ONTARIO ENERGY BOARD

Ontario Energy Board

2018 to 2021 Business Plan

INTRODUCTION & EXECUTIVE SUMMARY

Introduction

This 2018-2021 Business Plan reflects the strategic direction established in the OEB's recent *Strategic Blueprint: Keeping Pace with an Evolving Energy Sector – 2017-2022*. That new *Strategic Blueprint* will be used to guide the OEB's priorities and business planning over the next five years. The *Strategic Blueprint* grew out of the OEB's commitment in the 2017-2020 Business Plan to develop a "roadmap" for any regulatory reforms needed to address the implications of technological innovation in the Ontario energy sector.

The programs and activities in the Business Plan are also responsive to the Directive issued by the Minister of Energy to the OEB on October 26, 2017 in conjunction with the new Long Term Energy Plan, *Delivering Fairness and Choice* (LTEP), and reflect the OEB's implementation plan as submitted to the Minister.

The Business Plan has been prepared in accordance with the *Agencies & Appointments Directive* (*AAD*) and the *Guide to Developing Business Plans for Provincial Agencies*. It follows the format adopted for the 2017-2020 Business Plan as approved by the Minister of Energy in March 2017.

Executive Summary

The OEB's 2018-2021 Business Plan is designed to advance activities in support of the OEB's execution on its mandate and in keeping with its Vision to support and guide the continuing evolution of the Ontario energy sector by promoting outcomes and innovation that deliver value for all Ontario energy consumers.

In developing the current Business Plan, the OEB considered key trends and issues in the broader operating environment. Those trends and issues are also reflected in the *Strategic Blueprint* and include:

- Developments in legislation and public policy that affect the OEB's mandate and work, including developments in the areas of climate change, energy system planning and energy pricing;

- The new Long Term Energy Plan, Delivering Fairness and Choice, that sets out a new 20 year roadmap for the Ontario energy sector;

- The continuing concern about electricity prices and the adoption of measures to address those concerns for residential and other qualifying customers;

- Technological innovation that presents new choices for consumers and challenges traditional business and regulatory models, particularly in the electricity sector; and

- Broader trends in the energy sector and energy regulation, both across North America and further afield.

The programs and activities proposed by the OEB for the three-year planning period are organized around the Strategic Goals and Objectives that are designed to address the four interconnected Strategic Challenges set out in the OEB's *Strategic Blueprint*:

Transformation & Consumer Value *– Utilities are delivering value to consumers in a changing environment.*

Innovation & Consumer Choice *– Utilities and other market participants are embracing innovation in their operations and the products they offer consumers.*

Consumer Confidence – *Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services.*

Regulation "Fit for Purpose" *– The OEB has the resources and processes appropriate for the changing environment.*

This approach to the organization of the OEB's proposed programs and activities accommodates both existing initiatives that are carried forward from the 2017-2020 Business Plan and new initiatives arising from the *Strategic Blueprint* and the recent LTEP implementation Directive.

The approval of this Business Plan and budget will ensure that the OEB has the resources needed to undertake these programs and activities. Those resources include a team of expert staff and Board Members, and the financial resources provided through the 2018-2021 Budget.

The work of the OEB is also supported by the significant contribution made by stakeholders and intervenors through the OEB's ongoing adjudicative and policy consultation processes and through the formal advisory panels and committees the OEB has established.

The OEB has adopted a range of measures to address and mitigate the risks the OEB may encounter in carrying out the programs and activities identified in this Business Plan. Over the past year, there has been no increase in residual risk identified for any of the risk categories considered by the OEB and its professional advisors. Indeed, measures and controls adopted over the past year have resulted in a decrease in the residual risk associated with four key risk categories, namely Cybersecurity, Business Continuity, Technology (Capacity), and External Communications.

The OEB has also developed a comprehensive plan to communicate more effectively with key audiences, particularly energy consumers. That plan will be implemented during 2018. A key objective of that plan is to enhance public awareness of the OEB and what it does.

MANDATE, VISION, MISSION & VALUES

The OEB's Vision, Mission and Values are refreshed in the OEB's *Strategic Blueprint*. The new Vision, Mission and Values complement the OEB's mandate and support a strategic direction that is centered on the OEB's role in supporting and guiding the continuing evolution of the Ontario energy sector in a way that delivers value for all Ontario energy consumers.

The OEB's Mandate

The OEB has regulated the natural gas sector since 1960 and the electricity sector since 1999. Its objectives, responsibilities and powers are set out in legislation, regulations and directives.

For industry, the OEB:

- Sets the rates and prices that electricity and natural gas utilities can charge;
- Sets the payments to be received by Ontario Power Generation in respect of its regulated nuclear and hydroelectric generation facilities;
- Approves the revenue requirement and fees of the Independent Electricity System Operator;
- Monitors the financial and operational performance of utilities;
- Approves major new electricity transmission lines and natural gas pipelines that serve the public interest;
- Approves prescribed categories of mergers, acquisitions and dispositions by electricity and natural gas transmitters and distributors; and
- Licenses entities, and establishes and enforces codes and rules to govern the conduct of utilities and other industry participants.

For consumers, the OEB:

- Protects their interests with respect to the rates and performance of their utilities;
- Provides them with the information they need to better understand their rights and responsibilities;
- Protects their interests in retail electricity and natural gas markets; and
- Addresses the particular needs of low-income consumers in the context of utility customer service rules and assistance programs.

In addition, the OEB plays an important role as an independent and expert advisor to government regarding energy policy matters.

These broad responsibilities and powers underlie the OEB's Vision, Mission and Values.

The Vision sets out where the OEB wants our organization and the sector we regulate to be in five years.

The Mission sets out how the OEB aims to achieve that Vision.

The Values express the OEB's commitment about how those who work at the OEB will conduct themselves – both within their own organization and in their engagement with others.

The OEB's Vision

The OEB supports and guides the continuing evolution of the Ontario energy sector by promoting outcomes and innovation that deliver value for all Ontario energy consumers.

The OEB's Mission

The OEB will pursue this Vision by:

- Strengthening the focus on demonstrable consumer value during a period of sector evolution.
- Incenting and enabling innovation in a way that enhances consumer choice, control and value.
- Strengthening and sustaining the confidence of consumers during a period of accelerating change.
- Equipping the OEB's own organization to meet the challenges presented by sector evolution.

The OEB's Values

Effective *– We hold ourselves to a high standard regarding the quality and efficiency of our work.*

Independent *– We are objective and bring an open mind to all we do.*

Engaged *– We learn from our dialogue with consumers, utilities and other industry participants.*

Expert *– We are experts in our field and share our knowledge with others.*

Forward-looking *– We support innovative solutions both within our own organization and by those we regulate.*

Respectful *– We serve the public interest and treat everyone with respect.*

ENVIRONMENTAL SCAN

The 2018-2021 Business Plan reflects the OEB's consideration of key developments and trends in the broader operating environment. Those developments and trends include:

- Developments in legislation and public policy that affect the OEB's mandate and work, including the Fair Hydro Plan, the Climate Change Action Plan, and the Long Term Energy Plan;

- Recent developments within the electricity and natural gas sectors, including the recent changes in ownership and consolidation of distributors and transmitters;

- Changes in consumer expectations regarding the OEB and the entities it regulates, including the consumer focus on service quality, prices and costs within the sector;

- Technological innovation that presents new choices for consumers and challenges traditional business and regulatory models; and

- Broader trends in energy regulation, both across North America and further afield.

These developments and trends are summarized below and are also reflected in the OEB's *Strategic Blueprint*.

Recent Legislation, Directives & Requests for Advice

The OEB and the entities it regulates operate within a legal framework established by legislation, as amended from time to time. Relevant amendments to legislation and other pertinent instruments are listed below.

Legislation

Recent legislation affecting the OEB and the entities it regulates include the following:

Protecting Vulnerable Energy Consumers Act, 2017 (Bill 95):

- Confirms that the OEB may make rules and licence conditions respecting the periods during which gas or electricity service may not be disconnected for low-volume consumers.

Fair Hydro Act, 2017 (Bill 132):

- Sets out a framework under which the costs and benefits relating to certain energy investments are to be allocated among present and future electricity consumers.

- Requires the OEB, in accordance with that framework, to determine reduced electricity prices and to determine other adjustments to be made for certain classes of consumers in respect of specified periods of time.

- Provides for the future administration of the Ontario Electricity Support Program by a Minister of the Crown or other entity.

Directives

During 2017, the Minister of Energy issued two Directives to the OEB. Those Directives are as follows:

Directive issued to the OEB on October 26, 2017 (Implementation Directive) requiring the OEB to submit an implementation plan in respect of the government's 2017 Long Term Energy Plan (issued under section 25.30 of the *Electricity Act, 1998*). The programs and activities set out in this Business Plan are responsive to the Implementation Directive and reflect the OEB's implementation plan as submitted to the Minister.

Directive issued to the OEB on October 26, 2017 requiring the OEB to review and publish annually the verified results of measures to maximize the efficiency of distribution infrastructure (issued under sections 27.1 and 27.2 of the *Ontario Energy Board Act, 1998)*. The OEB will adapt its work regarding CDM performance review and reporting in a manner that reflects changes called for in this directive.

Requests for Advice

On November 9, 2017, the OEB issued the final report of its consultant, The Kent Group, in fulfillment of the request by the Minister of Energy dated November 9, 2016 that the OEB examine and report on Ontario's retail transportation fuels market.

