Ontario

MINISTRY OF
ENERGY

Ontario Energy Board Modernization Review Panel: Initial Stakeholder Meetings

January 2018

Hydro One

Key Information

- Main provincial transmitter
- Distributor for most of rural Ontario – 1.3M customers (1st in size)
- $6,552 Million in revenues - 2016
- Affiliates include Hydro One Remote Communities Inc. and Hydro One Telecom
- Challenges include declining customer base, ageing assets, improving customer confidence.
- Publicly traded company – Ontario is largest shareholder.

OEB Views/Touchpoints

- Hydro One has the most applications in front of the OEB at any one time.
- Major rate applications invite significant intervenor input. 2018-2022 distribution rate application currently before the OEB.
- In recent years Hydro One has been acquiring many smaller LDCs. Application to purchase Orillia Power currently before the OEB.
- Hydro One's recommendation to the LTEP encouraged a technology-agnostic approach which will allow cutting edge innovations and engineering solutions to ensure a modern and reliable system.

Alectra

Key Information

- Distributor for the following communities: Hamilton, St. Catharines, Mississauga, Vaughan, Richmond Hill, Aurora, Brampton, Barrie, Beeton, Bradford West Gwillimbury, Penetanguishene, Markham, Thornton and Tottenham
- Serving 950,000 customers (2nd in size)
- Member of the Coalition of Large Distributors.
- Established in 2017 as merger of PowerStream, Enersource, Horizon, and Hydro One Brampton
- Challenges include combining legacy systems of founding utilities and structuring company to pursue new business streams.
- Viewed as the utility most likely to pursue non-regulated revenue sources; less risk-averse re: waiting for OEB approval

OEB Views/Touchpoints

- MAAD application was considered the most complex application of its kind. Filed April 15, 2016 – Decision issued December 8, 2016 – 8 months
- Full re-basing of service territories scheduled for 2027 (10 years from the closing transactions). Preparing for this application will be a significant undertaking.
- Just announced it will be seeking to merge with Guelph Hydro – MAAD application forthcoming.
- Alectra is interested in the applications of new technologies; seeks further clarification from OEB on treatment of investments.
- Alectra has requested that the OEB convene a generic proceeding to consider the future of the electricity grid – seeks a broad policy forum instead of issue-specific consultation.

Toronto Hydro

Key Information

- LDC for the City of Toronto. Wholly-owned by the City.
- Serving 761,000 customers (3rd in size)
- Member of the Coalition of Large Distributors.
- $723.8 Million - 2016
- Challenges include ageing assets and system planning for increasing density.
- Notable outages and equipment failures have drawn attention to capital investment plans.

OEB Views/Touchpoints

- Toronto Hydro has been critical of OEB's approach to regulation as well as the amount of administrative burden.
- 2014 application decision included a 10% capital budget cut, which Toronto Hydro felt was arbitrary

Made 4 recommendations to Ministry as part of LTEP process:

1. OEB should create Annual Simplification Plans on how it intends to improve effectiveness and efficiency of its own rules and regulations
2. if a new regulation comes in that adds burden and costs – offsetting reductions should be made on a dollar for dollar basis
3. Ontario Regulatory Policy – that the OEB should be required to follow key tenets of the Policy and they included: Clear need identification and transparency in policy development; Twice Annual Effective Dates; Minimum Consultation Period for all new or amended policy-making instruments, such as codes etc. (Toronto Hydro recommends 30 days)
4. Regulatory Impact Assessments should be completed for any new or amended energy policies

Enbridge

ENBRIDGE®

Key Information

- Enbridge Inc., owners of Enbridge Gas Distribution (EGD), completed its acquisition of Spectra, owner of Union Gas on February 27, 2017. Enbridge Inc. currently operates both utilities independently of each other.
- In November 2017, EGD and Union Gas filed a mergers, acquisitions, amalgamations and divestitures (MAADs) application with the OEB to amalgamate their Ontario operations. The amalgamation proceeding is pending.
- EGD has 2.1 million customers and Union Gas has 1.5 million customers.

