
CAMPUT Benchmarking: A Summary

May 4, 2010
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Agenda

Introduction

Benchmarking and its Uses

Recommendations from the Study

Considerations/Canadian Context

Questions and Answers

Project Goals

- ✓ Delivery of a recommended approach to benchmarking for regulatory purposes, including metrics to be included, thoughts on the reporting approach, and guidance as to how the regulators can apply and use the results.

Expectations

- ✓ At some point, we would anticipate some or all of the regulators to extend their use of benchmarking as part of the regulatory process -- either formally or informally in their review of filings.

Key Activities in Completing the Study

External Research

- ✓ U.S., U.K., and Australia Regulatory Benchmarking
- ✓ Utility benchmarking – for their internal purposes – U.S. and Canada

Direct Research – Canadian uses of benchmarking

- ✓ Regulator survey and interviews – Canadian regulators
- ✓ Utility survey and interviews – Canadian utilities
- ✓ Outline how regulators and utilities currently use benchmarking

Development of recommended metrics

- ✓ Identification of selection criteria
- ✓ Creation of draft listings
- ✓ Review with regulators and utilities to refine listing

Recommended Implementation Approach

- ✓ Approach development based on needs of regulators, resources available and current state of benchmarking
- ✓ Review with CAMPUT Steering Committee

Benchmarking and its uses

Benchmarking and its Uses

Benchmarking has many definitions

- ✓ **A process of measuring and comparing performance results to identify strengths and areas of opportunity, as well as practices which can be adapted for use**

There are also many uses for benchmarking

- ✓ **Performance Comparisons**
- ✓ **Performance Assessment**
- ✓ **Target Setting**
- ✓ **Best Practice Investigation and Adaptation**

Within the utility industry in North America, there are many utilities that use benchmarking for internal performance improvement

- ✓ **Consultant-led studies**
- ✓ **Consortium studies**
- ✓ **Industry associations**

Findings from the Study

Uses of benchmarking in regulatory circumstances vary widely

- ✓ Some countries and U.S. states are very formal in their requirements
- ✓ A few Canadian regulators have formalized approaches
 - Alberta, British Columbia, Ontario, Quebec
- ✓ Many regulators have little to no formal benchmarking in place

Data and information are available within Canada, but inconsistent

- ✓ Most regulators have access to good data from individual utilities, but a lack of context for understanding whether performance is good or poor
- ✓ Many utilities participate in formal industry-based benchmark studies for their own use. Results are sometimes filed in rates cases

There is great interest in the use of benchmarking for regulatory purposes

- ✓ Regulators see it as a means to more efficient, effective ratemaking
- ✓ Intervenors see it as a way to hold utilities to a higher standard
- ✓ Utilities are concerned about possibilities of being unfairly judged

Recommendations from the Project

Recommended Actions

Implement a benchmarking approach over a span of several years

- ✓ **Build Support and Consensus for a plan**
 - Define the process
 - Present metrics for discussion and comment
 - Set up national roundtable discussions, introduced at regional meetings, with both regulators and utilities, as well as intervenors
- ✓ **Begin with a limited set of performance metrics**
 - Establish data collection instruments
 - Modify regulatory reporting requirements to include benchmarks in each jurisdiction
 - Create a data warehouse construct for handling the data
 - Compile and present initial results
- ✓ **Analysis and Evolution**
 - Begin analysis and development of peer groups
 - Establish a regulatory broad-based industry study
 - Expand metrics and consider how to include in ratemaking

Proposed Metrics

An initial set of metrics is proposed, with a minimal number of metrics, covering critical aspects of utility operations

Customer Care	Reliability	Asset Management	Costs	Optional
<ul style="list-style-type: none"> • Call Centre • Billing • Customer Complaints 	<ul style="list-style-type: none"> • SAIFI • CAIDI • SAIDI 	<ul style="list-style-type: none"> • Asset Replacement Rates (3 year), for Distribution, Transmission and Substation assets 	<ul style="list-style-type: none"> • Customer Care • Bad Debt • O&M (both transmission & distribution) • Corporate Services 	<ul style="list-style-type: none"> • Safety • Line Losses • New Services • Conservation

Rationale for selection

Several criteria were applied in the selection of the proposed metrics

- ✓ **Balanced** – selected to cover more than simply cost
- ✓ **Manageable** – limiting the set of metrics minimizes the work of the utilities in reporting and the regulators in analyzing the results
- ✓ **Measurable** – created from information that most or all utilities are able to report without having to create elaborate tracking systems
- ✓ **Understandable** – metrics need to be transparent to everyone (i.e. not a “black box” index that is unexplainable to the average observer)
- ✓ **Comparable** – selected to recognize and account for differences in circumstances and accommodate differences in demographics that affect performance

By applying these criteria, the selected metrics create the ability to implement something useful, and to establish comparisons across jurisdictions.

Considerations within the Canadian Context

Challenges to implementation

Through the course of the study, we were able to approach both types of potential participants to identify what they were most concerned about when considering the use of a standard set of metrics.

Addressing the Top 5 Concerns

Regulator Perspective	Utility Perspective
Feedback from Utilities	Proposed Usage by Regulators
Data Quality and Consistency	Benefits of Cooperation
Data Gathering and Recording Process	Tracking and Reporting Challenges
Cross Jurisdictional Comparisons	Consistency in Definitions
Integrating with Current Process	Differences in Demographic Circumstance

Questions and Answers
