

Ontario Energy Board
2016-17 Annual Report
DRAFT 2

Who we are

The Ontario Energy Board is an independent regulatory body.

We help consumers get value from their natural gas and electricity services. We also make decisions and provide advice to the government in order to contribute to a sustainable, reliable energy sector in Ontario. We do this by:

- Establishing rates and prices that are reasonable to consumers and that allow utilities to invest in the system
- Encouraging higher performance from natural gas and electricity utilities and measuring progress
- Making consumers' own usage, and the broader energy issues, easier to understand
- Looking out for consumer interests, investigating complaints and applying penalties, where appropriate
- Thinking about the long-term needs of Ontario's energy sector and developing regulatory policy to meet emerging challenges.

Our values

The following values are at the core of everything we do:

- Continuous improvement
- Collaboration
- Respect
- Customer service
- Results
- Innovation
- Creativity

* Note to draft: These values were referenced in Rose’s EDA Annual General Meeting speech, from February 29, 2016. “The great thing about those values is that they’re not only the values of this organization. They’re values that I think are pretty universal and shared across all LDCs by the sector as a whole: governments, regulators, producers, distributors and consumers.”

Letter from the Chair and CEO

In the energy sector, trust used to refer to consumers' confidence in their utilities to keep natural gas and electricity flowing safely and reliably to their homes and businesses. It was bred in the belief that when they flipped the switch, the commodity would be delivered.

That hasn't changed. But with rapid technological advancements and unprecedented innovation in our sector, trust is quickly morphing into something more than blind faith. Trust is now firmly rooted in information and in transparency.

From our research, and through everyday interactions at our call centre and public meetings, we know that energy customers want more information now than ever before. More information about billing and rates. More information about their utilities' cost structures. More information about how the energy sector actually works. More information about their rights as consumers. And they're looking to their energy regulator to provide answers that are unbiased and easy to understand.

That's absolutely fine with us. How else can we be relevant, if we're not tapped into the people whose lives are affected by our decisions? And how else can we be trusted, if we're not transparent? This year, we reached out to consumers more directly and more frequently than ever before. At community meetings in places such as Innisfil, Essex, Welland, and Cochrane, we listened and learned about consumers' concerns. In discussions with our 100-member Consumer Panel, we saw first-hand how important plain language is in our communications, and how far we have yet to go to bring consumers more fully and confidently into the energy conversation.

Our new website is giving us a whole new perspective on what energy consumers really want, and how much is left to be done in terms of energy literacy. And 180,000

applications for the new Ontario Energy Support Program confirmed our belief that putting the right information into the hands of the right people at the right time is simply the right thing to do.

Transparency is at the very heart of trust. It's how we earn our social licence. By being open with information, providing ready answers to questions, backing up words with facts, and doing all of this consistently, trust grows incrementally.

And that's our ultimate goal. We now have robust internal and external frameworks in place to position Ontario's energy sector for a future that is more performance-based, more outcome-driven, and more customer-centric than previously. These frameworks will allow us to pull in the information we need to make sound decisions -- and to push out the information that customers need to do the same -- all with the objective of ensuring quality service from utilities, reasonable rates for consumers, and a reliable and safe energy system for Ontario.

The OEB's evolution into a more relationship-based, customer-centric regulator has been a challenging journey, but a necessary one. And it's not over yet. I am proud of the work our staff has done so far to enable this transformative shift, and appreciate the input and collaboration we received this year from our customers, stakeholders and industry colleagues.

Maintaining trust in the sector is one of the most important things we can all do to help strengthen and lead Ontario's energy future.

Sincerely,

Rosemarie T. Leclair

Chair and Chief Executive Officer, Ontario Energy Board

Highlights of the year

The value we delivered

This year, the main focus of our work was to ensure consumers continued to receive value for their energy dollars.

Value is both qualitative and quantitative. In keeping with our five-year strategic plan (2016-2019), we multiplied the number of ways in which consumers could let their voices be heard. For example, we continued to tap into the **Consumer Panel** established last year (see sidebar), to help us better understand the questions consumers have about our energy system.

We also visited 12 communities across Ontario and held 15 **Community Meetings** where we heard consumers voice their opinions about ## major rate applications. In the interest of greater transparency and engagement, we also made it a requirement for utilities to use social media and other digital channels to disseminate information about major applications to the Board, in addition to using print media. Further to this, we attended 45 **public meetings and events**, where we answered questions about everything from distribution rate applications to rates to billing terminology to consumers' rights. This input informs not only the adjudicative and decision-making process, but also provides real-life context that keeps us in touch with everyday consumer issues.

