



Ontario Energy Board Commission de l'énergie de l'Ontario

Delivering Value to Customers

Briefing - Minister of Energy

Presented by: Ontario Energy Board

December 8, 2016

Ontario Energy Board - Who We Are

The OEB's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.

- Independent, quasi-judicial tribunal whose mandate is set out in legislation.
- Regulating electricity since 1999 and natural gas since 1960.
- We protect the interests of all energy consumers – current and future
 - Price, reliability and quality of service
- We fulfill our mandate in a way that:
 - Aligns consumer and utility interests
 - Considers the broader public interest and helps achieve government policy objectives
 - Maintains viable electricity and natural gas sectors for tomorrow's consumers
- We perform our mandate in two ways:
 - Adjudication: Hearings where decisions are made on individual applications based on evidence filed in the proceeding
 - Policy development: Consultations aimed at establishing regulatory policy for sector (gas or electricity or both) as a whole
- Our operations are funded by regulated entities through cost assessments



The OEB Vision

- The OEB regulates in a manner that focuses on outcomes that are valued by consumers.
- OEB processes are efficient, effective, are understood and accessible to both industry and consumers
- Ontario regulated entities are among the most efficient in North America
- Consumers have:
 - A reliable energy supply at a reasonable cost
 - The information they need to make choices regarding energy use

The OEB is delivering this by empowering consumers, enhancing utility performance and enabling access to competitive energy choices

The OEB and the Electricity Bill

There are 3 major components of a Residential bill:

1. Electricity (56% of the bill) – cost of power

- This is made up of OPG, power contracted by the IESO and conservation programs
- OPG (20%) – OEB sets rates for OPG
- IESO – OEB does not set or approve IESO contracts
- OEB sets TOU pricing through the RPP but does not control all cost components within it

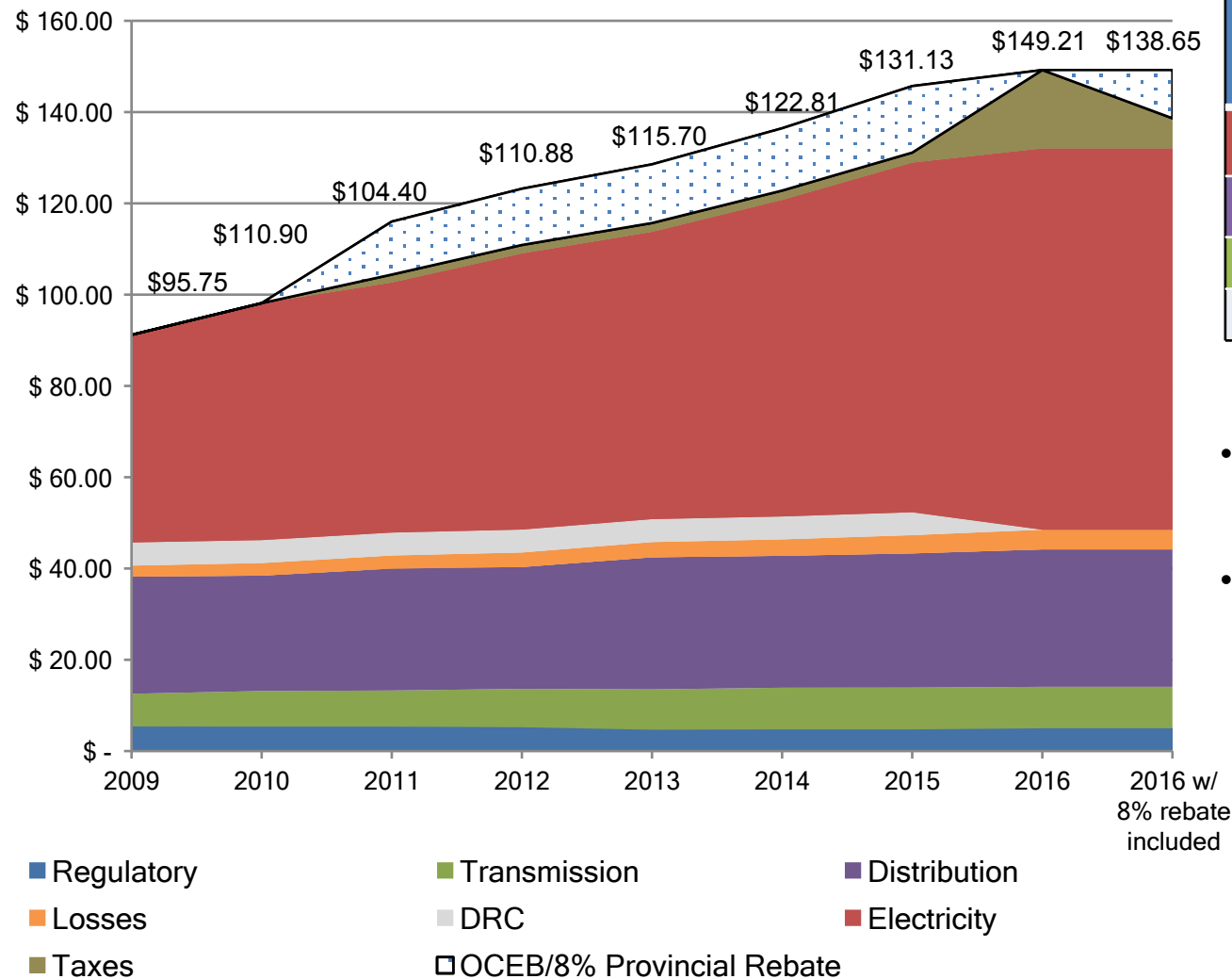
2. Delivery (29% of the bill) – cost of getting power to where it is used

