



Enabling Ontario's Energy Future

Ontario Energy Board 2016-2019 Business Plan



Revised Business Plan
December ~~January~~ 2016

ENABLING ONTARIO'S ENERGY FUTURE

The Ontario Energy Board's 2016-2019 Business Plan continues the strategic direction established over the last few years to ensure that regulation of the energy sector is focused on delivering value to consumers and enabling regulated utilities to prepare for our energy future. The Plan builds on our 2015-2018 Business Plan and reflects the ongoing work of the OEB on priority initiatives that acknowledge overall public policy direction and address the transformation that is occurring in the energy sector.

In preparing our 2016-2019 Business Plan, the OEB has been mindful of the pace of change enabled by significant technological advancements which are affecting how energy is produced, transported and consumed. The OEB has also considered the importance of enhancing regulated utility performance and productivity to ensure that consumers receive value for their energy dollars. The Plan also reflects the increasing role of the OEB in protecting consumer interests more broadly as the energy sector continues to evolve, while continuing with measures to enhance regulatory effectiveness.

The OEB's work over the next three years will continue to focus on our four primary objectives as outlined in previous Plans:

- Empowering consumers;
- Enhancing utility performance;
- Enabling access to competitive energy choices; and
- Enhancing regulatory effectiveness.

ONTARIO ENERGY BOARD MANDATE AND VISION

The OEB's Mandate

The Ontario Energy Board oversees the Province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework. That mandate is determined by the provincial government and is embodied in legislation, regulation and directives. 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.

The OEB has regulated the natural gas sector since 1960 and the electricity sector since 1999. Our work includes:

- Setting gas and electricity rates and prices;
- Monitoring the financial and operating performance of natural gas and electrical utilities;
- Providing consumers with the information they need to better understand energy matters;
- Protecting energy consumers' interests; and
- Developing regulatory policy to meet emerging energy trends and challenges.

The OEB's Vision

- The OEB regulates the electricity and natural gas sectors in a manner that focuses on outcomes that are valued by consumers.
- Energy consumers have the information they need to understand the value they receive for their expenditures on energy and to make choices regarding their own use of energy.
- Under the OEB's regulatory framework, distributors, transmitters and other regulated entities invest and operate in a manner that increases efficiency and encourages innovation, and that provides consumers with a reliable energy supply at a reasonable cost.
- The OEB's own processes are efficient and effective and are understood by and accessible to all persons.

ENABLING ONTARIO'S ENERGY FUTURE

Empowering Consumers

Over the last several years, the OEB has adopted a much more consumer centric approach to regulation. This new approach is aimed at enhancing the level of energy literacy among consumers by equipping them with the tools and information they need to make informed choices about energy matters. Consumer centric regulation also means providing a meaningful opportunity for consumers to participate in, and influence decisions that impact them. The OEB has already taken significant steps to improve the accessibility of our adjudicative processes to consumers, and to reach out to consumers in the development of regulatory policy that directly impacts them.

In this planning period, the OEB will leverage its newly established Consumer Panel to engage more directly with consumers early on in order to implement regulation that not only reflects the evolution of the energy sector and considers the broader public interest, but that also delivers outcomes that are meaningful to those who pay the bill.

We will also look for opportunities to further enhance accessibility to the adjudicative process for the average residential and small business consumer by implementing enhanced consumer representation tools and processes, including community meetings and other approaches identified in our recently completed review of best practices in consumer representation models.

Finally, we will continue our commitment to improving energy literacy by enhancing the tools and information the OEB makes available to consumers to better understand their energy choices and the performance of their gas and electric utilities.

Empowering Consumers			
Priority Actions	2016	2017	2018
Consumer Outreach Effective community outreach and engagement, supported by a new Public Affairs function, to enhance the quality, quantity and accessibility of resources available to energy consumers.	✓	✓	✓
Engage Consumer Panel as an additional resource to access public input, test engagement products and regulatory policy direction.			

