



Performance, Value, Innovation, Reward

EDA Joint NE/NW Districts
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Overview

- Regulatory evolution – 5 years in the making
- What's new?
- The next 5 years



The RRF – A Roadmap for Regulatory Reform

- Financially sustainable LDCs
- Robust, reliable networks
- Value for customers
- Supporting Innovation
- Rewarding performance



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Performance

Financial Stability

- ✓ Flexible rate setting models
 - Custom IR, Price Cap IR and Annual IR
- ✓ Access to capital between re-basing
 - Mechanisms developed to pace investments and manage impact on customers
 - Incremental Capital Module
 - Advanced Capital Module
- ✓ Robust return on equity
 - Opportunity to earn reasonable returns to finance investment



Performance and Value

Robust, Reliable Networks

- ✓ Asset management & Distribution System Plans
 - To pace, prioritize and optimize renewal investments
 - To support modernization of the network and adoption of smart grid and conservation
- ✓ Regional Planning
 - To optimize network investments recognizing integrated transmission and distribution grids
- Cost rules to facilitate regional planning
 - To ensure cost responsibilities are aligned with the benefits of infrastructure build
 - To facilitate regional planning through removing barriers to sharing the costs of network investments



Performance and Value

- ✓ Reliability standards
 - Set specific targets for each distributor
 - Reporting in scorecard
 - Developing customer specific reliability metrics
- Outage reporting and monitoring
 - Reporting to understand distributors' response to major events, i.e. storms
- Cyber security
 - Establishing a framework to support best practice in protecting customer data and system security



Value for Customers

- ✓ Transparent performance reporting (scorecards)
 - To allow customers to assess value and performance of their utility year over year, and across LDC's
- ✓ Customer engagement in utility investment and service planning
 - To help inform utility investment and service plans and provide helpful information to customers
- ✓ OEB community meetings for rate hearings
 - To give customers direct access and a voice in regulatory decisions
- ✓ Consumer Charter
 - To provide accessible and transparent information for customers on their rights and responsibilities
- Review of Customer Service Rules
 - To modernize rules to better meet the needs of customers and balance customer protection and operational needs of LDC's



Value and Innovation

- Smarter Rates

Enabling:

- fairer billing
- grid innovation
- customer uptake of new technologies

- ✓ Residential Fixed Rates

- Moving from demand-based to a fee to connect
- Provides greater certainty of revenues to support investment and reliable operations
- Support net metering and conservation

- Commercial and Industrial Demand Rates

- Mix of fixed and demand charges
- Recognizes impact of larger customers on the grid
- Price signal encourages customers to adjust demand while fixed charge reflects cost of connection



Value and Innovation

- Scope and Scale
 - ✓ Policies to facilitate mergers and acquisitions
 - Deferred rebasing for 10 years while maintaining the savings
 - Handbook established OEB's test and approach to MAADs review
 - ✓ Diversification (Bill 135)
 - New business opportunities for distributors where special circumstances are identified
- RPP pilots
 - Pricing pilots designed to inform redesign of RPP to give customers more control



Reward

Regulatory oversight is proportionate to performance

- Performance
 - Financial
 - Operational
 - Organizational
 - Quality of service
- Enablers
 - Robust benchmarking
 - Performance reporting and monitoring
 - Best practices in corporate governance



Next year and the year after that

Maintain our focus on...

