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BY COURIER

August 12, 2013

Ms. Kirsten Walli
Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700,
Toronto, ON, M4P 1E4

Dear Ms. Walli:

EB-2010-0379 – OEB Consultation on Performance Measurement and Continuous Improvement for Electricity Distributors - Hydro One Networks' Comments on the OEB Staff Report to the Board

Hydro One has been very pleased to participate in this project.

Hydro One has examined the individual OEB staff recommendations in detail and offers the following comments.

The Performance Outcomes and Categories are a comprehensive package capturing the key elements necessary for the development of a balanced scorecard. However in evaluating and comparing the proposed measures in the Scorecard format we have some concerns as to scope and comparability. For example “Appointments met” appears more useful than just scheduled. Similarly in the discussions with the econometric consultants at the workshops on *Defining and Measuring Performance of Electricity Transmitters and Distributors*, questions were raised on the use of OM&A only. We recommend that the total costs be used due to the different accounting rules across the distributors e.g. how costs are capitalized.

While we appreciate that the OEB staff examined employee safety before deciding on a public safety measure we would be remiss with our corporate culture and experience with safety to have a balanced scorecard without employee safety. However, recognizing that other bodies are monitoring safety the inclusion of their rating would suffice.

Hydro One notes the total number of proposed measures in the Scorecard is much larger than the norm. Our research on the use of Scorecards has shown that when the number of measures becomes inflated it is difficult to evaluate overall performance.

Hydro One believes that a properly developed scorecard will be a beneficial business tool for the OEB to evaluate performance and for the Distributors to implement continuous improvement. The development of Outcomes, Categories and Measures are the backbone of defining performance measurement and it is their appropriate implementation that leads to Continuous Improvement in Hydro One's experience.

Hydro One therefore suggests that after reviewing the responses to the questions listed in Appendix A that a discussion or workshop be held to review how the Scorecard or Scorecards can best be used to support the improvement of LDC's Performance Measurement and ensure Continuous Improvement.

Hydro One's responses to the questions proposed by OEB staff are attached in Appendix A. In particular we have tried to provide insights into our own experiences with these measures. We have also included some observations on industry processes and practices that we have found to be useful in the development of our scorecards and performance improvement programs.

While Hydro One recognizes that there are a number of issues surrounding the gathering of the data and its reporting we have found the benefits gained greatly offset the challenges involved. The most important learning point from participating in the defining and measuring Performance process has been to ensure a customer perspective is present in all of the measures.

Hydro One looks forward to continued participation in the Defining and Measuring Performance process.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Appendix A

Hydro One's Responses to the Board's Questions

Existing Service Quality Requirements

1. The existing service quality requirements (whether as mandatory requirements or as reported indicators) have been in place for a number of years. Do the prescribed performance standards set by the Board for distributors continue to be appropriate? Why? Why not?

Hydro One supports the current service quality metrics as applied to appropriate areas (e.g. appointments, connections of new low voltage services, telephone calls, etcetera) to help determine how quickly the distributor responds to a customer's requirements. The recognition of above or below average performance would lead to continuous improvement.

The number of SQRs and their range of impact may need review but only if consequences are noted. For example three measures for appointments tend to send a message that Scheduling is not very important and that missing is normal. From a customer perspective this is the wrong message, publishing actual results may lead to improved performance and an increase in customer satisfaction.

Hydro One recommends that rather than adding more service quality metrics, establish a plan of what the ideal distributor performance looks like, determine the data required to measure this performance and devise an implementation plan.

Customer Satisfaction Surveys

2. If Board staff's recommended approach were implemented:
 - a. How might the sharing of information amongst distributors be facilitated to encourage "good survey practices"?

A posting of processes would lead to cross learning, as would research by the OEB into best practices in other regulatory regimes.

A major change in the use of customer satisfaction surveys is the move away from generic questionnaires to specific transactional response. For example, the Ofgem model of Connections, Interruptions and Enquiries is a distribution customer satisfaction survey that is intended to capture customers' experience of the interruption, connection and general enquiry services delivered by the LDC.

To ensure overall satisfaction rather than subjective opinion a combination of tools could be used. For example:

- *Customer Satisfaction Surveys to provide overall directional rather than definitive comparisons;*

- *Customer Service Quality indicators based on the OEB SQRs to provide quantitative service results for comparisons; and*
- *Customer Transaction assessment surveys of actual transactions with customers to provide both qualitative and quantitative results for trend comparisons.*

This would be a useful starting point. That is rather than starting from scratch each time, benchmark leading practices and how others are applying these concepts and then customizing them for Ontario.

- b. How would the Board know that a distributor's survey has been designed and implemented following "good survey practices"?

Surveys are a well-established business tool and considerable academic and industry research and publication has been done. From this research a set of standards, best practices and things to avoid could be produced.

A review of current products used by Distributors would provide a comparison in establishing a guide of leading practices.

