Scorecard - Hydro One Networks Inc.

8/15/2024

Performance Outcomes	Performance Categories	Measures		2019	2020	2021	2022	2023	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	**Service Quality**	New Residential/Small Business Services Connected on Time		99.78%	99.76%	99.98%	99.86%	99.97%	↑	90.00%	
		Scheduled Appointments Met On Time		100.00%	99.98%	100.00%	99.99%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time		77.05%	71.27%	70.41%	72.65%	78.24%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution		86%	78%	77%	74%	74			
		Billing Accuracy		99.43%	99.37%	99.17%	99.01%	99.04%	↓	98.00%	
		Customer Satisfaction Survey Results		84.2%	82.9%	82.4%	82.4%	82.1			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	**Safety**	Level of Public Awareness		80.18%	78.17%	78.00%	81.00%	81.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	→		C
		Serious Electrical Incident Index	Number of General Public Incidents	19	34	15	40	48	↑		16
			Rate per 10, 100, 1000 km of line	0.153	0.274	0.120	0.321	0.385	↑		0.132
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		6.83	7.05	6.50	6.95	7.50	↑		4.70
		Average Number of Times that Power to a Customer is Interrupted [2]		2.46	2.49	2.36	2.51	2.82	↑		2.10
	Asset Management	Distribution System Plan Implementation Progress		104.55%	98.39%	100.9%	126.03%	101.17			
	Cost Control	Efficiency Assessment		4	4	4	4	4			
		Total Cost per Customer [3]		$1,044	$1,018	$1,033	$1,172	$1,369			
		Total Cost per Km of Line [3]		$11,761	$11,571	$11,940	$13,537	$15,970			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	**Connection of Renewable Generation**	New Micro-embedded Generation Facilities Connected On Time		96.43%	97.12%	98.72%	96.63%	90.00%	↓	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.63	0.67	0.64	0.50	0.55			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.60	1.71	1.72	1.63	1.84			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.36%			
			Achieved	10.85%	10.48%	10.99%	10.10%	10.88%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

Fiscal 2023 Scorecard Management Discussion and Analysis ("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 2023 Scorecard MD&A:

https://www.oeb.ca/oeb/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Hydro One Networks Inc.'s distribution business (referred to as "the Business" or "Hydro One's Distribution Business") Fiscal 2023 performance has met or outperformed the Targets noted in the OEB Distribution Scorecard in all areas except the "First Contact Resolution", "Serious Electrical Incident Index" ("Number of General Public Incidents" and "Rate per 10, 100, 1000 kilometers of line") and System Reliability.

Service Quality

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

In 2023, Hydro One's Distribution Business processed 14,657 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts). Of these, 99.97% were completed within five business days (or as otherwise agreed to by the customer and the distributor), better than the industry target of 90% for the eleventh consecutive year. The Business's steady performance over the past five years is attributable mainly to customer-focused business processes, improvements in scheduling practices.

- **Scheduled Appointments Met on Time**

Hydro One's Distribution Business had 28,529 appointment requests in 2023. The Business recorded a 100% success rate in meeting these commitments, better than the industry target of 90% for the eleventh consecutive year. The Business's performance in appointment scheduling has benefited from the same factors that contributed to the ability to connect residential and small business services within five business days.

- **Telephone Calls Answered on Time**

The OEB's Distribution System Code (DSC) requires call centre staff to answer calls within 30 seconds, 65% of the time, whenever the customer reaches an agent either directly or by means of a transfer. In 2023, the Business answered 78.24% of calls within 30 seconds, better than the industry target by 13.24%, due to increased employee training and the implementation of new tools. The Hydro One call centre handled over 873,000 phone calls from customers in 2023. Of this total, the calls were almost equally split between our Customer Service Representatives and the Business's Automated Interactive Voice Response system.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution (FCR) reports the success of the distributor in resolving a customer's issue during the first contact by the customer. In 2023, 74% of issues were resolved during our first contact which is in line with the prior year. Hydro One's Distribution Business measures FCR based on transactional surveys performed within five days of interaction with the customer.

- **Billing Accuracy**

This measure includes customers who are eligible to be on time-of-use pricing, but excludes any that are not eligible due to network connectivity reach. In 2023, the Business issued 13,948,830 bills and achieved a 99.04% time-of-use billing accuracy, which is better than the industry target of 98%. Compared to 2022, the Business issued 62,014 additional bills with consistent billing accuracy year-over-year. The increase in the number of bills issued compared to last year was driven by several factors including, mainly, customer growth.

