



News Release

For Immediate Release

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Hydro One's Transmission and Distribution Systems Becoming Less Reliable, Yet Costs are Increasing: Auditor General

(TORONTO) Hydro One's transmission and distribution systems have been less reliable in recent years, and their costs are increasing, Auditor General Bonnie Lysyk says in her *2015 Annual Report*.

"Hydro One's mandate is to be a safe, reliable and cost-effective transmitter and distributor of electricity. Instead, Hydro One's customers have a power system for which reliability appears to be worsening while costs are increasing," Lysyk said today after the Report was tabled.

"Customers are experiencing more frequent power outages, mostly because assets aren't being fully maintained, aging equipment isn't being consistently replaced and trees near power lines aren't being trimmed often enough to prevent outages."

Following are some of the Report's significant findings:

- The reliability of Hydro One's transmission system has worsened considerably from 2010 to 2014. Customers have experienced 24% more outages and those outages have lasted 30% longer. Meanwhile, costs to maintain the transmission system have increased 31% over the same period.
- Hydro One's growing backlog of preventive maintenance orders to be performed on its transmission system equipment increased by 47% from 2012 to 2014, while the number of equipment outages on the transmission system increased by 7% over the same period.
- Hydro One cited the need to replace the same transmission assets, including transformers in very poor condition and at very high risk of failing, in successive rate applications to the Ontario Energy Board to justify and receive rate increases. Instead, it replaced other assets without informing the OEB, and will seek \$148 million again in future to carry out the overdue replacements.
- There is a risk of more power failures because Hydro One is not replacing transmission assets that have exceeded their planned useful service life. The number of key transmission assets such as transformers, circuit breakers and wood poles in service beyond their normal replacement date ranged from 8% to 26%. Replacing these assets will eventually cost Hydro One an estimated \$4.472 billion, or over 600% more than its \$621-million capital sustainment expenditure for 2014.
- Hydro One's distribution system was consistently one of the least reliable among large Canadian electricity distributors between 2010 and 2014. Compared to Hydro One's outages, the reported outages of other distributors lasted on average 59% less time and occurred on average 30% less frequently. The Ontario Energy Board in 2014 ranked Hydro One worst and second-worst of all distributors in Ontario for duration and frequency of outages in 2013. Over the same period, spending to operate and maintain the distribution system and replace assets that were old or in poor condition increased by 18%. Many of Hydro One's distribution system assets have exceeded their planned useful service life and are still in service.

- The top reason for distribution system outages from 2010 to 2014 was broken lines caused by fallen trees or tree limbs. Hydro One operates on a 9.5-year vegetation-management cycle, while the average cycle used by similar utilities is 3.8 years. Hydro One’s own analysis indicates that the vegetation-management work it did in 2014 cost \$84 million more than it would have under a four-year vegetation management cycle, which would have resulted in fewer outages caused by trees.
- After recently spending \$660 million to install 1.2 million smart meters on its distribution system, Hydro One uses them predominately for billing purposes. It is not making use of their capability to remotely identify the location of power outages before a customer calls to report it. Such proactive use of smart meters would make dispatching of work crews timelier and more efficient, leading to improved customer service and cost savings.

Given that the Office of the Auditor General will no longer have jurisdiction over Hydro One as of December 4, 2015, we have requested that the Ontario Energy Board take the observations we have made in this report into consideration during its regulatory processes.

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For more information and to view the full report, please visit www.auditor.on.ca