

IN THE DARK

Investigation into the transparency of Hydro One's billing practices and the timeliness and effectiveness of its process for responding to customer concerns



OMBUDSMAN REPORT

André Marin, Ombudsman of Ontario • May 2015

OMBUDSMAN'S NOTE:

This investigation involved an unprecedented number of complaints and required extraordinary efforts by personnel in every part of our office. From the Special Ombudsman Response Team staff who did the systemic work (led by Lead Investigator Grace Chau), to the dedicated teams of Investigators and Early Resolution Officers who triaged cases and referred them to Hydro One, to the Senior Counsel, managers and investigators who met regularly with Hydro One's senior team, it was a joint effort. The entire office, including the corporate support, IT and communications teams, made this report possible.

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“In the Dark”

May 2015

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Executive Summary

- 1 Large public sector corporations carrying on monopolistic commercial enterprises can sometimes forget the citizens they were created to serve. Hydro One, which distributes electricity to 1.3 million Ontario consumers, made a critical mistake when installing a new billing and account management system in May 2013. In planning for and implementing its “customer information system” to meet its business goals, Hydro One lost sight of its public interest purpose and failed to adequately consider the impact on its customers. Its overconfidence in its technical superiority fostered complacency. When glitches arose with the new system, Hydro One’s first response was to scramble for technical fixes. It forgot to consider the consequences to its customers.
- 2 Soon after the system changeover, more than 89,000 customers stopped receiving bills. Some were not billed under the new system for months, while others only received bills based on estimates for prolonged periods. Then, as technical glitches were being addressed, the system issued a flurry of multiple invoices and huge “catch-up” bills, leaving customers frustrated and confused. Many had large sums withdrawn automatically from their bank accounts without notice or explanation. Tens of thousands of accounts were affected by bizarre errors, as Hydro One worked frantically to clear unexpected system problems. Hydro One’s outsourced call centre and its in-house customer relations centre were left to cope with the ensuing flood of calls and complaints without proper training or adequate tools and resources. Workload pressures contributed to rude, insensitive, and substandard customer service.
- 3 Hydro One’s board of directors and executive managers claimed they were caught off guard and oblivious to the developing crisis. They blamed lower-level managers for presenting them with overly optimistic reports. Some Hydro One representatives deliberately kept the situation under wraps, deflecting media inquiries and even deceiving the electricity regulator, my Office and other stakeholders about the extent and nature of the company’s billing and customer service disaster.
- 4 Hydro One tried to contain reputational damage by dealing quietly and reactively with issues as they arose. Whenever bad publicity surfaced in the press, Hydro One adopted a dismissive and minimizing approach, claiming that only a small percentage of its customers were affected by the billing problems. Its statistics and descriptions of the issues were nebulous and shifted over time, however, it ultimately confirmed that in February 2014, **84,394** customers were

either receiving multiple estimated bills or had not received a bill for more than 90 days. When one adds the thousands who experienced hardship as a result of other system errors and billing inaccuracies since May 2013, the tally of those affected by Hydro One's bungling is likely well over 100,000.

- 5 Until February 2014, when I launched my investigation and Hydro One's cover was effectively blown, the company feverishly tried to spin positive news stories. Since then, it has faced a crisis of confidence that has rocked it to its public sector core and damaged its financial bottom line. Hydro One has paid a hefty price trying to make things right, spending more than \$88 million to dig its way out of controversy and restore public trust.
- 6 My Office received an unprecedented number of complaints in connection with this investigation – **10,565** as of the writing of this report, and counting. While the volume has dropped markedly over the last year, we continue to hear from about a dozen people a day who remain concerned about Hydro One's billing and customer service.
- 7 The source of Hydro One's mind-boggling maladministration does not lie in defective data and software programming. Rather, its fatal fault is a technocratic and inward-facing organizational culture that is completely out of step with public sector values. Even after Hydro One pledged to become more customer-centric, to do better, and to learn from its mistakes, it continued to display insensitivity and disregard for its customers. As late as February 2015, during the coldest month in Ontario's recorded history, the company lied to and bullied customers with the threat of disconnection.
- 8 Hydro One's ordeal has underscored an expensive lesson in public administration: Its customers must be considered in every aspect of its operations. Although the Chief Executive Officer and President has offered a public *mea culpa* and several changes have been made to improve customer service, much remains to be done to bring the company up to the standard Ontario's citizens deserve.
- 9 The Ontario government has recently announced plans to significantly restructure Hydro One, including disposing of 60% of the utility, while retaining a 40% ownership interest. It has also proposed to appoint an in-house ombudsman to address customer complaints about the new privatized utility. My investigation demonstrates that Hydro One has historically not lived up to the principles of good public administration expected of Ontario's public bodies. During the recent billing and customer service fiasco, its customer service was abysmal by any standard. A corporate ombudsman's loyalty is ultimately to the employer it serves and is no substitute for independent investigative oversight.

In introducing structural changes to Hydro One's operations, the government of Ontario should ensure that the public interest in fair, timely and effective customer service is preserved, including the right of recourse to my Office.

- 10** I make **66** recommendations in this report, 65 addressed at reorienting Hydro One's corporate persona and improving its operational practices to better serve the public interest, reflecting the public sector values of openness, transparency and accountability. Hydro One has accepted all of these recommendations. Recommendation 66 is aimed at ensuring that implementation of my recommendations continues as the Government of Ontario moves forward with the proposed restructuring of Hydro One. Regrettably, in responding to this recommendation, the Ministry of Energy has confirmed that the government's privatization plans include abandoning independent and external oversight through my Office.
- 11** I will monitor Hydro One's progress in fulfilling its commitments. I will also continue to encourage the government to retain existing accountability mechanisms, including Ombudsman oversight of Hydro One and any successor corporation. My report clearly documents Hydro One's failure to communicate openly, honestly and proactively with its customers, its regulator, Ministry officials and my Office. I am concerned that unless accountability is assured through independent and impartial scrutiny, stakeholders may once again find themselves in the dark.

Investigative Process

- 12** My Office first noticed a rising trend in Hydro One complaints in 2012-2013, when we received 328, up from 232 the previous year.¹ In 2013-2014, that number more than doubled, reaching **647** by early February 2014. Most complaints focused on bills that were wrong, excessive, duplicated, unreasonably delayed or estimated based on unclear criteria. Our attempts to resolve customer concerns were also increasingly met by stonewalling by Hydro One officials, a frustrating experience I likened to "wrestling with a slippery pig."² We were particularly concerned about people who found themselves in vulnerable situations and facing significant financial hardship and stress because of their dealings with Hydro One.

¹ Ombudsman Ontario, Annual Report 2012-2013, p. 29. Online:

https://ombudsman.on.ca/Resources/Reports/2012-2013-Annual-Report.aspx#Ministry_of_Energy

² <http://news.nationalpost.com/news/canada/like-wrestling-with-a-slippery-pig-ontario-ombudsman-to-investigate-hydro-one-after-increasing-complaints>

- 13** Common complaints involved large “catch-up” bills issued to customers who had received estimated bills or no bills for long periods, and who were given little time to pay or explanation for the amounts billed. Many also cited long waits, for what turned out to be inadequate information from Hydro One’s customer service operations.
- 14** Given the rising complaint volume and our own experience with Hydro One’s delayed and reticent response to our inquiries, on February 4, 2014, I announced a systemic investigation into complaints about serious problems with billing and customer service at Hydro One. I stated that the investigation would focus on the transparency of the utility’s billing practices and the timeliness and effectiveness of its process for responding to customer concerns.
- 15** The investigation was assigned to the Special Ombudsman Response Team (SORT). A team of seven investigators carried out the investigation under the direction of SORT’s director and with the assistance of senior counsel.
- 16** My Office received more complaints about Hydro One than we have about any single organization in our 40-year history. In addition to the original **647** complaints, nearly 10,000 poured in after the investigation was announced. To deal with this unprecedented volume, my Office took a two-pronged approach: While SORT pursued the broad systemic issues, a team of 12 early resolution officers and investigators triaged Hydro One complaints, and referred complainants elsewhere if their issues were outside the scope of our authority. Another 12-member dedicated team resolved individual cases with a 10-member team that Hydro One created in February 2014 as a special “SWAT” team to deal with cases from my Office. Not all complaints to our Office required referral to or follow-up by Hydro One. However, since April 2013, **4,142** complaints have been resolved through our intervention and Hydro One’s efforts. My Office’s director of investigations and senior counsel also met regularly with senior Hydro One officials throughout the investigation.
- 17** I met with the Chief Executive Officer and President of Hydro One several times and addressed systemic themes that we identified. I also took a turn on the phone lines alongside my staff to hear complainants’ concerns firsthand.
- 18** SORT conducted **190** interviews, including with current and past Hydro One executives, outsourced agencies that perform work on behalf of Hydro One, complainants and stakeholders.
- 19** Our attempts to identify and interview relevant Hydro One staff were complicated by a significant degree of transition within the company’s management. During the first month of the investigation, two customer service

executives left the company; one retired, the other was terminated. The same month another key official departed to join another company. At least six other executives shifted positions as the investigation proceeded, and leadership at the outsourced call centre changed.

- 20** SORT investigators requested briefing sessions with Hydro One at the beginning of the investigation to get an overview of its billing system and some of the technical issues relating to billing. Investigators also met with representatives from other agencies, including the Ontario Energy Board and the Independent Electricity System Operator.
- 21** As well, some 25 industry insiders and whistleblowers, including current and former Hydro One staff and staff from its outsourced service providers, contacted us to express concerns about billing and customer service issues. They provided us with helpful insights into the culture of the company.
- 22** Site visits and interviews with staff were conducted at Hydro One's two outsourced call centres, in Markham and London, Ont. At both locations, our investigators had an opportunity to monitor call centre agents as they handled customer calls.
- 23** SORT made two formal requests and several additional requests for documents when it became clear some relevant information was omitted. The bulk of the documentation reviewed was in electronic format – on 10 USB keys, equivalent to more than **23,000** pages of printed material. In addition, in response to our request for the electronic communications of 12 Hydro One staff, we received a hard drive containing **151,471** emails.
- 24** In addition to complaints about Hydro One billing and customer service, we received many complaints about subjects that were not the focus of this investigation – chiefly, electricity pricing and smart meters. The Ontario Energy Board approves the rates that utilities can charge customers for electricity. As for the smart metering initiative, at the time my investigation was launched, it was already under scrutiny by the Auditor General of Ontario. Her findings were reported on December 9, 2014, in her annual report, in which she also identified concerns with billing problems at Hydro One. Included among her recommendations were calls for improved tracking of inquiries and complaints, better education of ratepayers and fixing problems with the billing system.³

³ This section of the Auditor General's report can be found here:
http://www.auditor.on.ca/en/reports_en/en14/311en14.pdf

- 25** SORT also reached out to other utilities to learn about best practices in Canadian and international jurisdictions. Ontario is the only province that mandates time-of-use pricing for electricity and one of a few Canadian jurisdictions to use smart meters to collect time-of-use information.
- 26** Given the unprecedented volume of complaints, and strong interest from complainants, Hydro One customers and public officials, I issued a brief public update on my investigation on March 11, 2015.⁴

Hydro One: The Power that Be

- 27** Hydro One Inc., the largest electricity transmission and distribution company in Ontario, is wholly owned by the provincial government, which appoints its board of directors. It operates in association with five subsidiaries⁵ and has \$22.6 billion in total assets. Hydro One generates significant public profits. In 2013, Hydro One's net income was **\$803 million**, which resulted in a **\$218-million** dividend payment to the province.
- 28** The company provides direct service to 21 remote communities and some 1.3 million rural and urban distribution customers. It issues about 1 million bills a month. Since 2002, Hydro One has outsourced customer call handling, billing, credit and collections to a private operator. Initially, Hydro One retained Inergi LP to run its call centres. That company in turn subcontracted this responsibility to Vertex Customer Management (Canada) Ltd. As of March 1, 2015, Inergi LP is directly responsible for these outsourced services under a new three-year agreement.

System Refresh

- 29** In 2011, as part of a four-phase, multi-year project to refresh its information technology systems, Hydro One allocated \$180 million to replace its customer information system. The existing system was operating on an old platform installed in 1998, which was no longer supported by the vendor. Hydro One predicted that the new system would improve customer service and yield up to \$172 million in financial benefits over a seven-year period. The initial target

⁴ The update can be found online here: <https://ombudsman.on.ca/Newsroom/Press-Release/2015/Ombudsman-receives-10,000--complaints-about-Hydro-.aspx>

⁵ The five subsidiaries are: Hydro One Networks Inc. (which had primary accountability for the issues I investigated), Hydro One Remote Communities Inc., Hydro One Telecom Inc., Hydro One Brampton Networks Inc., and Norfolk Power Distribution Inc.

date for the new system to be implemented – or “go live,” in the company’s parlance – was over the October 2012 Thanksgiving long weekend.

- 30** The company had successfully replaced other internal information systems as part of the project, but the last phase was the first to have, in Hydro One’s phrase, “a direct customer-facing impact.” The customer information system is used for many customer service functions, including billing and account management. It is also an important resource for call centre staff, who handle about 1.5 million customer calls and 280,000 items of correspondence each year.
- 31** Hydro One estimated that the new system would increase the number of calls resolved on the first contact with the call centre by 5%, while decreasing the average call handling time by 20 seconds, and the average correspondence handling time by 16 seconds.
- 32** It was understood that with any system change, customer complaints would likely increase in the short term. Hydro One predicted that for routine matters, call volume and average handling time would increase by about 20% in the first month, but would normalize by the five-month mark. It also projected a 25% increase in the average handling time and volume for more complicated calls in the first month, but expected these to normalize within 10 months.
- 33** Our investigation revealed that Hydro One’s forecasts fell glaringly short of the mark. For starters, the implementation date was delayed by seven months. The new customer information system did not “go live” until the May 21, 2013 Victoria Day long weekend.
- 34** Still, the company cautiously celebrated the success of the new system. In an internal newsletter on the day of the launch, it declared “We did it!” and said: “There was much to celebrate this Victoria Day weekend

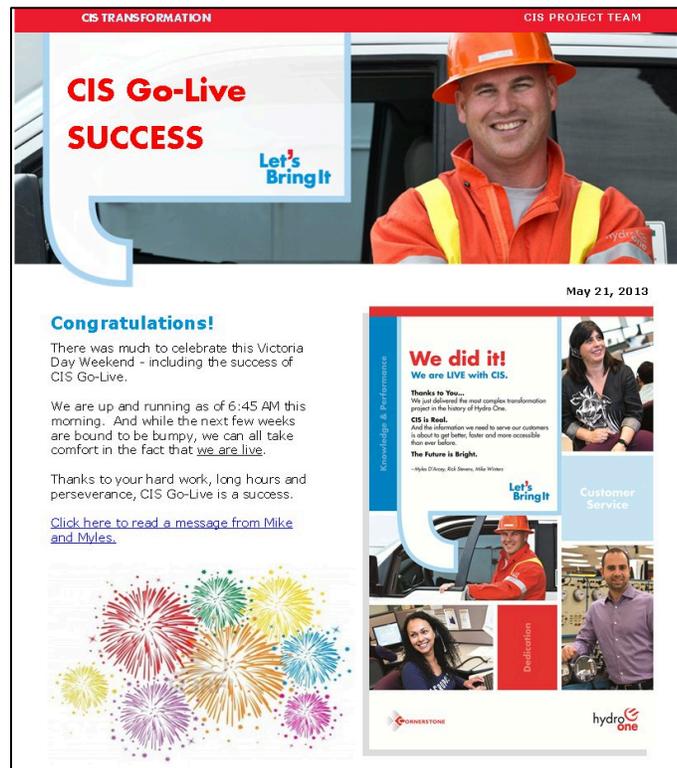


Figure 1: Hydro One internal newsletter, May 21, 2013.

– including the success of [customer information system] Go-Live!” The newsletter noted that “while the next few weeks are bound to be bumpy, we can all take comfort in the fact that we are live.”

- 35** According to internal emails we reviewed, technical glitches began to surface soon after the system went live, but officials were confident they could be resolved. Seasoned Hydro One staff also considered the situation mild in comparison to the installation of the previous system in 1998, which had triggered 200,000 delayed bills. As one put it in an internal audit report, “there was a collective relief that the problems were seemingly less than might have been expected. This might have led to a sense of complacency.”
- 36** Internal emails circa June 2013 refer to daily crises, but also improvements. There was a sense that the worst was over – one even noted there were no “major news stories” and “no *Toronto Star*-worthy issues so far.” By September 2013, Hydro One’s organizational spirits were buoyed when it won, for the second time, an award from the company that designed its information system. It was praised for helping to ensure “customer care operations remain top in the industry, including reliable call center interactions and increased accuracy and timeliness in their billing process.”⁶
- 37** Unfortunately, these good omens proved to be the calm before the storm. Within a matter of months, it became clear that Hydro One’s predictions about the impact of the system change on the call centre were drastically wrong. Problems associated with the changeover soon led to an unprecedented outpouring of customer confusion, frustration, and outrage, resulting in a dramatic increase in complaint volumes and average handling times. As one call centre manager told us, the original projected targets “were blown out of the water.”
- 38** By February 2014, when I launched my investigation, Hydro One could no longer ignore the fact that it was facing major systemic problems and widespread public distrust.

Egregious Errors and Baffling Bills

- 39** Hydro One installed the new customer information system to address historical issues relating to its billing and account management programs. However, the

⁶ In 2012, Hydro One received a “Top Innovator in Technology” award for demonstrating “commitment to meeting customer needs while working toward building the grid of the future by completing projects that span the complete value chain of its business.”

vast majority of complaints to my Office involve billing issues – customers who received incorrect bills, multiple bills, prolonged estimated bills, large “catch-up bills,” or no bills at all. We also received complaints about a host of other issues such as improper automated bank withdrawals, disconnection notices and poor customer service.

- 40** Some customers eventually resolved their concerns and even received some goodwill credits equal to monthly service charges, but usually this took sustained effort on their part. Many told us they made multiple calls to Hydro One’s call centre and repeatedly had their complaints escalated to managers – only to receive confusing, conflicted, delayed and inadequate responses.
- 41** What follows are some examples from among the thousands of stories we heard during our investigation. Where possible, we have included customers’ names with their consent, but many of those who complained to us preferred to remain anonymous for a variety of reasons, including fear of repercussions.
- 42** A senior from **Timmins** first realized there was something wrong when Hydro One stopped withdrawing automatic payments from his bank account in May 2013. Then in September 2013, his bank called to say Hydro One was trying to grab more than **\$10,000** from his account. He managed to stop the payment, which Hydro One acknowledged was excessive, but was told it could take a year to resolve. Then without warning, Hydro One withdrew even more money from his bank account – including a charge for late payment. Hydro One eventually returned the money, but not before this beleaguered customer ended up on the hook for overdraft charges. The situation wasn’t resolved until January 2014, when his bill was reduced to **\$778**. He was relieved the matter was settled, but upset that he was offered no apology or clear explanation about what had happened.
- 43** An **Inglewood** man sold his property in April 2013, but spent months waiting for his final bill, which he figured was under \$100. He was gobsmacked when he received a letter from a collections company in October 2013, saying he owed **\$18,000**. He contacted Hydro One’s call centre and even managed to get through to a senior executive. In November 2013, Hydro One assured him that it was all a big mistake. Then in August 2014, a different collections company began to hound him for the money. When we intervened, we learned there was a problem during the migration of data to the new customer information system, accounting for the high usage charges. In fact, he only owed **\$56.35**. He was bewildered by the customer service nightmare he experienced, and the cavalier attitude he encountered when he tried to correct it. He described Hydro One’s customer service as “trained deflection and not really taking on the issue at hand with any genuine effort.” As he put it:

It's all rehearsed, it's all scripted... It's not the right way to do business for anyone, let alone a provincial utility.

- 44** Despite multiple calls to Hydro One, a **Huntsville** woman was getting nowhere in her efforts to find out why she received no hydro bills for nine months after April 2013 – only to receive a bill containing an excessive estimate of **\$1,800**. She complained and received another estimated bill for **\$700** less, but with no explanation. She continued to demand answers and finally learned in 2014 that because of workload backlogs, Hydro One's system had not been updated to reflect that her meter was changed in February 2013. What followed was a series of implausible meter readings that caused the system to block her bills until they could be reviewed and readjusted. Once the situation was straightened out, Hydro One credited her with nine months of service charges and put her on an interest-free repayment plan for the balance owing.
- 45** A **Kilworthy** man contacted Hydro One's call centre after not receiving a bill for a year. He was told he owed **\$3,600**. When he disputed the amount, the call centre agent blamed him for providing the wrong address, told him he owed late fees, and placed his account on the list for disconnection. He later learned his address had not been properly transferred to the new system. Eventually, Hydro One issued an apology, gave him 12 months' worth of service credits, and cancelled the disconnection notice.
- 46** In the fall of 2013, an 84-year-old **King Township** woman stopped receiving electricity bills, which had averaged \$200 a month. Then, inexplicably, she received three bills in the same month, covering the same time period, for **\$9,000** each. Distraught, she contacted Hydro One's call centre, which assured her the situation would be resolved. In February 2014, Hydro One sent her a more reasonable bill for **\$640** and offered an apology, but she was never told why she had been charged so much in one month. Hydro One told my Office the mixup was due to human error, and it provided her with five months' worth of service charge credits.
- 47** A **Sudbury** man received a bill for **\$19,152** in April 2014 after a long period of estimated bills. We learned that his meter was replaced in November 2013, but it took four months to update the system. When the actual readings from his meter arrived, the system then mistakenly charged him many multiples of what he owed. Once the error was corrected, his bill was reduced to **\$74**.
- 48** After a prolonged period of estimated bills, a **Bolton** man received no bills from June to September 2013. Then, starting in October, he received a series of confusing ones, some based on estimates and some based on actual meter

readings, with cancelled and corrected bills thrown in for good measure. After he complained to Hydro One, it sent him a new set of bills for a three-year period, with a balance owing of **\$73,385**. Horrified, he disputed this and Hydro One reduced the amount by \$8,489, but still could not explain why he still owed so much. After we intervened, Hydro One recalculated the charges, found that the final balance was actually **\$34,476.29**, and offered him a three-year payment plan to pay it off.

- 49** In July 2013, **Madeleine Fex-Tinkis**, a senior from **Lively**, received a call from Hydro One, warning her to expect a large bill. However, she did not receive any bills until October 2013, when multiple bills totaling **\$2,208** arrived, along with a warning that the money would be withdrawn from her bank in two weeks' time. She desperately tried calling Hydro One to set up a repayment plan. When she didn't hear back, she was forced to go into her line of credit to prepare for the withdrawal. Then in January 2014, she received a set of 15 bills, based on actual meter readings, covering the same billing period and indicating that she owed an additional \$540. It was only when we contacted Hydro One that it provided an explanation for its calculations. In the end, Hydro One issued her a service charge refund of \$310.05 and set up a repayment plan for the balance. Not surprisingly, the unhappy customer removed herself from Hydro One's pre-authorized payment plan.
- 50** A **Matheson** man who received no bills over the summer of 2013 was hit with six estimated bills in October that year. He called Hydro One and was assured the company would look into it, but no one did. In February 2014, without notice, it withdrew **\$1,959** from his bank account. When we asked Hydro One what happened, it reviewed its records and discovered he had overpaid on his billing plan. It refunded the money it had withdrawn, and gave him a service charge credit of **\$144**.
- 51** **William and Lise Burley** of **Porcupine** contacted us in shock after receiving a bill for **\$11,638** in February 2014. They had been paying for electricity based on estimated usage for four years and were baffled by this huge bill. After we intervened, Hydro One eventually reduced their charges to **\$2,238**.
- 52** **Shannon Lebrun** changed residences in July 2013, not long after the new customer information system was implemented. She received no bills for over a year, and then came home in November 2014 to find her electricity cut off. She had to rent a generator and, to add insult to injury, Hydro One charged her \$155 in interest and \$147 for disconnection and reconnection fees. She discovered that Hydro One had been mailing bills and disconnection notices to her old address and calling her old phone number. The call centre blamed her for not inquiring about the missing bills sooner. When my Office intervened, Hydro

One acknowledged the call centre's failure to update the system with Ms. Lebrun's new contact information. She received an apology and a 14-month service credit of **\$233** on her account. The fees associated with the disconnection were also reversed.

- 53** A **Schumacher** man was dumbstruck in June 2014 when he received a package of bills totalling **\$45,000**, covering a three-year period – some of which he had already paid for. He contacted Hydro One in a panic and was referred to a manager, whom he found arrogant and uninformed. In desperation, he wrote to anyone he could think of who could help, including my Office. He described how he was “left feeling anxious, without a voice, frustrated and bullied.” Eventually, Hydro One contacted him. He was astounded to learn that because of a mixed meter issue, he was being billed for electricity used by a nearby gold mine. By August 2014, his charges were reduced to **\$9,723.04**, he was given a 34-month service credit and enrolled in a repayment plan. Then, just as things had settled, he received two more bills within days of each other, for **\$15,000** and **\$12,000**. Hydro One assured him he could disregard them, but he told us he found “the whole experience was nothing short of abuse.”
- 54** After receiving no bills between July 2013 and March 2014, a **Waterloo** man coping with terminal cancer was stunned to find that he owed Hydro One more than **\$10,000**. The company agreed to provide him with a discount, but began threatening him with disconnection at the same time. After we intervened, the disconnection notices were cancelled. At the time this report was written, Hydro One was still reviewing his account.

