

Minister's Directive

TO: THE ONTARIO ENERGY BOARD

I, Glenn Thibeault, Minister of Energy, hereby direct the Ontario Energy Board (the "Board"), pursuant to my authority under sections 25.30 (2) of the *Electricity Act, 1998* to issue a directive setting out the Government of Ontario's requirement respecting the implementation of the long-term energy plan in respect of matters falling within the Board's jurisdiction, and the date by which the Board must submit an implementation plan to the Minister.

The Board shall, in accordance with the requirements of this Directive, submit an implementation plan by xxx, outlining the steps the Board intends to take to establish the following:

1. Delivering Efficiency and Value

1.1. The Board shall undertake a review of its regulatory rules and processes in order to further the transmission and distribution sector towards a performance/outcomes-based framework. This review will include, as objectives, the need to:

- Strengthen utility accountability to consumers, including through the use of financial incentives and penalties connected to utility performance expectations, including for customer reliability;
- Enhance customer reliability standards and reporting and accountability of standards, consistent with the principles outlined in the Ministry of Energy's Long-Term Energy Plan. In doing so, the Board shall consider:
 - Options to develop metrics and performance standards that provide insight into local, circuit or customer specific performance, in addition to system wide averages.
 - Options to increase transparency and timeliness of performance reporting in a way that is useful to end customers.
 - Options to build utility capacity to address customer concerns related to power quality.
 - Options to set out clear timelines and steps utilities must follow when customers report reliability, power quality and other quality of service issues and when reliability standards are not met.

- 1.2. The Board shall undertake a review of its regulatory rules and processes in order to address barriers preventing and opportunities to promote the modernization of Ontario's electricity sector. The OEB shall work with stakeholders, such as LDCs, This review will include, as objectives, the need to:
- Promote efficiencies across LDCs, including opportunities for shared services.
 - Enable LDCs to partner with third parties on assets and services both in-front and behind-the-meter that provide a system benefit.
 - Design discrete, long-term system and business modernization plans to be included in regulatory filings.
 - Address barriers to implementation of cost-effective smart grid and non-wires solutions, including identifying any regulatory or legislative barriers, addressing the appropriate treatment of diffusion of benefits, cost allocation, and a cost-benefit framework that provides clarity on the treatment of these investments.
 - Create incentives for operational expenditures by distributors that defer upgrades or new capital, optimize the use of existing capital, or incorporate a non-wires solution to complement new capital investments, when cost effective.
 - Ensure that transmitters and distributors take a strategic and cost-effective approach when replacing assets at the end of their service life in order to better align investments with evolving power system conditions and needs. In doing so, the Board shall consider both network and customer connection assets.
- 1.3. In an effort to ensure a modern, streamlined and cost effective regulatory process, the Board shall undertake a review of regulatory processes costs and shall begin releasing business cases for new regulatory requirements.
- 1.4. The Board shall work with the IESO to review market rules, industry codes, and regulations to identify remaining issues that may prevent energy storage from competing equitably with other technologies in the delivery of services, and identify appropriate mitigation strategies to address these inequities.
- 1.5. Working with the Independent Electricity System Operator (the "IESO"), the Board shall conduct a review of the regional planning process, taking into account lessons learned from the first cycle of planning, and report back with joint options and recommendations to address challenges and opportunities, including identifying the following:

- Consistent with Section 1.2 above, options to address barriers to implementation of cost effective non-wires solutions
- Options to better integrate bulk, regional, distribution system and community energy planning.

2. Ensuring Affordable and Accessible Energy

2.1 The Board propose a method and timeline to implement the rate regulation of unit sub-metering providers with related consumer protection measures as required.

3. Enhancing Commitment to Energy Conservation and Efficiency

3.1 Investigate the potential to provide regulated commodity rate options to non-Regulated Price Plan (RPP) Class B consumers, such as flat, tiered or TOU rates

3.2 Amend the March 26, 2014 Directive to the OEB to, notwithstanding the definition of Conservation and Demand Management (CDM), allow reduced electricity consumption resulting from any measures a Distributor uses to maximize the efficiency of its new or existing infrastructure to count towards a Distributor's CDM Target for the purpose of the Distributor being eligible to receive tiered performance incentives (described in Section 1.6(i) of the March 31, 2014 Direction to the OPA (now IESO)) at the end of the 2015-2020 Conservation First Framework. Where the reduced electricity consumption from such measures are counted towards a Distributor's CDM Target, only the portion of the Distributor's CDM Target met through eligible CDM activities shall be used for the purpose of calculating Distributor performance incentives.

3.3 The Board shall report back to the Ministry of Energy with a recommended approach to further encourage distributors to pursue energy efficiency on the distribution system, where cost-effective.

4. Responding to Climate Change Challenge

4.1 In alignment with the review noted in 1.1, The Board shall integrate climate change adaptation into the regulatory framework in order to, among other objectives deemed necessary, promote:

- The use of a knowledge-sharing platform through which utilities and other stakeholders can meet, share best practices, and build adaptation capacity.

- The incorporation of sound evidence on the anticipated potential effects of climate change into rate filings and regional planning processes.
- 4.2 The Board shall conduct a distribution sector-wide climate change vulnerability assessment.
- 4.3 The Board shall explore ways to enable utilities to provide smart charging as a service to residential customers, in line with the objectives articulated in Section 1.2 of this Directive.
- 4.4 To align energy conservation and efficiency programs and initiatives with climate change objectives,
- Amend the definition of CDM in the March 26, 2014 Directive to the OEB to exclude behind the meter customer generation which results in a net increase of greenhouse gas emissions, starting July 1, 2018. Such projects for which applications are received by the IESO before this date, and which result in a reduction in electricity consumption at the end of the 2015-2020 Conservation First Framework, will count towards a Distributor's CDM Target.
 - In consultation with natural gas distributors, the Board shall consider alignment of the Demand Side Management Framework ("DSM Framework") with natural gas distributor obligations under the Ontario's Cap and Trade Program, as well as new programs and/or initiatives that may be established through the Green Ontario Fund.

5. Encouraging an Innovative Sector

- 5.1 The Board shall explore ways encourage a culture of innovation in the distribution sector, including the promotion of information sharing across LDCs.