Developments in the Sector

Technology and Innovation

The electricity sector is experiencing rapid innovation – both in information technologies that offer enhanced capabilities for managing networks and in distributed energy and storage resources that create new opportunities for on-site generation and micro grids. Ontario already has considerable experience with advanced metering technologies and the systems to integrate intermittent resources. New and expanded uses for electricity, including in the transportation sector, will place fresh demands on the power system.

Innovation in the electricity sector is paralleled by continued developments in the natural gas sector, such as hydraulic fracking which has opened up new supply basins, the use of natural gas as a transportation fuel and the potential use of renewable natural gas as a source of supply.

While some of these new technologies support "traditional" utility functions and customer relationships, others may impact the utilization of existing infrastructure and challenge or "disrupt" existing business models. The pace and pattern of deployment of these technologies will be strongly influenced by the supply outlook, the cost of competing technologies, the way in which network services are priced, the way in which network operators are remunerated, and the dynamics of public policy.

Potential Impact of Climate Change Policies

Much of the technological innovation in the electricity and natural gas sectors has been driven by the growing focus on reducing carbon emissions. Ontario is now committed to significant GHG emission reductions over the next 30 years under the new Climate Change Action Plan (CCAP) and its centerpiece, the new cap-and-trade system. Obligations under that system will fall most heavily on fossil fuel distributors, including the natural gas distributors whose rates are regulated by the OEB.

During 2016 and 2017, the OEB developed and implemented the regulatory framework to govern the recovery of the costs incurred by natural gas distributors in meeting requirements under the cap-and-trade program. Going forward, the OEB will monitor the implementation of this new regulatory framework and continue to review the compliance plans submitted by the natural gas distributors.

Over the longer term, the impact of the CCAP and the shift away from fossil fuels will be felt throughout the broader energy sector, including the electricity distributors and transmitters regulated by the OEB. For instance, the accelerated deployment of distributed energy technologies, electric vehicles and electric-powered mass transit, together with increased investments in energy efficiency, will impact aspects of utility operations and planning and will create new risks to be assessed and managed. In addition, the advent of extreme weather events associated with climate change has increased focus on the resiliency of energy systems.

The pace of these developments may be uncertain, but the potential significance and complexity of their impact is clear. Both the OEB and the entities it regulates must be equipped to anticipate and address these trends.

Ontario Planning Outlook and the Long Term Energy Plan

The Independent Electricity System Operator's (IESO) 2016 *Ontario Planning Outlook*, prepared to support the new Long Term Energy Plan, outlined a range of "low", "flat" and "high" provincial electricity demand outlooks for the next 20 years, largely reflecting different assumptions regarding the shift from fossil fuels and the level of electrification arising from the province's climate change policies. The *Ontario Planning Outlook*, together with the accompanying *Technical Fuels Report,* highlighted the strong interrelationship between the electricity and natural gas sectors. The *Ontario Planning Outlook* concluded by emphasizing the need to remain flexible, to understand the drivers of change and risk in the sector, and to address regulatory frameworks that may not meet the needs of an evolving sector.

The Minister of Energy published the 2017 Long Term Energy Plan, *Delivering Fairness and Choice,* on October 26, 2017. The Minister, through the Implementation Directive, has required the OEB to submit an implementation plan in respect of the LTEP. Execution of the work contemplated in the OEB's LTEP implementation plan will be a key focus of the OEB over the three-year planning period.

Changing Structure of the Sector

Both the *Distribution Sector Review Panel* (2012) and the *Premier's Advisory Panel on Government Assets* (2015) concluded that consolidation could facilitate efficiencies and cost savings within the electricity distribution sector and better equip distributors to address the changes underway in the energy sector.

The past several years have seen the Hydro One initial public offering, the creation of a new mega-utility in the Greater Toronto-Hamilton Area, and other mergers and acquisitions in the electricity distribution sector that have extended the footprint of some distributors beyond the territory of their municipal owners. However, other electricity distributors and their municipal shareholders have made a formal decision not to sell or merge. In addition, as an alternative to consolidation, some distributors have formed alliances or associations to share services and resources. The Ontario electricity distribution sector will likely continue to be characterized by considerable diversity among distributors as to size, density, geographic footprint, and investment requirements.

Ontario is also seeing merger and amalgamation activity in the natural gas distribution sector. In September 2017, EPCOR Utilities Inc., a utility owned by the City of Edmonton, completed its acquisition, via an indirect wholly-owned limited partnership structure, of Natural Resource Gas Limited, a gas distributor providing service to about 8,000 customers in a number of towns southeast of London, Ontario. In November 2017, Enbridge Gas Distribution Inc. and Union Gas Limited, the two largest natural gas distributors in Ontario, filed an application for approval by the OEB of their proposed merger. This proposed merger follows the 2016 merger of Enbridge Inc. and Spectra Energy Corp.

In addition, the OEB's November 2016 generic decision regarding the expansion of natural gas distribution facilities in Ontario has sparked competition among distributors regarding service to new communities and territories. That generic decision affirmed the principle that the expansion of the natural gas system should not be subsidized by existing customers and that new customers should bear the costs of such expansion through rate structures, including stand-alone rates and surcharges, that reflect those costs.

Energy Prices

The price of energy services remains a key consideration for Ontario energy consumers, policy makers and the OEB.

The government enacted the *Fair Hydro Act, 2017* in mid-2017. The OEB has set the prices under the Regulated Price Plan effective July 1, 2017 in accordance with the framework established in that Act.

Although the government's Fair Hydro Plan is reducing the pressure on electricity bills for residential, small business and other qualifying customers for the next four years, the concern about electricity prices is expected to continue over the longer term. Accordingly, energy prices will remain a key consideration for the OEB over the three-year planning period.

Consumer research undertaken on behalf of the OEB during 2017 highlights the low level of public awareness about the role of the OEB in setting the rates and prices charged by electricity and natural gas utilities and of the ways the OEB protects consumers. This research also identified the key factors that influence the awareness, trust and confidence among consumers regarding the work of the OEB. It will inform the OEB's communications plan over the three-year planning period.

Broader Trends in Energy Regulation

Other energy regulators, both in North America and further afield, are addressing the issue of how to use their regulatory powers to address sector evolution. Some regulators are adopting a proactive approach and seeking to lead utilities to a particular model sanctioned by the regulator, while others are adopting a "wait and see" approach and reacting to the challenges of sector evolution as they arise.

Although no regulatory model has yet emerged as the preferred "industry standard", other regulators are grappling with many of the same challenges facing the OEB during a period of sector evolution. Those challenges include the setting of utility remuneration to encourage efficiency and innovation, the design of rates to provide appropriate guidance to consumers regarding their own consumption and investment decisions, the mitigation of regulatory barriers to innovation and new business models, and the protection of consumers during sector transformation.

The ways in which other utility regulators are addressing these issues reflect the particular institutional arrangements, market structure and broader policy framework prevailing in their jurisdictions. Although the work of other regulators is instructive, the OEB's own approach must be grounded in an appreciation of the circumstances in Ontario and of its own mandate.

STRATEGIC CHALLENGES, GOALS & OBJECTIVES

The OEB's work over the next three years will focus on the Strategic Goals and Objectives set out in the OEB's *Strategic Blueprint*. Those Strategic Goals and Objectives address the four Strategic Challenges:

- ***Transformation & Consumer Value*** – *How can the OEB help ensure that the evolution of the sector brings a stronger focus on demonstrable value for consumers?*
- ***Innovation & Consumer Choice*** – *How can the OEB incent and enable innovation that enhances consumer choice and control?*
- ***Consumer Confidence*** – *How can the OEB strengthen and sustain the confidence of consumers during a period of accelerating change?*
- ***Regulation "Fit for Purpose"*** – *How should the OEB equip itself to meet the challenges of sector transformation?*

For each of these Strategic Challenges, the OEB has identified an overarching Strategic Goal and a corresponding set of Strategic Objectives. The Strategic Goals represent the specific outcomes we aim to achieve with respect to each of the Strategic Challenges. The Strategic Objectives describe the particular areas on which we will focus in order to attain each of the Strategic Goals.

The Strategic Challenges, Strategic Goals and Strategic Objectives are summarized in the table below:

Strategic Challenges	Transformation & Consumer Value	Innovation & Consumer Choice	Consumer Confidence	Regulation "Fit for Purpose"
Strategic Goals	Utilities are delivering value to consumers in a changing environment	Utilities and other market participants are embracing innovation in their operations and the products they offer consumers	Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services	The OEB has the resources and processes appropriate for the changing environment
Strategic Objectives	The regulatory framework incents utilities to focus on long-term value for money and least-cost solutions Regional and utility system planning reflect the continuing evolution of the sector Utility infrastructure is optimized during the shift to a low carbon economy	The regulatory framework incents and enables utilities to adopt innovative solutions The design of network rates and commodity prices support the efficient use of infrastructure and enable greater customer choice and control Our codes and rules reflect the needs of an evolving sector	Consumers understand their rights and choices Consumers are treated fairly by utilities and other service providers Consumer perspectives are welcomed, respected and addressed in all regulatory processes The benefits of innovation and sector transformation are realized by all types of consumers	We have the expertise needed to address sector evolution Our own organization and processes remain flexible and are adapted to changing needs Our work is supported by effective engagement and collaboration

The Strategic Goals and Objectives are consistent with and accommodate the requirements of the Implementation Directive. They also reflect and build on the key achievements of the OEB over the past year, including:

- Support for the implementation of the Fair Hydro Plan, including through the establishment of updated commodity prices for eligible customers, the determination and implementation of a cap on base distribution charges for customers of eight designated distributors, and the implementation of changes to the OESP to support increased eligibility, including all social assistance recipients.