Who Are You Going to Call? Customer Complaints

- 55** When customers write or call Hydro One's 1-888 number about billing and service inquiries they are connected to the outsourced customer communications centre for response. This centre – referred to throughout this report as the “call centre” receives about 6,000 calls a day and operates out of two locations, in Markham and London, Ont. The London location deals primarily with collections and overflow calls from the Markham location.
- 56** Customers who remain dissatisfied after talking to an agent can ask to speak to a supervisor, who is expected to attempt to resolve their concerns. Unresolved complaints can be referred to Hydro One's in-house customer relations centre. This centre also deals with communications from Members of Provincial Parliament, the Ontario Energy Board, my Office, or from customers involved with any of them.

- 57** Hydro One’s new customer information system had an impact on the call centre locations and the customer relations centre that verged on the catastrophic.

Post-Launch Calls and Complaints

- 58** In May 2013, the number of billing-related calls to the call centre was **55,147**. The first month after the new system was introduced the call volume relating to billing issues jumped to **84,966** – a **54%** increase, well above the estimate of **20%** used during the planning stages for the project. By September 2013, the volume of calls about billing was still exceptionally high – around **73,000**. It took the better part of a year before call levels returned to normal.
- 59** The volume of complaints escalated to managers within the call centre also increased significantly. In April 2013, there were **1,370** escalated complaints. Once the new system was installed in May, the volume steadily increased. In September 2013, managers were trying to address **3,428** escalated complaints. By February 2014, they were coping with an influx of **3,970** unresolved complaints, almost triple the regular load.
- 60** When my investigators toured the Markham call centre location in February 2014, they were told there were 220 staff in Markham and 80 in London. This was after a 40% staffing increase, put into place before the new system was implemented, in anticipation of higher call volumes. Mandatory overtime was also instituted intermittently from April through October 2013, and again in March and April 2014. We were told that management originally planned to lay off the extra workers in November 2013, but because of the deluge of customer calls, those layoffs never materialized.
- 61** In December 2013, a senior call centre official said in an email to Hydro One management:

(W)e’re struggling with the sheer volume of complaints. Under normal circumstances, we have approximately 8-9 staff assigned to escalations. We currently have in the range of 20 and we’re still struggling to answer a high % of the calls. [...]

We’re doing our best to balance all of these resource demands with a resource pool that is currently maxed out. At the heart of the issue is our ongoing billing and exceptions issues. We need to find a way to quickly address the issues that are continuing to drive calls and complaints.

- 62** In February 2014, after my investigation was launched, approval was given to increase call centre staff to **435**, and to **569** by May 2014. Mandatory overtime was reintroduced in March 2014.
- 63** However, call centre staff continued to be overwhelmed by the volume and complexity of customer inquiries. According to internal emails we reviewed, one Hydro One manager learned at a March meeting with Ontario Energy Board officials that some call centre staff were suggesting to customers that “the only way their billing problem will be resolved in a timely fashion” was to contact the Board. Another official described the situation at the call centre as “a cry for help.”
- 64** In April 2014, Hydro One established a special handling desk, operated by trained call centre agents to deal with customer calls about high bills. This desk answered 885 calls in the first two days of its operation.

Customer Relations Centre Backlog

- 65** The month before the new system was installed, Hydro One’s in-house customer relations centre had a backlog of about **300** complaints. By December 2013, it had soared to **691**. One Hydro One official told us that by the end of 2013, “we were not able to dip into that volume, we were just barely treading water.” Most complaints came from customers who received no bills or unusually high bills. Resolution of many complaints was delayed four months or more.
- 66** The customer relations centre had historically been staffed by eight people. In planning for the new system, it was projected that three additional employees would temporarily be needed to handle complaints. However, in late fall 2013 and into 2014, staff at the centre was more than doubled to deal with the complaint influx. It was only in March 2014 that the centre was able to make any inroads in reducing the backlog.

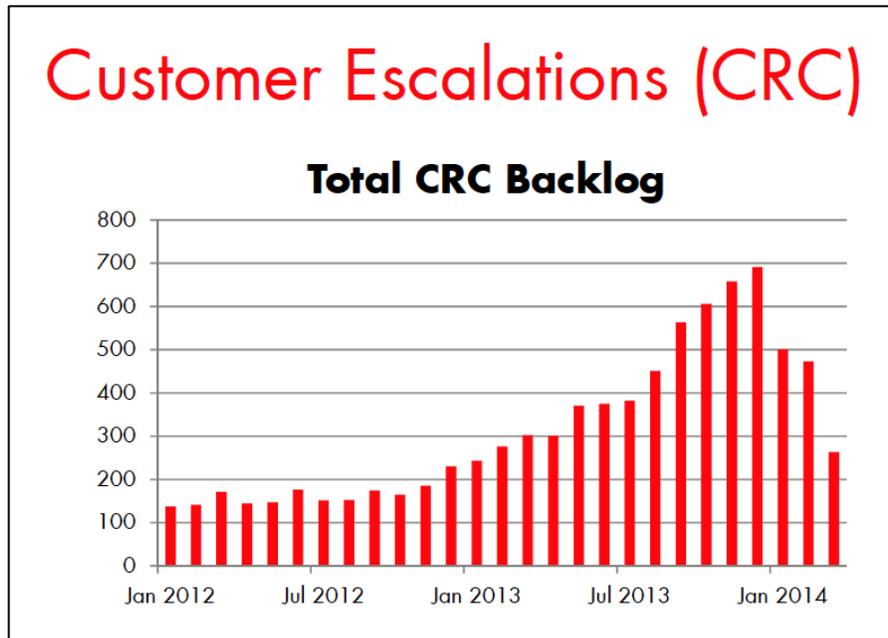


Figure 2: Chart showing the backlog of complaints escalated to Hydro One's in-house customer relations centre, between January 2012 and January 2014.
Source: Internal Hydro One document.

Technical Glitches

- 67** Many of the complaints generated by the switch to the new system arose from technical glitches affecting billing. These problems, identified as “defects” and “exceptions,” resulted in the all-too-common customer experiences of receiving estimated bills for prolonged periods, sudden large and/or multiple bills, or no bills at all. Our review of Hydro One emails revealed a series of mishaps.

Defects Detected

- 68** In the installation and operation of data systems, it is common for “defects” to crop up, such as coding or data errors that require technical fixes and workarounds. Hydro One told us that at the time the customer information system was launched, there were no “severity 1 defects” – that is, problems that would critically compromise its operation or the data generated. However, there were **232** defects at the outset, varying in severity. According to an internal email, between May 21, 2013 and September 20, 2013, **6,509** defects were logged. By February 2014, there was a backlog of **618** requiring resolution. The

number of new defects since my investigation began is more than **1,000**. In several cases, the same issues had to be fixed more than once.

- 69** According to Hydro One records, system defects affected the ability of call centre agents and customer relations centre staff to resolve customer concerns. Agents had difficulty viewing customer history on their computer screens, frustrating their efforts to resolve or explain the billing and meter issues that came up. Customer relations centre staff also could not access some data without assistance from the call centres. Most cases involving no bills being issued or bad estimated bills could also not be readily resolved due to systems defects, contributing to extensive backlogs.
- 70** Hydro One told us it could not confirm how many customer accounts were affected by each defect. However, in May 2014, we learned through our review of Hydro One’s records that there were **101,244** in all, **49,894** of which required billing corrections.
- 71** Problems with the system appeared soon after it was implemented. Within days, an account was flagged that had been billed \$11,000 although the customer’s normal electricity usage was \$300. Hydro One internal emails on May 24, 2013 refer to a defect resulting in excessive electronic fund withdrawals from **140** customers’ bank accounts. The defect related to previous bill cancellations that were transferred over from the old system. One account was debited **\$58,000** by mistake. A retail customer had **\$50,000** withdrawn in error. On May 31, 2013, the company discovered that the system was generating duplicate and confusing installment plan letters, as well as some letters with incomplete addresses, and others with no meter information.
- 72** In June 2013, thousands of customers were affected by a variety of defects. On June 5, there were more than **3,000** bills showing zero charges. On June 11, Hydro One identified more than **40,000** retail accounts with overly high estimates. One retailer received six grossly overestimated bills due to one defect – including one for more than **\$3 million**. On June 18, the system mistakenly estimated **27,575** accounts for which actual usage data was available.
- 73** In July 2013, an issue arose with customers on installment plans being unaccountably charged for late payments. One retailer had **\$163,000** automatically withdrawn from the bank even though the bill in question had been paid. These charges were later reversed and corrected, and agents were instructed to tell callers complaining about this issue: “We are extremely sorry for this error.”

- 74** In August 2013, **8,200** accounts were affected by a defect that improperly added previous electricity consumption onto new bills. A Hydro One staff member also alerted management to a defect that resulted in an attempt to automatically withdraw \$10,000 from the bank account of his father-in-law’s church. “I think we need to ask ourselves how an invoice 200 times larger than normal got through all the checks and balances,” he wrote in an email.
- 75** Some **48,000** customers were also affected by a defect that resulted in their bills showing a total kilowatt usage for the billing period that did not correspond with their time-of-use information. This resulted in **21,014** customers being under-billed and **20,912** being overbilled.
- 76** Defects resulting in erroneous automatic withdrawals and inaccurate estimated bills persisted though the fall of 2013. Hydro One also reported in September that there were 12 privacy breaches relating to customers being billed under the wrong names.
- 77** System errors continued well into 2014. In February, a defect involving incorrect time-of-use information inflated bills. Another defect resulted in incorrect first bills for some **30,000** new customers. One customer was billed more than **\$35,000** for a vacant farm, when the real amount owing was only **\$122**. In April, a combination of factors led to a corporate customer receiving a bill for more than **\$15 million** rather than the **\$4,034.47** owed. In May, Hydro One withdrew **\$9,000** from a customer’s account without first checking why the system was showing exceptionally high electrical usage for two months.
- 78** In June 2014, a customer was mistakenly billed **\$20,087.64** instead of **\$1,309.71**, and the Canadian Army’s Garrison Petawawa was wrongly billed more than **\$50 million**. A month later, a company was issued a bill for **\$11 million** in error.

Here's what you owe	
Balance forward	\$4,428.80
Your new charges	\$50,747,089.25
Ⓢ Total amount you owe	\$50,751,518.05
The total amount you owe, as indicated on this bill, is due on the billing date. Your payment for this invoice is due on July 8, 2014 (the Required Payment Date).	

Figure 3: Excerpt from Garrison Petawawa's erroneous bill for \$50.7 million.

- 79** In November 2014, Hydro One told us that **32,766** accounts were inaccurately billed: **13,650** were underbilled an average of \$46.84 (\$639,460 in total), and 19,160 were overbilled an average of \$26.32 (\$504,410 in total). The company eventually decided to write off the charges for the underbilled accounts.

Exceptions Prove the Rule

- 80** Most Hydro One customers are billed on a monthly basis. Bills are generated by the customer information system, mainly based on electrical consumption data that is gathered and transmitted electronically to the company by the so-called “smart” meter on the property. If usage information is not received – for instance, because a meter is not communicating data for some reason – the bill will be based on an estimate. When an error is identified in the calculation of a bill, the system cancels and reissues the bill.
- 81** If there are problems or errors, such as incomplete or questionable meter readings, the system creates an “exception.” Exceptions can be triggered at various points within the system. The system is designed to automatically detect large numbers of exceptions and prevent accounts from being processed until they are resolved. Hydro One told us it is normal for the system to generate exceptions, and they are not problematic unless they are not cleared within the billing cycle.
- 82** One of the intended benefits of the new customer information system was that it would reduce billing-related exceptions to 400,000 a year. Instead, there were even more than before. As the accompanying chart shows, the number of exceptions relating to “customer care” peaked at **114,754** during the week of August 12, 2013. On February 13, 2014, Hydro One’s Chief Executive Officer reported to the board of directors that **700,000** billing exceptions had been cleared. However, he did not refer to the number of outstanding exceptions, which stood at **93,200** as of February 21. In April 2014, there was a backlog of **84,300** exceptions awaiting resolution.

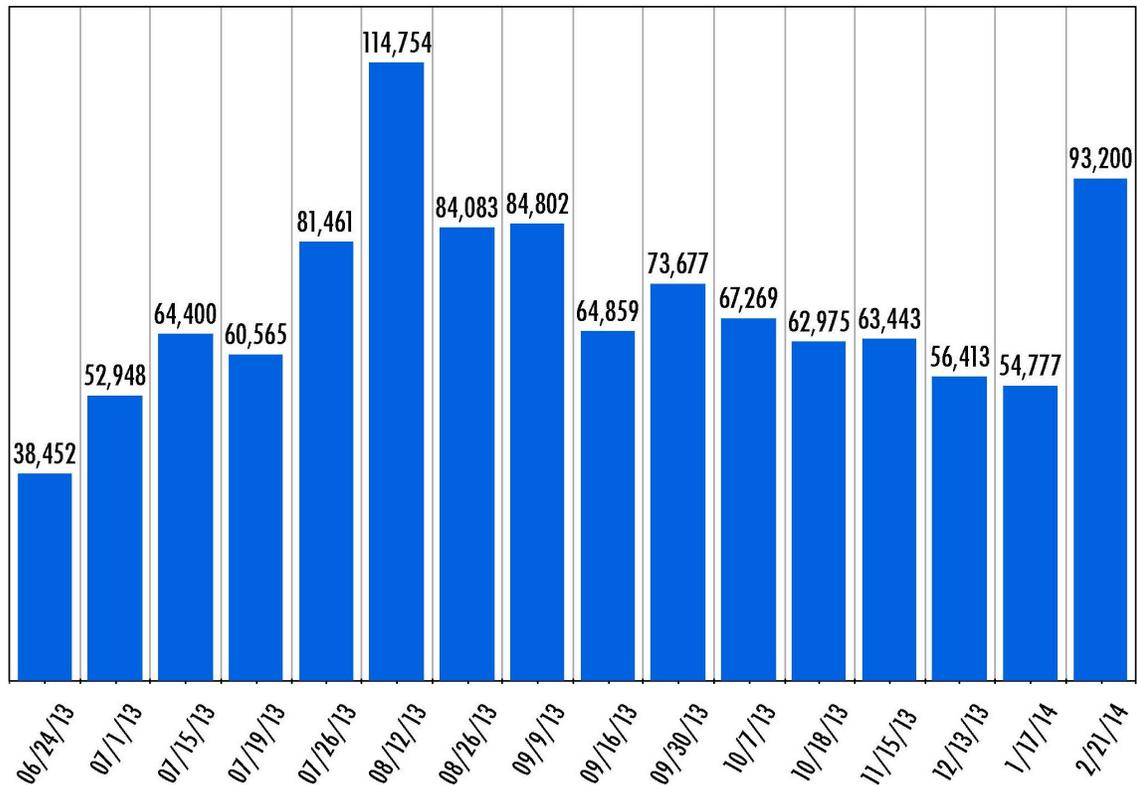


Figure 4: Chart compiled from figures in internal Hydro One documents, showing the backlog of exceptions relating to “customer care” between June 2013 and February 2014.

83 Hydro One officials and call centre staff told us that the rising volume of system exceptions contributed to instances of human error, resulting in inaccurate bills being released instead of being held back for correction.

84 The number of technical support staff to deal with systems issues was initially increased from 40 to 132, and increased to 152 in May 2014. By December 2014, the exceptions backlog had been reduced to a more manageable **12,717**.

No Bills

85 According to Hydro One documents, it was common in the past for a relatively small number of customers not to receive regular bills – some 6,000-8000 per month. Just prior to the new system launch, there were 12,000 accounts not receiving bills. When the new system was implemented, there was a surge in “no bills” cases. In June 2013, the number of accounts coming within this category was **89,107**. The volume of these cases fluctuated over time, as the

accompanying chart shows, but it was consistently and significantly higher than under the former system.

- 86** Initially, Hydro One management was not overly concerned about this issue, as the number of “no bills” accounts gradually dropped. The company focused on deploying technical staff to work through the exceptions and resolve the underlying problems that were preventing bills from being sent out. These efforts proved successful in releasing thousands of bills after many months. Unfortunately, in concentrating on clearing technical glitches, Hydro One failed to factor in the impact on customers, who suddenly received a flurry of large “catch-up” bills, and in some cases had large sums automatically withdrawn from their bank accounts without advance warning or explanation.
- 87** As complaints flooded the call centres in the summer of 2013, Hydro One was slow to connect the dots. One official told us that she first started to hear about “no bills” in September 2013, when there were more escalated complaints and more calls from MPPs. She said, “these were some of the warning bells, in my mind, that things weren’t working right.”

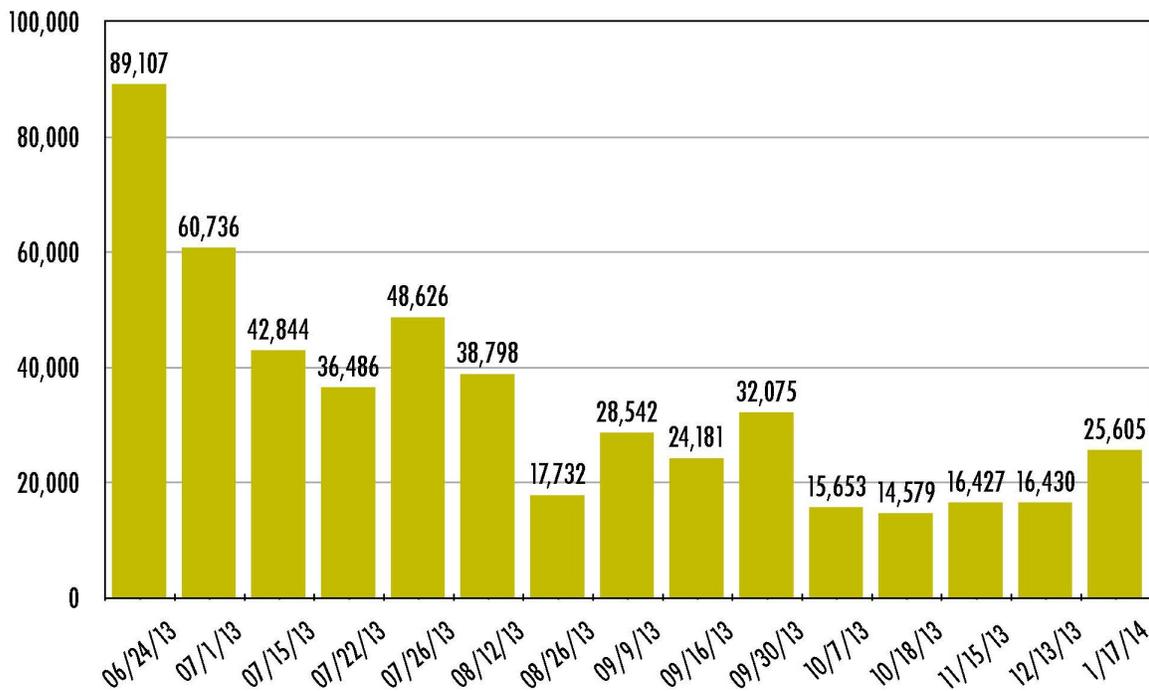


Figure 5: Chart compiled from figures in Hydro One executive committee briefing materials, showing the volume of "no bills" cases between June 2013 and January 2014.

- 88** When I announced my investigation, Hydro One was still wrestling with the “no bills” problem. In March 2014, the volume of “no bill accounts” was 53,000. On April 11, 2014, Hydro One told us this was down to 47,100 and the company was taking several steps to reduce the backlog further, including adding technical staff and creating a dedicated “SWAT” team to address root causes. By December 2014, the volume of “no bill” accounts had decreased to **2,636**.

Wrongly Addressed Bills

- 89** After the system changeover, there were some **68,000** customers whose bills were issued with incorrect addresses because of a data migration problem when the old system was replaced. A technical fix was implemented in October 2013, but address errors continued to cause problems for close to 2,000 customers. Hydro One staff assured us in January 2015 that the company immediately corrects any wrong addresses after receiving returned mail. However, when bills are not returned, the company simply relies on customers to call if they don’t receive bills and correct any wrong address information.

Never Billed

- 90** In addition to the thousands of accounts whose bills were generated but delayed by the new system, there were also many whose bills stopped altogether after it was implemented. Those customers never received a bill after May 2013. On August 13, 2013, Hydro One reported internally that there were some **23,550** customers in this category. In November 2013, the company was contacted by a municipality that estimated it owed more than \$1 million, but had never received a bill. The matter still had not been resolved months later.
- 91** Hydro One officials told us that considerable effort was invested in getting this situation resolved, and by December 2013, all accounts had been billed under the new system. However, we later learned that the “never billed” accounts were simply lumped in with the “no bills” accounts. Hydro One records indicate that as of February 2014, there were still **2,000** accounts where customers had not received a bill under the new system, but where the system had issued and then cancelled the bill.

Estimated Bills

- 92** Hydro One officials told us some customers receive estimated bills until actual hydro usage can be confirmed and the bill is “trued up.” Estimated bills are typically used to address situations where meters are not receiving and

transmitting usage data – for instance, in rural areas where heavy leaf cover in the summer may interfere with meter transmissions. Once the accurate meter data is available, the bills are corrected, sometimes resulting in large “trued-up” bills. Under the old information system, approximately 3% of Hydro One’s time-of-use customers were issued estimated bills.

- 93** On February 10, 2014, the Ontario Energy Board notified Hydro One that it was receiving a significant number of billing-related complaints about trued-up bills. It called on Hydro One to limit estimated billing to a period of 90 days. In response, a Hydro One executive, after noting that “estimated reads are a reality in the utility industry,” set out the remedial steps the company would take, emphasizing that the highest priority for the company was to resolve the customer information system issues that were contributing to persistent bill estimation.
- 94** During our investigation, Hydro One told us that 3% of its customers, approximately **39,000**, were still receiving estimated bills for longer than 90 days.

Electric Personality – Inward-Facing Culture

- 95** Corporate culture is a fascinating subject. I have had the opportunity to study a variety of organizational personalities in the course of my work. I have found that public corporations in the business of selling a commodity or exercising monopolistic technical expertise often reflect a private sector mentality. They have a tendency to emphasize business goals, profit motives, and technological excellence over the public interest and concern for individual customers.
- 96** Hydro One is the only game in town when it comes to billing for electricity in many rural and remote communities. It has expertise in delivering electric power and takes pride in its technological achievements and status as an award-winning utility. Hydro One is also closely aligned with private-sector business models, delivering a large portion of its customer service through a third-party private provider. Although outsourcing customer service operations may make financial sense, it has left Hydro One detached and distanced from those it serves. As one individual previously involved with project implementation at Hydro One put it to us:

If the lifeblood of the company is taking care of the customers – and I don’t know whose company isn’t like that – I don’t know why on earth you’d give it to somebody else to do for you.

- 97** Several current and former Hydro One officials noted to us that Hydro One is also physically out of touch with its customer base, with its head office and about 1,000 staff located in downtown Toronto. Given its history and present circumstances, it is perhaps unsurprising that Hydro One has found itself disconnected from its customers.
- 98** Several former and current Hydro One representatives, as well as others who have worked closely with the company, shared their insights with us about its corporate character. They recognized that Hydro One’s distinct workplace culture had a direct influence on how officials approached problem solving and customer relations. A member of a stakeholder group representing energy consumers, described Hydro One as having “a very inward culture” reminiscent of the private sector, and great “pride” in its technical ability, which he said sometimes results in “hubris.” He added: “They’re not good at listening on the outside.”
- 99** A former Hydro One official candidly told us that some of Hydro One’s problems with the new customer information system stemmed from an overly technical focus. He suggested that the company sought system solutions instead of working on customer relationships, and failed to treat customers fairly, understand what they were experiencing and manage their expectations. He noted:

I still contend that some of our biggest root causes are customer attitude root causes. That we created many of our own upset customers by our own stupidity. Sure, there were going to be system root causes, but unless you understood what the root cause effect on a customer was, you had the wrong mindset.

- 100** A Hydro One executive also acknowledged that the company stressed the technical aspects of its operations and the importance of complying with technical and regulator standards, observing:

We’ve always been very inward focused and we’ve always been very compliance-focused... Compliance-driven cultures also tend to not deal with their problems very well. You’re complying with something, but you’re not changing something or fixing something or making something better.

Poor Customer Service: A Symptom, Not the Disease

- 101** The technical problems accompanying the transition to the new customer information system were not the cause of Hydro One's organizational culture. The system change, accompanied as it was by a spectacular increase in complaints, simply brought Hydro One's cultural failings into sharper focus.
- 102** Well before the system change, my Office encountered cases of abysmal customer service at Hydro One. In 2010, it removed more than **\$11,000** from **Alan Skeoch**'s bank account without notice or clear explanation. He had received estimated bills for two years for his **Wellington County** property, then was hit with a huge bill once his actual electricity usage was confirmed. He went through six different call centre agents and got nowhere, until he went to the local media about his plight. A senior Hydro One official finally agreed to meet with him and work out a payment plan. He told us the Hydro One executive "promised me that this would never happen again... that this is really an anomalous situation." He added:

And then suddenly, this is 2014, and here it is in the paper again. People in the same situation I was in, treated in a very cavalier manner by a huge corporation.

- 103** In 2012, Hydro One threatened **Rebecca Carter** of **Demorestville** with disconnection for unpaid hydro charges, although the amount wrongly included a period when her home was destroyed by fire. That same year, an **Ottawa** man was charged **\$11,000** by mistake when his meter was changed and the company rebilled him for five years of electricity he had already paid for. It took him over a year, some 40 calls to the call centre, five escalated complaints to managers, and ultimately the intervention of our Office to get the mess sorted out. Customers also regularly complained to us about the insensitive and rude attitude of Hydro One officials and the "bafflegab" they were subjected to when they tried to get absurd bills straightened out.
- 104** Hydro One readily admits that it had billing problems under the old information system. Indeed, that is the key reason it was replaced. However, the issues we encountered before the system change had more to do with attitudinal barriers to good public service than outdated technology.
- 105** Here are just a few of the comments customers shared with us about their demoralizing and dehumanizing experiences in dealing with Hydro One:

They're telling me, "oh, just pay whatever you think." What kind of an answer is that? That's customer service – they need to give you a better answer than that.

