ‘s forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Distributor XYZ’s capital and operating costs and dividing this cost figure by the total number of customers that XYZ serves. The cost performance result for 2014 is \$500 /customer which is a 1.2% increase over 2013.

Distributor XYZ’s Total Cost per Customer has increased on average by 1.8% per annum over the period 2010 through 2014. Similar to most distributors in the province, Distributor XYZ has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Distributor XYZ will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2015 rate application, Distributor XYZ will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on Distributor XYZ’s capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above, The Total cost is divided by the kilometers of line that Distributor XYZ operates to serve its customers. Distributor XYZ’s 2014 rate is \$33,000 per Km of line, a 2% increase over 2013. Distributor XYZ experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced Distributor XYZ’s ability to fund capital renewal and increased operating costs through customer growth. As a result, cost per Km of line has increased year over year with the increase in capital and operating costs. See above cost per customer section for cost drivers commentary. Distributor XYZ continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Distributor XYZ successfully met its Net Annual Peak Demand Savings target as at the end of 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority (“OPA”) province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. A new full time energy manager was retained to identify and pursue opportunities within these sectors.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Distributor XYZ is pleased to have achieved its four-year net cumulative energy savings target by the end of 2014. Our successful achievement was made

possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization from the Electrical Safety Authority. In 2014, Distributor XYZ completed one CIA and it was done within the prescribed time limit. In 2013, Distributor XYZ completed five CIAs in which four were completed within the prescribed time limit. Distributor XYZ outsources the CIA work to an engineering consultant. Historically, the reason for any delays is mainly due to the consultant's workload and unexpected delays associated with getting more information from the customer. In the past year, Distributor XYZ has developed and implemented certain measures to ensure that the CIAs are done within 50 days instead of 60 days and also setting strict guidelines on the information required by the customer even before we begin the CIA work.

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

In 2014, Distributor XYZ connected 103 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 95% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. Distributor XYZ works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

Distributor XYZ's current ratio decreased from 2.84 in 2013 to 1.42 in 2014. This is not indicative of a decline in financial performance but rather the result of a reclassification for reporting purposes. Distributor XYZ's current ratio in subsequent years is expected to be in line with 2014 results as opposed to 2010 to 2013 levels.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high

debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. Distributor XYZ continues to maintain a debt to equity structure that closely approximates the deemed 60% to 40% capital mix as set out by the OEB – this is demonstrated by the 2014 debt to equity ratio of 1.47. Distributor XYZ's strong financial position is further supported by the recent Standard & Poor's Rating Services rating of "A".

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

Distributor XYZ's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.0%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

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

Distributor XYZ's return achieved in 2014 was 10%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 10.5% which is also well within return included in Distributor XYZ's approved rates. Distributor XYZ achieved returns higher than the deemed rate in 2013 and 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs. Distributor XYZ has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives.

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Ontario Energy Board Commission de l'énergie de l'Ontario



Scorecard Communications Guide

Ontario Energy Board



The SCORECARD COMMUNICATIONS GUIDE

FOR ELECTRICITY DISTRIBUTORS

PREPARED BY OEB-STAFF

May 22, 2015

DISCLAIMER NOTICE

The *Scorecard Communications Guide* (the Communications Guide) has been prepared by OEB Audit and Performance Assessment as an operational document and is not intended to create any new OEB policy or to re-define the existing policy which can be found in *Report of the Board - Performance Measurement for Electricity Distributors: A Scorecard Approach*, the Renewed Regulatory Framework for Electricity or other documents of the OEB. Where needed, the Communications Guide provides options to promote best practices that can be adopted by distributors.

With the exception of the minimum communication channels, all remaining scorecard communication activities are offered as additional options, as determined by the specific circumstances of any one distributor.

Distributor Scorecard Communication Best Practices

The following list provides examples of tools, processes and activities that distributors may consider undertaking to increase customer awareness of their Scorecard, convey the Scorecard's key findings, and educate their customer base on the value proposition of performance measurement and continuous improvement more generally. While the distributors are not mandated to pursue these initiatives, they are encouraged to consider them as potential means of promoting electricity sector literacy and facilitating a meaningful dialogue with their customers.

Minimum Requirements for Communicating the Scorecard to Customers

While, respecting that customer communication needs and options may vary by distributor, establishing minimum requirements for communications protocol are necessary to ensure that all customers, province-wide are provided with consistent options to become informed about their distributor's scorecard performance outcomes.

It is reasonable to expect that electricity distributors make its scorecard accessible, transparent and visible to their customers. In order to achieve this objective, the following minimum communication actions are required:

1. Ensure the Scorecard is prominently featured and easily and clearly visible on the homepage of the distributor's website;
2. At least once annually, alert customers through a bill message (physical and electronic bills);
3. Ensure your customer-facing staff are aware and knowledgeable of the Scorecard

1. Own Your Scorecard Results

Avoid referring to the Scorecard and the associated materials as the "OEB Scorecard". Instead, call it the <Name of your Distributor>'s Scorecard, for the year 20XX, e.g. Distributor XYZ's Scorecard for 2014.