- Pursuit of continued innovation – both in our processes and in the sector – through, for example, the piloting of the OEB's new proportionate review model, and the approval of five Regulated Price Plan pilots.

- Continued support for the broader Climate Change Action Plan initiatives through the approval of the cost consequences of the gas utilities' first cap and trade compliance plans and the development of carbon pricing tools which will support the OEB's future assessments.

- Enhanced communications between the OEB and customers through 16 community meetings, continued improvements to our website, the launch and promotion of our first Consumer Charter, and our first foray into community engagement through booths at the Ex, the Royal Winter Fair and seniors' organizations. Between September and November we achieved 17,000 meaningful interactions with consumers.

- Enhanced communications between the OEB and stakeholders through the continuation of our Chair's Advisory Roundtable and Industry Affairs and Regulatory Affairs Standing Committees.

- Recognized the need to adapt to an evolving sector, not only through a broad initiative such as the development of the *Strategic Blueprint*, but also through targeted focus on emerging topics, such as the development of the Ontario Cyber Security Framework to enhance assurance that electric utilities are meeting their security, reliability and privacy obligations.

- Assistance in addressing customers' information needs, such as through the completion of a report, *Understanding Retail Transportation Fuel Pricing in Ontario*, that explains the market dynamics which determine how gasoline and diesel prices are set in Ontario.

- Continued to deliver on our core regulatory functions by issuing more than 180 decisions since the start of the 2017-18 fiscal year on rates, facilities, licensing and other areas of the OEB's regulation of the energy sector.

PROGRAMS AND ACTIVITIES – OVERVIEW & IMPLEMENTATION PLAN

Set out below is a summary of the key programs and activities that the OEB will undertake over the next three years in respect of each of its Strategic Goals as set out in the OEB's *Strategic Blueprint*. It also indicates the implementation tools that the OEB anticipates using in each program or activity, and identifies program-level performance measures.

Those programs and activities include both initiatives that are new and others that are "rolled forward" from the 2017-2020 Business Plan. They also include initiatives responsive to the Implementation Directive as set out in the OEB's implementation plan. For each program, expected progress in each of the three years of the plan is laid out.

Utilities are delivering value to consumers in a changing environment:

The regulatory framework incents utilities to focus on long-term value for money and least-cost solutions

Regional and utility system planning reflect the continuing evolution of the sector

Utility infrastructure is optimized during the shift to a low carbon economy

A focus on consumer value lies at the very center of the OEB's approach to utility regulation. Given the broad changes underway in the electricity and natural gas sectors, the OEB has both the need and opportunity to sharpen that focus – particularly with respect to utility investments associated with sector transformation.

"Smart grid" and distributed technologies, together with conservation initiatives, present utilities with opportunities to serve customers in ways that may be less expensive and more flexible than traditional infrastructure investment. Moreover, the anticipated trend towards a low carbon economy may affect the way in which both natural gas and electricity networks are used. That trend, together with measures to increase the resilience of energy infrastructure, may call for new investment or the redeployment of existing infrastructure.

The OEB’s regulatory framework should encourage both electricity and natural gas utilities to undertake such investments and expenditures in a coordinated and cost-effective manner.

Key Programs & Activities

Gas Supply Planning: To ensure that consumers are getting value for money, the OEB will develop a Framework for the Assessment of Distributor Gas Supply Plans that will increase transparency, accountability and measurement of utility gas supply planning, including consideration of public policy objectives such as the inclusion of renewable natural gas as a component of gas supply.

FY 2018/19 – Complete a framework setting out the OEB’s expectations and approach to the assessment of gas supply planning, including a consideration of public policy objectives such as the inclusion of renewable natural gas as a component of gas supply.

FY 2019/20 – Implement the framework through a review of the gas supply plans of natural gas distributors.

FY 2020/21 – Monitor the implementation by natural gas distributors of their gas supply plans in accordance with the framework.

Implementation Tools – stakeholder consultation, guidance to gas utilities, reporting and monitoring activities

Electricity Distributor Benchmarking: To ensure that consumers are getting value for money, the OEB will expand its use of benchmarking to include a detailed evaluation of costs at the program (or activity) level. Enhancing the monitoring of distributor performance is expected to drive greater cost discipline among distributors, incent greater efficiency and ultimately reduce costs for consumers.

FY 2018/19 – Develop the framework for a benchmarking model for program or activity cost measures for electricity distributors.

FY 2019/20 – Implement program level benchmarking in the assessment of electricity distributor performance to ensure value for consumers is being delivered. Include program level benchmarking in rate setting processes and identify appropriate public reporting on new benchmarks. Consider whether legislative reforms could provide additional opportunities to leverage enhanced benchmarking.

FY 2020/21 – Monitor utility performance and report as appropriate to support rate setting and OEB's assessment of electricity distributors' performance in order to achieve the OEB's expectation for increasing performance and continuous improvement by the electricity distributors that are rate regulated.

Implementation Tools – stakeholder consultation, licensee reporting and monitoring, research, guidance to licensees

Natural Gas Demand Side Management: The OEB will continue its work on the Gas Demand Side Management Framework Evaluation, the 2019 Natural Gas Achievable Potential Study, and the Evaluation, Measurement & Verification (EM&V) of DSM Programs.

A. Gas Demand Side Management Framework Evaluation: Complete the evaluation of the performance of the current framework for DSM in the natural gas sector.

FY 2018/19 – Complete the review and evaluation of the current framework for DSM.

FY 2019/20 – Implement any modifications to the DSM framework as appropriate.

FY 2020/21 – Continue implementation of any modifications to the DSM framework.

Implementation Tools – stakeholder consultations, research, guidance to gas distributors, consumer communications, rate orders

B. 2019 Natural Gas Achievable Potential Study: Complete a study to estimate the achievable potential for natural gas efficiency in Ontario for 2019-2038.

FY 2018/19 – Begin the study and coordinate with the IESO as appropriate.

FY 2019/20 – Complete the study by June 1, 2019 in order to inform natural gas efficiency planning and programs.

FY 2020/21 – Employ the study to support review of utility plans as appropriate.

Implementation Tools – stakeholder consultations, research, consumer communications

C. <u>Evaluation, Measurement & Verification (EM&V) of DSM Programs</u>: Complete EM&V studies to assess natural gas savings associated with DSM programs.

FY 2018/19 – Complete EM&V of 2016 annual DSM results and initiate EM&V of 2017 annual DSM results.

FY 2019/20 – Complete EM&V of 2017 and 2018 annual DSM results.

FY 2020/21 – Complete EM&V of 2019 annual DSM results.

Implementation Tools – stakeholder consultations, reporting, research, analysis

Utilities and other market participants are embracing innovation in their operations and the products they offer consumers:

The regulatory framework incents and enables utilities to adopt innovative solutions

The design of network rates and commodity prices support the efficient use of infrastructure and enable greater customer choice and control

The OEB's codes and rules reflect the needs of an evolving sector

The way the OEB remunerates utilities can influence the degree of innovation achieved by utilities in their operations and services arrangements with consumers. As noted in the IESO's Ontario Planning Outlook, the adoption of innovative solutions can also be affected by the rules and requirements that govern utilities and other market participants.

The OEB has already taken a number steps to accommodate and support innovative solutions. However, the broad changes underway in the sector suggest that a more comprehensive review is warranted.

From a consumer perspective, the structure of network rates and commodity prices influence decisions about consumption and investment. Indeed, the design of such rates and prices is a key factor influencing the deployment of distributed resources and the way in which networks are used. With respect to commodity prices, the OEB's RPP Roadmap has already set out the OEB's phased approach to renewing the Regulated Price Plan so that it can better respond to policy objectives, improve system efficiency and give consumers greater control.

Key Programs & Activities

Way Forward For Regulation: To support the evolution of the sector, move to a regulatory framework that remunerates utilities in ways that strengthen their focus on long-term value and least-cost solutions, supports regional planning and cost-sharing arrangements among utilities, and requires utilities to reflect the impact of sector evolution in their system planning and operations.

FY 2018/19 – Identify opportunities for regulatory reform.

FY 2019/20 – Evaluate and consult on options, ensuring a comprehensive approach.

FY 2020/21 – Determine preferred approach, establish and implement framework.

Implementation Tools – research, analysis, stakeholder consultations, guidance to utilities

"Smarter" Electricity Delivery Rates: To encourage the efficient use of electricity infrastructure and enable greater customer choice and control, develop and implement rate design options for non-residential electricity distribution rates and related charges. This work is a continuation of work carried out in prior periods.

FY 2018/19 – Finalize a new rate design policy for non-residential electricity rates which takes account of the expansion of both net metering and distributed energy resources.

FY 2019/20 – Establish the plan for implementing the new rate design for non-residential electricity rates.

FY 2020/21 – Continue the implementation of the new rate design for non-residential electricity rates.

Implementation Tools – research, data analytics, stakeholder consultations, targeted commercial and industrial segment focus groups, code amendments, rate orders, guidance to licensees, consumer communications

“Smarter” Electricity Prices: To provide appropriate price signals to low-volume and other Class B electricity consumers in accordance with the *Regulated Price Plan Roadmap*, develop a new methodology for the RPP and carry out related work. This work is a continuation of work carried out in prior periods.