All I make of it is that their apologies are completely hollow... it's actions, not words. It's nice to say "oh, we're sorry" and send you off a form letter, and say, "we're sorry about that and will try and do better," but they don't. All they do is send us a higher bill next time.... It's extremely frustrating.

I am left feeling anxious, without a voice, frustrated, and bullied... It was just so wrong, so spurious, that I knew that there had to be an explanation that somebody would figure out.

[A service charge credit] certainly doesn't pay for all the anxiety and sleepless nights that I went through. I don't have a big pension and mainly I live a lot on my old age security and my CPP.

The onus was placed on me to keep following up, keep following up because they were busy, that was the message. They were busy, they were backlogged, they were busy and they couldn't deal with me right now.

I think it was the most stressful time I think I've had in many years. Nobody would listen and nobody cared. And I had a different person every time. And every time that I called, I documented their name and their PIN number... I think I did get a supervisor one time and he was just rude... so I left it.

I actually was treated very rudely a couple of times – that they would contact me, that I did not need to contact them so much. I don't think they realized my level of frustration, and I'm normally a very calm person. I really just want it to be resolved. I didn't want a conflict. I just want to pay my bill and get on with my life. And I didn't want this [hanging] over my head.

- 106** Ultimately, it was Hydro One's corporate culture that led it to overlook the human face of its customers when implementing its new customer information system, and generated the toxic atmosphere of customer distrust.

From A+ to Failing Grade – Systems versus People

- 107** The technical mindset prevalent in Hydro One’s culture had a strong influence in the planning and implementation stages of the customer information system project. Hydro One executives repeatedly told us they were unaware of customer service issues until late fall 2013, and that the full extent of the problem was not apparent until after my investigation was launched. Some attributed this to having the wrong people in charge of the project. According to one official, the project leaders were “more about technical solutions rather than dealing with people. We’ve lost sight of the people and that was a big mistake.” Those most intimately involved with the new system did not seem to recognize or appreciate the potential impact on customers. Their focus remained on technical fixes and operational issues. As one executive told us:

You get very, very focused on how the project is doing and how you’re dealing with issues and problems. Where I believe our failure is, and you’ll hear us say this time and again, it was how we resolved the problems. That we were not making customer-centric decisions.

- 108** Another Hydro One official told us that at the end of January 2014, while staff were busy congratulating themselves on reducing various billing backlogs, no one was considering the customer:

What they were celebrating was fixing a technical solution that allowed us to get bills out the door, but what they didn’t focus on was that there were people who haven’t had bills in eight, 10 months, who were part of that backlog that all of a sudden got big bills with no explanation. Catch-up bills. No call to them ... saying what the bill was for, why you’d get it; no offer of waiver of service charges, none of that kind of stuff... What we did was create a massive customer service problem by not thinking about the people at the other end.

- 109** A senior official also told us that in trying to address technical problems such as the “no bills” situation, the company failed to recognize the potential “downstream” effects on customers, such as multiple bills and huge catch-up bills suddenly arriving in the mail.

- 110** After I launched my investigation, some Hydro One staff suggested that the problems with billing and customer service were overblown in the media and inflamed by my announcement. It was as if they believed that if I had not called attention to the issues, they would have been resolved through technical fixes and quietly vanished from public view. They thought we were making a mountain out of a molehill.

111 Until recently, Hydro One officials collectively emphasized that, for the “majority” of the company’s customers, the transition to the new customer information system was a resounding success. From an empirical technical perspective, Hydro One thought it was doing great. It was completely unaware that it was failing miserably from a human perspective. In internal discussions, board of director briefings and in media interviews, Hydro One management typically downplayed billing and service problems, referring dismissively to the “small” number of customers involved. They also used varying percentages instead of referring to the actual number of customers affected. For instance, an internal email on December 20, 2013 noted that the Chief Executive Officer stated in a media interview that technical issues affected “less than 1% of our customers.” On January 9, 2014, a Hydro One representative told the media that only “0.8% of [the company’s] 1.3 million customers,” had never received bills under the new system, and that it had “since resolved that issue.”⁷ Even when the figures later climbed to 5% and then to 6% of Hydro One’s customers, the company still selectively used figures to distract from the suffering of individual Ontarians. In terms of percentages, the figures touted by Hydro One appeared small, but in terms of people, they were significant – 6% of 1.3 million customers equates to **78,000** people.

112 Since February 2014, Hydro One’s management has publicly acknowledged that it was wrong to disregard the tens of thousands of individuals inconvenienced and frustrated by billing and customer service issues. The company has also committed to considering customer impacts from a human rather than a statistical perspective. In October 2014, the Chief Executive Officer said in a presentation⁸ that in installing the new customer information system:

(T)he goal was to beat customers’ expectations using the latest technology. We wanted to be the best utility in terms of customer service in Canada. We were replacing an unsupported and dying system with a modern one, and by any technical standard it was a successful implementation. We won awards.

⁷ “Hydro One billing mismanaged: MPP,” Peterborough Examiner, January 9, 2014:

<http://www.thepeterboroughexaminer.com/2014/01/10/hydro-one-billing-mismanaged-mpp>

⁸ The October 22 presentation, to the Ontario Energy Network, can be viewed on YouTube here:

<https://www.youtube.com/watch?v=SyWW8i4rTa8>

- 113** In hindsight, he admitted that the company should not have been satisfied with its statistical success rate:

Sure, 95% had no issue. If that was a math test, that'd be an A+. [But] 5% of your customer base having a problem is not even a passing grade. It's awful.⁹

- 114** When undertaking similar projects in future, Hydro One should ensure that the impact on customers is considered and factored into all phases of planning and implementation.

Recommendation 1

Hydro One Inc. should ensure that it considers the impact on customers as its first priority throughout all project planning phases and develops appropriate mitigation strategies and contingency plans.

- 115** In both its internal and external communications, Hydro One also described billing problems in vague and shifting terms. For instance, it insisted that as of December 2013, the problem of never-billed accounts was eliminated – when in fact it simply moved 2,000 such bills to the “no bill” delayed billing category because the system had invoiced the accounts but quickly cancelled them. In February 2014, one Hydro One official suggested in an internal email that there should be greater transparency with respect to this distinction and that it should be disclosed “from the customer’s point of view.” Another senior manager responded, in connection with a memo being prepared for the board of directors:

I doubt they are going to ask about Never Bills. The 2,000 Never Bill numbers are counted in [the] No Bill number anyways, so no need to distinguish anymore.

- 116** In addition, in citing the number of customers affected by various issues, Hydro One typically referred only to how many customers were affected at distinct points in time, not the total since the system change. For example, in June 2013, the company’s records indicate **89,107** customers had not received bills; in February 2014, **83,000** customers were affected by delayed or prolonged estimated bills. However, we did not find any cumulative total showing the aggregate number of customers affected by billing problems. The figures for the number of customers affected by various billing issues did not always add up, which made it challenging for our investigators to verify them. By providing

⁹ Ontario Energy Network presentation, *ibid.*

statistics in isolation, Hydro One obscured the full extent of the service problems experienced by its customers. In future, it should ensure that it tracks and discloses the running total of individuals affected by various systems problems, and that descriptions of problem categories are clear, accurate and constant.

Recommendation 2

Hydro One Inc. should ensure that it keeps track of the cumulative total of customers affected by various systems issues and provides clear, accurate and constant descriptions of the various problem categories.

Communications Gap

117 Hydro One’s organizational persona has played a pivotal role in its relationships with its customers and other stakeholders, particularly in corporate communications. The communications strategy relating to the new customer information system was planned well in advance. Hydro One’s records reflect that it was determined to avoid the negative media coverage and complaints that marked Toronto Hydro’s migration to a new system and its own experience with the technology system change in 1998. From March to May 2013, Hydro One proactively notified its customers that it was transitioning to a new system through its newsletter. It was a good-news piece, full of smiling faces, promising that the system was “designed to meet the future needs of our customers by delivering services more tailored to customer needs and preferences.”



Figure 6: Hydro One newsletter, Spring 2013.

- 118** From April to May 2013, Hydro One also sent a letter to 837,200 customers about the system changes. The only issue of potential customer concern it had identified prior to the new system launch was the elimination of a 13-day billing delay.¹⁰ This change was addressed in some of its communications with customers.
- 119** Hydro One did develop communications responses based on worst-case scenarios, but it sought to shield the public from negative messages. According to internal communications materials, insiders could talk amongst themselves about “major billing issues” and “system failure,” but external audiences could only be told that “some customers” had been affected by “some issues” with the system.
- 120** When problems arose soon after the system change, Hydro One concentrated on addressing individual issues discreetly as they came up, making private apology calls and sending letters to customers. For example, on June 4, 2013, Hydro One notified **500** retail customers by letter that the transition to the new system had caused an error that omitted consumption charges from their bills. On June 5, it sent some customers notice that the new system caused a pre-authorized payment error on their accounts. On August 29, **2,000** customers whose meters had been changed at the time the data migrated to the new system were notified that they were not billed for consumption before or after the meter change. Another **12,000** letters went out in August and September 2013 to customers who had never received a bill under the new system, offering a six-month, interest-free, fee-free billing payment plan. Additional letters were sent out to **5,000** customers in this category from October through December 2013, offering a one-month service charge credit as a goodwill gesture.
- 121** Hydro One’s piecemeal and reactive communications approach reflected an attempt to institute damage control and insulate the company from any criticism about its award-winning customer information system. The language used to convey the message was closely vetted. For instance, when crafting the letter to 12,000 never-billed customers, officials decided to remove any reference to the system. One official noted:

I am concerned about the ... references to CIS [the customer information system] below creating some spin and undue nervousness.

¹⁰ The 13-day delay was designed to allow for the final spot price to be received from the Independent Electricity System Operator. The delay was obsolete for most customers once a fixed price was introduced in December 2002.

In the end, the letter simply said the company was “currently experiencing some issues which have prevented us from issuing your bill.”

- 122** When the new customer information system was first rolled out, call centre agents were instructed not to attribute billing issues to the transition to the new system, and to stay away from negative words like “defects.” Call centre staff were instructed in training materials that the word was “an internal term that should not be discussed with the customer.” As one senior call centre manager explained to us:

(T)here were a lot of debates around messaging that should go to customers, and there was a reluctance for a long period of time for anybody to indicate that there were system problems or [time of use] issues... I think everybody was worried about it hitting the media and it would be a firestorm.

- 123** Unfortunately, Hydro One’s communications planning appears to have been influenced by a sense of organizational positivism that was not borne out by reality. The company was left scrambling to contain the damage when problems began to surface publicly. When faced with negative publicity, Hydro One’s overriding priority became managing its public relations image. With all its frenetic spinning, it neglected the real impact it was having on tens of thousands of Ontario’s citizens.

Keeping Outsiders in the Dark

- 124** Senior Hydro One officials told us that it took several months for them to realize the full extent of the billing and customer service issues, but corporate records suggest that at least some were sensitive to the problems much earlier. Internal email communications from July 2013 discussed accounts that had not been billed under the new system, noting the need for “ensuring we do not go to the media.” News was also slowly filtering into the public domain. A newspaper article listing a slew of billing and customer service issues¹¹ set off a chain of internal email communications at Hydro One, including this comment:

I know Corporate Communications does not recommend responding to these types of articles, but this one may need us to do something to repair damage to our reputation.

¹¹ “Hydro One Customers fume over long-standing billing mess,” Hugh Adami, *Ottawa Citizen*, July 31, 2013.

- 125** Another official responded that he had talked to a communications executive and got “the sense they want to wait it out.” Senior executives undertook to raise the issue with the board of directors’ regulatory and public policy committee. However, the information we obtained from this committee made no reference to this issue.

Obstructing the Ombudsman

- 126** Hydro One’s tactic of avoiding external communications about its problems with the new system appears to have extended to my Office. In July 2013, senior officials from my Office and Hydro One met to discuss the significant growth in the number of complaints we were seeing about meters and billing. My Office also raised concerns about the increasing delays we were experiencing in getting answers from the customer relations centre staff. In some cases, it was taking two to four months to obtain substantive responses.
- 127** At the meeting, Hydro One representatives provided an overview of some of the technical issues with meters and various aspects of the billing process, but they scrupulously avoided any reference to the customer information system. There was no mention of the struggles Hydro One was encountering with system defects and exceptions, the increased volume of calls from frustrated customers, or the complexity of the billing problems. Instead, they played up the positive features of the new system.
- 128** We later learned from internal emails that Hydro One deliberately sanitized the script it used at that meeting, to ensure it contained more “confidence-boosting content.” The emails indicate a decision was made to avoid reference to the new system and its impact on billing and customer complaints. It was suggested that reference to the new system be omitted until it had “stabilized,” or that it be mentioned “as little as possible, and only on a reactive basis.” One official warned:

(I)t can get dangerous if we offer up too much info, or if we state too many benefits... we don't want this to be the new topic for review and discussion. If we simply state that we are essentially in line with expected customer reaction... that’s a healthy story.

- 129** A month later, after my staff called a customer relations centre staffer about a customer who had not received bills for some time, the Hydro One employee wrote in an email to a supervisor:

... [Ombudsman staff] started to ask if we were having a lot of accounts that are not billing, to which I stated that I wasn't aware that there was a problem except with a couple that I was working with. ... I basically told her that we hadn't heard that there was any issue and we moved onto another account.

- 130** In response, the manager praised the employee's discretion and circulated the comments to other Hydro One officials, saying:

Thanks for the heads up... good warning in case they come knocking. Please keep holding the line with messages like you conveyed – I think this is appropriate given that we have the majority of our customers (over 96%) billing with no issues but there is work to be done. If you get the feeling that they're going to investigate more aggressively or escalate, let us know.

- 131** Rather than acknowledge that tens of thousands of its customers were experiencing billing issues, Hydro One continued to stress to outsiders that there was nothing to be concerned about, deflecting concern with evasive, misleading and upbeat messaging. We received similar vacant assurances when we asked about the impact of "exceptions" on billing in November 2013. A Hydro One official told us that exceptions are a normal product of billing and collections processes and that the exceptions relating to the new system were "not unexpected for a project of this nature." This was simply misleading and disingenuous.
- 132** Hydro One's failed attempts to hide the extent of the impact of its billing systems errors even from my Office is reflective of an organization that cares more about its corporate facade than its obligations to its customers or to its provincial overseers.

Obfuscating the Ontario Energy Board

- 133** On August 22, 2013, Ontario Energy Board officials toured the Markham call centre with Hydro One officials, who failed to enlighten them about the problems associated with the new customer information system. In September 2013, the board sent an email inquiry to Hydro One, asking about billing concerns it was hearing about from MPPs. A Hydro One official responded that about 10,000 customers had not received bills since the transition to the new customer information system, and mentioned that there were other "small groupings of issues related to budget billing, but other than that, nothing

systemic.” Hydro One minimized the problem, assuring the board that bills would be out by the end of September, if not before.

- 134** When the problem of estimated bills persisted, the board wrote to Hydro One again on October 23, 2013, expressing concern. It acknowledged Hydro One’s offer to affected customers of a six-month, interest-free billing plan, but noted that it was still receiving an increasing number of complaints about billing and metering. The Ontario Energy Board has continued to monitor Hydro One’s progress in addressing areas it identified for corrective action.

Mollifying the Minister’s Office

- 135** By fall 2013, the Minister of Energy was also concerned about the situation at Hydro One, including its delays in responding to inquiries from MPPs. Internal Hydro One documents indicate that in October 2013, the company accepted a recommendation from the Minister’s office that it proactively offer a service charge credit to customers who had never received a bill under the new system, for every month after September that they were not billed.
- 136** On December 17, 2013, the Minister of Energy’s chief of staff wrote in an email to Hydro One’s Chief Executive Officer:

Hate to have to bring this to your attention, but we have seen a really inexcusable uptick in customer service complaints these past several months that are really untenable...

- 137** Hydro One’s Chief Executive Officer responded the next day, stressing the low number of customers – 22,000, or less than 2% – who had submitted complaints. He also explained that it was taking time to address the 180 MPP requests that had been received.
- 138** Although the Chief Executive Officer’s response remained positive, an internal email from another senior official in December referred to the company entering “crisis mode with respect to the growing backlog of [customer relations centre] complaints.”

Befuddling the Board of Directors

- 139** Hydro One’s board of directors is responsible for hiring the Chief Executive Officer to manage Hydro One and general oversight of its operations. It relies on the company’s executives to keep it informed of problematic issues. When we

interviewed the former chair of the board, who was at the helm when the new customer information system was introduced, he said my investigation came as an unpleasant surprise. In November 2013, the board's business transformation committee was briefed about the high volume of customer complaints, but management assured them the root causes were being investigated and mitigated, and that the complaints were just "a statistical issue" that was under control and getting better. "Management... in whom we had confidence at that point, presented a positive, 'we're in control of the situation, don't worry' point of view," he said.

140 Minutes from the November 13, 2013 meeting confirm that committee members were told the company had received about four times the normal number of complaints, most about billing issues. The committee was assured that mitigation measures were underway and that survey results showed the company had scored 80% for customer satisfaction.

141 The former chair said management regaled the board in December 2013 about "the fantastic year that had just finished," including "the great success" of the new customer information system. He said the board had no idea that the Ontario Energy Board had raised concerns in October, and it was news to him when the Minister's Office expressed dismay about delays in responding to requests from MPPs:

(T)he board was not aware that there was something abnormal happening here. ... We thought that we were [at] a statistically acceptable level and that people were dealing with it. What we didn't realize [was] that there were these bizarre bills ...

142 As to why the board was not informed about the brewing controversy, he said:

Basically, there are only two interpretations: Either that management didn't know or didn't understand what was going on, or that they were wilfully misleading all of us as to what was going on. And I don't think that was the case... I don't know how it could have evolved the way it did.

143 In hindsight, he reflected that management might have been "overly self-confident," insensitive to the information they were seeing, and failed to ask the right questions. He also suggested that the information gap might have arisen because of longstanding unresolved issues with operational silos within the company's management.

Inside Crisis – Outside Calm

- 144** Based on our interviews with Hydro One executives, it is clear that by December 2013, senior managers were fully aware of the significant billing and customer service issues plaguing the company. By then, Hydro One had started to implement internal mitigation measures, adding staff and devoting increasing attention to fixing technical problems. It stopped charging interest on all late payments because of the continuing problems, and, starting in December, it quietly suspended collection activity on select accounts where arrears were attributable to systems issues. Internal documents indicate that on December 22, 2013, Hydro One staff requested a full shutdown of the “dunning process” on an urgent basis to address the wave of customer complaints.¹² On January 24, 2014, Hydro One decided to create a “dunning lock” in the customer information system to “trap” accounts with three or more consecutive estimated bills and those with no bills for more than 90 days. Suspension of collection efforts cost the company \$1.6 million a month and forgiveness of late payment charges another \$900,000 a month.
- 145** As internal and external pressures increased and Hydro One horror stories hit the media, the company could no longer maintain radio silence about its system problems. However, it continued to emphasize the positive, minimizing the scope of the problem, and stressing that the transition to the new system was a success for most customers.

Light Bulb Moment: Too Late to Apologize?

- 146** When the story of **Mountain** cattle farmers **Nancy and Bob Zwarts**’ ordeal with Hydro One hit the news on December 18, 2013, the company was forced to react publicly. The couple’s saga of faulty smart meters, delayed billing, exorbitant charges, and poor call centre service attracted considerable attention.¹³ On December 20, 2013, Hydro One’s Chief Executive Officer issued the first of what would become a succession of public apologies for the company’s substandard service. He promised, “we will learn from this and we will do better.”

¹² Dunning refers to the collections process from communicating gentle reminders to involving collections agencies to threatening disconnection to restricting or cutting off a customer’s hydro for non-payment.

¹³ “Cattle farmers Nancy and her husband Bob Zwarts are having a Hydro One nightmare,” Wayne Cuddington, *Ottawa Citizen*, December 18, 2013. Online: <http://www.ottawacitizen.com/technology/Cattle+farmers+Nancy+husband+Zwarts+having+Hydro+nightmare+because+their+smart+meter+transmitting+data+utility/9307585/story.html>

- 147** After coping with the December 2013 ice storm, Hydro One faced 2014 with the hope that it could avoid further public airing of concerns with its services. However, on January 7, 2014, MPP Laurie Scott (Haliburton-Kawartha Lakes-Brock – PC) brought customer complaints back into the spotlight when she wrote an open letter to the Minister of Energy.¹⁴ In it, she referred to Hydro One customers in her riding as “the victims of Hydro One’s billing fiasco and pathetic customer service practices,” and described constituents who had received huge bills, threats of disconnection, and inaccurate information from rude and condescending call centre staff.
- 148** Two days later, a Hydro One spokesperson issued an apology on behalf of the company for call centre service “below the company’s standard” and assured the public that things were coming under control with the addition of extra resources. However, stories about abysmal customer service and absurd billing mixups continued to emerge.

An “Innocuous” \$30-Million Error

- 149** On January 22, 2014, a newspaper article appeared about a ski club¹⁵ that Hydro One billed **\$37,000** in error. According to the article, after obtaining an apology and a promise to resolve the situation from Hydro One, the club received a revised bill for almost **\$37 million** (\$36,658,510.75, to be exact). Hydro One’s vice-president for corporate relations then apologized publicly. Although the company appeared remorseful externally, internal communications suggest that some executives still could not comprehend why external stakeholders were making such a fuss. One official opined in an email that the article was a “good example of how something innocuous takes on a life of its own.”

Ombudsman Intervention

- 150** Through the summer and fall of 2013, my Office received increasing complaints about Hydro One billing and customer service. Despite numerous phone calls during this period, Hydro One persistently delayed in responding to us on individual cases, and provided incomplete information. Meetings with executive and senior Hydro One staff failed to shed light on the situation, and I was left

¹⁴ The letter is available online here: <http://lauriescottmpp.com/feature>

¹⁵ “Hydro One’s \$36-million bill to ski club highlights utility’s billing glitches,” Adam Radwanski, *Globe and Mail*. Online: <http://www.theglobeandmail.com/news/national/hydro-ones-billing-glitches-fuel-ontarians-energy-angst/article16443803/>

with no practical option but to launch a systemic investigation to get to the root of the problems.

- 151** I provided notice of my investigation to Hydro One and the Ministry of Energy on February 3, 2014, and publicly announced it the next morning. By that afternoon, the Chief Executive Officer of Hydro One had issued yet another public apology.¹⁶ It said:

(W)e know that approximately 3% of our customers have received estimated bills for too long and about another 2% have gone for more than 90 days without receiving a bill. While the vast majority of our customers continue to receive normal bills, some of our customers have not had a positive experience. We know that this level of service isn't acceptable to our customers and it's not acceptable to Hydro One. We have taken aggressive steps to fix the issues. We are reaching out to our customers, we are fixing the exceptions and we have brought in additional staff to listen to customers and help work through their billing inquiries...

Reputation Rehabilitation Begins

- 152** The day Hydro One learned of my investigation, it launched a “customer service recovery plan,” targeted at resolving technical and operational issues and repairing its flagging reputation. Hydro One was intent on getting beyond what one internal document called the “perfect storm” – the media stories, the December 2013 ice storm, and announcement of my investigation – that led to its “current crisis of confidence.”
- 153** The Chief Executive Officer rallied the troops. He sent out an all-staff email on February 7, 2014, acknowledging that there was no doubt that the move to a new and complicated billing system had created “some customer challenges and issues.” He also emphasized that “although these challenges are affecting a small number of customers, they jeopardize our corporate reputation and public trust.” He relayed four key messages to Hydro One and call centre staff:
- I do not want our customers to worry.
 - I want them to know implicitly that if we have sent them a bad bill, we will correct it.
 - I don't want them to worry that they will have to pay charges or interest when we have not delivered a timely bill.

¹⁶ Available on Hydro One's website here:

<http://www.hydroone.com/OurCommitment/Documents/Letter%20to%20Our%20Customers.pdf>

- I want them to trust that they will ultimately only pay for the energy they consume.
- 154** The customer service recovery plan included retaining an external advisor to assist with crisis management, introducing policy changes, and developing customer commitments. External consultants were also employed to provide advice on the development of crisis communications plans and strategies.
- 155** Staffing levels were also increased to tackle the exceptions backlog and the persistently high call volumes. Call centre agents received additional training and new scripts. A project team was established to correct defects and enhance the customer information system, and work processes were reorganized to better identify early warnings relating to potential data or billing issues.
- 156** While Hydro One had previously addressed issues somewhat on an ad hoc basis, the customer recovery plan was a more organized response to billing and customer service problems. Beginning in February 2014, technical fixes were put into place to hold bills until they could be released with minimum negative impact on customers.
- 157** At the beginning of February, a technical “trap” was set on accounts that had not received bills for multiple months and were due to receive a large true-up bill covering three or more months. Letters of explanation were included with bills mailed to **35,025** customers. Some customers were called proactively and automatically enrolled on an interest-free installment plan. By the end of 2014, Hydro One had paid out **\$7.3 million** worth of service credits – a credit for every month customers did not receive a bill.
- 158** On February 14, 2014 a message was added to all bills with credit balances, telling customers they could call if they would prefer to get money back, rather than credit. This was in direct response to concerns raised by my Office about customers who were told they could only obtain credit – not refunds – if they had overpaid or been overcharged by Hydro One. By June 2014, **5,112** refund cheques had been issued, valued at \$5.1 million.
- 159** On February 21, 2014, another “trap” was set to stop large catch-up bills from being issued to customers who had received estimated bills for prolonged periods. Beginning March 4, proactive calls were made to **10,203** of these customers, and **10,794** letters were sent, explaining the situation and offering an interest-free payment plan.
- 160** At the same time, accounts due to receive multiple bills as a result of adjustments were held by the system until they could be sent to customers in a

single package to minimize confusion. Starting March 3, **26,821** multiple bill packages were sent out, along with a letter clearly explaining the amounts owing.