- Distribution (20%) – OEB sets rates for 70+ LDCs
- Transmission (6%) – OEB sets transmission rates

3. Regulatory Charges (3%) – costs of running the system

- Includes cost of operating the wholesale market (IESO), the OEB and cost of programs such as OESP and RRRP
- OEB approves IESO fees

Average Ontario Electricity Bill - Trends



	Total Change 2009-16 (\$)	Average Increase (%/Year)
Electricity	\$ 38.06	12%
Distribution	\$ 4.42	2%
Transmission	\$ 1.93	4%
Total Bill Increase	\$ 53.46	8%

- Bills shown for a typical electricity customer consuming 750 kWh per month.
- OCEB/8% Provincial Rebate shows amount of credits that were provided to customers during each year.
 - OCEB expired Dec. 31, 2015.
 - 8% Provincial Rebate in effect Jan. 1, 2017



Policy Changes – Impact

- The impact of recent and currently proposed policy changes is summarized below.

			Typical Customer (750 kWh/month)		Hydro One – R2 Customer (2,000 kWh)	
		Total Bill (\$/month)	\$150		\$468	
Timing	Policy Change	Description	Increase	Decrease	Increase	Decrease
2016	OCEB	10% credit removed	\$15		\$47	
	DRC	No longer charged to residential		\$(5)		\$(14)
	OESP	Funding for low-income assistance	\$0.83		\$2	
2017	RRRP Rate and Credit	Increased assistance to rural/remote customers – Effective January 1, 2017	\$0.60	n/a	\$2	\$(29)
	FN Relief charge (Proposed)	Proposed charge to fund relief for first nations (FN) customers	\$0.11		\$0.29	
	FN Credit (Proposed)	Proposed relief of delivery line credit for first-nations customers.		n/a		\$(177)
	8% Provincial Rebate	Refund of PST portion of HST		\$(12)		\$(35) rural \$(23) FN
	Overall Impact		(71 cents)		\$ (27) rural and \$(163) FN	

Enhanced Utility Performance – Renewed Regulatory Framework (RRF)