FY 2018/19 – Continue the implementation of pilot projects regarding the RPP. Engagement of, and data collection from small and medium-sized electricity customers. Study commodity pricing alternatives, including consideration of the recovery of global adjustment from Class B consumers.

FY 2019/20 – Analyze the results of the RPP pilots following their conclusion. Develop pricing options.

FY 2020/21 – Identify the preferred pricing options and associated tools; support development of any framework for implementation.

Implementation Tools – pilot programs, data collection and analysis, consumer engagement, stakeholder consultation, consumer surveys and communications

Net Metering: To give consumers and businesses more opportunities to generate and store renewable electricity, facilitate the implementation of the amendments to regulations related to net metering.

FY 2018/19 – Modify the OEB’s codes and other regulatory requirements to ensure the effective implementation of an expanded net metering program.

FY 2019/20 – Monitor information on program progress to identify whether further policy adjustments are required to enhance implementation.

FY 2020/21 – Continue to monitor information on program progress to identify whether further policy adjustments are required to enhance implementation.

Implementation Tools – stakeholder consultations, Consumer Panel, code amendments, guidance to licensees, consumer communications

Enabling Distributed Energy Resources: To support the evolution of the sector, identify and develop regulatory reforms that would facilitate investment in distributed energy resources (DERs) that can benefit consumers by appropriately allocating the costs and benefits of DER investments and ensuring that diffuse benefits and multiple value streams can be appropriately recognized.

FY 2018/19 – Identify options for regulatory reform in rate regulation.

FY 2019/20 – Evaluate and consult on options ensuring a comprehensive approach.

FY 2020/21 – Determine preferred approach, establish and implement regulatory framework.

Implementation Tools – research, analysis, consumer engagement, stakeholder consultations, guidance to utilities

Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services:

Consumers understand their rights and choices

Consumers are treated fairly by utilities and other service providers

Consumer perspectives are welcomed, respected and addressed in all regulatory processes

The benefits of innovation and sector transformation are realized by all types of consumers

Over the past five years, the OEB has used a number of approaches designed to give consumers a better understanding of the work of the OEB and, in turn, to provide the OEB with deeper insight into the perspectives of energy consumers in the context of both adjudicative proceedings and policy development initiatives. The OEB intends to redouble those efforts during a period of change and uncertainty in Ontario's energy sector.

Consumers will need confidence that their utilities, service providers and the broader sector are evolving in a way that respects and reflects their interests, particularly regarding price and service. For this reason, the participation of consumers in adjudicative proceedings, particularly those regarding utility rates, has become increasingly important.

Consumers will need to understand the new products and services that may become available and be assured that the providers of such products or services will treat them fairly. Moreover, during the process of market evolution, utilities and other market participants should be encouraged – and expected – to look for innovative ways of serving diverse consumer groups, including low-income consumers and remote indigenous communities.

Key Programs & Activities

Consumer Outreach: To increase consumers' confidence in the oversight of the sector and in their ability to make choices about products and services, enhance the way in which the OEB engages with and informs consumers about the energy sector, the rights and choices consumers enjoy, and the work of the OEB. This work is a continuation of work carried out in prior periods.

FY 2018/19 – Continue and expand the OEB's program of public outreach throughout the Province, and implement a range of communications programs that inform consumers about issues of importance to them.

FY 2019/20 – Continue the initiatives outlined above, and monitor and assess their effectiveness.

FY 2020/21 – Continue the initiatives outlined above, and monitor and assess their effectiveness.

Implementation Tools – community meetings, literacy events, consumer research, expansion of consumer panel program, online engagement tools, social media, videos, earned media

Consumer Representation in Decision Making: In support of efforts to increase consumer confidence in the sector, including through greater solicitation of consumer perspectives, enhance opportunities for consumers to access and participate in the OEB's adjudicative proceedings and policy development processes. This work is a continuation of work carried out in prior periods.

FY 2018/19 – Continue and expand the program of community meetings and the initiative to give consumers in affected communities enhanced access to OEB hearings.

FY 2019/20 – Assess the effectiveness of the community meetings program and initiate any changes identified to enhance the program. Expand the initiative to give affected communities enhanced access to OEB hearings.

FY 2020/21 – Assess the effectiveness of enhanced access by affected communities to OEB hearings, initiate any changes identified to enhance the program, and initiate any further identified enhancements to the adjudicative process that allow greater access and participation in OEB proceedings by affected communities.

Implementation Tools – community and video hearings, community meetings and telemeetings, consumer presentations, letters of comment, monitoring a proceeding, social media, website, OEB contact person, adjudicative proceedings

<u>Review of Customer Service Rules and Charges</u>: The OEB will continue to review the customer service rules for natural gas and electricity distributors and unit sub-meter providers. This work will support the interest in ensuring that consumers are treated fairly by utilities, that our codes and rules appropriately reflect the reasonable expectations of energy consumers regarding matters such as disconnections, billing errors, and collection and reconnection fees, and to assess the effectiveness of the underlying OEB policies.

FY 2018/19 – Continue evaluation (Phase One) of rules and charges regarding disconnection and related activities and modify such rules and charges as appropriate. Begin evaluation (Phase Two) of rules and charges related to management of customer accounts, billing errors and reporting requirements.

FY 2019/20 – Conclude Phase Two evaluation and modify such rules and charges as appropriate. Examine whether legislative reforms could further enhance the OEB's capacity to protect the interests of natural gas consumers.

FY 2020/21 – Monitor the implementation of any new customer service rules and charges by electricity and natural gas distributors and unit sub-meter providers.

Implementation Tools – consumer surveys, reporting by licensees and other regulated entities, consumer research, Consumer Panel, research regarding industry best practices, stakeholder consultation, code and rule amendments and rate orders

Low-Income Energy Assistance Program (LEAP): To review the current design and delivery of the LEAP emergency financial assistance program for the electricity and natural gas sectors to establish how well it is meeting the needs of low income energy consumers facing disconnection. This activity is also in keeping with the OEB's intent to ensure the effectiveness of policies can be assessed at appropriate intervals.

FY 2018/19 – Evaluate the existing program design and delivery.

FY 2019/20 – Develop modifications to program design and delivery as appropriate.

FY 2020/21 – Monitor program delivery.

Implementation Tools – consumer research, liaison with LEAP intake agencies, Financial Assistance Working Group, reports from licensees and other regulated entities, Consumer Panel, stakeholder consultation, code and rule amendments – where necessary, consumer communications

Strengthening Utility Accountability to Customers: To ensure that utilities continue to deliver value to consumers in a changing environment and support consumer confidence in the oversight of the sector, identify and implement regulatory reforms to enhance reporting and utility accountability to customers with respect to provision of service, including reliability.

FY 2018/19 – Complete foundational work including, work to enhance reporting on reliability and a review of potential approaches for enhancing utility accountability.

FY 2019/20 – Identify, evaluate, and consult on options for regulatory reforms.

FY 2020/21 – Determine preferred approach and implement regulatory reforms.

Implementation Tools – research, analysis, stakeholder consultations, guidance to utilities

Strengthening Protection for Customers of Unit Sub-Meter Providers: To ensure that all electricity customers benefit from a comprehensive consumer protection regime, regardless of service provider, develop a framework for setting USMP charges and monitoring USMP performance.

FY 2018/19 – Identify and implement a framework for setting just and reasonable USMP charges.

FY 2019/20 – Identify and implement a framework for monitoring USMP performance.

FY 2020/21 – Monitor USMP performance under the new framework.

Implementation Tools – research, analysis, consumer engagement, stakeholder consultations, new requirements and guidance for USMPs

The OEB has the resources and processes appropriate for the changing environment:

The OEB has the expertise needed to address sector evolution

The OEB's organization and processes remain flexible and are adapted to changing needs

The OEB's work is supported by effective engagement and collaboration

The success of the OEB and the effective implementation of the programs and activities in this Business Plan will depend very much on the commitment and engagement of those who work at the OEB. OEB staff and Board Members are known for their expertise, professionalism and commitment to public service. These qualities will be important as the OEB adapts its organization and processes to the needs of an evolving sector.

Given the uncertainties that lie ahead, maintaining flexibility in both the OEB's organization and processes will be critical. Engagement and collaboration will also be important. As the OEB seeks to understand and address the changes underway in the sector, it will need to listen to consumers and stakeholders and to work closely with the government and other agencies.

Key Programs & Activities

Adjudicative Process Improvements: To ensure our own organization and processes remain flexible and are adapted to changing needs, the OEB will continue to develop and implement measures to better ensure that the OEB's review of electricity distribution cost of service applications is proportionate and greater strengthens the alignment with the OEB's performance-based approach to regulation.

FY 2018/19 – Continue to design, pilot and resource to enable implementation. Consider opportunities for enhancements through legislative changes.

FY 2019/20 – Finalize implementation and full rollout.

FY 2020/21 – Continuation of implementation as well as monitoring.

Implementation Tools – stakeholder consultation, amendments to Rules of Practice and Procedure, guidance to licensees and other regulated entities

<u>Enhancing OEB Performance</u>: To ensure the OEB has the expertise, resources and processes appropriate for the changing environment, the OEB will identify the attributes of high performing tribunals and establish a framework through which continuous improvement can be incented, measured and achieved.