- 161** Another trap was set for **4,341** bills that were due to trigger large automatic bank withdrawals. The affected customers were called to confirm whether they consented to the withdrawal, or would prefer to enter into a payment plan. Explanatory letters were also sent out with the bills.
- 162** Hydro One suspended late payment charges incurred by customers as a result of billing errors as well. It continued the suspension of collections it had temporarily and selectively applied in December 2013, and clarified that it would not disconnect customers in cases where Hydro One was to blame for the billing issue.
- 163** February 2014 was also when the company created a SWAT team to work with my Office on cases we flagged, and established a liaison to resolve concerns brought forward by members of provincial parliament.
- 164** In April 2014, Hydro One introduced a commitment that it would resolve customer concerns or confirm a date for resolution within 10 days. It also announced that it was creating a customer service advisory panel composed of stakeholder representatives, reporting to the Chief Executive Officer in an independent advisory capacity.

Centering on Customers

- 165** Hydro One's customer service recovery plan included repositioning its communications to be more "customer-centric." The company moved quickly to exchange its reactive communications strategy for a more direct approach.
- 166** The day after I announced my investigation, senior officials began compiling a "top 10 irritants" list, based on media questions and coverage. Internal emails indicate that plan was to have the Chief Executive Officer announce decisions he had made to resolve at least five of the issues, referred to as "low-hanging fruit." The list was as follows:

Top 10 Irritants:

1. Months on estimates without an actual [meter reading]
2. Large true-up bills with no payment plan communication attached
3. Large true-up bills being withdrawn through accounts – sometimes >\$10K for residential customers

4. Several bills arriving in one month – all different amounts, no explanation
5. No bills arriving at all
6. No offer of a refund; just a credit
7. Long delays in getting answers from the call centre/CRC; sometimes several months
8. Inaccurate statements/bad advice – such as “don’t pay until you see a bill.”
9. Issues argued by agent rather than investigated – e.g., customer found neighbour’s [smart meter] serial # on their own bill and vice-versa
10. MPPs calling in issues but not getting a response – follow-up only going to customer even when proper consent provided

167 Hydro One began in earnest to renovate its image and stanch the flow of negative publicity. It reached out to customers and other stakeholders through traditional and social media. On February 7, 2014, the Chief Executive Officer revealed several planned initiatives to support customers: Introduction of a customers’ bill of rights (later referred to as “customer commitments”), provisions of refunds where necessary, and a pledge not to charge interest or cut off electricity on accounts affected by Hydro One’s billing errors.

168 The company’s “reputational recovery plan” was discussed on February 11, 2014 at a joint meeting of two board of directors committees. A communications strategy was tabled that outlined the company’s recommended approach to reposition Hydro One as the “primary advocate for its customers and restore the level of trust customers have in Hydro One’s ability to manage their issues.” The first phase of the plan called for the company to acknowledge its customer service issues, apologize, and explain how issues could be resolved. The next phase involved communicating resolution of the issues through “customer-direct” communications and by equipping frontline staff with communications tools. According to Hydro One documents, the next phase would also implement a strategy “to get ahead of the Ombudsman report by proactively communicating initiatives.”

169 Starting in mid-February 2014, the Chief Executive Officer issued a series of letters to customers, the media and MPPs, containing soothing phrases and positive commitments. These were also posted on Hydro One’s website. In a February 12, 2014 letter to the editor, sent to multiple newspapers across the province, he acknowledged that call centre agents had struggled with the new system and stated:

The last thing I want is for our customers to worry. They deserve bills that are clear, timely and accurate. So, I want your readers – our customers – to know that they will only pay for the electricity they use. If they receive a catch-up bill because they have been billed on estimates or have not received a bill, we will work with them to arrange a reasonable payment plan. If we have made a mistake on a bill, we will not charge interest and we will not apply service charges or fees. If we find that we have overbilled an account, we will notify our customers and offer them a refund cheque.

We are improving training at our call centre to make sure our agents have the information they need to answer more of your questions on the first call.¹⁷

- 170** Hydro One began sending out more than 1 million apology letters to all residential, seasonal and general service customers on February 20. The Chief Executive Officer also personally called MPPs in Hydro One’s service territory. In April 2014, he sent them an update on the progress made; I received a similar letter.
- 171** Hydro One also revised its website in March 2014, adding a section for correspondence and policy changes related to my investigation, as well as one entitled “Working to Get Better.” It posted videos answering various billing and service-related questions. In addition, the company held three telephone “town hall” meetings – one in April and two in November 2014 – which allowed some 60,000 customers to call in to get their questions answered by the Chief Executive Officer and senior managers.
- 172** The public also heard from the then-chair of the board of directors, who vowed to hold management accountable. He noted in a February 2014 media interview that Hydro One “may not have been quite as customer-oriented as we would like it to be or as people frankly demand in today’s world.”¹⁸ On March 7, 2014, the government announced that the chair would be replaced as of April 1 that year.

¹⁷Available online here: <http://www.hydroone.com/Ombudsman/Pages/LettertotheEditor.aspx>

¹⁸ “Hydro One chair vows to fix erratic billing system,” Adrian Morrow, *Globe and Mail*, February 10, 2014. Online: <http://www.theglobeandmail.com/news/national/hydro-one-chair-vows-to-fix-erratic-billing-system/article16793395/>

Corrupted Communications Culture

- 173** In Ontario’s public sector, transparency, openness and accountability are highly prized, particularly when it comes to its communications with stakeholders. Unfortunately, prior to my investigation, Hydro One’s external communications approach was the antithesis of these democratic values. Its public messaging was opaque, disingenuous, and self-serving. It reflected a corporate mindset suffused with technocratic superiority and fondness for private-sector practices.
- 174** Instead of honestly and promptly explaining that it had systems problems that were affecting customer service, Hydro One officials engaged in a reactive campaign of deflection and deceit. Its representatives effectively lied through omission when dealing with my Office, the Ontario Energy Board, its customers and other stakeholders. It was only after the situation was finally exposed that it began desperately trying to regain customer trust and credibility.
- 175** The former chair of the board of directors, who oversaw the company during the customer information system transition, was of the view that senior management did not consciously mislead the board or others. It is certainly possible that Hydro One executives were so blinkered by their faith in the new computer technology and their overreliance on statistics that they simply missed the significance of the litany of technical glitches and the rising complaints. Even so, it is extremely disturbing and indicative of an insular and malignant organizational culture.
- 176** Our review of internal Hydro One documents also clearly shows that at least some management staff deliberately accentuated the positive aspects of the new computer system, while concealing information about billing problems and customer complaints that would cast the company in a bad light.
- 177** In future, Hydro One should commit to a communications strategy that is transparent, open, and accountable to the public. It should adopt a proactive approach to communicating with stakeholders, as well as oversight and regulatory bodies. It should tell the truth about issues affecting the delivery of its services, and it should do so in a timely way. It should also ensure that private-sector entities carrying out services on its behalf are held to the same communications standards.

Recommendation 3

Hydro One Inc. should adopt a proactive, transparent, open and accountable approach to communications with stakeholders and oversight and regulatory bodies.

Recommendation 4

Hydro One Inc. should ensure that any provider of outsourced services communicates with stakeholders and oversight and regulatory bodies in a transparent, open, and accountable manner.

Recommendation 5

Hydro One Inc. should monitor call centre communications to ensure that they reflect the transparency, openness and accountability expected of a provider of public services.

Operational Missteps

- 178** While Hydro One’s culture and communications played a significant role in inciting customer distrust, mismanagement of several planning and operational issues also contributed to the company’s billing and customer service problems.

Training Wreck

- 179** Hydro One recognized that one of the key elements required for successful implementation of the new customer information system was staff training. However, a delay in completing systems testing prior to the changeover affected the training schedule. Staff training was a moving target as the “go live” date shifted from October 2012 to March 2013, and finally to the May 2013 long weekend.
- 180** In January 2013, an internal risk assessment identified a problem with staff readiness. In February, emails referred to the training team “struggling to get their course materials finalized.” Training of call centre staff had begun by March, but internal email communications identify concerns with the adequacy of the training and the training environment, which was overcrowded and uncomfortable. The electronic training system was apparently also unstable, often crashing and interfering with exercises. A March “go live” target date was abandoned in part because of the risk that poor training would lead to increased call handling time and customer frustration.
- 181** Some 1,293 staff were trained on the new system, including 330 from the call centre, between March 11 and May 17, 2013. Several call centre staff we interviewed told us the training materials were incomplete and disjointed, and the information changed daily as new defects and exceptions were discovered.

They also said the instruction was quite basic and left them unprepared to answer customer calls when the system went live. Several permanent call centre staff expressed concern that only temporary staff were trained on resolving system “exceptions.” They said they would have been able to provide better service if they had been trained in more functions. We were also told that delays in training on the various “exceptions” arising with the new system contributed to backlogs in clearing them.

- 182** Hydro One’s customer relations centre staff, who handle escalated inquiries, received compressed three-day training instead of the weeks of training provided to call centre agents. They did not receive training on exceptions, which meant they had to get call centre assistance to resolve complaints about them, causing further delays.
- 183** A December 2013 study conducted for Hydro One by a consultant identified various training problems, including that agents found work instructions too long and difficult to follow and lacked sufficient information about the system and various processes. More training was recommended.
- 184** An internal audit in April 2014 also found that the training did not adequately prepare agents, was rushed, and was not provided to everyone who needed it. In a post-training survey of 300 call centre staff, 43% said they felt unprepared to apply the new skills and tools successfully.
- 185** One of the common complaints we heard from both Hydro One customers and call centre staff was that agents had limited understanding of the technical aspects of billing and system issues. This led to overreliance on technical support staff and meant complaints often had to be escalated to managers.
- 186** In our interview with the Chief Executive Officer, he acknowledged:
- I think as a whole we were failing the agents ... we didn’t give them the tools they needed. I don’t support that that’s the way to do it, but that’s a failing on our part in our system, and I think that was a wakeup call.
- 187** Internal emails show that after the billing and customer service controversy hit the news, additional “empathy training,” focusing on understanding and acknowledging customer’s situations, feelings and needs and quickly identifying resolution paths, was provided to call centre staff in January 2014. Refresher training for call centre agents also took place in March 2015.
- 188** In preparing for the new customer information system, Hydro One failed to ensure that staff responsible for dealing with customer concerns were adequately

trained. In future, before it introduces initiatives directly affecting customer service, Hydro One should provide comprehensive training for relevant staff and outsourced agents. It should also consult and obtain timely feedback from frontline staff to gauge training effectiveness, and provide supplementary training if necessary.

- 189** Hydro One should also consider providing more detailed training to call centre and customer relations centre staff so that they are better equipped to explore and respond to customer concerns about the billing process. Hydro One places much stock in “first call resolution” and evaluates call centre agents on their ability to satisfy customers in one call. However, unless those answering the phones have a clear understanding of the technical issues and trends affecting billing and other services, frequent escalations will continue to frustrate agents and customers.

Recommendation 6

Hydro One Inc. should ensure that it implements comprehensive staff training before introducing any initiatives with potential impact on customers.

Recommendation 7

Hydro One Inc. should consult with and obtain timely feedback from individuals responsible for contact with customers to ensure that training is effective and supplemented if necessary.

Recommendation 8

Hydro One Inc. should consider providing additional training to call centre and customer relations centre staff in technical and other operational issues to enable them to resolve customer service concerns more effectively.

- 190** Call centre staff also told us they were concerned about the adequacy of the scripts and work instructions they were given to address customer issues. Hydro One’s records show that a technical staff member identified several inaccuracies in materials provided to call centre staff. An internal Hydro One audit in April 2014 confirmed that the scripts provided to staff were insufficient as they did not address the system problems that were encountered. By May 2014, 50 call centre agents had received refresher training on billing inquiries and scripts were reviewed and updated.
- 191** The quality of the information that call centre agents provide to customers is only as good as the information Hydro One gives to them. Accordingly, Hydro One should ensure call centre agents have accurate and up-to-date information,

so they can address billing and other customer service issues as they arise. In addition, Hydro One should consult with technical and frontline staff to ensure that the scripts provided to them are useful and allow them to respond effectively to customer queries.

Recommendation 9

Hydro One Inc. should ensure that it regularly provides clear, timely and accurate scripts for use by call centre staff to address billing and other customer service issues as they arise.

Recommendation 10

Hydro One Inc. should consult technical and front line call centre staff in the development of scripts to ensure that it provides the tools necessary to ensure effective customer communications.

It's Alive!!! – System Implementation

- 192** As Hydro One was preparing for the changeover of its customer information system, it relied on a “business readiness assurance team” to provide an independent opinion to the Chief Executive Officer about its state of readiness, to mitigate associated risks. However, the team was not responsible for assessing the fitness of the system itself.
- 193** A colour scale was used to describe the status of the project. In February 2013, the business readiness assurance team reported that the state of readiness for system implementation was “orange” – between red and yellow, meaning not ready. The team also observed that better communication was required amongst the project team and relevant directors. In an April 2013 report, it put the state of readiness at “yellow,” but supported the May target for system implementation. However, the team never interviewed any of the call centre agents or the trainers to obtain their views on whether agents were sufficiently prepared to address customer service issues that might arise.
- 194** Hydro One’s Chief Executive Officer made the call to continue with the plan to implement the new system in May 2013. A Hydro One internal audit document observed that while there were some unresolved problems with system applications, “it was considered a good business decision to [launch the new system] and manage the customer issues and fix the remaining software shortly afterwards.” Business reasons supporting this move included continuing concerns with the degradation of the existing system, which was slow, had memory problems, and was at risk of crashing. With the benefit of hindsight, the

Chief Executive Officer told us he would still have pushed forward with the May 2013 launch, but he would have taken a different approach, including more rigorous attention to the billing problems and their effect on customers:

I would have had a contingency plan around customer impacts... things like no bills and estimated bills and everything around that... I think that's the fundamental piece... I would've asked more questions around testing and the implications... I think I would have still gone live with a much more robust plan [to address problems].

- 195** In future, the company should include an evaluation of whether its staff and outsourced resources are fully prepared, as part of any business readiness assessments preceding major system changes.

Recommendation 11

Hydro One Inc. should ensure that evaluation of staff and call centre agents readiness is included in pre-implementation business readiness assessments preceding major system changes that impact customers.

Call Centre / Pressure Cooker

- 196** Although Hydro One's call centre is outsourced to a private-sector provider, it is the face and voice of the corporation for most of its customers. Increased stress on call centre staff inevitably filters down to Hydro One's customers. Unfortunately, Hydro One managers appeared oblivious to this fact after the new customer information system was installed and call centre staff were flooded with calls.
- 197** One of the criteria that Hydro One uses to assess call centre effectiveness is the "average handle time" for customer calls. This is a common metric employed to measure call centre efficiency. Hydro One's call centre provider is contractually bound to ensure 80% of calls are answered within **20-30 seconds**. The shorter the average call length, the more likely the provider will meet this service level. If service levels are not met, Hydro One can levy a financial penalty on the provider.
- 198** Hydro One officials monitor the average handle time closely. In planning for the system changeover, it was anticipated that call volumes and average handle time would initially increase but gradually normalize. Instead, call volumes were substantially greater than predicted, as was the average call length. Under the

old system, the average call lasted **305** seconds (**five minutes**); this jumped to upwards of **450** seconds (**7.5 minutes**) with the new system.

- 199** Despite rising call volumes and the complexity of billing inquiries, Hydro One’s senior managers continued to exert pressure on the call centre to bring it in line with earlier projections and the contractual service level. Just three months after the new system launched, one Hydro One manager expressed concern to the call centre leadership in an email about the increasing length of time it was taking call centre staff to handle customer calls. Instead of addressing the reasons for the longer calls, he urged that efforts be made to shorten them, suggesting that a reduced target would “light fires.” Emailing in response, a senior call centre official cautioned that what Hydro One was suggesting would only make the situation worse. He noted:

(T)o be frank, we’re not going to be able to drive through that sort of reduction simply by coaching our agents. In fact, you run the risk of increasing complaints if we push agents hard to push customers off the phone quickly. We have a lot of very irate customers. We need to work through this as a larger team so that we work through some of the underlying causes...

All that I’m saying is that there are a host of problems that are driving the high [average handle time] and we need to address the underlying causes that are at the root of the problem.

- 200** Hydro One’s push for reduced call handling times continued through the fall of 2013. A senior executive told us there was enormous pressure on the provider to bring the situation back to normal:

(T)here was a lot of pressure to try and push [average handle time] down. From our perspective, it was the underlying billing issues that you really need to get fixed. Resolve that issue, because pushing customers off the phone is not going to be delivering a positive message.

- 201** Agents who fail to meet average handle time expectations can face disciplinary measures from the outsourced call centre management. Several employees filed grievances relating to this issue after the new system was introduced. During our interviews, call centre staff expressed frustration about the unrelenting emphasis on average handle time during this difficult period. They noted that calls about bills, particularly when they involve complicated issues, are typically lengthy, and many of the calls after the system changeover related to complex billing matters.

- 202** One agent candidly admitted that the unrealistic demand to keep the average handle time down spurred atrocious treatment of customers:

There just is no way to meet [the average handle time]. So that agent that you will be presented with has crafted some way to fudge numbers to make it look like they have a good [average handle time], and/or they are hanging up on customers, being rude to customers, pretending that they don't see an issue in the account when they clearly do.

- 203** A former call centre team coach told us call quality was continually sacrificed for the sake of shorter handling times:

For an agent on the floor, their average handle time is everything. It's their job. They're threatened. They're [held to] unrealistic expectations... Everybody's counting numbers and there's a financial penalty that [the provider] will incur if they don't meet those service levels, so numbers are everything. Quality? Quality was secondary...

If it took 15 times for the customer to call to get something done, they don't care. It's as long as the call got answered promptly and they're off the phone again to take the next call. It's about making sure that the service level is always met. It doesn't matter if that customer has to call 15 times.

- 204** Some call centre agents told us they felt that their task wasn't to solve customer problems, but to get customers off the phone. As a Hydro One employee put it: "How do I get rid of a second? I don't say hello. How do you screw up a phone call for somebody who has been on hold for 17 minutes? Don't say hello."
- 205** As the workload stress increased on call centre staff, so did complaints about agent conduct. Once customer concerns hit the media, call centre management provided agents with additional "empathy training" and threatened a zero-tolerance policy for poor behaviour. Call centre staff told us these developments further contributed to plummeting morale.
- 206** After I launched my investigation, Hydro One management began to realize that shaving seconds off a customer call was not its prime concern. Less emphasis was placed on average handle time and more attention devoted to the quality of customer interaction.
- 207** By stressing average call handle time, Hydro One kept the focus on the technical process of answering and terminating calls, not on their content. Customer concerns and quality of service took a back seat to statistics. Consistent with its

renewed commitment to customer service, Hydro One should conduct research of call intake best practices and re-evaluate the measures that it uses to assess the customer service provided by its contracted call centre. In doing so, it should look beyond the private and utilities sectors and consider customer service benchmarks within the provincial public sector. It should also shift the spotlight from average handling time to the quality of contact and actual outcomes for its customers.

Recommendation 12

Hydro One Inc. should conduct research on call intake practices, and revise its performance measures to reflect public sector best practices and greater emphasis on the quality of calls and customer outcomes.

Call Quality Assurance, Please Hold

208 Under its contractual agreement, the call centre’s private-sector operator is required to provide monthly reports to Hydro One. Representatives of the two companies also meet monthly to discuss these reports and whether the provider is meeting required service levels. The call centre has quality auditors, who monitor recorded calls and assess them against call evaluation and quality scoring standards. In turn, Hydro One has assigned an in-house customer service analyst to review a sample of the audited calls to ensure they meet the standards. If the call centre fails to meet specified service quality levels, a penalty will be assessed against the operator. In fall 2012, Hydro One suspended its quality monitoring to free up staff for other activities. Monitoring resumed in April 2014. The call centre also stopped monitoring calls after the new customer information system was launched, until October 2013.

209 Call monitoring is essential for identifying customer service concerns, systemic issues, and staff training needs. Hydro One’s failure to ensure that call quality was monitored during the system launch period was significant. As an internal audit report later noted:

The suspension of Hydro One call monitoring eliminated the one true source of truth with respect to customer satisfaction at this critical time.

210 Our investigation also revealed several flaws with the monitoring program. For instance, until the summer of 2014, only 10% of call centre calls were recorded. While all calls are now recorded, call centre auditors only review a fraction of these, about 250 each month. Audits are supposed to take place soon after the

calls occur. However, quality assurance auditors told us increased call volumes resulted in audits taking place up to a week later. Auditors are also expected to only spend a maximum of 20 minutes per call audit. This means more difficult, complex and lengthy calls are often skipped.

- 211** As well, we discovered that call centre audit results could be manipulated to paint an overly rosy picture. Some staff told us they “cherry pick” the calls they audit, selecting short calls that meet average handle time expectations. One candidly explained:

If we get close to the end of the month and the quality is not where it should be, then we have to work to get the quality to where it should be. We choose the calls...

- 212** On Hydro One’s side, only one customer service analyst performs call quality auditing. She does not independently monitor live calls, but listens to about 50 calls a month from those already audited by the call centre. As long as the scores given in both audits come within 5% of each other, an audited call is considered satisfactory. Any discrepancies are discussed at “calibration sessions” between the two organizations.
- 213** At present, Hydro One’s call quality monitoring efforts are limited. It should be conducting more robust monitoring to satisfy itself that customers are receiving the respectful, courteous and professional service they deserve. It should not simply rely on auditing calls previously selected and reviewed by the call centre. Rather, it should engage in independent and random auditing of recorded calls and develop a process for live auditing of calls.
- 214** Internal documents indicate that some Hydro One officials and their family members relayed their own experiences with poor call centre service after the system change. In February 2014, there was also some discussion concerning making a few “secret shopper” calls to test call centre performance. Hydro One does not have a formal “secret shopper” program (i.e., people posing as customers to test the responsiveness and quality of the call centre), but should consider instituting such a program to gain more practical insight into call quality in real time.

Recommendation 13

Hydro One Inc. should engage in more robust monitoring of the quality of call centre calls through more extensive sampling of recorded calls, live call monitoring, random spot checks, and the introduction of “secret shopper” calls.

- 215** Although the call centre should be expected to monitor its own calls, it is not a disinterested party. To mitigate the risk that call centre audits may reflect overly positive outcomes, Hydro One should consider retaining an independent agency to conduct call audits.

Recommendation 14

Hydro One Inc. should engage an independent external third party to assist in conducting random audits of call quality.

- 216** Hydro One's call evaluation and call quality scoring standards have not been updated since April 2009. As part of its new emphasis on customer-centered service, the company should review and update these standards to ensure that they reflect this new focus.

Recommendation 15

Hydro One Inc. should review and update its call evaluation and call quality scoring standards to ensure that they reflect its goal of customer-centered service.

- 217** One glaring omission in Hydro One's call monitoring program is that it does not apply to its in-house customer relations centre, which handles escalated customer calls and those from stakeholders like MPPs, the Ontario Energy Board, and my Office. Hydro One is missing out on an opportunity to ensure that its own staff are appropriately responding to escalated complaints. It should develop quality standards for the customer relations centre that reflect the goal of customer-centered service. It should also record customer relations centre calls and introduce a call monitoring program with features such as live call monitoring, random spot checks, and secret shopper inquiries.

Recommendation 16

Hydro One Inc. should develop customer service quality standards for the customer relations centre.

Recommendation 17

Hydro One Inc. should record customer relations centre calls and develop a call monitoring program for the centre, including live call monitoring, random spot checks and secret shopper calls.

- 218** Hydro One owns most of the assets that are used to deliver outsourced services, and the two call centre locations are in Hydro One facilities. However, despite their close physical connection, Hydro One managers responsible for overseeing the call centre have tended to keep their distance from its day-to-day operation. It was only in late March 2014 that Hydro One managers set up a physical presence in the main Markham call centre, to provide more strategic oversight, operational direction, policy advice and guidance. This included listening in on calls to monitor quality and provide feedback. In addition, daily check-in calls were established amongst senior Hydro One managers to keep informed about call centre issues.
- 219** The company should ensure that managers continue to have a physical presence in the main call centre and engage in robust on-site monitoring of call centre activities.

Recommendation 18

Hydro One Inc. should continue to have managers located in the main call centre to ensure robust on-site monitoring.

Surveying the Situation

- 220** Another tool that Hydro One uses to evaluate customer satisfaction are surveys, which are carried out by private research companies. These surveys include residential and small business customers, large distribution customers and customers who connect their own generators to the distribution system.
- 221** One company surveys customers within a few days of their contact with the call centre, to determine their overall satisfaction with the transaction, and such issues as response time, information quality, skill and attitude of staff, and ease of access. The survey results for 2013 – the year of the customer information system fiasco – were reported in February 2014. They indicated an 82% overall satisfaction rating – a decline of just 2% from 2012. Until recently, the survey reviewed 100 customer transactions each month. That number recently increased to 600 a month. Shortly after our investigation began, Hydro One also started a short survey of call centre customers, which asks them to “rate your experience” by indicating whether the representative they spoke to was knowledgeable and understood their needs, and whether the call was resolved to their satisfaction.
- 222** Another company tracks residential and small business customer satisfaction and perceptions of the company. It surveys about 2,400 customers per year

about such things as overall satisfaction, customer service, hydro rates, billing and payments, service reliability, outage management and communication. This survey reported in October 2013 on overall satisfaction with Hydro One in 2012 and 2013 and found it actually increased during the year of the customer information system change – from 78% in 2012 to 80% in 2013.