To improve energy literacy and ensure consumers have up-to-date information about the OEB and our mandate, as well as the overall energy system, we completely **redesigned our website** – www.oeb.ca -- using plain language and new tools to reach a broader audience.

Value is also unlocked through innovation. The **Ontario Electricity Support Program (OESP)** is an example of how we worked outside of a more traditional regulatory box to address an important social issue. The OESP provides monthly on-bill credits to help reduce the electricity bills of lower-income customers. This year, the first full year of the program, we approved over 182,000 applications, including ## First Nation customers, and applied credits of over \$42 million to customers' utility bills. In recognition of these efforts, the OEB won a prestigious CAMPUT (Canada's Energy and Utilities Regulator) Award for Innovation and Leadership. An evaluation plan is currently in place to monitor the program's success and identify areas for improvement.

We also responded to a government request (or 'Ministerial Directive') for advice about whether there should be a **special electricity rate for First Nation communities**. To prepare our response, we engaged with 50 First Nations communities at seven meetings across Ontario, including remote communities, the distributors serving them, and consumer groups. With input from an advisory committee that represented the views of First Nations communities at three separate meetings, we developed a series of four recommendations. In December, we submitted our report for the government's consideration.

Energy conservation programs are another example of the societal value that comes from economic regulation. Since 2001, we have mandated Ontario's electricity and natural gas utilities to offer conservation programs to their customers. We are the entity responsible for ensuring they comply and achieve specific targets.

This year, through these programs, residential and commercial customers province-wide saved ## billion kilowatt-hours of electricity and ## million cubic meters of natural gas – meaning, collectively, they helped to reduce wear and tear on the province's energy grids, avoid the significant costs associated with new generation facilities, and bring Ontario closer to becoming a conservation culture. [are these results on track, or ahead of plan, for 2020?]

In a similar way, we continued to encourage the province's utilities to take a regional view of planning. Beyond consolidation, **regional planning** will ensure that, as a whole, Ontario's energy system operates as cost-efficiently as possible, and that wherever possible, utilities consult with each other to identify ways to collaborate for the collective benefit of consumers in their region. [example?]

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SIDEBAR: What the Consumer Panel does

Copy to follow, including:

- Played a key role in shaping the ECPA documents, Consumer Charter, web redesign and community meeting material.
- Other
- Other
- Other

Consumer Panel testimonial:

"It was really valuable to learn about the OEB ... [it] means we tell more people in our community about where information is. Being able to provide input into a clear user-friendly website and a [Consumer] Charter was worth my time." - Ruth

Chiefs of Ontario testimonial: Chief Eva Hill, on the consultation process around the special First Nations electricity rate

Consumer testimonial:

Thank you very much for your help. Yes, they emailed me with apologies saying that it's their mistake, and closed the file and removed all records and collections. Also, they attached a confirmation letter.

Thank you very much again, your help is important to me!

A.T.

The promises we kept

Earning our social licence means keeping promises – and doing it every day.

In our five-year strategic plan (2016-2019), we committed to both protect and empower consumers. To protect them, in January, we announced **new rules under the revised *Energy Consumer Protection Act, 2010***, that, among other things, forbid energy retailers from asking consumers to sign up for an energy contract while they are at their home. We also overhauled the documents that retailers are required to show consumers before signing up for an energy contract, simplifying the language and presenting information in a clearer, more understandable format.

Further to this, we developed our **new Consumer Charter**. With input from our Consumer Panel and an industry working group, the Charter outlines electricity and natural gas consumers' rights and responsibilities, and also commits the OEB to protecting those rights. Both initiatives build on our promise to maintain a strong consumer focus in all our processes.

On matters of compliance and enforcement, we conducted 31 inspections, which led to six enforcement proceedings (for breaches of legislative and regulatory requirements) and collected over \$106,000 through the payment of administrative penalties.

To further empower consumers, we invested in new back-office systems, including a fully **upgraded IT infrastructure** and a new content management system to support our customer-centric website – www.oeb.ca. We also invested in a new **consumer engagement system** (which includes a database housed within the content management system) to capture information related to stakeholders who attend our community meetings. And we hired staff specialized in big data analytics to pore

through this information and ensure we have relevant data to guide our consumer outreach activities going forward.

Our consumer protection mandate is also reflected in the way we set distribution rates for electricity and natural gas utilities, and in the way we manage commodity pricing. For the first, we look for evidence of reasonable prices, good reliability and quality service. When it comes to the commodity, we want to be sure the utility is meeting customers' needs, while also remaining financially viable.