FY 2018/19 – Establish an ongoing, formalized process that sets out the attributes of high performing tribunals, and accompanying metrics and targets that link OEB activities to these characteristics, the OEB's core mandate and its responsibilities.

FY 2019/20 – Assess the performance of the OEB with respect to these attributes and new metrics; identify areas for improvement.

FY 2020/21 – Monitor and refine approach to metrics as appropriate.

Implementation Tools – research, internal and external surveys and consultations

RESOURCES NEEDED TO MEET GOALS & OBJECTIVES

The OEB has provided for the resources needed to undertake the programs and activities described above.

As outlined below in the discussion of the 2018-2021 Budget, the budgeted headcount over the planning period is 192 (from 178 to 192 FTEs) staff members. This headcount is needed in order to achieve the strategic direction set out in the OEB's *Strategic Blueprint* and carry out the work proposed in the LTEP Implementation Plan. The increase in staff will provide additional capacity in the key areas of engineering, quantitative analysis as well as related disciplines. Furthermore, additional staff are needed to support the Applications division in particular, recognizing that the core service this division provides is moving toward more intensive performance-based review at the same time as it must manage the expected retirement of several experienced senior staff. Additional human capital will also strengthen the OEB's internal capabilities with respect to benchmarking, reporting, and performance measurement and evaluation.

Each of the OEB's divisions is guided by a Vice President with clear accountabilities for delivery of the goals and objectives in the 2018-2021 Business Plan. The Vice Presidents report to the recently appointed Chief Operating Officer (COO), who is responsible for the day-to-day operations of the OEB. The COO reports to the OEB's Management Committee, which is responsible for the approval of the 2018-2021 Business Plan and Budget as submitted.

The organization chart for the OEB is attached as Appendix A.

The 2018-2021 Budget also provides for 11 Board Members, including the Chair, two Vice Chairs and the full-time equivalent of eight Board Members, who can be either full-time or part-time. This complement of Board Members reflects an assessment of the volume of applications and other adjudicative matters the OEB will face over the three-year planning period. Board Members bring to the OEB their considerable experience in a range of key disciplines, including law, economics, engineering, utility operations, and accounting.

The 2018-2021 Budget includes provision for the periodic use of expert consultants to supplement the expertise and work of the OEB staff regarding particular projects.

The successful completion of the programs and activities outlined in this Business Plan is also supported by the active involvement of stakeholders. Those stakeholders include industry representatives, consumer groups, environmental groups, and other interested parties. The OEB has built and implemented an effective set of stakeholder and consultation processes, including the recently announced Innovation Task Force as well as the Chair's Advisory Roundtable, the Consumer Panel, the Regulatory Affairs Standing Committee, the Industry Affairs Standing Committee, and the Ontario Pipeline Coordinating Committee.

RISK ASSESSMENT & MITIGATION – 2018 TO 2021

The OEB has made a comprehensive assessment of corporate risk and continues to identify and implement appropriate controls to minimize risk. The OEB's formal risk assessment process has been developed with the assistance of MNP, a leading management consulting firm. It involves the following steps:

1. Confirming existing and identifying new or emerging risks having regard to key business objectives (as set out in the Programs and Activities above);
2. Assessing those risks and their implications;
3. Determining the appropriate approach to risk response and mitigation; and
4. Implementing appropriate risk mitigation measures and controls and monitoring both their effectiveness and the residual risk to the organization.

The risk categories, controls and mitigation measures, and residual risk are set out in the OEB Enterprise Risk Register attached as Appendix B. That Enterprise Risk Register has been reviewed by both the OEB Management Committee and the OEB Executive Team.

Over the last year, there has been no increase in residual risk identified for any of the risk categories in the OEB Enterprise Risk Register. Indeed, measures and controls adopted over the past year have resulted in a decrease in the residual risk associated with four risk categories. Details of the changes in respect of these four risk categories are set out below:

Cyber-security				
Inherent Risk	Highly sophisticated cybersecurity attack could lead to disclosure or loss of sensitive or confidential data, or shut down of critical OEB Information Management Systems.			
Evolution of Risk and Controls	Cyber Security Review completed. Inherent risk significantly mitigated with existing systems. Completing recommendations in Cyber Security Review by March 2018, including: develop network monitoring / Security Information and Event Management, Threat & Vulnerability Management program, and social engienering exercises.			
Risk Rating	2016		2017	
	Likelihood	Impact	Likelihood	Impact
	4	5	3	5

Business Continuity				
Inherent Risk	Natural disaster or unexpected event causes an interruption to OEB operations.			
Evolution of Risk and Controls	Insurance Review identified adequate business interruption coverage.			
Risk Rating	2016		2017	
	Likelihood	Impact	Likelihood	Impact
	1	5	1	4

Technology (Capacity)				
Inherent Risk	Infrastructure may not be sufficient to adapt to changes in technology requirements or be able to accommodate implementation of new projects and programs.			
Evolution of Risk and Controls	Server upgraded in 2017.			
Risk Rating	2016		2017	
	Likelihood	Impact	Likelihood	Impact
	2	3	1	3

External Communications				
Inherent Risk	The quality or sufficiency of information communicated to consumers and market participants could result in consumers not being adequately or appropriately informed, impacting their ability to effectively understand energy matters.			
Evolution of Risk and Controls	Expanding public outreach. Increase in community events, consultation. Customer service survey. Consumer Charter.			
Risk Rating	2016		2017	
	Likelihood	Impact	Likelihood	Impact
	5	3	4	3

INITIATIVES INVOLVING THIRD PARTIES

The OEB has engaged third parties to assist with the delivery of the Ontario Energy Support Program (OESP). Further details about the OESP and its delivery are set out below.

Background

The OESP was developed and implemented by the OEB to provide rate assistance to low income electricity customers. In order to deliver the OESP the OEB determined that a central service provider would be needed to manage the intake applications for assistance. Such applications involve sensitive information, such as household income and numbers.

ICF Canada

The OEB has contracted ICF Canada to carry out the delivery of the OESP. ICF provides the central IT system. That system enables consumers to apply for OESP through a web portal, connects with electricity distributors and the Ministry of Finance for application processing, and allows community agencies to file applications on behalf of OESP consumers. It also provides additional services such as record management services and consumer information services.

ICF also provides a call centre for consumers and agencies to be able to obtain information and assistance regarding OESP applications.

The contract for these services is for 5 years on a fixed price basis, with certain per application fees once planned numbers are exceeded.

ICF was selected through a competitive procurement process. ICF's contract with the OEB contains a range of service level agreements (SLAs) that set the standard for services. ICF reports monthly regarding performance in respect of the SLAs. If services do not meet the standards in the SLAs, payments to ICF are reduced accordingly.

The OEB reviews and monitors ICF's performance on an ongoing basis. All payments to ICF are subject to review and approval by project management and a member of the OEB Executive Team.

ICF is required to store all data and make that data available for audit as required.

Community Agencies

The OEB has also entered into agreements with 120 community agencies to assist with the delivery of the OESP. The involvement of such community agencies helps ensure that the OESP reaches the broadest population of low income households.

The community agencies are compensated based on the number and type of OESP applications they process within a month. All amounts paid to agencies are reconciled against the application data that ICF has received from the agencies. The total amounts are then reviewed by the OEB project team and approved by a member of the Executive Team before payments are authorized. Audit trails for all payments to agencies are maintained in the ICF database in accordance with the standards stipulated in the ICF contract.

PERFORMANCE MEASURES

The OEB is committed to the principles of continuous improvement in its approach to regulation. In that regard, the OEB has established a set of metrics that govern its engagement with consumers and regulated entities. These metrics are reviewed and adjusted on a periodic basis with a view to "raising the bar" for the OEB's own performance. For instance, in 2014, the OEB increased the target metrics in respect of both telephone and correspondence response times and established a range of new customer service metrics. The OEB is meeting or exceeding these increased and new metrics. The OEB's current metrics are summarized in the table below.

OEB ACTIVITY	OBJECTIVE	METRIC (%)
Consumer calls	Answer incoming calls within 20 seconds	90
Consumer correspondence	Respond to general correspondence within 10 business days	85
Consumer voicemail messages	Respond to voicemail received by 12:30pm within the same day	80
Consumer voicemail messages	Respond to voicemail received after 12:30 pm by the next business day before 12:30 pm	80
Consumer satisfaction	Overall satisfaction survey score	80
Consumer complaint letters	Mail complaint follow-up letters to consumer within two business days	80
Consumer complaint letters	Mail a follow-up letter to consumers after receiving a response from the licensee within two business days	80
Consumer enquiry letters	Mail enquiry response letters within two days	80
Industry Relations enquiries	Respond to Industry Relations enquiries within 10 days	90
Regulatory applications	Issue final decisions in accordance with metrics established by Management Committee	80

2018-2021 BUDGET

2018-2021 Budget Summary

The Budget for the 2018-2021 planning period reflects the expenditures necessary to achieve the strategic goals as set out in this Business Plan. In particular, the proposed increase in budgeted headcount (from 178 to 192 FTEs) will provide additional capacity in the key areas of engineering, quantitative analysis and related disciplines. This additional capacity will equip the OEB to move forward with its commitment to the proportional review of applications and strengthen its internal capabilities regarding benchmarking, reporting, and performance measurement and evaluation.

Anticipated annual increases in employee compensation and lease inflation factors also contribute to the budgetary increases over the three-year planning period.