- 223** After the introduction of the new customer information system, the perception surveys continued to produce positive results, and even the monthly transaction surveys did not signal any substantial customer service problems. While some measures saw occasional dips in the satisfaction ratings, these were not particularly unusual when compared to the results from previous years.
- 224** Key survey statistics are reported to senior Hydro One management. Regular reports and presentations are provided to the relevant managers. High-level survey results are also shared with the Ontario Energy Board, which uses this information to publish “scorecards” on its website.
- 225** Hydro One reported an overall 87% customer satisfaction rate for 2013. It told us that customer satisfaction “is an equally weighted composite index of the three distribution customer segments: residential and small business, large distribution customer accounts and distribution connected generators.” The overall customer satisfaction rate is also posted on the company’s scorecard on the Ontario Energy Board’s website.
- 226** Given the escalating billing and customer service issues the system changeover in May 2013 spawned, it seems perverse that Hydro One scored so highly in customer satisfaction. It suggests that the surveys conducted that year were of no real value in identifying problem trends. The recent moves to increase the number of transaction surveys and survey call centre customers might help the company obtain better insight into emerging issues. However, Hydro One should conduct research and consult with customers and other stakeholders to determine if there are other, more effective and accurate means of measuring and reporting customer satisfaction.

Recommendation 19

Hydro One Inc. should conduct research and consult with customers and other stakeholders to evaluate whether there are other, more accurate means of measuring and reporting on customer satisfaction, and change its survey and reporting practices accordingly.

- 227** According to Hydro One records, the last customer satisfaction survey to gauge the quality of its customer relations centre was conducted 15 years ago. After the centre scored just 36%, the survey was abandoned. Hydro One should implement a survey program to evaluate satisfaction levels with this centre.

Recommendation 20

Hydro One Inc. should conduct customer satisfaction surveys of those using the customer relations centre and use the results to plan for operational improvements.

Knowing the Real Score: Performance-Based Compensation

- 228** Hydro One also publishes corporate scorecards every year that measure its success in meeting strategic objectives. Its non-bargaining unit employees, including the Chief Executive Officer and senior executives, enter into annual performance agreements that reflect their individual goals. Performance targets for senior officials are normally linked to the indicators on the corporate scorecard. Employees can qualify for a yearly short-term incentive payment depending on their performance and ability to achieve their targets.
- 229** For 2013, Hydro One’s scorecard displays its customer satisfaction rate as 87%, based on survey results. This is clearly incongruous with the billing and customer service issues experienced by the company from May 2013 onward. In its Annual Information Form, published March 31, 2014, Hydro One acknowledged that in assessing the performance of three executives, it factored in “certain negative prolonged billing and related services issues concerning the Customer Information System.”¹⁹ In the case of the Chief Executive Officer, it observed: “The [board of directors] also gave significant weight to his overall responsibility for such negative issues related to the Customer Information System.” Some incentive payments were awarded to reflect staff performance in 2013, but the board reduced those provided to the Chief Executive Officer and other key individuals in light of the problems that arose with the system implementation.
- 230** Hydro One’s Chief Executive Officer has publicly shouldered personal responsibility for the billing and customer service fiasco, but others have shared

¹⁹ The form is available online here:

http://www.hydroone.com/InvestorRelations/Documents/Annual_Information_Forms/Hydro_One_Annual_Information_Form_2013_ENG.pdf

the blame. After my investigation was launched, one senior official precipitously retired and another's service was terminated.

- 231** The company's most recent scorecard is for 2014, published in its February 27, 2015 Annual Information Form. It shows customer satisfaction down slightly, from the previous year, to 85%. The scorecard also includes some new measurement categories for customer satisfaction, including "unscheduled estimated bills" and "no bill volume." Hydro One exceeded its targets in these two areas, with only 1.2% of its total bills fitting into the first and only **2,600** customers in the "no bill" category.
- 232** The 2014 scorecard also includes a new strategic objective: "Maintaining a commercial culture that increases shareholder value." This includes reference to the customer service recovery cost of **\$88.3 million** – significantly more than the \$47.8 million they had initially projected. It states that Hydro One accomplished a "concerted and successful response, through the customer service recovery project, to the billing issues that arose from the Customer Information System..." The company's net income was down \$54 million from the year before, but it notes that it exceeded the net income goal it set for itself, bringing in **\$749 million** in 2014.
- 233** Hydro One is in the business of generating hundreds of millions of dollars for provincial coffers, and its financial success is undoubtedly beneficial to Ontario's citizens. However, I am concerned that in relying primarily on surveys to gauge customer satisfaction, and in stressing its commercial culture, the company is perpetuating the organizational attitudes that led it to reputational ruin in early 2014. In future, Hydro One's objectives should relate to changing its organizational culture to clearly embrace public sector values. It should evaluate its ability to communicate with customers and other stakeholders proactively, and in accordance with the principles of openness, transparency and accountability. It should also assess its policies and practices to ensure customers are treated fairly, reasonably and with respect.

Recommendation 21

Hydro One Inc. should establish strategic objectives for its corporate scorecard, as well as for individual managers, related to changing its organizational culture to reflect public sector values.

Lessons Unlearned

234 Hydro One completed several risk workshops and internal audits as it was preparing to implement the new customer information system. However, the last risk assessment took place in January 2013. There was no evaluation of risks associated with billing and customer service after the system was introduced in May 2013. Unlike in earlier phases of the information systems transformation project, no formal “lessons learned” evaluation was done after the system was introduced. By failing to conduct audits and evaluate risks after the launch, Hydro One lost a valuable opportunity to identify and address problems affecting customers.

235 Interestingly, in November 2013, the Chief Executive Officer and another executive delivered their own version of “lessons learned” from the system refresh in a presentation they gave to a major construction company. According to notes from the presentation, it included such sage wisdom as:

The post-go-live valley of despair can be deep and long. Get ready for it. Measure your way out of it. If you are planning for a three-month dip in performance, triple it; and

Have a rock-solid post-go-live support structure. Expect process gaps, training gaps, system gaps, data gaps. Triage it and fix it. Keep everyone calm.

It is apparent that their focus was on technical challenges associated with the transition, not on its effect on customers.

236 After my investigation was announced in February 2014, Hydro One’s then-chair directed that an internal audit of customer service scheduled for later in the year be commenced “expeditiously.” An internal audit submission was made to the board’s business transformation committee on March 25, 2014. It said “formal risk assessments would have helped identify and raise awareness that better actions and communication were essential.” Committee members were also told:

During the last few months of 2013, insufficient attention appears to have been paid by all concerned to the ongoing high number of problems in billing, higher than manageable number of ... exceptions, higher than usual number of bills being produced with estimated usage rather than actual [time-of-use] usage measured from the smart meters, and to the resulting escalating trends in customer complaints.

- 237** In the wake of my investigation, Hydro One’s board also spent \$310,000 to have an external consultant (PricewaterhouseCoopers) conduct a “lessons learned” exercise. The consultant’s final report was issued on December 2014.²⁰ Its conclusions were consistent with the information we obtained during our investigation.
- 238** The PricewaterhouseCoopers report identified eight root causes for the problems associated with the implementation of the new customer information system, starting with an overly ambitious implementation timeline. Other concerns identified included inconsistent use of internal audit and risk assessment teams over the course of the project (particularly once the system was launched), and significant turnover in the project teams and at the project management office, resulting in the loss of continuity.
- 239** The report also commented on the fact that the executive and board of directors’ committees overseeing the project did not retain an independent third party to provide an objective view of the project’s progress. It found that reliance on the project team resulted in information about risks and concerns never reaching the relevant oversight committees.
- 240** The consultants also observed that the quality of reporting on the system dropped off as key team members left the project, and after the system was implemented. It found that until February 2014, there was insufficient operational reporting to allow the executive and board of directors’ committees to appreciate the “severity of the operational issues and the associated impacts to the customers...”
- 241** Hydro One’s senior managers acknowledged to us that those leading the system implementation were not necessarily the best suited to this role. The “lessons learned” report also identified this as an issue and observed that the project was led by a new set of Hydro One executives with limited experience in leading large, complex, transformational projects. Other problems cited were resourcing challenges and ineffective vendor management.
- 242** We were told that the project planning called for a cascading series of tests. However, as time pressures increased, testing was overlapped. The report characterized this as a “high-risk” practice. It noted that testing occurred up to the night before the system launch, and there was insufficient time to familiarize or train those responsible for sustaining the system.

²⁰ PricewaterhouseCoopers, *Hydro One Customer Service and Billing Issues – Lessons Learned*, December 2014. Online: http://www.hydroone.com/OurCompany/governance/Documents/Hydro_One_-_CIS_Lessons_Learned_Report.pdf

243 Although the report focused primarily on the planning, implementation and monitoring of the new customer information system, it also briefly addressed the “reactive customer response.” It noted that Hydro One failed to appreciate the “bill shock” experienced by customers who suddenly received large bills after prolonged periods of no bills.

244 The consultants also recognized that Hydro One’s culture required a customer service reorientation. They wrote:

Had Hydro One been more proactive and timely with these customer-focused changes it may not have experienced the level of customer frustration and negative media attention. A more customer focused cultural transformation will require ongoing support and investment to become fully institutionalized across the organization and within its outsourced service providers.

245 The report concluded that several factors impaired Hydro One’s operational nimbleness, such as the fact that new defects kept cropping up and workarounds were being implemented to deal with them right up to the “go-live” date, resulting in billing staff not being fully trained prior to the launch.

246 It made eight recommendations, which Hydro One management accepted:

1. Establish a discovery phase for large-scale projects before confirming project scope and concluding contracts;
2. Engage a broad cross-section of executives, functions and stakeholders in decision-making;
3. Ensure that testing phases and windows of projects are protected;
4. Continue the practice of formal project risk assessments and internal audits at key stages of projects;
5. Improve vendor oversight and management and hold project vendors to account;
6. Ensure project leaders and team members possess the right skills and experience;
7. Maintain project tracking and documentation rigour always;
8. Ensure the right number of people with the right expertise and experience are put in place until the system is fully stable.

247 Hydro One’s board of directors can be credited with retaining an external resource to conduct this exercise. However, it was done well after the project was implemented and the problems associated with the new system had snowballed and drawn abundant negative public attention. In addition, Hydro One has never carried out an in-depth exercise to examine its failure to consider

customers during all stages of its project planning, implementation and stabilization. It has never engaged in any evaluation of the failed communications strategy employed after billing and customer service problems emerged. The “lessons learned” report identified what went wrong with the system planning, implementation and “post-go-live” response from the perspective of improving internal business practices. However, the impact on customers was only addressed summarily, and not for the purpose of making concrete recommendations to ensure a better customer experience overall.

- 248** Hydro One should ensure in future that whenever projects are undertaken, timely risk assessments and evaluations are carried out that specifically consider whether the impact on customers has been adequately reviewed and addressed.

Recommendation 22

Hydro One Inc. should ensure that timely risk assessments and “lessons learned” evaluations take place throughout all stages of project planning, implementation and stabilization. It should consider whether the impact on customers has been appropriately identified and addressed through mitigation and contingency planning, as well as communication strategies.

Sunny Days Are Here Again

- 249** During our investigation, we heard the term “sunny day reports” to describe the overly optimistic and positive project reporting that was used at Hydro One’s executive and board of director levels to evaluate the progress of the new customer information system. Hydro One managers were well aware that the Ministry of Energy and the Ontario Energy Board were concerned about increased complaints and delayed responses from the company. Staff also knew they were struggling with an unprecedented volume of customer complaints and backlogged technical fixes. However, executive management and the board of directors apparently remained oblivious to these warning indicators until the situation was explosive.
- 250** In future, Hydro One should ensure there are clear early warning mechanisms in place to alert executive management and the board of directors to percolating problems. Its executive managers and the board of directors should be frequently briefed about resolved and unresolved customer service and billing issues. Sufficient background information about the nature of these issues should be provided to enable a true understanding of the impact on customers. Progress reports should also include cumulative statistical information to provide a comprehensive view of systemic concerns.

- 251** Hydro One must also minimize the opportunities for statistical information to be manipulated to present an overly bright picture of its operational health. While the executive committee and the board of directors were shown charts and graphs displaying a dramatic rise in the backlog of complaints at the customer relations centre, they failed to grasp their import because of how the information was presented. As Ontario’s Auditor General recommended in her December 2014 report on the smart metering initiative, the company needs to improve its tracking of inquiries and complaints. It should compile information about all complaints and inquiries received and identify the source of complaints – customers, the media, my Office, the Ontario Energy Board, the Ministry of Energy and other stakeholders. This information should be carefully analyzed to identify problem trends and to highlight individual cases involving egregious customer treatment and errors. Executive management and the board should be fully and regularly briefed on these trends, along with individual cases demonstrating significant impacts on customers. Statistics only tell half the story. Hydro One and its board of directors need a more realistic picture of the true impact of its operations on individual customers and stakeholders.
- 252** Hydro One should continually reinforce for its staff, through training and direction, that the purpose of preparing billing and customer service statistics is to enable the company to have a clear, objective and accurate understanding of how well it is serving its customers. We found that Hydro One’s statistics shifted over time and were difficult to reconcile. Its statistics should appear in a consistent, clear, and standardized format. They should also be accompanied by meaningful and honest analysis reflecting the actual state of affairs, not public relations spin.

Recommendation 23

Hydro One Inc. should ensure that executive management and the board of directors are immediately alerted to any signs of systemic customer service and billing problems, including rising complaint levels.

Recommendation 24

Hydro One Inc. should ensure that, in addition to regular briefings on complaint statistics, its executive management and board of directors routinely receive information about complaints and inquiries from all sources, as well as details of problem trends and individual cases reflecting egregious customer service and errors.

Recommendation 25

Hydro One Inc. should ensure that executive managers and the board of directors are regularly and fully briefed about the cumulative impact and nature of customer service and billing issues.

Recommendation 26

Hydro One Inc. should continually reinforce for its staff, through training and direction, that the purpose of preparing billing and customer service statistics is to enable the company to have a clear, objective and accurate understanding of how well it is serving its customers.

Recommendation 27

Hydro One Inc. should prepare statistics in a consistent, clear, and standardized format, accompanied by meaningful and honest analysis.

- 253** One senior Hydro One executive we interviewed told us that the board of directors was considering creating a customer service committee. Establishing such a committee would enable the board to concentrate more directly on customer service issues, and I encourage the company to proceed with this initiative. The committee should also look for opportunities to hear directly from customers and customer groups about issues that have impacted them.
- 254** In order to appreciate the relevance of various operational issues and statistics in the context of customer service, Hydro One’s board of directors should also receive training on technical matters and the measures used to evaluate customer service performance. Such training would help board members ask the right questions and provide more active oversight.

Recommendation 28

Hydro One Inc. should create a customer service committee of the board of directors to highlight the significance of issues affecting its customers, meet with customers and customer groups to gain a better understanding of customer service issues, and effectively address systemic concerns.

Recommendation 29

Hydro One Inc. should ensure that its board of directors receives sufficient training to understand technical aspects of the company’s operations, key performance indicators and other information relevant to customer service.

- 255** Hydro One must also learn to act with urgency when customer service issues arise. It should not focus on the percentage of customers affected, but on the individuals who have been poorly served, and ensure that adequate resources are allocated to meet operational demands. As an internal audit report noted in April 2014, the company was slow in addressing backlogged requests in the customer relations centre. A few staff members were added in May 2013, and a few more in January 2014, but it was not until February 2014 that the complement rose to 50 to help with the bulging backlog.
- 256** Hydro One officials acknowledged to us that they drastically underestimated the resources required to cope with the issues arising from the implementation of the new customer information system. However, the company also delayed authorizing additional staffing for several months, after it was aware that the scope of technical and customer service issues far outstripped the ability of human resources to cope with them. In future, Hydro One should ensure that it has sufficient resources to address problems as they arise.

Recommendation 30

Hydro One Inc. should ensure that it has adequate customer service and technical resources to address customer service issues.

Refund or Discredit

- 257** One of the issues I mentioned at my press conference announcing my investigation was that we had been hearing from customers that Hydro One was not refunding overpayments, but insisting that customers would only be credited for excess payments. Hydro One immediately took to Twitter to tell customers: “If you have a credit on your Hydro One account, you can request a refund...”
- 258** During our investigation, call centre staff routinely told us that refunds might be available in some cases, but only if a customer expressly asked for one. A Hydro One executive also confirmed that the company’s practice was to offer credits, not refunds. The company placed greater emphasis on offering refunds for overpayments after my investigation began. However, we were told that the production of refund cheques was delayed for a time because of a technical malfunction.
- 259** In March 2014, **Elaine Crilly**, a senior from **Mildmay**, contacted us when a call centre agent told her she could not get a full refund for an overpayment. Hydro One later agreed to provide a refund, but told her it would take four to six weeks.

It eventually gave her a four-month credit, and assured us that as of late April 2014, refunds should only take three to five business days to process.

- 260** Despite this commitment, the problem persisted for months. In July 2014, the family of a widow from **Killaloe** incurred overdraft fees and other bank charges because Hydro One unexpectedly withdrew **\$5,500** in payment of her account. After we intervened, the company arranged a refund and gave her a further credit of **\$660.60**. I remain concerned that Hydro One still does not have a clear and consistent practice in place for ensuring that timely refunds are available to customers.

Recommendation 31

Hydro One Inc. should develop a system to ensure that timely refunds are available to customers who have overpaid their accounts, through inadvertence or system error.

Unclear Bills

- 261** Another issue that customers have repeatedly raised is that their bills are confusing and unclear. In summer 2014, Hydro One officials told us there was no plan to redesign the bills to make them more user-friendly. By November 2014, we were told that Hydro One was evaluating some “bill presentment alternatives for the future,” but had no plan for changes. By December, we were told bills were being redesigned to make them clearer.
- 262** For most customers, the primary communication they receive from Hydro One is their bill. The fact that the company has only recently realized that it should revise its bills to make them more customer-friendly is concerning. Hydro One should pursue bill redesign with a view to ensuring that information is presented for maximum clarity. In the process, it should consult with customers and consider best practices from other utilities.
- 263** During the billing crisis, many customers were frustrated and confused when they received a flurry of multiple bills, sometimes as many as 20 at once. Even Hydro One staff were often flummoxed when asked to explain how this happened. When Hydro One must reissue bills because of mistakes, prolonged estimates or otherwise, it should prepare a single itemized bill, along with a letter clearly and simply explaining the account reconciliations and the reasons for them.

Recommendation 32

Hydro One Inc. should redesign its bills to ensure maximum clarity.

Recommendation 33

Hydro One Inc. should consider best billing practices and consult its customers and other stakeholders in redesigning its bills to ensure that any revisions actually meet customer needs.

Recommendation 34

Hydro One Inc. should prepare a single itemized bill, rather than multiple bills, to address rebilling because of mistakes, prolonged estimates or other circumstances, along with accompanying correspondence setting out a clear explanation as to why the account has been reconciled.

Confusing Complaints Process

- 264** Several Hydro One customers expressed confusion about its complaint escalation process. Many were unaware of the difference between Hydro One's customer relations centre and the outsourced call centre. Although there is a section on disputes embedded in Hydro One's conditions of service, it is not readily accessible and there is no clear explanation of the complaint process on the company's website. To assist its customers, Hydro One should post a plainly worded description of the various levels of its complaint process on its website.
- 265** Many customers also told us that despite their continuing dissatisfaction with the information Hydro One provided to them, they were never referred to the Ontario Energy Board or my Office. Hydro One should include reference to external avenues of complaint on its website and ensure that customer relations centre staff consistently make referrals to outside agencies when appropriate.

Recommendation 35

Hydro One Inc. should post a clear explanation of the complaint process, including information about call centre and customer relations centre escalations, and reference to external referrals.

Recommendation 36

Hydro One Inc. should ensure that the customer relations centre staff consistently provide external referrals to the Ontario Energy Board, the Ontario Ombudsman and other relevant bodies where appropriate.

The Power of Apology

- 266** Hydro One sent out form letters to apologize for individual problems encountered with the new customer information system, and when the media storm hit in February 2014, senior officials were quick to apologize publicly for poor service. However, the company does not follow a consistent practice in its oral or written apologies. We found some cases where customers received heartfelt apologies, while others who were equally inconvenienced heard nothing. One frustrated customer commented to us that this should be a matter of common courtesy:

Be considerate. If people keep phoning back over and over and over, have somebody in authority call them back. Explain what is going on. Apologize.

- 267** Ontario's *Apology Act* encourages the use of apologies, insulating them from admission in civil, administrative and arbitral proceedings. Apologizing for errors, delays and misunderstandings is expected from public service agencies. Accordingly, Hydro One should develop a procedure to ensure that customers who experience substandard service receive sincere apologies as well as clear, detailed and accurate explanations for the problems they encountered.

Recommendation 37

Hydro One Inc. should develop a procedure to ensure that customers are consistently offered clear, detailed and accurate explanations as well as apologies for poor service.

Crossed Wires – Billing Resolution Duplication

- 268** Several teams at Hydro One worked independently to implement technical fixes to resolve customer billing concerns. Unfortunately, lack of communication and co-ordination amongst the groups sometimes put them at cross purposes. For instance, the customer relations centre might resolve a customer complaint by cancelling a customer's bill and revising it, only to have a SWAT team member repeat the process. Several Hydro One staff we interviewed confirmed that failure to communicate amongst the teams exacerbated customer service problems.
- 269** Hydro One's internal emails from June 2014 refer to six cases where one team's work cancelled out the work of another. One Hydro One manager attempted to

downplay the significance of the lack of co-ordination between these groups, assuring us that the number of bills affected was quite small. However, other staff expressed concern that overlapping responsibilities served to further frustrate customers. One SWAT case worker observed:

We're trying to gain their trust back and the same sort of scenario just happened. They just got a duplicate set of bills again, so it makes them wonder what's going on... it's not a good situation.

- 270** Hydro One should ensure that different work areas co-ordinate and communicate to avoid duplication, inconsistency and poor customer service when trying to resolve billing issues.

Recommendation 38

Hydro One Inc. should ensure that its efforts to resolve billing issues are adequately monitored and co-ordinated to prevent duplication, inconsistency and negative impact on its customers.

Cultural Differences: Failing the Culture Change Test

- 271** Hydro One's Chief Executive Officer has been in his present role since January 2013, but he has worked for the company for decades. His senior managers agree that he has made concerted efforts to improve the company's culture and make it more transparent. One manager told us the Chief Executive Officer was trying to get the company "out of the compliance mindset." Others said he is trying to get more "outside vision."
- 272** After my investigation began, the Chief Executive Officer encouraged senior managers to make direct contact with customers, and he even took a turn at the call centre, answering calls. Since the summer of 2014, he has also asked Hydro One staff to carry a "core values" card that sets out five values, including "customer caring." The card states that Hydro One sees its work through the eyes of customers, and keeps its promises, sharing information and offering advice. The card also reminds staff: "Serving customers is why we are here."



Figure 7: Hydro One's "Core Values" card.

- 273** Hydro One told us that its core values were recently incorporated into the call centre’s quality training and related quality monitoring program. This includes greater attention to listening, empathy, education and assistance to customers.
- 274** Adopting corporate values and symbolic gestures to improve employees’ appreciation of customer experiences are well-intentioned and positive measures. However, they are meaningless if they don’t translate into real attitudinal change. Remnants of Hydro One’s introspective culture remain – and one clear illustration of this is that the core values are nowhere to be found on the company’s website.
- 275** After I announced my investigation, Hydro One pledged to change its culture to become more customer-focused. The Chief Executive Officer predicted in his October 2014 presentation to the Ontario Energy Network that “by the time the [Ombudsman’s] report comes out, we will be a different company.” The then-chair of the board of directors echoed that view, vowing that Hydro One would

become “customer-driven”²¹ and later expressing the hope that by the time my investigation was finished, I would be “reporting on a historical point in time within Hydro One.”²²

- 276** Hydro One’s executives maintain the company is providing very different customer service than it was in 2013 or early 2014. However, the litmus test for cultural change is whether the company has followed through on its promises. Regrettably, during my investigation, I saw few concrete signs that Hydro One had moved beyond its cultural comfort zone. I am not convinced that the company is significantly different than it was when we started.

Committing to Customer Commitments

- 277** On October 22, 2014, Hydro One’s Chief Executive Officer wrote and told me that a draft “customer commitment document” would be posted to the company’s website that very day. He indicated that Hydro One would seek input on its commitments from its customers, employees, stakeholders and the newly established customer service advisory panel. He further pledged that once the document was finalized, the company would establish metrics that would relate directly to the commitments, and form the basis of a public scorecard that would measure how Hydro One’s performance “stacks up against our stated commitments.” The letter to me was posted on the company’s website.²³ However, in March 2015, when my investigators inquired about the whereabouts of the commitment document, it took seven business days to arrive – and what we were sent turned out to be a draft that is still a work in progress, under review by the customer service advisory panel. As of the writing of this report, there is still no customer commitment document on the company’s website.
- 278** I am somewhat skeptical of customer charters, bills of rights and similar documents. It is my experience that sometimes the agencies with the most impressive value statements are the worst at living up to them. I was prepared to give Hydro One the benefit of the doubt when it announced that it would make formal commitments to its customers. However, the fact that the promised document is still missing in action six months after the Chief Executive Officer promoted this initiative is concerning.

²¹“Sandra Pupatello named chairwoman of Hydro One,” Dave Waddell, *Windsor Star*, March 7, 2014.