2. Leverage the Existing Communications Materials

The OEB has developed a set of [Frequently Asked Questions](#) (FAQ) regarding the Scorecard and its use, along with [plain-language explanations](#) of all the measures. Consider placing these documents on your website next to the Scorecard itself, or providing a link to the OEB website.

3. Educate your Employees

Effective communication with customers starts with well-informed employees. Ensure that employees beyond the Regulatory/Finance/Reporting departments are aware of the Scorecard

and its contents and understand the drivers underlying its publication. This is particularly important for employees in customer-facing roles, such as Customer Service Representatives.

Consider providing the pertinent information through internal seminars, newsletters, or Intranet pages. For further visibility and to convey the importance of this undertaking, consider tracking the Scorecard results on a quarterly basis and publicizing the results within your utility.

4. Use a Variety of Communication Channels

Utilities use a number of ways of approaching their respective customer bases. Most of them can be effectively utilized to encourage your customers to review your Scorecard and Scorecard MD&A, and provide you with their feedback. These include:

- Bill inserts and electronic bill messaging;
- Facebook and Twitter Feeds;
- Distributor website ads;
- Call Centre Script / Interactive Voice Response (IVR) Messaging;
- Email communications;
- Annual Reports and financial disclosure documents;
- Sustainability / CDM reports;
- Incorporate the Scorecard into existing distributor educational initiatives or promotions, where applicable;
- Link the Scorecard to website references, such as reliability and customer service offerings.

To optimize your utility's Scorecard communication efforts, consider integrating your plans into the overall Communications Plan.

5. Collect annual information on the usefulness and effectiveness of your Scorecard communication efforts.

- Track the number of hits on your Scorecard web page and compare them with other distributors, taking note of the location of the Scorecard info on their website and the scope and nature of their communication efforts on the subject
- Baseline year-over-year comparisons of web and social media analytics to measure the effectiveness of your Scorecard communications.
- Include simple information query buttons at the bottom of the Scorecard / Scorecard MD&A web pages, prompting one-click customer feedback (e.g. "Was this information helpful to you? Click YES/NO; or "Would you like to learn more about these areas?" Click: YES/NO).

- Invite customers to fill out feedback surveys following the review of the Scorecard. Survey questions may include:

Scorecard Feedback

- 1) Were you aware of the Scorecard prior to this visit to our website?
- 2) What do you like about the Scorecard and the Scorecard MD&A?
- 3) What areas would you like to learn more about?
- 4) What is the most convenient way for you to receive this type of information?
- 5) Which of the measures are the most important to you?

Company Performance

After reviewing our performance scorecard, do you feel confident that <Name of your Distributor> is:

- 1) Providing good value for money?
- 2) Operating Efficiently?
- 3) Spending wisely?
- 4) Providing good customer service?

Now that you are aware of our recent performance

- 1) Do you have a positive feeling about_<Name of your Distributor>?
- 2) Do you trust <Name of your Distributor>?

Make reference to the distributor’s scorecard in customer surveys, to measure awareness and impact.

6. Simplify / Summarize the Scorecard Results

In communicating the Scorecard results with your customers, consider providing targeted or focused scorecard versions, highlighting one, or several measures that may be of particular interest to your customers. This can be done through callout ads (web or printed) providing concise information statements and inviting the customers to explore the remaining subject matter by following a link:

“Did you know that Utility X has met 99% of its customer appointments in 2014? To learn more about our performance statistics [click here](#) (link to the full Scorecard and MD&A).”

To concisely convey the key points about the Scorecard information, use the new Overview Section of the Scorecard MD&A Guide. The purpose of this section is to provide the customers with most pertinent information about the utility’s performance, and to foreshadow the information contained in the remainder of the Scorecard MD&A, inviting the customers to explore it as needed.

Include a quick write-up (1-3 sentences) explaining the purpose of the Scorecard and the nature of the information it contains on your website next to the link to the Scorecard web page.

7. Engage your Customers in Person

Consider conducting customer Focus Groups, Town Hall-style meetings or other types of face-to-face engagements to educate the customers on the individual Scorecard measures, discuss your utility's performance, and solicit their feedback on the issues that they deem important. Given the costs associated with in-person sessions, consider integrating the Scorecard information into the existing / planned customer engagement activities, such as those associated with the Distribution System Plan customer engagement.

8. Responding to Below Average Results

Even top performers can experience a performance slump at times. And, there's usually a reason that can easily be justified and addressed. Don't shy away from communicating poor performance. Leverage the MD&A section and Web or other content-rich channels to tell your annual story, explain why some of the numbers are "off" and the corrective actions your organization is taking to improve over time.

The openness and transparency is appreciated by customers and goes a long way towards demonstrating integrity and trust of your organization and its leadership. Be sure to follow through next year, to demonstrate how your plan of action is making a positive difference.