The 2018-2021 Budget includes costs of approximately $3 million relating to the renovation of OEB office space and of hearing and public meeting rooms. This project had been reflected in the 2017-2020 Budget but was subsequently delayed. This project will be funded by using the OEB's operating reserve balance, as originally proposed in the 2017-2020 Budget. This renovation project is designed to accommodate the OEB's expanded Public Affairs function and to provide better access to OEB facilities for both consumers and stakeholders. It will be the first major renovation of the OEB facilities since 2004. More information about the operating reserve is set out under *Key Assumptions* below.

"Section 30 costs and section 79.2 costs" are excluded from the 2018-2021 budget set out below. "Section 30 costs" are costs incurred in relation to specific proceedings and consultation processes. They are recovered from regulated entities through the cost award decisions made by the OEB in respect of those proceedings and processes. "Section 79.2 costs" are costs related to the administration of the Ontario Electricity Support Program (OESP) that are recoverable under section 79.2 of the Act. The *Fair Hydro Act, 2017* includes an amendment to the Act that would replace the current section 79.2. When proclaimed, the new section 79.2 would, among other things, enable the OEB to continue to recover its OESP administration costs. It would also enable responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer of responsibility may be deferred for some as-yet unknown period of time, and the OEB has therefore developed its budget for section 79.2 costs on the basis of the assumption that the OEB will be responsible for administration of the OESP during the three-year planning period.

The “section 30 and section 79.2” budget is $7.6 million for the 2018-2019 financial year, $7.0 million for the 2019-2020 financial year, and $6.5 million for the 2020-2021 financial year.

Some proceedings and consultation processes span several financial years. The OEB funds such proceedings and consultations through its operating reserve until the costs are finally recovered under section 30 or section 79.2 of the *Ontario Energy Board Act, 1998*.

Key Assumptions

As a self-financing entity, the OEB has established an operating reserve. That reserve is adjusted each year. The primary purpose of this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is also used to manage cash flows and to support working capital requirements. The operating reserve can be up to 20 per cent of the OEB's current annual funding requirement. During the 2018-2021 planning period, the operating reserve will range between 12 per cent and 19 per cent. As noted above, the OEB intends to use part of the operating reserve to fund approximately $3 million of renovations in the 2018-2021 budget.

Revenue from administrative penalties, assessed against individual regulated entities under s.112.5 of the *Ontario Energy Board Act, 1998,* are not used to reduce the costs assessed under the OEB's *Cost Assessment Model.* These funds are internally restricted to support only those activities relating to consumer education, outreach and other activities in the public interest.

An interest rate of 1.1 per cent has been assumed for the operating reserve and the accumulated balance in the administrative penalty fund.

2018-2021 OEB Budget (Sections 26 and 12.1 only)

Units in thousand dollars	2018-2019	2019-2020	2020-2021
Revenues:			
General cost recovery	41,086	43,025	44,560
Licence fees	402	402	402
Interest income	125	125	125
Miscellaneous income	5	5	5
Amortization of deferred revenue related to capital assets	1,480	1,997	1,746
Total Revenues	**43,098**	**45,554**	**46,838**
Expenses:			
Salaries and benefits	31,346	33,254	34,393
Consulting and professional	3,165	3,025	3,000
Meetings, training and travel	1,161	1,121	1,120
Publications, media and advertising	1,414	1,405	1,380
Premises	3,091	3,290	3,560
Information technology	957	963	1,131
Office and administration	484	499	508
Amortization of capital assets paid by OEB	1,480	1,997	1,746
Total Expenses	**43,098**	**45,554**	**46,838**
Capital Expenditures:			
Leasehold improvements	184	2,199	50
Office furniture and equipment	101	150	50
Computer equipment and related software	1,508	1,370	1,320
Audio visual equipment	150	0	0
Total Capital Expenditures	**1,943**	**3,719**	**1,420**
Total Assessment before Adjustments	**43,029**	**46,744**	**45,980**
Operating Reserve Adjustment	**(459)**	**(2,524)**	**(50)**
Total Assessment	**42,570**	**44,220**	**45,930**

2017-2018 Forecast Summary

The 2017-2018 forecast as of December 2017 shows an underspend of $3 million (approximately 7%), reflecting additional staff vacancies arising as a consequence of internal staff promotions which also impacts training and travel costs. Some projects affecting consulting, publications, media and advertising costs were deferred in other fiscal years to adjust to other business priorities. The leasehold improvements and renovations were deferred to the 2018-2021 Budget.

2017-2018 Forecast (Sections 26 and 12.1 only)

Units in thousand dollars	Forecast	Budget	Variance	
Revenues:			$	%
General cost recovery	37,041	40,385	(3,344)	(8%)
Licence fees	402	373	29	8%
Interest income	137	111	26	23%
Miscellaneous income	6	5	1	20%
Amortization of deferred revenue related to capital assets	1,172	1,106	66	6%
Total Revenues	**38,758**	**41,980**	**(3,222)**	**(8%)**
Expenses:				
Salaries and benefits	28,083	30,017	(1,934)	(6%)
Consulting and professional	3,282	3,744	(462)	(12%)
Meetings, training and travel	849	1,169	(320)	(27%)
Publications, media and advertising	836	1,421	(585)	(41%)
Premises	3,021	3,094	(73)	(2%)
Information technology	1,051	990	61	6%
Office and administration	464	439	25	6%
Amortization of capital assets paid by OEB	1,172	1,106	66	6%
Total Expenses	**38,758**	**41,980**	**(3,222)**	**(8%)**
Capital Expenditures:				
Leasehold improvements	126	1,860	(1,734)	(93%)
Office furniture and equipment	47	300	(253)	(84%)
Computer equipment and related software	1,370	1,550	(180)	(12%)
Audio visual equipment	50	150	(100)	(67%)
Total Capital Expenditures	**1,593**	**3,860**	**(2,267)**	**(59%)**
Total Assessment before Adjustments	**38,634**	**44,245**	**(5,611)**	**(13%)**
Operating Reserve Adjustment	**400**	**(2,245)**	**2,645**	**(118%)**
Total Assessment	**39,034**	**42,000**	**(2,966)**	**(7%)**

2016-2017 Financial Summary

The 2016-2017 financial results were underspent by $1.1 million (approximately 3%). This underspend reflects a number of factors, including: delays in filling vacant staff positions, lower meeting and travel costs, underspending in respect of consulting and professional services as a result of the deferral of certain projects, lower additional rent costs, and savings with respect to administrative expenses.

2016-2017 Financial Results (Sections 26 and 12.1 only)

Units in thousand dollars	Actual	Budget	Variance	
Revenues:			**$**	**%**
General cost recovery	35,995	38,013	(2,018)	(5%)
Licence fees	396	373	23	6%
Interest income	134	111	23	21%
Miscellaneous income	5	5	0	0%
Amortization of deferred revenue related to capital assets	781	941	(160)	(17%)
Total Revenues	**37,311**	**39,443**	**(2,132)**	**(5%)**
Expenses:				
Salaries and benefits	28,043	29,445	(1,402)	(5%)
Consulting and professional	2,835	3,274	(439)	(13%)
Meetings, training and travel	457	971	(514)	(53%)
Publications, media and advertising	839	453	386	85%
Premises	2,829	3,047	(218)	(7%)
Information technology	1,089	856	233	27%
Office and administration	438	456	(18)	(4%)
Amortization of capital assets paid by OEB	781	941	(160)	(17%)
Total Expenses	**37,311**	**39,443**	**(2,132)**	**(5%)**
Capital Expenditures:				
Leasehold improvements	126	150	(24)	(16%)
Office furniture and equipment	67	200	(133)	(67%)
Computer equipment and related software	1,557	1,637	(80)	(5%)
Audio visual equipment	32	0	32	100%
Total Capital Expenditures	**1,782**	**1,987**	**(205)**	**(10%)**
Total Assessment before Adjustments	**37,777**	**40,000**	**(2,223)**	**(6%)**
Operating Reserve Adjustment	**1,129**	**0**	**1,129**	**100%**
Total Assessment	**38,906**	**40,000**	**(1,094)**	**(3%)**

Human Resources Assumptions

Staff headcount over the planning period is budgeted at 192 full-time positions.

The OEB has also budgeted for 11 Board Members.

Seventy-five percent of staff positions are unionized. The current four-year Collective Agreement with the Society of Energy Professional expires on March 31, 2019. The salaries and benefits for bargaining unit employees are based on the terms of the Collective Agreement.

For non-represented staff, the OEB's compensation philosophy is targeted to the 50th percentile of our market comparator group. That group comprises public sector comparators and, more specifically, comparators from the energy sector and other regulators. Benefits for non-represented employees are based on a traditional benefit plan that mirrors the bargaining unit and reflects corporate policies.

The OEB participates in the Ontario Public Service Pension Plan with matching employee and employer contributions.

Incentive pay for eligible bargaining unit and non-represented staff, including full-time appointees, has been budgeted in accordance with the Collective Agreement and approved Incentive Plans.

Strategic human resource priorities include a focus on a recruitment philosophy to leverage emerging social media trends and increased visibility of the organization to potential candidates. Knowledge transfer and recruitment strategies are important to maintaining organizational capacity due to the aging demographics of our workforce and requirements for new emerging skills sets to the organization.

Staff development continues to be a priority to ensure the OEB can promote internal staff, where appropriate, to take on new responsibilities. With a greater focus on stakeholder engagement and an evolving adjudicative framework, new and different skills sets will be required.