Online: <http://blogs.windsorstar.com/news/sandra-pupatello-named-chairwoman-of-hydro-one>

²² “At Hydro One helm, Pupatello vows to put customers first,” Ashley Csanady, *Queen’s Park Briefing*, March 14, 2014.

²³ The letter can be found here:

http://www.hydroone.com/Ombudsman/Documents/Andre_Marin_File_No_276184_October_22_2014.pdf

279 The draft document that was finally sent to us in March 2015 consists of eight simple pledges:

1. We will **provide** you with a clear, timely and accurate bill.
2. We will **deliver** a reliable supply of electricity.
3. We will **treat** you with courtesy and respect.
4. We will **accommodate** your circumstances if you have special needs or if you are having a hard time financially.
5. We will **make it easy** to access your account information.
6. We will **respect** your property.
7. We will **help** you manage your electricity use and costs.
8. We will **keep** our promises.

Hydro One’s website indicates that 60,000 customers were consulted about the commitments through online and telephone surveys. The company told us the customer service advisory panel is still determining how each commitment will be interpreted and measured.

280 To follow through on its commitment to customers, Hydro One should establish timelines and monitor progress of this initiative at the executive level. Its website states that it will publicly share detailed findings relating to the commitments in “early 2015,” but it had not done so as of the writing of this report. To remedy this, it should post status updates on the commitments on its website. In creating service metrics and customer service scorecards to evaluate whether it has lived up to customer commitments, Hydro One should use simple, straightforward and clear measures and publish accurate statistics that plainly describe what they mean. To enhance organizational learning and public accountability and transparency, it should also publicize concrete examples of situations where it has both met and failed to achieve the standards it has set for itself. Hydro One must not return to “sunny day” reports and statistical sleight of hand. Ontarians deserve the plain truth, not a feel-good promotional exercise.

Recommendation 39

Hydro One Inc. should ensure that its customer commitment initiative has strong senior leadership and robust project planning, monitoring and reporting.

Recommendation 40

Hydro One Inc. should post regular status updates on the progress of its customer commitment initiative on a prominent place on its website for public consultation.

Recommendation 41

Hydro One Inc. should post the final customer commitment document in a prominent place on its website.

Recommendation 42

Hydro One Inc. should set timelines for the completion of the service metrics and public scorecard to accompany the customer commitment document, and ensure that these are prepared on an expedited basis.

Recommendation 43

Hydro One Inc. should post service metrics and the public scorecard related to the customer commitment document prominently on its website and ensure that these are regularly updated.

Recommendation 44

Hydro One Inc. should ensure that it provides clear and transparent explanations for the statistical information and other evaluations that it posts about its success in meeting its customer commitments.

Recommendation 45

Hydro One Inc. should post examples of cases where it has met and/or failed to meet its commitments to promote organizational learning, public accountability and transparency.

- 281** The delay in developing and posting the customer commitments also leads me to question how effectively Hydro One will make use of the customer service advisory panel it established in October 2014. This body is in addition to the customer advisory board, a stakeholder group that has been around since September 2002, and which also provides advice to management on how best to provide services to Hydro One customers. The customer advisory board meets about four times a year, and the board member we interviewed indicated the company has rarely given serious consideration to its advice. Hydro One should ensure that the customer service advisory panel is provided with sufficient information and opportunities to provide its insights. The public should also be informed about the panel's activities and any progress the company has made as a result of its contributions.

Recommendation 46

Hydro One Inc. should ensure that the customer service advisory panel is provided with sufficient information and opportunities to enable it to function effectively.

Recommendation 47

Hydro One Inc. should publish information about the customer service advisory panel's activities and the contribution it has made to customer service initiatives.

That's Cold - Winter of Our Disconnect

- 282** In my view, the most persuasive evidence that Hydro One still lacks any real understanding of what it means to reflect a public sector ethos lies in its winter disconnection notices. Hydro One supplies a service that customers are obligated to pay for. There is no question that Hydro One is entitled to collect on unpaid bills, and, in appropriate circumstances, disconnect electrical service to those who fail to pay for it. However, I found the way that Hydro One approached collection in winter abhorrent and shocking.
- 283** In December 2013, the company temporarily suspended its collections program. This continued as part of its February 2014 strategy to restore customer trust in response to my investigation. But by mid-September 2014, the collections program was back in force, which included sending disconnection warning notices to customers with overdue payments. In October 2014, there were **96,000** accounts in the collections program; of those, **33,000** were sent disconnection warning notices, **2,600** were the subject of disconnection orders issued, and **364** actual disconnections were completed.
- 284** As Ontarians are well aware, winter here can be long and cruel, with temperatures dipping well below freezing for extended periods. For those who rely on electricity to help heat their homes, going without can have devastating consequences. In recognition of this, Hydro One has a winter disconnection moratorium, the timing of which varies depending on local geography. It does not disconnect residential customers with unpaid bills during the winter months. Instead, it restricts their electricity usage through a “load limiter” device. Although the winter disconnection moratorium has been in place for many years, Hydro One deliberately kept this practice secret. It continued to send disconnection warnings and threats to cut off power throughout the winter – including over the December holiday season – to coerce customers to pay up.
- 285** During the winter of 2014-2015, my Office received about **75** complaints – including in February 2015, the coldest recorded month in Ontario’s history – from desperate individuals who had been threatened with disconnection.
- 286** A senior couple living on a farm in **Mountain** received a notice in December 2014, warning that they would be disconnected if they didn’t pay their bill in three days. Distraught, they pleaded with Hydro One for a reprieve until their

Canada Pension Plan cheques arrived at the end of the month. After my Office intervened, Hydro One allowed the couple time to obtain financial assistance and pay the remaining balance.

- 287** A woman from **Red Lake** had experienced multiple billing issues in the wake of the new system. She was sent a bill with the wrong address in July 2013, did not receive bills for months, and then received several contradictory bills. In December 2014, she found a disconnection notice in the mail. She called our Office, confused and fearful. After we raised the case with Hydro One, it agreed to stop the disconnection process, refund her 16 months of service charges, and allow her two years to repay the outstanding balance of **\$1,226.29**.
- 288** A senior in **Portland** who was already having difficulty in making her hydro payments was hospitalized in December 2014 and diagnosed with cancer. When her partner discovered a disconnection notice in the mail in January 2015, he asked Hydro One for an extension, but was refused because his name wasn't listed on the account. Attempts by a community support worker to intercede on the customer's behalf were also rebuffed. We were able to facilitate a resolution, including a reasonable payment plan and an end to further collection activity.
- 289** An **Ilderton** man with a newborn baby and six-year-old son contacted us in February 2015 when Hydro One threatening to disconnect his electricity if he didn't pay the full balance of his **\$3,278** bill. He was worried that disconnection would leave his family homeless. He eventually borrowed money and entered into a repayment plan.
- 290** Although it is not against the law to disconnect customers in winter, it is clearly against Hydro One's longstanding policy. Despite this, all of these people were sent form letters threatening that if their overdue payments were not received by a set date, their electricity service "may be disconnected." The form letter also warned:

Hydro One Networks will assume no responsibility for any injury or damages that may occur to persons or property, including any equipment or appliances, as a result of any interruption of electricity service. We may disconnect your service even if you are not present at the time of disconnection or we may disconnect your service remotely without visiting your property or we may install a load-limiting device.

- 291** The standard form disconnection notice also referred recipients to financial assistance programs, including Hydro One's own Low-Income Energy Assistance Program (LEAP), administered through the United Way of Greater Simcoe County. As well, somewhat ominously, it included a fire safety notice

from the Ministry of Community Safety and Correctional Services about taking care when using alternative lighting, cooking and heating equipment.

- 292** For people who are already paying off arrears by installment and happen to miss a payment, the notice leaves no doubt about disconnection. It states:

If payment of these outstanding amounts is not received by the effective date, the Arrears Instalment Plan will be cancelled and ***an order will be issued to disconnect electricity*** at your service address as noted above. If the electricity is disconnected, payment of the full past due balance will be required before we will reconnect your service. [*emphasis added*]

- 293** We confirmed with Hydro One that it would not cut the electricity to any of these people, despite what it had misled them to believe. We also helped where we could, facilitating repayment plans and bill adjustments. However, our attempts to convince Hydro One to reconsider its callous winter strategy of terrifying customers into settling their accounts were initially met with resistance.
- 294** In late January 2015, senior staff from my Office raised this matter with Hydro One executives and emphasized that its approach lacked the transparency expected of a public body. Hydro One officials defended the practice as consistent with that of other utility companies. They resisted the suggestion that they should publish information about the winter disconnection moratorium, saying it would be a disincentive to customers paying their bills on time. They also said the company's practice complied with the distribution service code approved by the Ontario Energy Board. In fact, the board has established minimum requirements for disconnection notices, but nowhere does it direct utilities to mislead customers about the spectre of disconnection.
- 295** I found the rationale Hydro One gave to justify lying about its intentions to support its collection efforts morally repugnant. On February 20, 2015, I met with the Chief Executive Officer to strongly voice my objection to a practice I considered both dishonest and disingenuous. I also pointed to several jurisdictions in the United States, such as Massachusetts, that specifically and publicly prohibit disconnections in winter. The Chief Executive Officer acknowledged that the tactic of sending disconnection notices was an empty threat, but would not commit to a change in practice on the spot. He indicated he would consider the matter further and provide me with a response as soon as possible. Six days later, a Hydro One executive assured my Office that a response was being drafted and should arrive the next day. It did not.
- 296** The first week of March, we were told that the response was in progress. As

time passed and I continued to hear from vulnerable people who were frightened by the prospect of losing their electricity in the continuing cold, I became increasingly concerned. Finally, tired of waiting, on the morning of Tuesday, March 10, 2015, I announced that I would issue a public update on my investigation at a press conference the next day. This move inspired Hydro One to respond at 4:55 p.m. on March 10. It advised us it had stopped sending out the residential disconnection notice the preceding Friday (March 6). It also enclosed a draft of a new letter, with the heading “URGENT NOTICE – SERVICE INTERRUPTION.” Unfortunately, the revised notice still held out the possibility of disconnection – it simply left the timing uncertain and dependent on vagaries of the weather, noting, “depending on weather conditions, we may either install a load limiter to limit the flow of electricity to your property or disconnect the service altogether.”

- 297** Just short of two hours before I was to hold my press conference on March 11, Hydro One sent another message, explaining that it had engaged a North American expert to look at credit and collections best practices across a range of industries so that it could develop strategies and tools, with a view to helping its customers stay current. It expected to have a new approach developed in the next couple of months and intended to engage various stakeholders, including my Office, in the process. Another revised disconnection notice was also attached. While somewhat simplified, it still stressed that the weather would determine if the customer would be disconnected or not.
- 298** After my press conference, Hydro One invited me through Twitter to rewrite the warning letter with them. It said: “We hear [the Ombudsman’s] concerns. Hydro One would like to sit down with him and write the disconnection letter to his satisfaction.”
- 299** The company also issued a press release,²⁴ plugging improvements it had made since my investigation began, and stressing that it was:

(R)evueing and revising its disconnection communications to ensure that they are a clear and accurate reflection of our policies and easy for our customers to understand.

The release noted, “We will work with the Ombudsman to resolve this issue.” For the first time, Hydro One also admitted publicly: “We do not disconnect during the winter months.”

²⁴ The press release is available online here: <http://hydroone.mediaroom.com/2015-03-11-Hydro-One-provides-up-date-on-Customer-Recovery>

300 The next day, the Chief Executive Officer wrote to me personally to let me know the language in the letter had been revisited and revised.²⁵ The latest version of the “Urgent Collections Notice” now explicitly states:

Out of concern for the safety of our customers, we do not disconnect residential customers during the winter months or periods of extreme cold.

301 The Chief Executive Officer also noted that Hydro One’s collections expert had advised them, based on his initial assessment, that the company’s “collections practices are consistent with electrical utility industry, but Hydro One provides customers with more time and leeway to manage their accounts than is typical.” He indicated that he had asked the expert to look beyond the utility sector for best practices.

302 I am pleased that Hydro One has finally moved to take action to stop collection efforts through intimidation and deceit, and that it has finally come clean about its winter disconnection moratorium. However, its protracted and reticent response to this issue suggests that it still clings to the vestiges of a private-sector mentality and lacks a public service vision.

303 Several North American jurisdictions let consumers know when there is no possibility of being disconnected.²⁶ For example, Massachusetts prohibits disconnections between November and March. Hydro One should publish moratorium dates every year, refer to them in customer collections communications during the winter months, and abide by them.

Recommendation 48

Hydro One Inc. should publish disconnection moratorium dates annually, refer to them in communications about collections during the winter months, and abide by them.

304 Many of those who contacted us about threatened disconnection were coping with extremely challenging personal situations. They included low-income seniors, families with small children, and individuals with disabilities and significant illness, who were callously dismissed and disregarded by call centre agents. At times, when our Office asked that Hydro One show compassion for

²⁵ The letter is available online here:

http://www.hydroone.com/WorkingtoGetBetter/Documents/Letter_to_Ombudsman_March12_2015.pdf

²⁶ A list of utility policies for various U.S. states can be found online here:

<http://www.liheapch.acf.hhs.gov/Disconnect/disconnect.htm>

people in difficult and tragic circumstances, we received insensitive responses, some suggesting that to give one person a break would ultimately cost other customers more. Hydro One should develop clear and consistent guidelines, policies and procedures for dealing with disconnection cases to ensure that individual circumstances are taken into account in negotiating payment plans and extensions, as befits a public sector organization. Referring people to financial resources in compliance with the Ontario Energy Board requirements is not enough. Hydro One should ensure that customers are treated with compassion and common sense, not left to face an insensitive bureaucratic wall.

Recommendation 49

Hydro One Inc. should develop a process that ensures individual circumstances are consistently and fairly taken into account when resolving collection matters.

Credit Collection – Owing an Apology

- 305** During the height of its billing and customer service crisis, Hydro One stopped collection of overdue accounts. When collections resumed in the fall of 2014, customers who had experienced billing system issues were supposed to be excluded from the collection process for 12 months. Several Hydro One insiders approached my Office on a confidential basis to raise concerns about the adequacy of testing and training that was done before collections resumed. Their comments proved prescient, as the call centre was soon deluged with calls from irate and confused customers. An internal Hydro One briefing note, dated October 20, 2014, confirmed that the reactivation of the collections process had “driven a much higher-than-expected volume of inbound calls to Hydro One’s call centre,” resulting in long wait times on the phone.
- 306** In November 2014, Hydro One had to suspend collection efforts for a few days when it discovered that **2,308** accounts were wrongly flagged for collection. Hydro One responded by calling some customers, reinforcing staff training, enhancing coding, and adding a second review of accounts before they enter the collection process.
- 307** Unfortunately, this error was evocative of the earlier problems encountered with the customer information system. It reflected a failure to ensure that customer interests were given priority and that sufficient safeguards were established to minimize impacts on them.

Recommendation 50

Hydro One Inc. should ensure that all changes in bill collection initiatives are thoroughly researched and planned, and include pre-implementation consideration of customer service impacts, risks and mitigation strategies.

Relying on Technicalities – Customer Beware

- 308** Hydro One’s technical and introspective mindset also continues to be evidenced in its “buyer beware” approach to issues relating to billing classifications and rates. Some customers have suggested that the company has managed to profit from unsuspecting consumers who overpay for service because they are unfamiliar with technical terminology.

It's a Little Dense - Density Classifications

- 309** Customers pay different rates for electricity, depending on the type of service they receive. Residential properties are classified as urban high, medium or low density, according to the number of electricity consumers in an area, and those in different density areas may pay different rates. Generally, the higher the density of an area, the lower overall amount the customer pays – and vice-versa. Sometimes Hydro One inadvertently misclassifies a property’s density. However, there are also circumstances that can lead to a change in density, such as growth of a subdivision, or renovation of a property to accommodate multiple users. We received more than 50 complaints from customers about their density classification.

- 310** A senior couple from **Moorefield** told us that they contacted Hydro One numerous times to get their density changed from low to medium, to match the classification for their neighborhood. They waited for a promised readjustment for months before contacting our Office.

- 311** A woman from **Brockville** compared her Hydro One bill with her mother’s, and discovered that although they lived only 3.5 kilometers apart, she was paying considerably more for hydro, based on a low-density classification. After numerous fruitless calls to the call centre, she contacted our Office in October 2013. We determined she had been wrongly classified, but it still took Hydro One months to correct the error.

- 312** Historically, Hydro One has not engaged in proactive review of density classifications. Instead, it has relied on customers to come forward and complain. Even then, it has only adjusted classifications for those who request a review,

not for anyone else in the area. We received several complaints from members of a retirement community in **Stouffville** who discovered that they were paying significantly more for electricity than their neighbours. They found out that those who moved in during the early phases of the development were charged residential low-density rates, while later arrivals qualified for lower-priced medium-density rates. Some customers complained and Hydro One adjusted their classification. However, other residents who were unaware of this possibility continued to overpay their accounts for years.

- 313** Hydro One told us that in the past, it had no practical way to capture changes in density. However, as a result of refinements to its geographic information system tool, it can now more readily access this data. Recently, Hydro One applied to the Ontario Energy Board for approval to reclassify 11% (134,568) of its customers based on density. Beginning in April 2014, Hydro One quietly stopped reviewing requests for density reclassification, pending the results of the board application. We were told customers who raised concerns during this moratorium would have their classifications adjusted back to the date of the complaint, should the board find in their favour. The board issued its decision on the rate application on March 12, 2015, and set rates for the next three years. As a result, approximately 9% of Hydro One’s customer base will be reclassified based on lower density, and the remainder will pay higher rates.
- 314** Since the Ontario Energy Board decision, Hydro One has been negotiating with customers who had previously raised concerns about retroactive rate readjustment. However, its treatment of this issue again demonstrates its failure to provide customers with sufficient information. Hydro One’s website contains no information explaining to customers that they can challenge their rate classification based on density.
- 315** Hydro One’s persistent failure to alert customers to the fact that they might be paying more for their electricity because of a wrong density classification reflects a lack of appreciation for the principles of transparency, openness and accountability. To remedy this, the company should publish clear and easily accessible information on its website, explaining the relationship between density classification and rates and setting out the process that customers can follow to have their density reviewed. Hydro One should also adopt a clear, consistent and fair retroactive adjustment policy. It should also abandon its practice of placing the onus on individual customers to come forward. In future, if a customer raises a substantiated concern about density, Hydro One should ensure that similarly situated neighbours receive the same adjustment.

Recommendation 51

Hydro One Inc. should post clear and easily accessible information on its website informing customers about the significance of different density classifications and their relationship to rates.

Recommendation 52

Hydro One Inc. should post information about the density classification review process on its website.

Recommendation 53

Hydro One Inc. should develop a clear, consistent and fair policy for retroactive adjustment of accounts that have been subject to an inaccurate density classification.

Recommendation 54

Hydro One Inc. should ensure that whenever a customer request results in a density reclassification, neighbouring properties are reviewed to assess whether the same adjustment should apply to them.

General Disservice – General Service Billing

- 316** Another example that Hydro One is operating on the “gotcha” principle when it comes to billing technicalities is apparent in its approach to the category of “general service” accounts. Several individuals complained to us about Hydro One’s misclassification of their accounts this way. Most were unaware of the significance of this term until they became frustrated with paying consistently high bills.
- 317** The “general service” rate classification is intended to cover non-residential properties, such as commercial, industrial, educational, administrative, auxiliary and government-type services.
- 318** “General service” is a term of art in the utility industry. Its meaning is not readily apparent to the average consumer, but it generally results in customers paying higher rates than residential customers. Many customers told us that they simply assumed the phrase described normal residential hydro service.
- 319** A **Carleton Place** man contacted our Office in February 2014 to complain that he had not received a bill since September 2013. In the course of resolving his billing problems, we learned that his account was classified as general service. Although he had used the property as a residence for 20 years, the former owners had run an antique business from it. We were able to help him get the classification changed, but Hydro One refused to adjust his account retroactively.

- 320** **Rebecca Sharpe** had been paying the general service rate for years on her residential property in **Shedden**, but only learned of this when she called Hydro One to complain about high delivery charges on her bills. Her home’s prior owners had used it for business purposes. Hydro One changed the classification, but initially refused to recalculate her charges. It eventually adjusted her account retroactively for two years and gave her a credit for five months of service charges.
- 321** A **Johnstown** woman realized that her rates were too high after five years in her home. She told us she spent more than 15 frustrating hours on the phone with the call centre to get the situation sorted out. She said she was repeatedly placed on hold, had to explain to seven different people what the problem was, and despite her efforts, no one was prepared to help. Our inquiries revealed that a prior owner had used the premises for a woodworking business. Hers was one of the few cases in which Hydro One agreed to recalculate her bills back to the date she moved in.
- 322** A widow from **Goderich** only realized that something was wrong with her rate classification when she compared bills with her neighbors. She had set up a new account in June 2013 in her name after her husband died, and Hydro One had mistakenly reclassified the property as general service. Despite numerous phone calls and three letters, it did not correct the account and issue her a credit until January 2014.
- 323** **Walter and Betty Klassen’s** home in **Schreiber** was mistakenly classified as a recreational park – and therefore a general service account – for four years. They told us they first complained about high rates in December 2012, but Hydro One had no record of this and only responded with a classification change and a nominal goodwill credit after they complained again in August 2013.
- 324** Hydro One told us that when a property classified as general service changes hands, normally the classification continues. Staff are not instructed to ask the new owners/customers whether the general service account will be changing to residential. Call centre and customer relations centre staff acknowledged in our interviews that customers might not understand or necessarily question what the general service classification means, even if they notice the reference to “general service” on their bills. There is also no information on Hydro One’s website to alert customers about what they can do if they believe their property is misclassified.
- 325** Hydro One does not provide customers with adequate information about classification differences or how to challenge wrong classifications, leaving

many to pay higher rates unwittingly, sometimes for years. When customers do manage to identify a classification error, its approach to retroactive adjustments is inconsistent. Typically, it is reluctant to credit customers for past overpayments based on misclassification.

- 326** Hydro One should provide clear information about the different rate classifications to customers, both in general terms and with respect to their individual accounts. It should also explain to customers how they can dispute rate classifications. In addition, Hydro One should take steps to mitigate the risk that accounts set up online or through the call centre will be misclassified. For example, it should instruct call centre agents to confirm the details of a property's usage whenever a new account is established or an account is transferred to another customer. It should also develop and consistently apply criteria for providing retroactive account adjustment in cases of misclassification.

Recommendation 55

Hydro One Inc. should inform individual customers, in clear language, of the significance of their rate classifications in terms of billing, and include information about how to request a change in classification if they believe their property is misclassified.

Recommendation 56

Hydro One Inc. should post clear information about the different rate classifications (such as general service) and their impact on billing on its website, and include information about how customers can request a change in classification if they believe their property is misclassified.

Recommendation 57

Hydro One Inc. should ensure that call centre agents are instructed to confirm the use being made of the property when setting up or transferring accounts that are classified as general service, to ensure proper classification.

Recommendation 58

Hydro One Inc. should ensure that when accounts are created online, the nature of the service is confirmed to ensure proper classification.

Recommendation 59

Hydro One Inc. should develop a transparent and consistent process for providing retroactive credits and refunds when it is discovered that an account has been misclassified, and post information about this process on its website.

Two Years Too Late – Retroactive Charges

- 327** Under the Ontario Energy Board’s *Retail Settlement Code*²⁷ and Hydro One’s conditions of service, if a billing error results in prolonged underbilling through no fault of a residential customer, Hydro One can only require the customer to make up the difference on up to two years’ worth of charges. However, we found several cases where Hydro One had not applied this restriction until my staff pointed it out.
- 328** **Brenda Parkin of Holland Landing** told us that in September 2013, her elderly father suddenly received three bills for differing amounts. After she complained, the bills were cancelled and three more were issued, showing credits. In July 2014, a package containing 20 bills arrived, showing an outstanding balance of **\$2,150**. Ms. Parkin believes the aggravation of trying to decipher these bills aggravated her father’s heart condition and led to his being hospitalized the next day. Hydro One initially offered a discount of **\$215**. We discovered that the bills wrongly included charges for periods dating back more than two years. Hydro One ultimately applied a further credit of more than **\$1,200** to the account.
- 329** A **Flesherton** woman received a trued-up bill in May 2014 for **\$21,771.31** after receiving estimated bills for more than three years (39 months). It was only after we intervened that Hydro One realized it had billed her for periods beyond two years and her account was adjusted, reducing her arrears by **\$8,373.58**.
- 330** A **Woodlawn** family received a large catch-up bill and three packages of bills dating back three years. Hydro One only adjusted the account after we found that this violated the *Retail Settlement Code*.
- 331** A **Schumacher** man who was rebilled well beyond the two-year limit told us his attempt to address the retroactive charges with Hydro One agents was met with rudeness and refusal. He described it as follows:

I said, not only have you retroactively billed me for three years, which is, like, ridiculous, but you’ve changed bills that I’ve already paid... The individual I spoke with at the customer service line advised me that it was basically my tough luck, and that I should just pay up, and that was that. Honestly, it was as abrupt and rude as that. I said, “You can’t do that.” She goes, “Yeah, we can.”

²⁷ S.7.7.7 Retail Settlement Code. Online:
http://www.ontarioenergyboard.ca/oeb/Documents/Regulatory/Retail_Settlement_Code.pdf

- 332** Hydro rates are already a source of concern for many Ontarians. Receiving delayed and excessive retroactive bills can cause extreme hardship for customers. Hydro One should scrupulously ensure that it does not issue bills to customers in contravention of the *Retail Settlement Code*, and that it trains staff to ensure that they are aware of and consistently apply the two-year restriction.
- 333** Hydro One should also ensure that information about this restriction is more clearly and prominently posted on its website.