Surveys are well established in business therefore good models would not be hard to find. As noted in "a" above the move to transactional surveys is seen as good future practices in the service industry as they focus on interactions with the customer and are much less likely to be influenced by external impacts. While overall satisfaction is important, transactional surveys are more likely to bring information that may be lost in an overall satisfaction survey.

For example:

Transactional surveys are more likely to spot a specific problem that occurred to an otherwise satisfied customer – something that may have been missed in an overall survey.

Transactional surveys are more likely to uncover employees that have provided outstanding or terrible customer service – enough that the customer is willing to point out the benefits of flaws or working with that particular employee.

Transactional surveys are more likely to help utilities make more immediate business decisions, such as a service falling far short of its goals, or find a way to help salvage a relationship with a customer that had a negative experience.

3. The Staff Report notes that the results of locally undertaken customer satisfaction surveys may not be readily comparable across distributors. What are the implications, if any, of customer satisfaction surveys not being comparable across distributors?

Customer surveys results are only comparable if the same processes including questions and media are used. This is very rare in business and individual surveys are only used for year over year comparisons. Industry wide surveys such as JD Power and Gallop are only useful for direction and would rarely be used for decision making.

However a simple survey e.g., as used by Ofgem would suffice for comparisons and distributors could continue to use their own surveys to identify local issues and actions.

In the Hydro One annual survey, we recognize that results may vary across the province due to local conditions and customer expectations.

4. To help the Board understand distributors' existing practices, the Board asks all distributors to provide with their written comments an overview of how they conduct their customer satisfaction surveys.

Surveys overviews are provided in Appendix B. A Customer Research Presentation was provided in the Hydro One Networks Stakeholder Consultation on April 29, 2013, as part of the Distribution Custom IR Rate Application 2015-2019 process.

1st Contact Resolution

5. If Board staff's recommended approach were implemented, how might the sharing of information amongst distributors be facilitated to encourage the pursuit of "best practices" in relation to 1st Contact Resolution?

Leading Benchmarking groups such as Committee on Performance Excellence (COPE) at the CEA had workshops where leading utilities presented their best practice processes. The key is to identify what is a leading practice (e.g. not just the quickest but the one that actually resolves the issue). A major issue is customer's and the distributor's perception of resolution. While the distributor may believe that the issue has been resolved from a technical perspective the customer may believe that more could have been done resulting in 1st contact resolution but with a dis-satisfied customer. A second element noted in enquiry/complaint resolution is the time frame. If the first contact resolution takes an inordinate amount of time the customer may just give up again resulting in 1st contact resolution and a dis-satisfied customer.

While 1st contact resolution may be beneficial qualifiers may be required. The Board may wish to examine its role as a facilitator of best practice dissemination and coordination.

6. To help the Board understand distributors' existing practices, the Board asks distributors that currently measure 1st Contact Resolution to provide an overview of their approach in their written comments.

An overview of the process that Hydro One Networks uses is shown in Appendix C.

Billing Accuracy

7. To help the Board understand distributors' existing practices, the Board asks distributors that currently measure Billing Accuracy to provide an overview of their approach in their written comments.

The formula that is used to calculate Billing Accuracy is: 100% less (Total Cancelled Bills/ Total # of Bills)

The top five scenarios that drive cancel/re-bills are:

1. *Auto cancel for TOU and conventional meters*
For TOU: Corrected TOU usage from MDMR is provided for a previously billed period.
For Conventional: Actual reading received (i.e. via radix) which is lower than previously billed estimated readings
2. *Too many meter reading estimates*
3. *Final Bill Corrections*
4. *Retailer Settlement corrections*
5. *Customer reads provided lower than estimated readings*

Regulatory Return on Equity

8. Should the Board's allowed ROE be included as a "target" on the Scorecard? Why?
 - a. If the Board's allowed ROE were included on the Scorecard, which value would be appropriate: the recent value determined by the Board in its annual Cost of Capital Parameter Update (e.g., in the illustration of Board staff's recommended Scorecard, this would be the value for 2011); or the value of the ROE that is embedded in the distributor's base rates? Please provide a rationale for your response.

Since an LDC's allowed Regulatory Return on Equity is central to the Board's off-ramp provision, Hydro One has no issue with its inclusion in a Scorecard. It is fair to ask an LDC to compare their company's normalized achieved return to the Board allowed ROE that is embedded in approved rates. It is imperative that any such comparison be calculated on the same basis.

Hydro One does not believe a financial ROE comparison should be included in a Scorecard due to the differing accounting standards used by LDCs.

The Scorecard

9. The Scorecard has to be relevant and meaningful to all, including consumers. How might the results presented on Board staff's recommended Scorecard be summarized in a manner that might be most easily understood by consumers?

The consumer experience in other regulatory regimes such as Ofgem has shown a comfort level with service quality indicators. We would of course have to change to customer-centered titles such as Customer Interruptions instead of industry ones such as System Average Interruption Frequency Index (SAIFI) and Customer Minutes Lost rather than System Average Interruption Duration Index (SAIDI).

The exposure of the public to survey charts in the specialized sources such as Consumer Reports and published surveys in the mainstream media is magnified by the ranking and list fascination of the social media.