- **Performance**

- Evolve utility scorecard to make it more relevant to customers
- Assess performance against unit/production cost benchmarks
- Implement corporate governance best practices
- Enhance auditing and compliance
- Reward performance through proportionate regulatory reviews

- **Value and innovation**

- Develop new pricing models that meet needs of different consumers and reflect use of the system
- Consider different rate setting models

- **Empowering customers**

- Modernize customer service rules
- Expand opportunities for consumers to have a voice



Anticipate and prepare for the future

■ Energy Policy Evolution

- Climate Change Action Plan and impacts of climate change policies
- Fair Hydro Plan
- Long-Term Energy Plan

■ Technological Innovation

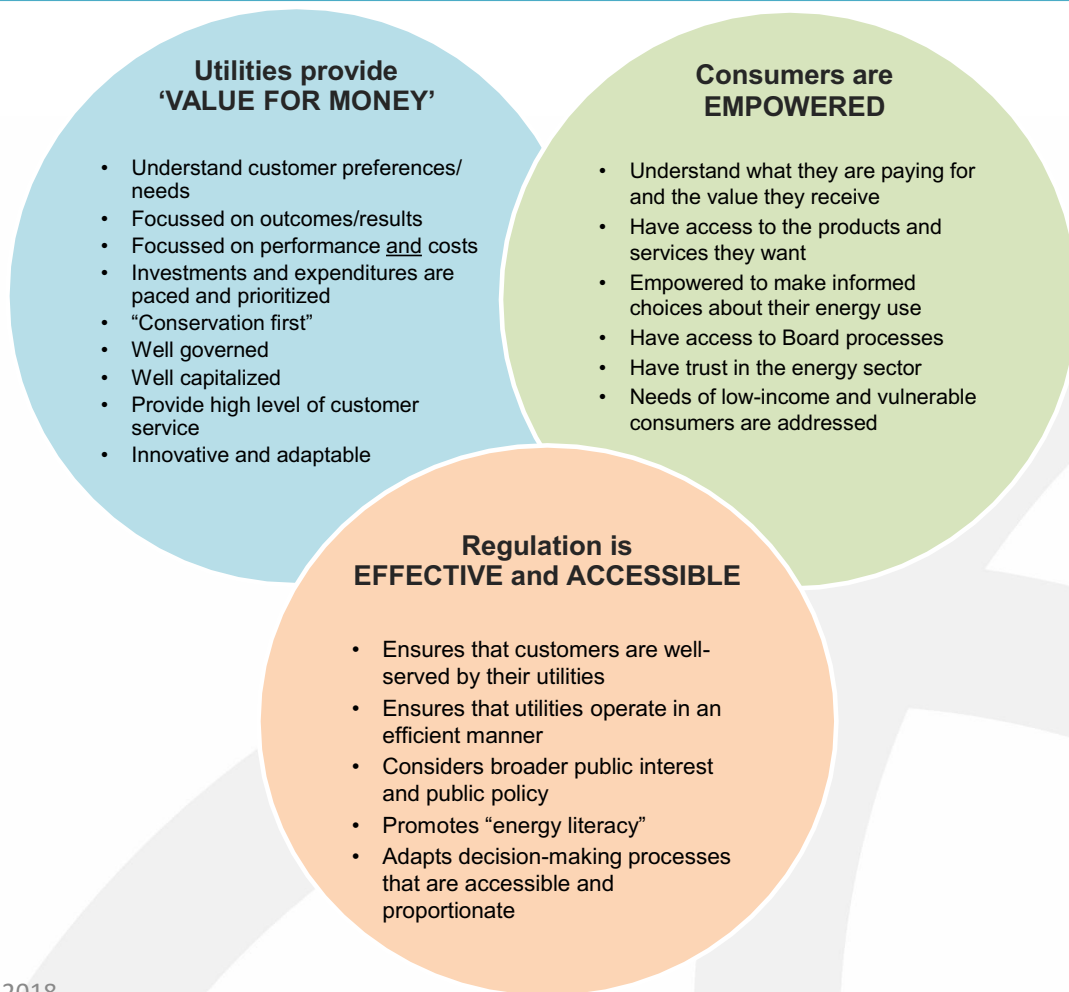
- New choices for consumers
- Traditional utility business model is challenged
- Call for a new approach to regulation

■ OEB response

- New regulatory blueprint
- New CEO forum on innovation



Consumer Centric Regulation in Action



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Questions & Answers



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