Recommendation 60

Hydro One Inc. should ensure that it does not issue retroactive bills in contravention of the *Retail Settlement Code*, and should train call centre and customer relations centre staff so that they understand and apply the two-year billing limit.

Recommendation 61

Hydro One Inc. should prominently post information on its website about the two-year restriction for collecting charges from residential customers for underbilling.

Giving Credit Where it is Due

- 334** Beginning in October 2013, at the Minister’s suggestion, Hydro One offered customers who had never been billed under the new system a “fixed flat charge,” or service charge credit for each month they went without bills. The service charge represents the flat distribution charge, which varies depending on the customer’s classification. During our investigation, the monthly service charge for residential customers ranged from \$16.64 to \$29.11. According to Hydro One, this fee pays for the costs of billing, meter reading, customer service, and 24-hour power restoration services. Call centre agents also have the authority to offer “goodwill” credits, waiving the monthly service charge at their discretion to resolve customer disputes. However, we found that goodwill service credits were inconsistently applied. Four months after my investigation began – June 2014 – Hydro One issued a final goodwill credits policy, emphasizing that customers are to be treated in a fair, consistent, and sensitive manner.
- 335** Hydro One should change its vocabulary in these cases. It should appreciate that waiving service charges is not a “goodwill” gesture, but compensation for failing to provide acceptable service. It does not deserve a service charge when it has not delivered decent service. Some customers we interviewed felt it was offensive to be offered a goodwill credit after the frustration they had endured. As one put it, “that’s very insulting – there’s no goodwill.” Hydro One should

revise its policy to eliminate the reference to “goodwill” and acknowledge that it should not charge for substandard service. It should also publish its credits policy and ensure it is consistently applied. In addition, failure to issue bills or providing customers with erroneous ones is unacceptable. With this in mind, Hydro One should take steps to amend its conditions of service to incorporate a right for customers to automatically receive service charge credits whenever they do not receive bills, or receive inaccurate bills.

Recommendation 62

Hydro One Inc. should revise its goodwill credits policy to eliminate reference to “goodwill,” post the revised document on its website, and ensure that it is applied consistently.

Recommendation 63

Hydro One Inc. should take steps to revise its conditions of service to provide customers with a right to receive service charge credits if they do not receive bills, or receive erroneous bills.

Still Looking on the Bright Side

- 336** Hydro One has paid a steep financial price in its effort to recover from its crisis of confidence. Internal records reflect that by November 2014, it had paid out **\$5.1 million** in service credits, written off **\$23.8 million** in net bad debts, and forgone **\$11.2 million** in revenue from late payment charges. Its customer service recovery costs total **\$88.3 million**. The fallout from the customer service nightmare also contributed to a **\$54-million** decrease in its net income for 2014.
- 337** Today, the company’s goal of reaping a **\$172-million** financial benefit within seven years of the installation of the new customer information system appears unrealistic. Hydro One has paid an astounding premium for its failure to adequately plan for the system and factor in its impact on customers. Still, it continues to look on the bright side.
- 338** In February 2015, Hydro One began to proclaim publicly that it had fixed the problems that plagued its billing since the launch of the new customer information system.²⁸ When we asked for clarification, it responded:

²⁸ One example can be found under the heading “Hydro Billing” in this “Sudbury Daystarter,” article at CBC.ca: <http://www.cbc.ca/news/canada/sudbury/sudbury-daystarter-news-weather-to-start-your-friday-1.2946912>

The majority of the underlying issues affecting the billing system have been resolved. This is most clearly demonstrated by the fact that no-bill volumes have declined and are now below pre-go-live levels. In addition, bills with unscheduled estimated usage reached a low of 1.2% in December. For any remaining billing system issues, additional resources, workarounds and safety nets are in place to minimize and/or eliminate any customer impacts.

339 We were also told that the customer information system stabilization would continue into March 2015 and that as of January 19, 2015, **7,600** customers still remained affected by issues, with **1,400** still not receiving bills for over 90 days, and **6,200** receiving estimated bills for more than three billing cycles.

340 As one representative told us, the vast majority of issues are under control, but there are still problems. He used the metaphor of a duck viewed from above the water:

Looks all calm ... but underneath, the legs are frantically paddling to keep it going. So yes, certainly internally there's additional activities, effort, labour, scrutiny being put towards it, but from the customer-facing aspect, the vast majority of items have stabilized.

341 In a March 11, 2015 press release, issued in response to my investigation update of the same day, Hydro One stressed its successes and set out various statistics demonstrating improvement. These can now also be found on its website in a section entitled "Our Customer Service: Then and Now."²⁹ Hydro One has a penchant for describing the number of those affected by billing issues as small, and using only percentages. This announcement was one of the rare occasions when it also used actual numbers of customers affected. It noted that a year after my investigation was launched, the tally of customers who hadn't received a bill for more than three months had dropped from 5% (**53,495**) to 0.1% (**475**). Its complaints backlog had also been reduced from 513 to 104, and only **4,681** customers were receiving estimated bills for a prolonged period of time, as opposed to **30,899** in February 2014. Its public message ended on a positive and poetic note:

Going forward, we continue to make things right for our customers, one customer at a time.

²⁹ <http://www.hydroone.com/OurCompany/News/Pages/Customer-service-then-and-now.aspx>

342 In a letter to me on March 12, 2015, the Chief Executive Officer also wrote:

(T)he technical issues associated with our billing system are now resolved. The system is operating normally and performing better than the system it replaced. With those issues behind us, we are now focused on transforming our culture and building positive, constructive relationships with our customers.

343 There is no doubt that Hydro One’s billing and customer service situation has improved since I commenced my investigation in February 2014. However, I hesitate to agree that Hydro One’s problems have been fully resolved. The company has highlighted its success since February 2014, when there were **84,394** customers either not receiving bills or receiving estimated bills for a prolonged period. However, if one adds up the customers affected by errors and defects experienced since May 2013, the number climbs to well over **100,000**. While the rate of billing problems has diminished significantly, according to the company there are still more than **5,000** customers faced with the frustration of going months without bills or receiving multiple bills based on estimates, leading to the prospect of large catch-up bills in future. This might not seem like a big number to Hydro One, and it isn’t necessarily a large percentage of its total customer base, but it represents thousands of individuals who are not receiving dependable and predictable customer service. In fact, it’s a larger number than the population of many municipalities in Ontario.

344 As well, although we did not investigate high electricity rates or general concerns about the various charges included in hydro bills, their impact cannot be overlooked. The billing crisis that followed the installation of the customer information system exacerbated an already difficult financial situation for many Hydro One customers. We encountered seniors on fixed incomes, people with disabilities and families with young children, all facing dire financial straits. Offers of interest-free payment plans and service charge credits were of limited value to those struggling with the choice of paying for food and rent or for electricity. The high rates, billing errors, delays and large catch-up bills, coupled with an exceedingly long and frigid winter, placed many in an untenable position, particularly those who were thrown into panic when threatened with disconnection. Hydro One’s customers deserve better.

345 Fewer complaints about Hydro One are arriving at my Office now, but there is still a steady stream of about a dozen a day. Many of the latest cases are no less egregious than those we heard about in fall 2013. For instance, a **Pickle Lake** woman told us she received 12 high bills in June 2014, which made no sense to her. Then in December she received 18 bills, all for different amounts. The total owing was **\$49,578.23**, even though she normally pays about \$4,000

per year. She called Hydro One to dispute the amount and was told that it would set up a payment plan for her. The matter was recently resolved. After billing adjustments and the application of service credits, the woman now owes **\$4,244.54** and has been offered an interest-free installment payment plan to satisfy the balance.

- 346** Unfortunately, Hydro One’s organizational hubris is still apparent in the way it continues to tout its success in recovering from crisis, rather than entering into sober reflection on the morass it is still working to escape. Hydro One has not yet finished learning its lessons from the corporate catastrophe of the new customer information system. One of the first subjects for instruction is the need for humility and greater insight regarding the needs of those it serves. It must jettison its monopolistic tunnel vision and see each customer concern as singularly important and potentially reflective of systemic malfunction.
- 347** Hydro One should use this experience, as well as my observations and recommendations, to instruct its executive, managers and staff to help ensure that the future of hydro services is truly brighter for Ontario’s citizens and radiates the public sector values of openness, transparency and accountability.

Recommendation 64

Hydro One Inc. should use the customer relations fallout associated with the new customer information system as a learning tool for its managers.

- 348** I also intend to closely monitor Hydro One’s progress in implementing my recommendations to ensure that the momentum for change continues.

Recommendation 65

Hydro One Inc. should report back to my Office in six months’ time on the progress in implementing my recommendations, and at six-month intervals thereafter until such time as I am satisfied that adequate steps have been taken to address them.

Current Events and Hydro One's Future

- 349** The Ontario government recently announced plans to significantly modernize Hydro One, including disposing of 60% of the utility, while retaining a 40% ownership interest. A new chair of the board of directors was also appointed in April 2015. The government has indicated that its proposed changes would require Hydro One to create a dedicated ombudsman to replace the independent oversight of my Office.
- 350** The government's decision to privatize Hydro One and insulate it from my investigative authority has not been without criticism from opposition members of provincial parliament and members of the public. In the wake of the billing and customer service fiasco chronicled in this report, relying on an in-house complaint body to resolve customer concerns when it is beholden to its corporate employer hardly inspires confidence for the future provision of hydro-electric services through a privatized utility.
- 351** In recent years, Ontarians have spoken out against the limited accountability of private corporations such as Ornge and Tarion, which deliver significant public services, but operate outside of Ombudsman oversight. Given Hydro One's track record, the province should exercise caution in following the path of removing the public right to complain to my Office about billing and customer service issues.
- 352** As my investigation has demonstrated, Hydro One has historically not lived up to principles of good public administration. During its billing crisis, its conduct fell far below any reasonable standards of customer service. The government of Ontario should ensure that in introducing structural changes to Hydro One's operations, the recommendations set out in this report are taken into consideration and that the public interest in fair, timely and effective customer service is preserved, including the right of recourse to my Office.

Recommendation 66

The Government of Ontario should consider my recommendations in moving forward with any restructuring of Hydro One Inc. and ensure that the public interest in fair, timely and effective customer service is preserved, including recourse to the Ontario Ombudsman.

Opinion

- 353** Technical problems associated with Hydro One’s new customer information system triggered a bevy of billing errors, negatively affecting tens of thousands of its customers and leading to an outpouring of complaints. However, it was Hydro One’s lack of appreciation for its customers and what they were experiencing that eventually spawned widespread public backlash. Unfortunately, from system planning to responding to defects and errors to dealing with complaints to media spinning, Hydro One failed to identify with its customers and forgot that its primary purpose as a provincial corporation is to serve the public good. It sought refuge in subterfuge and statistical manipulation instead of promoting the principles of openness, transparency and accountability expected of a public agency.
- 354** It is my opinion that Hydro One’s conduct in planning, implementing and addressing issues relating to its new customer information system, as well as its general response to billing and customer service issues, was unreasonable and wrong under the *Ombudsman Act*.

Recommendations

- 355** Accordingly, I am making the following recommendations to promote cultural, operational and organizational change at Hydro One, to better serve its customers.

Hydro One, Inc.

Considering customers

Recommendation 1

Hydro One Inc. should ensure that it considers the impact on customers as its first priority throughout all project planning phases and develops appropriate mitigation strategies and contingency plans.

Recommendation 2

Hydro One Inc. should ensure that it keeps track of the cumulative total of customers affected by various systems issues and provides clear, accurate and constant descriptions of the various problem categories.

Communicating openly and transparently

Recommendation 3

Hydro One Inc. should adopt a proactive, transparent, open and accountable approach to communications with stakeholders and oversight and regulatory bodies.

Recommendation 4

Hydro One Inc. should ensure that any provider of outsourced services communicates with stakeholders and oversight and regulatory bodies in a transparent, open, and accountable manner.

Recommendation 5

Hydro One Inc. should monitor call centre communications to ensure that they reflect the transparency, openness and accountability expected of a provider of public services.

Improving staff training and supports

Recommendation 6

Hydro One Inc. should ensure that it implements comprehensive staff training before introducing any initiatives with potential impact on customers.

Recommendation 7

Hydro One Inc. should consult with and obtain timely feedback from individuals responsible for contact with customers to ensure that training is effective and supplemented if necessary.

Recommendation 8

Hydro One Inc. should consider providing additional training to call centre and customer relations centre staff in technical and other operational issues to enable them to resolve customer service concerns more effectively.

Recommendation 9

Hydro One Inc. should ensure that it regularly provides clear, timely and accurate scripts for use by call centre staff to address billing and other customer service issues as they arise.

Recommendation 10

Hydro One Inc. should consult technical and front line call centre staff in the development of scripts to ensure that it provides the tools necessary to ensure effective customer communications.

Recommendation 11

Hydro One Inc. should ensure that evaluation of staff and call centre agents readiness is included in pre-implementation business readiness assessments preceding major system changes that impact customers.

Enhancing call intake and quality monitoring

Recommendation 12

Hydro One Inc. should conduct research on call intake practices, and revise its performance measures to reflect public sector best practices and greater emphasis on the quality of calls and customer outcomes.

Recommendation 13

Hydro One Inc. should engage in more robust monitoring of the quality of call centre calls through more extensive sampling of recorded calls, live call monitoring, random spot checks, and the introduction of “secret shopper” calls.

Recommendation 14

Hydro One Inc. should engage an independent external third party to assist in conducting random audits of call quality.

Recommendation 15

Hydro One Inc. should review and update its call evaluation and call quality scoring standards to ensure that they reflect its goal of customer-centered service.

Recommendation 16

Hydro One Inc. should develop customer service quality standards for the customer relations centre.

Recommendation 17

Hydro One Inc. should record customer relations centre calls and develop a call monitoring program for the centre, including live call monitoring, random spot checks and secret shopper calls.

Recommendation 18

Hydro One Inc. should continue to have managers located in the main call centre to ensure robust on-site monitoring.

Recommendation 19

Hydro One Inc. should conduct research and consult with customers and other stakeholders to evaluate whether there are other, more accurate means of measuring and reporting on customer satisfaction, and change its survey and reporting practices accordingly.

Recommendation 20

Hydro One Inc. should conduct customer satisfaction surveys of those using the customer relations centre and use the results to plan for operational improvements.

Transforming corporate culture and governance

Recommendation 21

Hydro One Inc. should establish strategic objectives for its corporate scorecard, as well as for individual managers, related to changing its organizational culture to reflect public sector values.

Recommendation 22

Hydro One Inc. should ensure that timely risk assessments and “lessons learned” evaluations take place throughout all stages of project planning, implementation and stabilization. It should consider whether the impact on customers has been appropriately identified and addressed through mitigation and contingency planning, as well as communication strategies.

Recommendation 23

Hydro One Inc. should ensure that executive management and the board of directors are immediately alerted to any signs of systemic customer service and billing problems, including rising complaint levels.

Recommendation 24

Hydro One Inc. should ensure that, in addition to regular briefings on complaint statistics, its executive management and board of directors routinely receive information about complaints and inquiries from all sources, as well as details of problem trends and individual cases reflecting egregious customer service and errors.

Recommendation 25

Hydro One Inc. should ensure that executive managers and the board of directors are regularly and fully briefed about the cumulative impact and nature of customer service and billing issues.

Recommendation 26

Hydro One Inc. should continually reinforce for its staff, through training and direction, that the purpose of preparing billing and customer service statistics is to enable the company to have a clear, objective and accurate understanding of how well it is serving its customers.

Recommendation 27

Hydro One Inc. should prepare statistics in a consistent, clear, and standardized format, accompanied by meaningful and honest analysis.

Recommendation 28

Hydro One Inc. should create a customer service committee of the board of directors to highlight the significance of issues affecting its customers, meet with customers and customer groups to gain a better understanding of customer service issues, and effectively address systemic concerns.

Recommendation 29

Hydro One Inc. should ensure that its board of directors receives sufficient training to understand technical aspects of the company's operations, key performance indicators and other information relevant to customer service.

Recommendation 30

Hydro One Inc. should ensure that it has adequate customer service and technical resources to address customer service issues.

Improving customer service practices

Recommendation 31

Hydro One Inc. should develop a system to ensure that timely refunds are available to customers who have overpaid their accounts, through inadvertence or system error.

Recommendation 32

Hydro One Inc. should redesign its bills to ensure maximum clarity.

Recommendation 33

Hydro One Inc. should consider best billing practices and consult its customers and other stakeholders in redesigning its bills to ensure that any revisions actually meet customer needs.

Recommendation 34

Hydro One Inc. should prepare a single itemized bill, rather than multiple bills, to address rebilling because of mistakes, prolonged estimates or other circumstances, along with accompanying correspondence setting out a clear explanation as to why the account has been reconciled.

Recommendation 35

Hydro One Inc. should post a clear explanation of the complaint process, including information about call centre and customer relations centre escalations, and reference to external referrals.

Recommendation 36

Hydro One Inc. should ensure that the customer relations centre staff consistently provide external referrals to the Ontario Energy Board, the Ontario Ombudsman and other relevant bodies where appropriate.

Recommendation 37

Hydro One Inc. should develop a procedure to ensure that customers are consistently offered clear, detailed and accurate explanations as well as apologies for poor service.

Recommendation 38

Hydro One Inc. should ensure that its efforts to resolve billing issues are adequately monitored and co-ordinated to prevent duplication, inconsistency and negative impact on its customers.

Committing to customers

Recommendation 39

Hydro One Inc. should ensure that its customer commitments initiative has strong senior leadership and robust project planning, monitoring and reporting.

Recommendation 40

Hydro One Inc. should post regular status updates on the progress of its customer commitment initiative on a prominent place on its website for public consultation.

Recommendation 41

Hydro One Inc. should post the final customer commitment document in a prominent place on its website.

Recommendation 42

Hydro One Inc. should set timelines for the completion of the service metrics and public scorecard to accompany the customer commitment document, and ensure that these are prepared on an expedited basis.

Recommendation 43

Hydro One Inc. should post service metrics and the public scorecard related to the customer commitment document prominently on its website and ensure that these are regularly updated.

Recommendation 44

Hydro One Inc. should ensure that it provides clear and transparent explanations for the statistical information and other evaluations that it posts about its success in meeting its customer commitments.

Recommendation 45

Hydro One Inc. should post examples of cases where it has met and/or failed to meet its commitments to promote organizational learning, public accountability and transparency.

Recommendation 46

Hydro One Inc. should ensure that the customer service advisory panel is provided with sufficient information and opportunities to enable it to function effectively.

Recommendation 47

Hydro One Inc. should publish information about the customer service advisory panel's activities and the contribution it has made to customer service initiatives.

Improving collection practices

Recommendation 48

Hydro One Inc. should publish disconnection moratorium dates annually, refer to them in communications about collections during the winter months, and abide by them.

Recommendation 49

Hydro One Inc. should develop a process that ensures individual circumstances are consistently and fairly taken into account when resolving collection matters.

Recommendation 50

Hydro One Inc. should ensure that all changes in bill collection initiatives are thoroughly researched and planned, and include pre-implementation consideration of customer service impacts, risks and mitigation strategies.

Clarifying classifications

Recommendation 51

Hydro One Inc. should post clear and easily accessible information on its website informing customers about the significance of different density classifications and their relationship to rates.

Recommendation 52

Hydro One Inc. should post information about the density classification review process on its website.

Recommendation 53

Hydro One Inc. should develop a clear, consistent and fair policy for retroactive adjustment of accounts that have been subject to an inaccurate density classification.

Recommendation 54

Hydro One Inc. should ensure that whenever a customer request results in a density reclassification, neighbouring properties are reviewed to assess whether the same adjustment should apply to them.

Recommendation 55

Hydro One Inc. should inform individual customers, in clear language, of the significance of their rate classifications in terms of billing, and include information about how to request a change in classification if they believe their property is misclassified.

Recommendation 56

Hydro One Inc. should post clear information about the different rate classifications (such as general service) and their impact on billing on its website, and include information about how customers can request a change in classification if they believe their property is misclassified.

Recommendation 57

Hydro One Inc. should ensure that call centre agents are instructed to confirm the use being made of the property when setting up or transferring accounts that are classified as general service, to ensure proper classification.

Recommendation 58

Hydro One Inc. should ensure that when accounts are created online, the nature of the service is confirmed to ensure proper classification.

Recommendation 59

Hydro One Inc. should develop a transparent and consistent process for providing retroactive credits and refunds when it is discovered that an account has been misclassified, and post information about this process on its website.

Recommendation 60

Hydro One Inc. should ensure that it does not issue retroactive bills in contravention of the *Retail Settlement Code*, and should train call centre and

customer relations centre staff so that they understand and apply the two-year billing limit.

Recommendation 61

Hydro One Inc. should prominently post information on its website about the two-year restriction for collecting charges from residential customers for underbilling.

Recommendation 62

Hydro One Inc. should revise its goodwill credits policy to eliminate reference to “goodwill,” post the revised document on its website, and ensure that it is applied consistently.

Recommendation 63

Hydro One Inc. should take steps to revise its conditions of service to provide customers with a right to receive service charge credits if they do not receive bills, or receive erroneous bills.

Lessons learned

Recommendation 64

Hydro One Inc. should use the customer relations fallout associated with the new customer information system as a learning tool for its managers.

Progress reports

Recommendation 65

Hydro One Inc. should report back to my Office in six months’ time on the progress in implementing my recommendations, and at six-month intervals thereafter until such time as I am satisfied that adequate steps have been taken to address them.

Government of Ontario

Recommendation 66

The Government of Ontario should consider my recommendations in moving forward with any restructuring of Hydro One Inc. and ensure that the public interest in fair, timely and effective customer service is preserved, including recourse to the Ontario Ombudsman.

Response

- 356** Hydro One and the Ministry of Energy were both provided with an opportunity to review and respond to my preliminary findings, opinion, and recommendations.
- 357** On behalf of Hydro One, the President and Chief Executive Officer accepted all of the **65** recommendations addressed to the corporation. He also detailed the actions Hydro One had already taken to improve billing and customer service and that would be undertaken in future to respond to my recommendations. A copy of this response is appended to this report. I will continue to closely monitor Hydro One's progress in implementing my recommendations.
- 358** The Deputy Minister of the Ministry of Energy responded to Recommendation 66, which focuses on ensuring that momentum for the improvements I have recommended and Ombudsman oversight continues as the government's restructuring initiative progresses. He referred to the government's plan to have oversight responsibilities of the Officers of the Legislature, including my Office, "fall away with a transition period," and discussed establishment of the corporation's own "Ombudsperson's office." A copy of this response is appended to this report. I am disappointed by the Ministry's response and intend to encourage the Government of Ontario to retain independent and impartial external oversight of Hydro One through my Office and other accountability mechanisms, rather than rely on an in-house complaints office.



André Marin
Ombudsman of Ontario

Appendix A – Ministry Response

Ministry of Energy

Office of the Deputy Minister

Hearst Block, 4th Floor
900 Bay Street
Toronto, ON M7A 2E1
Tel: 416-327-6758
Fax: 416-327-6755

Ministère de l'Énergie

Bureau du sous-ministre

Édifice Hearst, 4^e étage
900, rue Bay
Toronto, ON M7A 2E1
Tél: 416-327-6758
Téléc.: 416-327-6755



May 11, 2015

Mr. André Marin
Ombudsman of Ontario
Bell Trinity Square
483 Bay Street
10th Floor, South Tower
Toronto ON M5G 2C9

Dear Mr. Marin:

Thank you for providing me with a copy of your Preliminary Report on Hydro One. I am writing to you today with the Ministry of Energy's response to Recommendation 66 of the Preliminary Report.

To allow Hydro One to operate in the same way as other publicly traded companies, the oversight and control of the company must be modified. Oversight responsibilities for Officers of the Legislature, including the Ontario Ombudsman, would fall away with a transition period. The Ombudsman would have six months to complete any outstanding reviews, but could still issue a report after that date. This will ensure that Hydro One is subject to the same rules and oversight as other publicly traded companies. Similar changes took place in other instances when ownership was broadened, including Air Canada, CN Rail, Petro-Canada and the Nova Scotia Power Company.

To maintain public trust throughout the Initial Public Offering (IPO), former Auditor General of Canada Denis Desautels has agreed to serve as Special Advisor to the Minister of Energy to provide advice about the processes related to the engagement of financial advisors and other service providers for the IPO. Hydro One would also be required to establish a dedicated Ombudsperson similar to those found at other public companies. Mr. Desautels will provide advice on how best to establish this dedicated Ombudsperson's office to ensure transparency, objectivity and accountability. In addition, the Ontario Energy Board (OEB) would continue to protect the public interest, and the powers of the OEB would be further enhanced, including the creation of a consumer advocacy role.

Thank you again for providing me with copy of your Preliminary Report on Hydro One.

Sincerely,

Serge Imbrogno
Deputy Minister

Appendix B – Hydro One Response

Hydro One Inc.
483 Bay Street, 8th Floor
Toronto, ON M5G 2P5
www.hydroone.com



Carmine Marcello
President & CEO

May 11, 2015

André Marin
Ombudsman Ontario
483 Bay Street, South Tower
10th Floor
Toronto, Ontario
M5G 2C9

Delivered by Hand

Dear Mr. Marin,

I am writing in response to your preliminary report entitled: *Investigation into the transparency of Hydro One's billing practices and the timeliness and effectiveness of the process for responding to customer concerns.*

Hydro One appreciates the opportunity to review and comment on your preliminary report and accepts its associated recommendations. We are committed to becoming the company our customers expect us to be and I believe we are making real progress towards that achievement.