- **Customer Satisfaction Survey Results (Customer Satisfaction Index Result)**

Customer satisfaction remained high at 82.1% in 2023, which is marginally less than last year. Hydro One's Distribution Business utilizes an equally weighted composite index consisting of seven components measuring: (1) Customer Satisfaction with Outage Handling, (2) Agent Handled Calls, (3) Forestry Services, (4) New Connections and Upgrades, (5) myAccount CSAT (Customer Satisfaction), (6) Large Distribution Accounts and (7) Distribution Generator Percent of Milestones Met. Hydro One remains committed to delivering high-quality service to its customers through a variety of initiatives including: regular coaching and training of all Customer Service Representatives, a customer experience approach in identifying and reducing pain points for our customers and further enhancements to the myAccount portal.

Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (ESA) made recommendations to the OEB for a scorecard public safety measure that includes three main components: A) Public Awareness of Electrical Safety, B) Compliance with Ontario Regulation 22/04 made under the Electricity Act, 1998, and C) the Serious Electrical Incident Index.

  - **Component A – Level of Public Awareness (Public Awareness of Electrical Safety)**

  The Public Awareness survey is conducted every two years with the next survey expected to be conducted in June 2024. The 81% reported for 2022 was the result of the 2022 survey and was an increase from 78% on the last survey conducted in 2020. Please refer to the Fiscal 2022 Scorecard MD&A for further information.

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

  Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to enhance electrical safety for the people of Ontario. The regulation sets the basis for the requirements for the safe operation of the distribution system in Ontario. Distributors are required to be audited annually on the design, construction, and maintenance of their distribution systems in accordance with the regulation. An external auditor performs the audit and prepares an audit report. The audit report along with a Declaration of Compliance

for those Regulation sections not covered by the audit, is signed by an Officer of the Distributor confirming compliance with the Regulation and is then provided to the ESA. The performance target for compliance with the regulation is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). For 2023, the Business met the performance target and received a Compliant (C) score from the ESA.

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

The Serious Electrical Incident Index was designed to track and help improve public electrical safety on the distribution network over time. A distributor and its contractors and operators are required to report to the ESA, within 48 hours, any serious electrical incident involving members of the general public. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or has the potential to cause, critical injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes).

For 2023, Hydro One reported 48 incidents to the ESA for the 2022 calendar year. The reporting window is set by the ESA and is the same for all Distributors operating in Ontario. Reporting is one year behind the year of the Scorecard. Of the 48 incidents, 37 were motor vehicle accidents, which represents approximately 77% of the total incidents. The remaining 11 were various in nature and included: members of the public making unsafe contact with the distributor's system (3), trees that came down and brought down conductors to the ground (2), and equipment failure that brought conductors to the ground (2). These incidents translated to a rate of 0.385 per 1,000 km of line.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted[1] (SAIDI)**

For 2023, Hydro One's Distribution Business reported an average outage duration of 7.50 hours. This is worse than 2022 and worse than the 2023 OEB target of 4.70 hours. The leading causes of outages in 2023 were tree contacts and equipment failures. The metric represents the average duration of customer interruptions, as the ratio of total customer hours of interruption to the total number of customers served and expressed as the average time in hours over the reporting period.

[1] Note: The distributor specific target for Hydro One's Distribution Business is located on the OEB Scorecard and is based on the currently approved Distribution System Plan.

- **Average Number of Times that Power to a Customer is Interrupted[1] (SAIFI)**

The frequency of customer outages was reported at 2.82 outages per customer in 2023. This is worse than the outages experienced per customer in 2022 and worse than the 2023 OEB target of 2.10 outages per customer. The leading causes of outages in 2023 were tree contacts and equipment failures. This metric represents the average frequency of customer interruptions, as a ratio of the total number of customer interruptions to the total number of customers served and expressed as the average number of customer interruptions over the reporting period.

For the above two metrics, force majeure and loss of supply events are excluded from the calculations.