To protect consumers and the energy system over the long-term, we began a **review of the Regulated Price Plan** in 2015. We wanted to see if there were opportunities to enhance consumers' energy literacy, provide more consumer choice, and improve participation in the Ontario government's Conservation First policy through smarter delivery rates. This year, we accepted submissions from five utilities to explore new options for the Regulated Price Plan, and **two pilots from Alectra Utilities and London Hydro** will begin in [month/year]. The pilots will assess the effectiveness of different pricing options including critical-peak pricing, different time-of-use daily and seasonal time periods, and the impact of automation such as house-monitoring devices on bill-benchmarking, consumer behaviour and customer satisfaction.

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Testimonial #1, OEB representative on the new RPP framework: to come

Testimonial #2, Hydro Ottawa on the new Consumer Charter: to come

The challenges we addressed

Fundamental changes are occurring within the energy sector, enabled by technological advancements in the way energy is produced, transported and consumed. While new smart grid technology marks a sea change in terms of enhancing electricity system reliability and utility performance, for example, it also carries risks related to the privacy of consumer information and the security of the grid itself.

In response to this new type of risk, we convened an industry-wide working group last year to examine best practices that would help **mitigate and/or respond to cyber-security threats on a North America-wide basis**. This year, we continued our work and developed a framework that will help protect critical infrastructure in Ontario. The framework, launched on January 1, 2017, creates a common approach to assessing risk levels and preparedness. It also establishes control objectives, offers guidance on evaluation and compliance, and maintains accountability within each utility.

In Ontario's natural gas sector, there was until recently no regulatory framework related to **provincial cap and trade policy**. The introduction of Ontario's *Climate Change Act* in May provided an opportunity for the OEB to address this challenge and to consider how any new costs incurred by utilities to comply with the *Act* could be recovered through rates.

We undertook research into the experiences of other jurisdictions (specifically Québec and California) in addressing the regulatory issues related to cap and trade programs. In April, we organized a series of meetings to discuss the key elements to be addressed by the regulatory framework, including the issues, considerations and options for each of these elements. In May, we issued a staff paper that outlines our position for addressing these issues within the regulatory framework.

Also in the natural gas sector, we seized the opportunity presented by the arrival of EPCOR in the Innisfil area to establish a common framework in order to **enable the expansion of natural gas service** to Ontario communities not currently serviced by natural gas companies. Rather than simply equalize rates between existing and new customers, the new ‘stand alone’ rate reflects the higher costs associated with connecting natural gas service to these communities. Going forward, customers in these communities will be included in this new rate class.

Industry consolidation is another example of the OEB’s responsiveness to the changes that are quickly transforming Ontario’s energy sector. This year, there was one major consolidation, which the OEB approved in December. [confirm any additional consolidations] The coming together of PowerStream, Horizon Utilities, Enersource and Hydro One Brampton makes Alectra Utilities the second largest municipally-owned electric utility by customer base in North America, with over one million customers. We expect more of these consolidations in future, as local hydro companies and their shareholders consider transactions that can create greater efficiencies and benefits for their customers, and as they make available the resources required to deliver the technological advancements and service innovations that customers expect.

As technology evolves, and as customer profiles and customer needs adapt, our role as an independent regulator also continues to change. This year, in keeping with our focus on outcomes and performance, we produced a **new Utility Rate Handbook** that outlines key principles and best practices for rate applications. The Handbook applies to all rate-regulated utilities equally, with a goal of helping them plan for the outcomes required to operate as efficiently as possible. These outcomes are reflected in utilities’ annual scorecards, now available online. This new Handbook is in addition to the **Handbook to Electricity Distributor and Transmitter Consolidations**, released in January, which tells applicants, shareholders and customers how the OEB will assess the merits of consolidation applications.

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Testimonial #1: Todd Wilcox, EDA, on OEB's process around cyber-security best practices – to come

Testimonial #2: Blair Peberdy, Alectra, on the value of consolidation for customers – to come

Testimonial #3: Kristi Sebalj, OEB Registrar

“The decision to hold community meetings and expand our outreach activities through various channels has been a huge cultural shift for the OEB. We’ve all had our eyes opened up wide because we’re now seeing things through a consumer lens, and that has radically transformed the way we review applications, make decisions, and also the way we operate. Honestly, I wasn’t sure how it was going to work out at first, but now that I see the difference it will make for consumers, I’m really glad we’re sticking to it.”