Employee engagement is a key driver of organizational performance and behaviour. A comprehensive plan will be developed to enhance organization line of sight and promote staff commitment.

Information and Information Technology (I&IT) Assumptions

As with many other knowledge and information based organizations, the OEB relies increasingly on systems and technology. Applications and data quality, reliability, stability, and secure access are critical to the OEB's ability to function.

The OEB's objective is to leverage I&IT strengths and ensure that the organization has the I&IT capabilities and capacity to fulfill its mandate and meet new challenges – effectively, efficiently and at reasonable cost.

Key I&IT initiatives over the three-year planning period include infrastructure optimization, improved and more integrated use of Cloud offerings, cyber security enhancements, improved analytics and reporting, the implementation of new tools for consumers, website enhancements, process automation, and measures to improve the accessibility of hearings.

I&IT investments over the planning period focus on ensuring the reliability and security of our infrastructure and business systems. Those proposed investments are summarized in the table below:

OEB Budgeted I&IT Capital Project Spending by Category

Year	FY 2018-19	FY 2019-20	FY 2020-21
Expense Type	**Capex**	**Capex**	**Capex**
Business Systems	$1,260,000	$720,000	$820,000
End User Computing	$198,000	$200,000	$200,000
Infrastructure	$200,000	$450,000	$300,000
Total	$1,658,000	$1,370,000	$1,320,000

COMMUNICATIONS PLAN

Background

The 2018-2021 Business Plan reflects the strategic direction established in the OEB's recent *Strategic Blueprint* and supports the work proposed in the OEB's LTEP implementation plan. That new *Strategic Blueprint* sets out the OEB's commitment to modernize its approach to regulation in order to keep pace with an evolving energy sector. The programs and activities proposed by the OEB for the three-year planning period are organized around the Strategic Goals and Objectives set out in the OEB's *Strategic Blueprint*:

Transformation & Consumer Value – *Utilities are delivering value to consumers in a changing environment.*

Innovation & Consumer Choice – *Utilities and other market participants are embracing innovation in their operations and the products they offer consumers.*

Consumer Confidence – *Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services.*

Regulation "Fit for Purpose" – *The OEB has resources and processes appropriate for the changing environment.*

The programs and activities set out in the Business Plan include both existing initiatives that are carried forward from the 2017-2020 Business Plan and new initiatives arising from the *Strategic Blueprint* and the Implementation Directive.

Target Audiences

The OEB's communications over the three-year planning period will be directed towards both internal and external audiences.

Internal audiences include Board Members and OEB employees.

External audiences include consumers (residential, commercial, institutional, and industrial), the entities that the OEB regulates, other public agencies in the energy sector, industry associations, consumer advocates, social service agencies, local communities, opinion leaders, the media, and the Minister of Energy and Ministry staff.

Key Themes

Several key themes will underlie the OEB's communications. Those themes are:

- The OEB can enhance the trust and confidence of consumers in the OEB and the sector by demonstrating that the OEB holds utilities accountable, aligns the interests of distributors and consumers, and protects consumers, including those who are most vulnerable. The OEB delivers value to consumers and the sector by ensuring an integrated and consumer-centric approach to applications and policy work.

- The OEB is committed to ensuring its approach to regulation keeps pace with an evolving energy sector and changing consumer expectations.

Proposed Activities

The OEB proposes to undertake a range of communications activities over the three-year planning period. Those activities are designed to demonstrate the impact of the OEB's work as an economic regulator and in protecting consumers.

These communications activities will include:

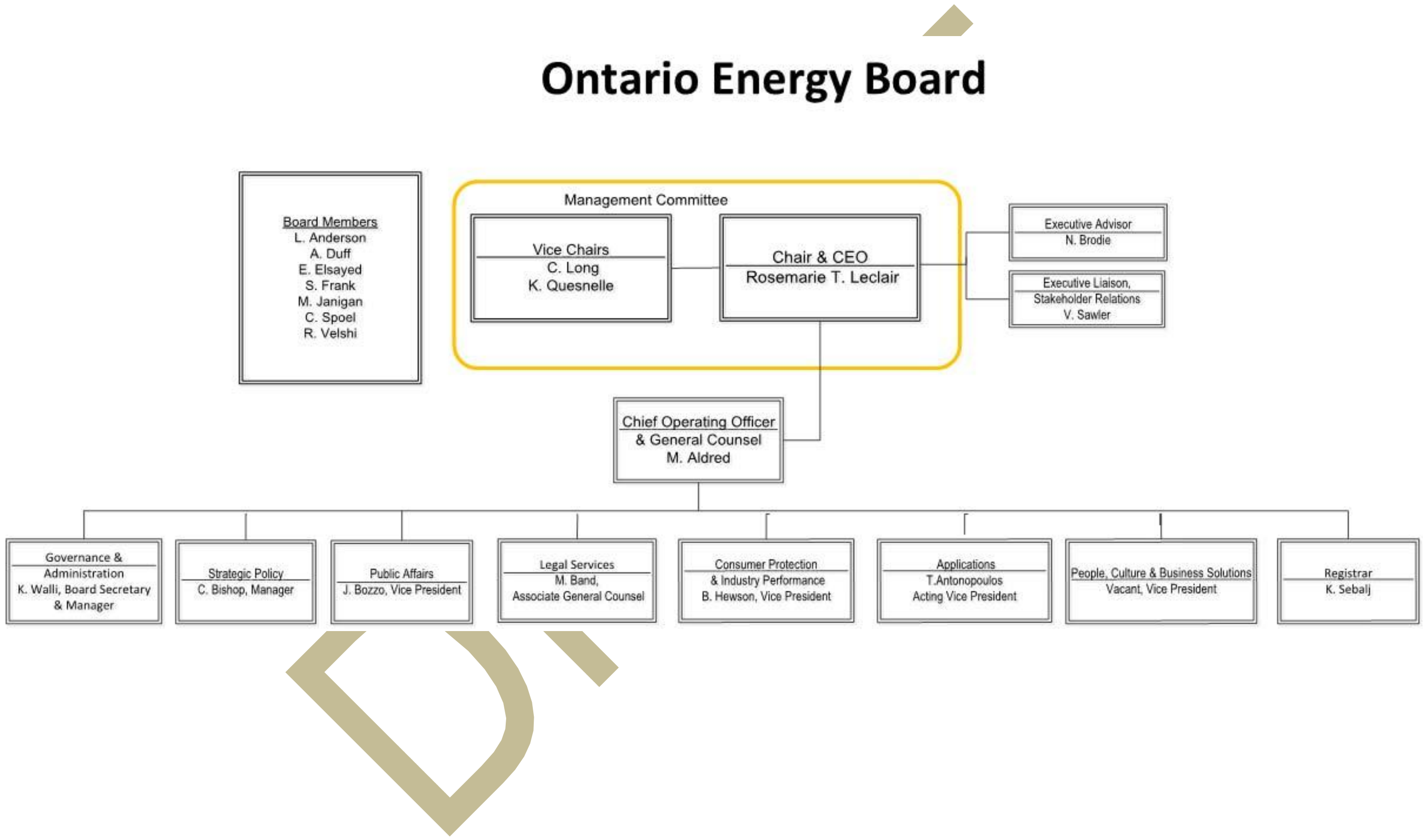
- Measures to enhance the trust and confidence of residential and business consumers in the OEB and the sector, as measured against the "benchmark" established by the 2017 consumer research.

- Integrated communications programs to engage and inform consumers regarding the work of the OEB to protect and empower consumers.

- Expansion of the OEB's program of public outreach to listen to and reflect consumer perspectives into our work.

- Co-ordination of consumer-focused communications with third parties, including social service agencies, consumer advocates, professional and business associations, governments, and local representatives.

APPENDIX A – OEB ORGANIZATIONAL CHART



APPENDIX B – OEB ENTERPRISE RISK REGISTER

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
1	**Government Policy & Oversight**	Volume and complexity of new programs and initiatives from government may limit the OEB's organizational capacity to respond to changes in a timely manner, impacting the OEB's ability to effectively execute their regulatory role.	Regulatory	People	Capacity	Regulation "Fit for Purpose"	- Weekly and Monthly discussions with Ministry of Energy staff and Minister's office. - Executive Policy Committee - bi-weekly updates to the Chair and Vice Chairs on progress against policy development plan and oversight of matters of strategic significance to the OEB. - Periodic Enterprise Risk Assessment and Risk Register Refresh. - Annual Three Year Business Plan Refresh. - Monthly Executive Team meetings. - Quarterly Management Committee meetings. - Monthly Board Member meetings. - Monthly Adjudicative Committee meetings.	4	5	20
2	**Legislative Changes affecting Administration**	Changes in federal or provincial legislation, regulations, standards, codes or directives may not be appropriately accommodated within the OEB's operations leading to non-compliance by the OEB.	Operational	Process	Capacity	Regulation "Fit for Purpose"	- Integrity Commissioner Quarterly Reporting. - Ministry of Energy Annual Reporting. - OEB Quarterly Compliance Reporting. - Annual Finance Audit (scope includes expense claims). - Participation in consultation for updates to Treasury Board/Management Board of Cabinet Directives.	4	4	16