Hydro One's move to a new Customer Information System (CIS) in 2013 was a major initiative intended to improve Hydro One's efficiency, productivity and ultimately, its customer service offerings. The goal was the right one but I agree with your observation in the report that the experience of our customers in the months following the implementation of our billing system was unacceptable. In response to these issues, Hydro One has initiated a number of actions that we believe, address most of your report recommendations.

In summary, we have:

- established more rigorous tracking, monitoring, and reporting of customer service metrics and performance indicators to ensure real-time visibility of customer service health
- strengthened corporate governance and oversight of customer service performance for large-scale customer-facing projects and initiatives
- changed the service-provider that manages our call centres and call centre staff
- changed how we work with our service provider to place a stronger emphasis on the engagement and training of our call centre agents and quality monitoring of call centre operations

- launched a major call quality improvement program to improve customer service
- initiated a project to improve bill clarity, including a bill redesign project

I was pleased that your report acknowledges Hydro One's billing and call handling practices are markedly improved from where they were when you initiated your investigation. I am proud of the progress we have made so far. We have tackled the issue of customers not receiving a bill for prolonged periods of time and reduced that number from a high of 53,495 to a current result of 360. We have improved first call resolution in our call centre from 69% to 82%. We will intensely track both these measures of service health as part of our comprehensive customer monitoring program and work hard to continue improving all our customer scores.

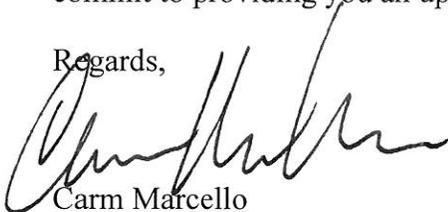
We are pleased with our progress to-date but we fully understand that meeting our customers' expectations involves much more than simply improving our billing and call centre performance. In responding to these concerns we recognized that the issues went deeper than the implementation of new technologies. We acknowledge that Hydro One's culture was at the heart of our customer service failings. We are committed to changing that culture to become one of service and pride that puts the focus on ensuring that Hydro One is the company the people of Ontario need us to be.

In the fall of 2014, Hydro One established a Customer Service Advisory Panel (the Panel). The Panel acts as an independent body that will ensure the Company is living-up to specific measureable customer service commitments. We have been working diligently with the Panel to finalize a comprehensive set of customer commitments as well as the means by which the Panel will assess and report on our progress against the commitments to ensure the Company is accountable to the highest standards. Over the longer-term, we will also look to the Panel to advise Hydro One leadership with respect to establishing and implementing new/revised customer service policies, approaches and products.

Our aim throughout this process has been to provide your investigation team with timely and open access to the people, systems and documents required to complete your investigation. I would like to acknowledge the professionalism of your investigation team as they carried out their specific duties.

Thank you for allowing Hydro One this opportunity to provide comment on your preliminary report. A copy of our responses to each of your recommendations is appended to this letter. I commit to providing you an update on our progress in the months ahead.

Regards,



Carm Marcello
President and CEO,
Hydro One Inc.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Considering Customers	1	Hydro One Inc. should ensure that it considers the impact on customers as its first priority throughout all project planning phases and develops appropriate mitigation strategies and contingency plans.	Hydro One has modified its project delivery methodology to ensure we have a more customer centric focus. In addition, the new Vice President, Customer Service founded the Customer Governance Committee in the Q3 of 2014 Committee to include leadership from all divisions in ensuring that customer impact of all actions and projects is considered at all stages and mitigation strategies are in place.
	2	Hydro One Inc. should ensure that it keeps track of the cumulative total of customers affected by various system issues and provides clear, accurate and constant descriptions of the various problem categories.	Whenever undertaking potentially customer-disruptive initiatives, Hydro One will keep track of the total number of customers affected by system issues and the nature of the disruptions.
	3	Hydro One Inc. should adopt a proactive, transparent, open and accountable approach to communications with stakeholders and oversight and regulatory bodies.	Since early 2014, Hydro One has increased the transparency and openness of interactions with stakeholders and regulators. For example, throughout the customer recovery project, Ontario Energy Board (OEB) and Hydro One staff met biweekly, to provide a close perspective and a real-time view on the issues and gave OEB staff the ability to build understanding and ask informed questions. The regulator was also invited to and took part in multiple teleconferences with customers throughout 2014, helping them gauge the perspective of Hydro One customers.
	4	Hydro One Inc. should ensure that any provider of outsourced services communicates with stakeholders and oversight and regulatory bodies in a transparent, open, and accountable manner.	Hydro One works closely with our outsourced service provider to ensure that there is clear, transparent, open, accountable communication between our organizations. As the license holder, Hydro One Inc. is accountable for regulatory compliance, we will continue to communicate directly with regulators on matters of performance of our outsourced services.
	5	Hydro One Inc. should monitor call centre communications to ensure that they reflect transparency, openness and accountability expected of a provider of public services.	Hydro One monitors call centre communications on a continuous basis and is committed to being open and transparent with customers in every interaction. In August of 2014, Hydro One Inc. implemented 100% voice recording for all calls to the centre, allowing for monitoring of all call centre communications for conformance to performance standards.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Improving Staff Training and Supports	6	Hydro One Inc. should ensure that it implements comprehensive staff training before introducing any initiatives with potential impact on customers.	Hydro One now ensures full training of call centre staff for new initiatives, changes, or issues. For example, in April of 2014 Hydro One Inc. overhauled and implemented new bill literacy training for call centre agents to greatly increase their ability to have informed discussions regarding Hydro One bills in anticipation of a high volume of customer inquiries regarding bills that were larger than average due to the colder than average temperatures this past winter. Call agents can now capably explain, using an online tool, the direct relationship between temperature and electricity consumption. They now have access to an online tool that tracks daily temperature in the customer's area and correlates it directly to the customer's energy consumption.
	7	Hydro One Inc. should consult with and obtain timely feedback from individuals responsible for contact with customers to ensure that training is effective and supplemented if necessary.	Prior to overhauling "bill literacy" training in the spring of 2014 and revamping our entire quality monitoring program shortly after, input was obtained from frontline staff through focus groups and roundtable discussions. This approach has continued for all subsequent agent training materials development.
	8	Hydro One Inc. should consider providing additional training to call centre and Customer Relations Centre staff in technical and other operational issues to enable them to resolve customer service concerns more effectively.	Hydro One has provided additional training to both call centre and complaints-handling staff on technical matters as well as current or emerging issues. This began early in the spring of 2014 and continued throughout the year on topics that included larger than average bills, setup of payment arrangements, and "soft" skills for helping customers with billing concerns or particular hardships. This will be an ongoing process.
	9	Hydro One Inc. should ensure that it regularly provides clear, timely and accurate scripts for use by call centre staff to address billing and other customer service issues as they arise.	In April 2014, Hydro One undertook a full review of call centre agent scripts, with the most frequently used scripts reviewed first (i.e. payment arrangements, estimated bills). Going forward, Hydro One is providing scripts or information on any billing or customer service issues that arise as soon as they become known. Call centre agents are also more empowered to focus on the quality of the conversation and follow the spirit of the script rather than directly reading it.
	10	Hydro One Inc. should consult technical and front line call centre staff in the development of scripts to ensure that it provides the tools necessary to ensure effective customer communications.	Hydro One revamped its quality assurance program in the spring of 2014, utilizing frequent focus groups with staff in both call centres. Obtaining call agent staff feedback is now a part of Hydro One's training and scripting development process so that agents can take ownership of the scripts and guide the company's efforts to resolve customers' issues.
	11	Hydro One Inc. should ensure that evaluation of staff and call centre agents readiness is included in pre-implementation business readiness assessments proceeding major system changes that impact customers.	For major customer facing system changes, including other initiatives mentioned in this plan (such as Bill redesign), Hydro One will ensure that a readiness assessment is completed prior to changes being implemented.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Enhancing Call Intake and Quality Monitoring	12	Hydro One Inc. should conduct research on call intake practices, and revise its performance measures to reflect public sector best practices and greater emphasis on the quality of calls and customer outcomes.	Hydro One and its new outsource provider are looking to best practices to guide customer service efforts and quality assurance. Information gathering goes beyond utilities and looks to what is the highest standard. Customer Satisfaction and First Contact Resolution measures are built into the outsourcer's performance agreement and are monitored and reviewed daily by Hydro One management. The new speed-of-answer service level standard Hydro One now operates under and achieves is top quartile within the industry.
	13	Hydro One Inc. should engage in more robust monitoring of the quality of call centre calls through more extensive sampling of recorded calls, live call monitoring, random spot checks, and the introduction of "secret shopper" calls.	As early as March 2014 and throughout the year, Hydro One staff listened to and evaluated calls and engaged in "secret shopper" activities. Feedback the company collected was leveraged in updating agent scripts, training, and the revamped quality program. Hydro One's executive 'Call A Customer' program, introduced in July of 2014, includes live call monitoring. Hydro One also randomly spot checks calls as a part of its recently-revamped call quality program.
	14	Hydro One Inc. should engage an independent external third party to assist in conducting random audits of call quality.	Hydro One currently has an independent quality team within its outsource conduct random sample audits of call quality using an agreed upon standard. Once the new quality program is mature, Hydro One will bring in a third party to audit call quality to ensure that these measures and efforts will ensure a high standard of performance.
	15	Hydro One Inc. should review and update its call evaluation and call quality scoring standards to ensure that they reflect its goal of customer-centered services.	Hydro One began revamping its quality assurance program in the spring of 2014 and the rollout of the program is nearing completion. This effort included a total redevelopment of call evaluation and call quality scoring standards to reflect a stronger focus on the customer experience.
	16	Hydro One Inc. should develop customer service quality standards for the Customer Relations Centre.	Hydro One is developing a set of standards for calls and case work in the Customer Relations Centre (CRC) with the help of external expertise. These standards will be implemented in the summer of 2015.
	17	Hydro One Inc. should record Customer Relations Centre calls and develop a call monitoring program for the call centre, including live call monitoring, random spot checks and secret shopper calls.	Call recording, live monitoring, and spot checks are being implemented in the Customer Relations Centre to support the evaluation of calls and case work to the customer service quality standards.
	18	Hydro One Inc. should continue to have managers located in the main call centre to ensure robust on-site monitoring.	Hydro One managers have been located on the call centre floor and actively engage the service provider and the call centre staff on a daily basis.
19	Hydro One Inc. should conduct research and consult with customers and other stakeholders to evaluate whether there are other, more accurate means of measuring and reporting on customer satisfaction, and change its survey and reporting practices accordingly.	Hydro One uses two established market research firms to conduct customer satisfaction transactional and perception surveys. The company continually refines these programs to ensure that they depict an accurate picture of customer experience. Hydro One now places greater emphasis on transactional surveys, so that current information on customer experience is obtained immediately after-the-fact and corrections to in-flight programs can be made. In instances where a surveyed customer says they are dissatisfied with a service or interaction, the research firms probe deeper for root cause and collect verbatim comments from the customer; this information is provided directly to Hydro One for analysis and action.	
20	Hydro One Inc. should conduct customer satisfaction surveys to those using the Customer Relations Centre and use the results to plan for operational improvements.	Starting in the week of May 10, 2014, Hydro One implemented customer satisfaction surveys for Customer Relations Centre-handled complaints.	

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Transforming Corporate Culture and Governance	21	Hydro One Inc. should establish strategic objectives for its corporate scorecard, as well as for individual managers, related to changing its organizational culture to reflect public sector values.	In June of 2014, Hydro One's President and CEO introduced all Hydro One employees to Five Core Values: Customer Caring, Safe Workplace, Execution Excellence, People Powered and One Company. Performance Management for all management staff incorporates all five core values and they are accountable to work with their manager to set specific and measurable goals under this framework. 2015 is the first year that management performance will be measured in this new context and the company commits to improving the process to foster a positively changed corporate culture as evidenced by improved customer experience.
	22	Hydro One Inc. should ensure that timely risk assessments and "lessons learned" evaluations take place throughout all stages of project planning, implementation, and stabilization. It should consider whether the impact on customers has been appropriately identified and addressed throughout mitigation and contingency planning, as well as communication strategies.	Hydro One will undertake formal risk assessments at key milestones for all major customer-facing initiatives. Hydro One appointed a new Chief Risk Officer in April 2015; this position reports directly to the CEO and has accountability for ensuring compliance with this requirement. Hydro One has adjusted its risk tolerances for customer impacts to increase focus on customer risk and ensure mitigation and contingency planning.
	23	Hydro One Inc. should ensure that executive management and the board of directors are immediately alerted to any signs of systemic customer service and billing problems, including rising complaint levels.	Regular reports to the Executive Committee now include customer service "health" metrics. Board and Board Committee reporting also include emerging customer service issues and measures of customer service process "health".
	24	Hydro One Inc. should ensure that, in addition to regular briefings on complaint statistics, its executive management and board of directors routinely receive information about complaints and inquiries from all sources, as well as details of problem trends and individual cases reflecting egregious customer service and errors.	Backlog of complaints is a statistic reported regularly to the Executive and Board Committee level. Patterns and emerging trends in complaints are included as appropriate. Since March of 2014, the Vice President of Customer Service has received daily complaints statistics and any identified trends; this process will continue.
	25	Hydro One Inc. should ensure that executive managers and the board of directors are regularly and fully briefed about the cumulative impact and nature of customer service and billing issues.	Regular reports to the Executive Committee now include customer service "health" metrics, and this will continue. Board and Board Committee reporting includes emerging customer service issues and measures of customer service process "health", including volumes, complaint backlogs and other cumulative customer service impacts.
	26	Hydro One Inc. should continually reinforce for its staff, through training and direction, that the purpose of preparing billing and customer service statistics is to enable the company to have a clear, objective and accurate understanding of how well it is serving its customers.	In early 2014, the company made operational and customer statistics a core part of routine discussions and communications with staff. In the call centre this includes the display of relevant billing and call handling statistics on television screens and display boards throughout building, starting at the entrance. In addition, key related metrics such as customer satisfaction and first call resolution are part of corporate performance targets.
	27	Hydro One Inc. should prepare statistics in a consistent, clear, and standardized format, accompanied by meaningful and honest analytics.	Hydro One has standardized its method for presenting its metrics in a clear, consistent format.
	28	Hydro One Inc. should create a customer service committee of the board of directors to highlight the significance of issues affecting its customers, meet with customers and customer groups to gain a better understanding of customer service issues, and effectively address systemic concerns.	The Business Transformation Committee of Hydro One's Board of Directors currently includes customer service performance as an element of its mandate. This includes oversight of Management's activities specific to customer issues and trends. Future Board Committee mandates and structures are the purview of the Board.
	29	Hydro One Inc. should ensure that its board of directors receives sufficient training to understand technical aspects of the company's operations, key performance indicators and other information relevant to customer service.	Board Education on customer service operations and metrics is provided.
	30	Hydro One Inc. should ensure that it has adequate customer service and technical resources to address customer service issues.	Hydro One's Customer Service team now has the authority to pull-in additional service or technology resources from elsewhere in the company to address customer service issues as they arise. This was implemented in 2014 and was particularly valuable in resolving the backlog of complaints escalated to the Customer Relations Centre.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Improving Customer Service Practices	31	Hydro One Inc. should develop a system to ensure that timely refunds are available to customers who have overpaid their accounts, through inadvertence or system error.	Hydro One offers customers the option of a refund cheque or credit upon request for inadvertent or system errors. The company is taking steps to ensure that these are issued in a timely manner.
	32	Hydro One Inc. should redesign its bills to ensure maximum clarity.	Hydro One is performing an extensive review and redesign of the bill format in 2015, with a plan to implement a new bill in 2016. The bill redesign will be based on industry best practices, and will leverage significant customer and front line employee feedback to ensure maximum clarity. Note that, as this is a major customer-facing initiative, Hydro One will incorporate all the lessons learned from the recent billing issues to protect customer experience and mitigate disruption.
	33	Hydro One Inc. should consider best billing practices and consult its customers and other stakeholders in redesigning its bills to ensure that any revisions actually meet customer needs.	The 2015 bill redesign process will include multiple input opportunities and design iteration checkpoints with customers and employees. Hydro One will look to current/recent successful bill redesign initiatives in the sector for guidance.
	34	Hydro One Inc. should prepare a single itemized bill, rather than multiple bills, to address rebilling because of mistakes, prolonged estimates, or other circumstances, along with accompanying correspondence setting out a clear explanation as to why the account has been reconciled.	System changes to generate a "single itemized bill" are under evaluation, with anticipated implementation in the first quarter of 2016.
	35	Hydro One Inc. should post a clear explanation of the complaint process, including information about call centre and Customer Relations Centre escalations, and reference to external referrals.	Hydro One has a formal process for complaints management; any customer has the right to have an issue escalated. Hydro One will clarify its complaint process on its website.
	36	Hydro One Inc. should ensure that the Customer Relations Centre staff consistently provide external referrals to the OEB, the Ontario Ombudsman and other relevant bodies where appropriate.	Hydro One refers matters to external agencies responsible for relevant topics (e.g. OEB, IESO, Ombudsman) where appropriate. This is an area that has been emphasized in recent script revisions and quality training for call centre agents.
	37	Hydro One Inc. should develop a procedure to ensure that customers are consistently offered clear, detailed and accurate explanations as well as apologies for poor service.	When Hydro One revamped "bill literacy" training in the spring of 2014, these key call handling concepts and approaches were incorporated. This was rolled out to staff using a specific service model that emphasizes listening, acknowledgment, and apology as a way of recovering a situation and building rapport with customers. This was built into the revamped quality training program in 2014 and continues to be reinforced.
	38	Hydro One Inc. should ensure that its efforts to resolve billing issues are adequately monitored and coordinated to prevent duplication, inconsistency and negative impact on its customers.	Monitoring and coordination of billing resolution was implemented in April 2014 to provide visibility on all customer facing billing issues in order to drive timely resolution and a consistent customer treatment.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Committing to Customers	39	Hydro One Inc. should ensure that its customer commitments initiative has strong senior leadership and robust planning, monitoring, and reporting.	In the fall of 2014, Hydro One established a Customer Service Advisory Panel (the Panel). The Panel acts as an independent body that will ensure the Company is living-up to specific measurable customer service commitments. We have been working diligently with the Panel to finalize a comprehensive set of customer commitments as well as the means by which the Panel will assess and report on our progress against the commitments to ensure the Company is accountable to the highest standards. Over the longer-term, we will also look to the Panel to advise Hydro One leadership with respect to establishing and implementing new/revised customer service policies, approaches and products. Hydro One's panel includes the President of Credit Canada Debt Solutions, the President of Laurentian University, the former Chief of the Saugeen Ojibway Nation, and the President and CEO of the Forest Products Association of Canada.
	40	Hydro One Inc. should post regular status updates on the progress of its customer commitment initiative on a prominent place on its website for public consultation.	In the fall of 2014 Hydro One posted draft commitments on its website and invited customers to participate in their refinement. Over 60,000 customers responded to the survey. Once the Customer Service Advisory Panel has completed its review of Hydro One's Customer Commitments, including customer feedback obtained during this survey process, the commitments will be posted publicly.
	41	Hydro One Inc. should post the final customer commitment document in a prominent place on its website.	Once the Customer Service Advisory Panel has completed its review of Hydro One's Customer Commitments, they will be posted prominently on the company's website.
	42	Hydro One Inc. should set timelines for the completion of the service metrics and public scorecard to accompany the customer commitment document, and ensure that these are prepared on an expedited basis.	Hydro One is working very closely with our Customer Service Advisory Panel to finalize the customer commitments. Hydro One anticipates this work will be completed in mid -2015.
	43	Hydro One Inc. should post service metrics and the public scorecard related to the customer commitment document prominently on its website and ensure that these are regularly updated.	The service metrics will be posted on Hydro One's website once they are finalized. Additionally, the Panel will produce an independent report on its assessment of Hydro One's customer improvement activities.
	44	Hydro One Inc. should ensure that it provides clear and transparent explanations for the statistical information and other evaluations that it posts about success in meeting its customer commitments.	Hydro One's progress in meeting our commitments will be evaluated by the independent Customer Service Advisory Panel members. Hydro One will provide full explanations of all metrics and evaluations.
	45	Hydro One Inc. should post examples of cases where it has met and/or failed to meet its commitments to promote organizational learning, public accountability and transparency.	Hydro One's success in meeting our commitments will be evaluated by the independent Customer Service Advisory Panel members. Their conclusions will be shared publicly, to increase accountability and transparency.
	46	Hydro One Inc. should ensure that the customer service advisory panel is provided with sufficient information and opportunities to enable it to function effectively.	Education for the Customer Service Advisory Panel has been an ongoing priority since the fall of 2014. A subject matter expert on global best practices in Utility Customer Service is also serving as an advisor to the Panel to support this effort.
	47	Hydro One Inc. should publish information about the customer service advisory panel's activities and the contribution it has made to customer service initiatives.	Once the Customer Service Advisory Panel has completed their initial report, the findings will be shared publicly. Their ongoing contribution, the metrics and the Commitments will become a continuous improvement process.
	48	Hydro One Inc. should publish disconnection moratorium dates annually, refer to them in communications about collections during the winter months, and abide by them.	Hydro One will ensure customers are aware of Hydro One's voluntary winter moratorium and when their service may or may not be disconnected for non-payment.
Improving Collection Practices	49	Hydro One Inc. should develop a process that ensures individual circumstances are consistently and fairly taken into account when resolving collection matters.	Hydro One's collections program needs to balance compassion for customers and fairness for all ratepayers. Steps will be taken to ensure individual circumstances are taken into account, especially customers in financial difficulty, but ultimately customers need to pay for the electricity they consume as the cost of unpaid bills is borne by other customers.
	50	Hydro One Inc. should ensure that all changes in bill collection initiatives are thoroughly researched and planned, and include pre-implementation consideration of customer service impacts, risks and mitigation strategies.	As Hydro One restarts its collection program, we will ensure that the appropriate care is given to minimize customer service impacts.

Hydro One - Response to Recommendations

Topic	#	Recommendation	Response
Clarifying Classifications	51	Hydro One Inc. should post clear and easily accessible information on its website informing customers about the significance of different density classifications and their relationship to rates.	This information is already posted on Hydro One's website at www.hydroone.com/MyHome/MyAccount/UnderstandMyBill/Pages/DeliveryRates .
	52	Hydro One Inc. should post information about the density classification review process on its website.	Hydro One will post this information on its website.
	53	Hydro One Inc. should develop a clear, consistent and fair policy for retroactive adjustment of accounts that have been subject to inaccurate density classification.	The policy was developed in March of 2015, following the Ontario Energy Board's decision on density classification.
	54	Hydro One Inc. should ensure that whenever a customer request results in a density reclassification, neighboring properties are reviewed to assess whether the same adjustment should apply to them.	A review process is being developed, with anticipated implementation by the end of 2015.
	55	Hydro One Inc. should inform individual customers, in clear language, of the significance of their rate classifications in terms of billing, and include information about how to request a change in classification if they believe their property is misclassified.	Hydro One's Conditions of Service and other appropriate communication vehicles will be enhanced to provide additional clarity for customers.
	56	Hydro One Inc. should post clear information about the different rate classifications (such as general service) and their impact on billing on its website, and include information about how customers can request a change in reclassification if they believe their property is misclassified.	Information on rate classifications is available on Hydro One's website at http://www.hydroone.com/MyHome/MyAccount/UnderstandMyBill/Pages/ServiceTypes.aspx . Hydro One will add instructions on how customers can request a review if they believe they have been incorrectly classified.
	57	Hydro One Inc. should ensure that call centre agents are instructed to confirm the use being made of the property when setting up or transferring accounts that are classified as general service to ensure proper classification.	This existing process was enhanced in January 2015.
	58	Hydro One Inc. should ensure that when accounts are created online, the nature of the service is confirmed to ensure proper classification.	Hydro One agrees with this recommendation. Hydro One will evaluate the recommendation to determine how best to implement, with anticipated implementation by the end of 2015.
	59	Hydro One Inc. should develop a transparent and consistent process for providing retroactive credits and refunds when it is discovered that an account has been misclassified, and post information about this process on its website.	Hydro One agrees with this recommendation. Hydro One will evaluate the recommendation to determine how best to implement, with anticipated implementation by the end of 2015.
	60	Hydro One Inc. should ensure that it does not issue retroactive bills in contravention of the Retail Settlements Code, and should train call centre and Customer Relations Centre staff so that they understand and apply the two-year billing limit.	An interim process was implemented in December 2014. A long term solution is scheduled to be implemented in mid-2015.
61	Hydro One Inc. should prominently post information on its website about the two-year restriction for collecting charges from residential customers for under billing.	Hydro One will post information about the two year limitation on collecting charges from customers who have been under-billed.	
62	Hydro One Inc. should revise its goodwill credits policy to eliminate reference to "goodwill", post the revised document on its website, and ensure that is it applied consistently.	Hydro One revised its policy in 2014 to provide for greater consistency in applying credits associated with failing to provide acceptable service, and will continue to monitor for consistent application of the policy.	
63	Hydro One Inc. should take steps to revise its conditions of service to provide customers with a right to receive service charge credits if they do not receive bills, or receive erroneous bills.	As noted in the Report, this has been our practice since early 2014. This will be communicated in the next revision of our Conditions of Service.	
Lessons Learned	64	Hydro One Inc. should use the customer relations fallout associated with the new CIS as a learning tool for its managers.	As noted in the Report, the "Call a Customer" executive training program was introduced in the summer of 2014. This program includes a detailed review of the CIS experience and lessons learned. To date, over 150 managers and executives have completed the program.
Progress Reports	65	Hydro One Inc. should report back to my Office in six months' time on progress in implementing my recommendations, and at six-month intervals thereafter until such time as I am satisfied that adequate steps have been taken to address them.	Hydro One will be open and transparent in its efforts to improve customer service and will report back to the Office of Ombudsman on this investigation as scheduled.