Therefore while concerns may be expressed regarding the customers' ability to understand the data and interpret it correctly, experience in other regulatory regimes has shown that even detailed scorecards are recognized as information tools by the customer.

The key is to use customer centric measures and to present them from a customer perspective. That is workshops with actual customers not just what the Distributors or consultants think the customer wants. Focus groups have shown that perception looking out is very different from reality looking in.



Appendix B

Customer Research

Daffyd Roderick

Director, Corporate Communications

April 29, 2013

Original 1999 Purpose Statement for Customer Satisfaction Research Program



The purpose of the research is to provide Hydro One with an on-going data gathering, analysis and reporting process that will significantly improve customer responsiveness and customer focused performance. The overall objective is to obtain a deeper understanding of customer needs to facilitate building and managing strong productive relationships with customers now and in the future. Specific objectives:

Obtain a deeper understanding of the dynamic needs and expectations of all customer segments

Identify the specific dimensions of customer service that have the greatest leverage to improve customer satisfaction

Obtain competitive performance comparisons to facilitate goal setting and provide objective standards of performance

Provide specific input and direction for the development and implementation of effective action plans

Provide on-going measures of performance to support continuous improvement

Meet and exceed the requirements of regulators and assume a leadership role in influencing the formulation of policies

Desired Outcome:

Strong customer relationships based on competitively superior levels of operational excellence.

Survey Summary



Residential and Small Business Impressions

- Residential and Small Business
- Cross-Canada benchmarking, including CEA Public Attitude
- Bi-annual (April/September)

Transactional Surveys

- CCC, BCC, Complex, My Account, Provincial Lines connects/upgrades, Forestry, Gen Dx connections
- Ongoing

Business to Business Impressions

- Large Tx, LDC, Gen Tx, LDA, Commercial Den Dx
- Annual

Brand Research

- Customer, key stakeholders
- Re-start 2013

Event Surveys

- Post-event – retail events, fairs, community events

Residential and Small Business



Our bi-annual residential and small business survey asks customers about the following*:

1. Overall impressions of Hydro One
2. Call Centre
3. Billing
4. Reliability/Outages
5. Communication
6. Conservation and Demand Management

*phone interviews conducted by a third-party in April/September

Residential and Small Business



- **Representative sampling of our rate classes**

Sample Group	Total Completes W1 2013	Total Completes W2 2013	Total Completes 2013	Confidence Interval for Total 2013
Residential Low	350	350	700	3.7
Residential Medium	350	350	700	3.7
Residential Urban	125	125	250	6.2
Residential Seasonal	150	150	300	5.7
Residential Agriculture	100	100	200	6.9
GS Demand	80	80	160	8.0
GS Non-Demand	50	50	100	10.0
Total	1205	1205	2410	2.0

Scope: Impressions of overall service delivery: Overall Impressions, Rates, Bill & eBills, Reliability, Outage handling, Relationship, Access, Communications, Website, CDM

* +/- given number of percentage points at the 95% confidence level.

Key Issues Unsatisfied Customers want to see Addressed



	End User (n=42)
Responsiveness, follow-up	12%
Reliability/line maintenance/power quality	31%
Outage planning/outage notifications	7%
Communications/proactive phone calls	10%
Infrastructure/upgrade	10%
Costs	19%
Accessibility	2%
Load transfers	--
Other	12%

	LDA (n=54)
Cost effectiveness	39%
Reliability / line maintenance	30%
Efficiency / quality of service	9%
Responsiveness	7%
Communication / access	6%
Restoration time / outage handling	4%
Information	2%
No issues	17%

Residential and Small Business



- Hydro One has put a Customer Satisfaction Leadership Team in place to look at the research findings
- This cross-functional team puts actions against some of the areas where Hydro One can improve
- Meet 2-3 times per year

Out of Research...



- Customer research has played a major role in informing how we operate
 - Development of industry leading Estimated Times of Restoration
 - Improved HydroOne.com
 - Development of Outage App
 - Forestry practices
 - Some things we **don't** do

Next Steps



- Renewed Regulatory Framework requires us to seek more information to guide investment
- Factors could include Power Quality, Reliability versus Price
- Seeking input from Stakeholders on methodology and areas of focus for improving research



Customer Survey
Facilitated Discussion

Appendix C

First Contact Resolution Process

As part of the call transaction survey conducted on behalf of Hydro One Networks, for random selected calls, callers are telephoned for a survey within 5 days of their call to the Hydro One Networks Customer Call Center. After establishing overall call satisfaction the Company asks a question to determine first call resolution. Question 10 below is the question wording.

10. And once you did get through to (an agent) (the automated system), on (DAY/TIME), was your issue resolved on the first call, or did you need to call back more than once?

First call resolution	1
Called back	2
Neither	3

For those outages calls that are passed through by the Agent to the Distribution Operations Management Centre (DOMC) (in less than 30 seconds) resolutions are documented by the DOMC related to ETR, interruption, time and cause if available.