OEB Views/Touchpoints

- Amalgamation: The OEB is considering next steps on the EGD and Union Gas amalgamation application. There is no indication from the OEB that this application will be problematic.
- Natural Gas Expansion: Both EGD and Union Gas participated in the recent Natural Gas Grant Program administered by Ministry of Infrastructure (MOI). The program provides $100 million in support of natural gas infrastructure expansion to Indigenous and local communities in rural and northern Ontario. The MOI approved funding applications are now before the OEB for final approval to proceed with construction.
- Cap and Trade: The OEB is currently considering the EGD and Union Gas 2018 cap and trade compliance plans, filed in November 2017. The plans include a proposal to procure long-term contracts for renewable natural gas (RNG) supply with funding support from the government to mitigate the incremental commodity cost impact to consumers.

Ontario Power Generation

ONTARIO POWER GENERATION

Key Information

- Largest electricity generator in province
  - Generates over half of Ontario's electricity
  - Total capacity of ~ 17,000 megawatts
- 100% owned by Ontario government.
- Nuclear and most hydroelectric facilities are rate regulated.
- Managing the $12.8 billion Darlington Refurbishment Project
  - 10 year project; one of Canada's largest infrastructure projects.
- Serving as Financial Services Manager (FSM) of the Fair Hydro Plan.
- Challenges include high compensation costs; revenues subject to OEB rulings; finding new revenue streams.

OEB Views/Touchpoints

- OEB sets payment rates for regulated hydroelectric and nuclear facilities.
  - OPG is the only rate-regulated generator in Ontario.
  - 2017-2021 rates decision was largest case ever heard by OEB.
  - OPG looked to improve relationship with regulator & intervenors through the 2017 -2021 rates process.
- As part of rates process, OEB reviews prudence of any cost overruns with capital projects.
- Under Fair Hydro Plan, OEB reviews and approves the fees charged by OPG in its role as FSM.
- OPG considering new lines of business including storage, microgrids, and other services.
  - OPG would have an interest in any regulatory changes that could spur innovation.

Electricity Distributors Association

Key Information

- Represents all Local Distribution Companies (LDCs) in Ontario except Hydro One, Toronto Hydro, and Niagara-on-the-Lake Hydro. Approximately 65 LDCs.
- The EDA focus is on the issues and needs of the LDCs – the consumer facing companies responsible for the actual delivery of electricity to homes, businesses and public institutions.
- Most LDCs are owned by local municipalities

OEB Views/Touchpoints

The EDA provided the following recommendations during the LTEP process:

1. Regulations should be modernized and streamlined:
2. Simplify filing guidelines from the OEB
3. Enable shared services between LDCs without OEB pre-approval
4. Government should expand scope of the Burden Reduction Strategy to review the regulatory requirements for LDCs and provide independent recommendations for streamlining. This review should also be prioritized.
5. All OEB regulatory requirements should provide a cost-benefit analysis for customers and distributors.
6. OEB should adapt digital strategy and eliminate requirement for LDCs to submit hard copies of applications and reports.

To facilitate more amalgamations and partnerships the EDA recommends the following:

- Provide certainty to LDCs by extending the tax-relief measures; clarify the transfer tax applicable; confirm that PILs credits can be carried over following a merger/acquisition; and provide time limited relief of tax on recaptured depreciation.

Ontario Energy Association

Ontario Energy Association

Key Information

- Represents a diverse subset of energy sector stakeholders and provides submissions to the OEB on policy initiatives that affect all industries in the energy sector.
- Through member committee work, in-depth research, and meetings with industry leaders and government the OEA has issued many policy papers on behalf of their members. They bring an overall industry perspective to issues.

OEB Views/Touchpoints

- 2017 Energy Platform included multiple recommendations on OEB governance:

1. Conduct a formal review of Ontario's regulatory framework to ensure the OEB has been given the appropriate mandate, structure, and resources to deliver and efficient regulatory systems that continually adapts with a sector going through technological change and innovation.
2. Require full transparency in decision-making, including cost-benefit analysis and comparison of alternatives. Mandate stakeholder and customer consultations about new rules.
3. Commit to an outcomes-based approach to regulation with clear metrics to minimize regulatory burden on utilities wile providing incentives to lower system costs.
4. Require annual reporting from all energy agencies on their efficiency in managing their responsibilities, on their costs/benefits, and on ratepayer costs for which they are responsible.