Empowering Consumers			
Priority Actions	2016	2017	2018
Consumer Representation in Decision Making Operationalize new consumer representation model to ensure effective and transparent consumer representation in OEB proceedings. Enhance accessibility to the adjudicative process for residential and low volume consumers by taking OEB hearings to the communities impacted by the application and providing enhanced opportunities to participate.	✓	✓	✓
Consumer Protection Develop a Consumer Charter / Consumer Bill of Rights. Consider approaches to enhancing the OEB's oversight capacity to better respond to and "advocate" for consumers.	✓	✓	
Energy Consumer Protection Act (Ministerial Request) Complete review of the Energy Consumer Protection Act and implement approved measures, as appropriate.		✓	
Ontario Energy Support Program (Ministerial Request) Implement Ontario Energy Support Program (OESP) to provide ongoing rate relief for low income consumers. Conduct ongoing evaluation and maintenance of the program as required.	✓	✓	
Section 35 Request for advice on First Nations Rates		✓	✓
Section 35 Request for advice on Retail Transportation Fuels Prices		✓	✓

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Enhancing Utility Performance

One of the OEB's primary objectives is to ensure that utilities are delivering cost effective, reliable and responsive services to consumers. Creating an environment that supports utility financial integrity and enhances operational performance is essential to realizing that objective.

The OEB's Renewed Regulatory Framework, implemented in 2012, elevates utility performance by focusing on cost control and operational excellence in meeting customer needs. Utilities are held accountable for their performance to their customers through visible monitoring, quantifiable reporting and benchmarking.

The Renewed Regulatory Framework recognizes that infrastructure spending is the main driver of increasing costs in the energy sector, while being essential to long term reliability for consumers. The RRFE encourages investment planning and decision making that is cost effective and forward looking. The OEB also recognizes that efficiencies and operational enhancements for consumers can come from large scale well financed utilities able to meet the challenges of a quickly evolving energy sector.

In this planning period, the OEB will continue with initiatives designed to enable utilities to undertake better planning, optimize investment decisions, and prioritize and pace expenditures to better manage impacts on consumers. We will also look to ensure that regulatory policies encourage innovation, support consolidation and appropriately reflect changing utility business risks.

Enhancing Utility Performance			
Priority Actions	2016	2017	2018
Good Governance Develop guidance for regulated utilities on best practices in corporate governance to encourage governance which protects consumers and enhances consumer and investor confidence in regulated entities.	✓		
Optimal Investment Decisions Review rate setting policies in support of infrastructure planning and investment decisions with a view to improving incentives for optimal decision making.	✓	✓	✓
Gas Supply Planning Complete a review of gas supply planning by gas utilities and any other matters stemming from the annual Natural Gas Market, including review of the gas Quarterly Rate Adjustment Mechanism (QRAM) to ensure that utilities are meeting customer needs in an optimal manner.	✓	✓	
Performance Monitoring Framework Establish effective reporting frameworks and enhanced auditing and benchmarking mechanisms and capacity to undertake business analytics to assist the OEB in enhancing utility performance.	✓	✓	✓

Enabling Access to Competitive Energy Choices

The OEB recognizes the fundamental changes occurring within the energy sector enabled by significant technological advancements in the way energy is produced, transported and consumed. Very real changes are emerging in our energy markets and the way in which consumers engage with them. The OEB will need to ensure that its regulatory policies and processes are reflective of this evolution while continuing to reflect its public interest and consumer protection mandates.

While much of our recent focus has been on electricity, we also recognize the transformative change occurring in Ontario's natural gas sector, enabled by new technologies unlocking new sources of supply and facilitating greater integration of gas and electric markets. The 2013 Long-Term Energy Plan (LTEP) recognizes the importance of providing access to fuel choices and calls on the OEB to examine opportunities to facilitate access to natural gas in more remote communities. The OEB has already started examining regulatory policy issues to inform and facilitate the processing of gas expansion applications.

Recently announced government policies to regulate carbon emissions are also expected to have a profound impact on natural gas utilities and will require a well thought out regulatory framework. The OEB is now proceeding with the development of a regulatory framework to address rate making issues arising from Ontario's Cap and Trade program, which is currently expected to commence in 2017.

The OEB's recent review of the Regulated Price Plan released in November of 2015 identified a number of opportunities to enhance consumer literacy, provide consumer choice, and improve consumer responsiveness to the Ontario government's Conservation First policy by implementing smarter delivery rates. The OEB has started working with electricity distributors to develop several pricing and non-price pilots to assess possible changes to the Regulated Price Plan in support of this objective.