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
3	**Industry Evolution**	An evolving energy industry and emerging technologies requires creation of new - or changes to existing - OEB programs, policies, and procedures.	Strategic	Process / Technology	Capability	Innovation & Consumer Choice and Transformation & Customer Value	- Executive Policy Committee - bi-weekly updates to the Chair and Vice Chairs on monitoring progress against policy development plan and oversight of matters of overarching strategic significance to OEB. - Periodic Policy Assessment Review (Natural Gas Market Reviews conducted every 3 years with annual updates). - Consultation Papers. - Chairs Advisory Roundtable. - Steering Committee for industry liaison. - Stakeholder, Sectorial and Government Meetings (statutory codes/ rules compliance regarding Stakeholder Engagement). - Industry Affairs Standing Committee. - Annual Three Year Business Plan Refresh. - "The Blueprint" Strategic Plan. - Handbook to Electricity Distributor and Transmitter Consolidations. - Innovation Panel.	3	3	9

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
4	**Cyber-security**	Highly sophisticated cybersecurity attack could lead to disclosure or loss of sensitive or confidential data, or shut down of critical OEB Information Management Systems.	Operational	Technology	Capability	Regulation "Fit for Purpose"	- Ontario Provincial Services IT Security Directives (applied internally). - McAfee anti-virus has been installed on all servers and workstations within the OEB corporate environment. - Anti-virus definition updates have been configured to be automatically checked and updated from the McAfee servers on the internet. - On-access file scanning has also been configured to ensure all files are scanned for potential malware prior to use. - IT provides training to business units regarding the IT Security Directive requirements. Training includes educational videos and instruction on how the directive should be interpreted. - Management conducts training at least annually. All new employees must take Cyber Security training as part of their On-Boarding. Also ad hoc training and alerts occur depending on the need and based on ongoing threats. Management interprets the OPS directives and Policies and develops training material as necessary. - Email gateway filtering is in place to protect from malicious email. - Internet Gateway is in place to protect from Malicious Internet traffic. - Active Directory Group policies in place to specifically counter a Ransomware attack. - Completing recommendations in Cyber Security Review by March 2018, including: develop network monitoring / Security Information and Event Management, Threat & Vulnerability Management program, and social engineering exercises.	3	5	15

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
5	**Information Management**	Aspects of record management processes (physical and digital) that are not sufficiently scalable may not ensure the accuracy, integrity, confidentiality, reliability, and accessibility of data (unauthorized use or access, accidental disclosure, modification, or loss of data) with the increasing number of records.	Operational	Process	Capacity	Regulation "Fit for Purpose"	- Electronic Records are backed up on a nightly basis. - Disaster Recovery Plan includes replication of data and critical Infrastructure at a secondary location in case of an issue at our Primary Data Centre location. - OEB Primary Records systems are Pivotal and Trim which are off the Shelf Software Programs that enable appropriate Security to ensure Confidentiality of data and avoid unauthorized use. - OEB Network runs on Microsoft Active Directory. - All OEB users must have authorized credentials to access OEB Data. - OEB Records Management Policy .	2	3	6
6	**Technology**	Infrastructure may not be sufficient to adapt to changes in technology requirements or be able to accommodate implementation of new projects and programs.	Operational	Technology	Capacity	Regulation "Fit for Purpose"	- On an annual basis IT updates the IT 3 year plan. This plan is aligned with the OEB Business Plan to ensure IT's ability to accommodate new OEB Initiatives. - The IT Plan uses a Risk based and Asset Management approach to ensure Assets are kept up to date and can keep pace with the changing nature of technology. - Recent server upgrade.	1	3	3
7	**Vendor Management**	Vendors may not comply with Service Level Agreements ("SLA"), meet performance standards, or protect sensitive or confidential information; creating challenges in attracting qualified resources in an expeditious manner, that are not conflicted.	Operational	Process	Capacity	Regulation "Fit for Purpose"	- OEB Agreement - 15.0 Inspection and Warranty Clause. - OEB Agreement - 17.0 Termination Clause. - Purchase Order sign off requirement (T&C's). - Consultants on and off boarding process. - Escalation clause development.	1	3	3
8	**Licensees' Compliance**	Licensees' non-compliance with regulation, legislation, or OEB decisions could go undetected or be inadequately addressed.	Operational	Process	Capacity	Consumer Confidence	- Consumer Relations Centre Policies. - Complaints Management Process. - Compliance Review Committee. - Risk-based Compliance Assessment Framework. - Quarterly OEB Compliance Reporting. - Compliance & Enforcement undergoes many levels of scrutiny. - Retailer & Marketers Code of Conduct. - Sector and Industry Audit program.	2	4	8

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
9	**Succession**	Loss of key staff, a limited pool of qualified candidates to recruit from, and changes in requirements as the industry evolves could result in the OEB not having sufficient employees with adequate skills, expertise or capabilities.	Operational	People	Capability	Regulation "Fit for Purpose"	- Employee Engagement Surveys & Improvement Plans. - HR Policies - confidential Exit Interviews; Annual L&D Plans; Internal Promotion Priority; Competitive/Attractive Compensation & Benefit plans; Annual - Performance Appraisals (for internal vacancy selection); Management/Staff Competency Models; Behaviour Assessments; Job Descriptions. - Quarterly Measurement of Turnover Rates. - Succession planning as a component of performance management.	2	3	6
10	**Organizational Capability / Capacity**	Staffing capabilities (skills / competencies) and capacity could be insufficient to implement new programs and initiatives.	Operational	People / Process	Capability / Capacity	Regulation "Fit for Purpose"	- Knowledge Management (Transfer) Program. - Workforce Plan Review (supply/demand and gap analysis). - Operational Planning (By Business Unit). - Regular use of consultants to augment workforce. - Succession Plan. - Annual Individual Learning & Development Plans. - Annual Three Year Business Plan Refresh.	3	4	12
11	**External Communications**	The quality or sufficiency of information communicated to consumers and market participants could result in consumers not being adequately or appropriately informed, impacting their ability to effectively understand energy matters.	Reputation	Process	Capacity	Consumer Confidence	- Consumer Panel. - Consumer Engagement Framework including Community Meetings and enhanced approaches for customer input to the adjudicative process . - Public Affairs function. - Strategic Communications Plan. - Media Management Program. - OEB Outreach and Education Programs. - Consumer Relations Centre Complaints Management Process. - Website redesign.	4	3	12
12	**Business Continuity**	Natural disaster or unexpected event causes an interruption to OEB operations.	Operational	Process	Capability	Regulation "Fit for Purpose"	- Emergency Response Plan. - IT Disaster Recovery Plan. - Annual simulation testing of the plan(s). - Annual review of acceptable rate of recovery of OEB operations. - Business interruption insurance. - Insurance Review.	1	4	4

#	Risk Name	Inherent Risk	Risk Category	Risk Sub-Category	Nature of Risk	Strategic Challenges	Mitigating Controls (OEB to supplement and confirm listing below)	Likeli-hood	Impact	Score
13	**Financial Management**	Financial budget may not be aligned to the strategic plan, resulting in inappropriate spending and/or inability to effectively allocate resources to deliver on OEB's mandate.	Financial	Process	Capacity	Regulation "Fit for Purpose"	- Monthly Cash Flow Projections. - Cost Assessment Model Review. - Annual Financial Budget Process. - Monthly Financial Reporting Management. - Quarterly Management Committee reviews of financial results and forecasts. - Annual Strategic Business Plan Process.	2	2	4
14	**Financial Reporting**	Given the increasingly heightened expectations and requirements for financial transparency and reporting, there is added complexity to ensuring internal controls over financial reporting are adequately designed or operating effectively to provide reasonable assurance that the financial reporting is accurate, reliable, and timely.	Financial	Process	Capability	Regulation "Fit for Purpose"	- Documented policies and procedures. - Documented processes. - Active management oversight including Management Committee. - Annual External Audit. - Monthly Finance Report to Management - Internal Audits.	2	2	4
15	**Risk Management**	Processes to effectively and efficiently identify, assess, manage and govern risk may not adapt quickly enough to respond to evolving industry and public policy, resulting in the inability to achieve strategic and operational objectives.	Operational	Process	Capability	Regulation "Fit for Purpose"	- Periodic Enterprise Risk Assessment and Risk Register Refresh. - Annual Business Plan Audit. - Annual Internal Audit Plan. - Documented policies, processes and procedures. - Risk Assessment informs business planning processes.	2	4	8

Likelihood - the probability of the risk occurring, after considering mitigating controls.	
1	There is very little chance of the risk ocurring.
2	There is little chance of the risk ocurring.
3	There is a moderate chance of the risk ocurring.
4	There is high chance of the risk ocurring.
5	There is very high chance of the risk ocurring.

Impact - the extent to which this risk could adversely affect the OEB's ability to satisfy their mandate.	
1	Occurance of the risk will not have a material impact on the OEB's ability to satisfy their mandate.
2	Occurance of the risk may have some impact on the OEB's ability to satisfy their mandate.
3	Occurance of the risk may impair the OEB's ability to satisfy their mandate.
4	Occurance of the risk will impair the OEB's ability to satisfy their mandate.
5	Occurance of the risk will inhibit the OEB from satisfying their mandate.

Score - the product of likelihood and impact.	
1 - 4	This risk poses little-to-no chance of impacting the OEB's ability to satisfy their mandate.
5 - 10	This risk poses a small chance of impacting the OEB's ability to satisfy their mandate.
11 - 18	This risk poses a moderate chance of impacting the OEB's ability to satisfy their mandate.
19 - 25	This risk poses a high chance of impacting the OEB's ability to satisfy their mandate.