Cornerstone Hydro Electric Concepts

CornerstonE
Hydro Electric Concepts

Key Information

- Collection of 15 smaller LDCs in Ontario: Centre Wellington, COLLUS PowerStream, Grimsby Power, InnPower, Lakefront Utilities; Lakeland Power Distribution Ltd., Midland Power Utility Corp.; Niagara on the Lake Hydro; Orangeville Hydro Ltd., Orillia Power Corp.; Ottawa River Power Corporation; Renfrew Hydro Inc., Rideau St. Lawrence Distribution Inc., Tillsonburg Hydro, Wasaga Distribution Inc., Wellington North Power Inc., West Coast Huron Energy Inc.
- Administered as a co-operative; drives efficiencies by sharing resources across its members.

OEB Views/Touchpoints

- Smaller LDCs have less capacity to resource OEB filings requirements and hearing appearances.
- They usually have to hire outside counsel.
- Smaller LDCs can often be more efficient when it comes to core business activities but lack capacity to staff broader policy requirements.
- Express concern when OEB sets expectations that it may not have staff resources to meet.

Recommendations from LTEP meetings:

1. recommend that the ministry and the OEB consider incenting both *efficiency* and *effectiveness* for LDCs, rather than the current focus on just *efficiency.*
2. Looking at different approaches for different sized LDCs for Cost of Service applications
3. The OEB should allow for more collaboration. For example, CHEC was not permitted to conduct customer survey collectively. This would have resulted in a $250K savings.
4. CHEC recommends that OEB activities be subject to a public cost-benefit analysis prior to implementation. CHEC is unclear of the value of some of the OEB initiatives, such as LDC governance requirements.

Association of Major Power Consumers in Ontario

AMPCO

Key Information

- Representing high-volume electricity consumers, (many of them directly connected to the grid) their objective is to ensure that industrial electricity rates are competitive, fair and efficient.
- AMPCO serves its members with critical analysis of electricity policy and regulation, market research and analysis, and expert representation on the policy and regulatory matters that affect members' bottom line.
- They intervene on behalf of their members at the OEB on cases where applicable

OEB Views/Touchpoints

AMPCO had outlined 11 recommendations in their LTEP submission. The following are the recommendations regarding the regulatory environment:

1. Affordability must be the paramount concern
2. The existing rate regulation framework, and the capital budgets of OPA and Hydro One should be reviewed from the perspective of rate minimization and affordability
3. Ontario's Market Renewal Initiative should have cost containment as its primary objective, and it should be delayed until after the LTEP is completed
4. AMPCO appreciates the existing industrial rate programs and suggests that new industrial rate programs should be investigated and implemented
5. Reliability issues need to be investigated to reduce the impact on industrial operations and to ensure that existing undesirable effects are not unintentionally amplified as a result of future LTEP changes
6. Government's affordability objective can be furthered by considering funding from both rate base and tax base (this has been implemented via the Fair Hydro Plan)

School Energy Coalition

SCHOOL ENERGY COALITION
ADVANCING ENERGY AND WATER SOLUTIONS FOR SCHOOLS

Key Information

- School Energy Coalition (SEC) is registered as the official intervenor at the Ontario Energy Board on behalf of all 72 District School Boards in Ontario.
- The intervention role aims to protect the financial interests of school boards when natural gas and electricity utilities apply for increases in distribution rates for their energy sources.

OEB Views/Touchpoints

The mandate of SEC is achieved through four types of participation:

- As an intervenor, in applications by regulated utilities for changes in their rates, or recovery of specific costs, or approval of expenditures or commitments.
- In policy consultations with respect to the regulation of gas and electric utilities.
- In policy, program development, audit and other committees and discussions with respect to gas and electricity conservation.
- General advice to school boards with respect to energy issues.

SEC will intervene in some individual and related applications, depending on the impact of the application on the member school boards.

The cost awards for the year April 2016 – March 2017 for all intervenors was $5,140K of which SEC received $721K