In the 2013 LTEP, the government also signalled that it would be looking at enhancing the opportunity for net metering in Ontario and work is currently underway to develop a new net metering program. As the OEB continues its work developing smarter delivery rates, we will also take into consideration the potential benefits of net metering for distribution networks.

Significant technological advancements in the sector are having an impact on distribution networks in many ways. Distributed energy resources integrated by a smarter grid require increased digital communications and information technology which introduce cyber-security risks related to privacy of consumer information and

grid system security. Increased focus on utility preparedness and adoption of cyber-security will be needed to support the development of a robust smarter grid, while maintaining an appropriate level of consumer protection.

In this planning period, the OEB will continue to evolve our regulatory policies to keep pace with the evolution of the energy sector. We will focus on improving rate design that will provide greater customer choice, support Conservation First and other public policy directions, and enable greater access to energy options for all consumers. We will also increase our oversight of cyber-security readiness.

Enabling Access to Competitive Energy Choices			
Priority Actions	2016	2017	2018
Smarter Electricity Delivery Rates Complete and implement changes in distribution rates for residential electricity customers to support the efficient use of electricity infrastructure, and formulate and assess options for changes to rate design for non-residential electricity customers.	✓	✓	✓
Cyber-Security Further develop a risk-based cyber-security regulatory framework for OEB oversight of electricity distributor protection of consumer data and distribution network security.	✓	✓	
Smarter Electricity Prices Develop a revised methodology for the Regulated Price Plan and implement as approved. Include an assessment of options for a more efficient allocation of supply costs under the Global Adjustment to encourage conservation by providing understandable price signals to customers.	✓	✓	✓
Gas Demand-side Management Framework Evaluation Continue to evolve the framework through studies including achievable potential for natural gas savings in Ontario and the use of demand-side management to defer infrastructure investments. Evaluate the performance of the framework by June 1, 2018.	✓	✓	✓
Cap and Trade Develop and implement the necessary regulatory framework to address rate making issues arising from the cap and trade program	✓	✓	✓

Enabling Access to Competitive Energy Choices			
Priority Actions	2016	2017	2018
Evolving Energy Sector Complete a review of the evolution of Ontario's energy services market, identify emerging trends and their implications for prices, services, infrastructure utilization, and regulated businesses in Ontario. Address any regulatory barriers that limit ability of valued energy services to compete in Ontario.	✓	✓	✓

Regulatory Effectiveness

The OEB has adopted a continuous improvement philosophy when it comes to regulating the energy sector. That philosophy extends to the OEB's own work in adjudication and regulatory policy development.

The OEB has done much work over the last several years to evolve its regulatory processes to ensure that they are accessible, proportional, and objective and deliver outcomes that are in the public interest. In 2014, the OEB established a Registrar function to provide greater consistency in the up-front decision-making for applications to ensure effective notification to consumers on matters before the OEB and to enhance the timely processing of applications.

Building on this success, the OEB has undertaken a comprehensive review of its adjudicative model and identified best practices that can be applied to improve efficiency while enhancing effectiveness of our processes. In keeping with our focus on enhancing utility performance and accountability, we are also considering how the development of more proportional processes could be used as a tool to incent better utility performance and improved outcomes for utility customers.

In 2011, the OEB implemented a policy evaluation framework. The intent of this framework was to ensure that the OEB systematically review its policies on an ongoing basis to assess whether the objectives have been met and to support the continued evolution of those policies with the evolution of the energy sector and customer expectations. Now that the framework has been in place for several years it is time to consider its effectiveness in guiding the OEB's work.

In this planning period, we will continue to evolve our adjudicative model and our policy evaluation frameworks to ensure that they allow the OEB to effectively discharge its public interest mandate while meeting the needs of stakeholders and consumers impacted by our decisions.

Improving Regulation			
Priority Actions	2016	2017	2018
Stakeholder Engagement Framework Implement stakeholder engagement framework including annual executive energy forums, Chair's Advisory Roundtable, and Regulatory and Industry Affairs Standing Committees.	✓	✓	✓
Adjudicative Process Having successfully implemented a Registrar function in FY2014, the OEB will seek opportunities to further improve the efficiency and effectiveness of its adjudicative processes.	✓	✓	✓
Policy Evaluation Framework Refine the policy evaluation framework developed in 2011 to establish an ongoing function and implement systematic policy evaluation to ensure ongoing effectiveness of regulatory policies and programs.	✓	✓	