- Introduced for electricity distributors in 2012, OPG in 2015 and in 2016 expanded to electricity transmitters
- Key principles of the RRF include:
 - requirement to demonstrate continuous improvement
 - robust integrated planning and asset management that paces and prioritizes investments
 - strong incentives to enhance utility performance
 - ongoing monitoring of performance against targets (including public scorecards on performance)
 - customer engagement to ensure utility plans are informed by customer expectations
- Results
 - Annual growth of base distribution rates from 2009 to 2015 is about 1.5% - less than the rate of inflation during the same period
 - The OEB has reviewed 112 cost of service applications since 2009 and reduced requests for rate increases by an average of 38% of the ask

Supporting Innovation and Evolution

- Smart Pricing
 - OEB's multi-year work plan on consumer prices (the RPP Roadmap) established in late 2015 encompasses:
 - Redesigning electricity pricing to give better incentive to shift consumption into off-peak periods
 - Pilot projects planned for rollout in 2017 will test different price plans and how automation and real-time information can help customers
 - Engagement with small business customers on solutions to challenges they face under mandatory time of use
 - Moving from a variable delivery charge to a fixed delivery charge
 - Supports innovation by utilities and consumers through pricing that encourages adoption of distributed energy resources such as storage and solar PV
 - Reflects the changing role of the distribution network
 - Encourages better planning and investment through more stability of revenues, lower overall costs
 - Reduces the delivery charge for higher demand residential customers (rural or electric heat) but will result in higher delivery charge for lower demand customers (urban condo dwellers)
 - Implementation started in 2014 and being rolled out over several years
- Robust Utilities for the future
 - Encouraging consolidations through innovative rate policies and providing guidance to industry
 - Eliminated barriers to consolidation – allowing recovery of transaction and integration costs
 - Established a simplified review process and supporting guidelines
 - Approved 7 consolidations since 2014

Protecting Vulnerable Consumers

- Low Income Emergency Assistance Program (LEAP) – introduced in 2012
 - One-time grant per year to qualified electricity and natural gas customers
 - (LEAP) Provided \$7.4M in financial assistance in 2014 (\$2.6M to 6,100 natural gas customers and \$4.8M to 9,600 electricity customers)
- Introduced January 1, 2016, OESP forecast to provide about \$145M in credits to low income customers this year.
 - Monthly credit to qualified electricity customers range from \$30 to \$75 per month.
 - Already over 160,000 households are receiving on bill assistance
- Energy Consumer Protection Act – in force January 1, 2017
 - Implementing new rules to provide greater protection to consumers based on extensive consumer consultations
- In 2016, RRRP will provide about \$176M in rate relief to rural and remote customers.
 - Eligible areas are defined in legislation (Hydro One R2 and Remotes, Algoma, First Nations Distributors).
 - Hydro One benefit is fixed by regulation at \$127M annually. Credit is currently \$31.50/month per customer; benefit is included in distribution charge.
 - To increase by approx. \$30/month on January 1, 2017
- Rate Assistance for On-Reserve First Nations Customers – Report to Minister January 1, 2017
 - To mitigate the unique challenges On-Reserve First Nations customers often face with electricity affordability
 - Recognizing First Nations' contribution to the electricity system in the province
- Bill 27 – Burden Reduction Act – referred to Standing Committee on General Government
 - Provides authority over when disconnections can occur to low volume customers

The way forward

- Giving Consumers A More Effective Voice
 - Consumer Panel composed of a cross-section of 100 residential and business consumers from across Ontario
 - Requirement for utility customer engagement to inform applications
 - Taking hearings into the communities affected by applications to the Board
 - Electricity Distributor Performance Data
 - Scorecard performance, bill calculator, distributor comparison tool, efficiency assessments, system reliability
- Enhancing Utility Performance
 - Regulatory rewards for improved performance
 - Optimizing investment planning (OpEx, CapEx, tying RoE to performance and risk)
 - Improving governance
- Strengthening Consumer Protection
 - Introducing a Consumer Charter
 - Updating Customer Service Rules
 - New disconnection rules
 - Undertaking a review of OESP and LEAP programs

OEB - Delivering Value