Asset Management

- **Distribution System Plan Implementation Progress**

Established by the OEB in 2013, the Distribution System Plan (DSP) implementation progress is a distributor-defined performance metric. Hydro One Distribution Business's DSP outlines the Business's forecasted capital expenditures over the next five years, required to maintain and expand the electricity system to serve current and future customers. Progress is measured as the ratio of actual total in-service capital expenditures made in a calendar year to the total amount of planned in-service capital expenditures for the same year. For 2023, the DSP was 101.7%. This result reflects higher volumes of customer-driven work than anticipated and higher than planned storm expenditures in the year.

Cost Control (PEG)

- **Efficiency Assessment**

Cost control metrics are evaluated on behalf of the OEB by an independent party, the Pacific Economics Group LLC (PEG). The PEG study segments electrical distributors into five groups based on actual costs vs. predicted costs according to PEG's econometric model. Group 1 distributors are considered the most efficient, with actual costs 25% or more below predicted costs. Group 5 distributors are considered the least efficient, with actual costs 25% or more above predicted costs. For 2023, Hydro One's Distribution Business was evaluated by PEG and remained in Group 4. Group 4 consists of utilities with actual costs between 10 and 25% above predicted costs.

- **Total Cost per Customer**

The Total Cost per Customer is defined as the total Capital and Operations Maintenance & Administration (OM&A) costs, divided by the total number of customers served. This includes certain adjustments prescribed by the PEG methodology. In 2023, the Business's Annual Total Cost per Customer equaled $1,369, an increase of $196 per customer or +16.7% from 2022.

- **Total Cost per Kilometre of Line**

The Total Cost per Kilometre of Line is defined as the total Capital and OM&A costs, divided by the total number of kilometres of line operated to serve customers, along with certain PEG prescribed adjustments. In 2023, the Business's Total Cost per Kilometre of Line equaled $15,970, an increase of $2,433 per kilometre or +18.0% from 2022.

Connection of Renewable Generation

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

This metric measures the Business's success in connecting micro-embedded generation facilities (10kW or less) 90% of the time within a five-business day window, or at such later date as agreed to by a micro-embedded generator and the distributor, of the generator informing the distributor that it has satisfied all applicable service conditions and received all necessary approvals, as per sections 6.2.7 and 6.2.7A of the DSC. For 2023, the Business has met the industry target of 90% for the eleventh consecutive year for the on-time connection of new micro-embedded generation facilities.

Financial Ratios

The basis for these financial ratios is Hydro One's Distribution Business Financial Statements for the year ended December 31, 2023, filed with the OEB under the Electricity Recording & Record-Keeping Requirements submission.

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

As at December 31, 2023, the Current Ratio is reported as 0.55, which is higher than the 0.50 reported as at December 31, 2022. The result indicates that for every dollar of debt due within the year, the Business had $0.55 in cash or cash equivalents on-hand to cover the obligations. The increase in 2023 liquidity relative to the prior year is primarily attributable to an increase to current assets in 2023 and a decrease in current liabilities, compared to 2022.

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

The Total Debt-to-Equity Ratio is a measure of the Business's financial leverage and serves to identify the ability to finance assets and fulfill obligations to creditors. The OEB-deemed capital structure is 1.5. As at December 31, 2023, the Business's Total Debt-to-Equity Ratio was 1.84, which is higher than the ratio was at December 31, 2022.

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

Hydro One's Distribution Business deemed regulatory return on equity (ROE) for 2023 is 9.36%, as approved by the OEB.

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

For the year 2023, the Business achieved a regulatory return on equity of 10.88%, compared to 10.10% in 2022. This represents an increase of 0.78% compared to 2022.

The 2023 ROE was 1.52% higher than the deemed ROE of 9.36%. Achieved ROE was higher than deemed in 2023 primarily due to increased revenues associated with higher energy consumption. After application of the OEB-approved earnings-sharing mechanism, the Business will share $18.5 million with customers.

Note to Readers of Fiscal 2023 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.

Words such as “expect,” “anticipate,” “intend,” “attempt,” “may,” “plan,” “will”, “can”, “believe,” “seek,” “estimate,” and variations of such words and similar expressions are intended to identify such forward-looking statements and information. Such statements include, but are not limited to, references to customer service and related initiatives, expected timing of Public Awareness surveys, anticipated volumes of customer-driven work, Hydro One’s commitment to communicate with customers and communities regarding electrical safety, earnings shared with ratepayers, and industry and OEB targets. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Some of the factors that could cause such differences include legislative or regulatory developments, government policy and program developments, an unexpected increase in call centre volumes, 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. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.