

Ontario Energy Board
2016-17 Annual Report
DRAFT 3

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:

- Progressive
- Accessible
- Responsive
- Results-focused
- Transparent
- Integrity
- Expert

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 now requires more than simply blind faith: It depends on meaningful information and transparency.

From our research, and through everyday interactions at our call centre and public meetings, we know that Ontario's energy customers want more information than ever before. More information about billing and rates. More information about their utilities' performance. More information about how the energy sector actually works. 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?

Energy consumers are right to seek assurance that their energy dollars are spent wisely. This is a key priority for the OEB. This year, we saved consumers \$XX million by disallowing utilities XX per cent of the rate increases they asked for in rate applications. Since 2010, the average annual rate increase in all distribution decisions we made was XX per cent. Importantly, we also continued to position Ontario's energy system for a safe and reliable future by ensuring that \$XX billion was invested in the electricity [and natural gas??] grids.

Delivering value to consumers directly was another key priority this year, and we reached out to them 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 their concerns with their energy system. In discussions with our 100-member Consumer Panel, we saw first-hand how important plain language needs to be in all of our consumer communications. With the panelists' help, we also developed a new website that is more responsive to consumers' information needs. And based on the 180,000 applications for the new Ontario Energy Support Program, we received compelling proof of the value that comes from putting the right information into the hands of the right people at the right time.

Transparency is at the very heart of trust. 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, a key focus of our work was to ensure consumers continued to receive value for their energy dollars.

Our adjudicative and decision-making process is an example of this priority in action. After careful scrutiny of ## major rate applications, we disallowed XX per cent of the rate increases local utilities asked for and saved consumers approximately \$XX million. Since 2010, the average annual rate increase in all our distribution decisions was XX per cent.

Value is both a qualitative and a quantitative outcome. In keeping with our business 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 visited 12 communities across Ontario and held 15 **Community Meetings** where we heard consumers voice their opinions about major rate applications.
- We made it a requirement for utilities to use social media and other digital channels to disseminate information about major applications, in addition to using print media.
- 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 our decision-making process, but also provides real-life context that keeps us in touch with everyday consumer issues.

To ensure consumers have up-to-date information about the OEB, as well as access to the facts they need to navigate the energy system, we completely **redesigned our website** – www.oeb.ca -- using plain language and adding new online tools.

We also delivered value 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 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.

In terms of policy-driven innovation, we 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 representing the views of First Nations communities, we developed a series of four recommendations. In December, we submitted our report for the government's consideration. Our recommendations were accepted and are now part of Ontario's Fair Hydro Plan.

In a similar way, we continued to encourage the province's utilities to think beyond the boundaries of their prescribed service territories and take a regional view of planning. **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?]

##

SIDEBAR: What the Consumer Panel does

We actively seek consumer input to improve our processes and achieve better results.

We do this with support from our Consumer Panel. Since it was created in 2015, the panel has helped to:

- Shape consumer documents and tip sheets associated with new energy marketing rules in the *Energy Consumer Protection Act* (effective January 2017)
- Rewrite and reconfigure our website – www.oeb.ca -- to make it more consumer friendly. The new website launched in March.
- Develop and fine-tune the Consumer Charter, released in May
- Inform the development of materials used at community meetings.

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, [the utility] 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

Acting in the public interest means keeping promises – every day.

In our business 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.

We also launched our **new Consumer Charter** – the very first of its kind in Canada. 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. It clearly explains the six rights consumers have under existing rules and regulations, including the right to:

- Safe and reliable service
- Accurate and timely bills
- Fair security deposit policies
- Fair disconnection and reconnection practices
- Fair, reasonable and timely complaint resolution process
- Personal privacy.

Through new legislation announced in February that added to the terms and conditions under which utilities can operate, the OEB was granted authority to prohibit utilities from disconnecting service during the winter months. We also began a review of other

existing customer service rules to ensure they reflect an appropriate balance between consumer protection and the ongoing operational needs of utilities.

On matters of compliance and enforcement, we continued to review a broad range of compliance issues covering everything from energy marketing to licensing infractions, and from sub-metering cases to utility readiness to support the new Ontario Electricity Support Program. Specifically, **we conducted 31 inspections**, which led to **six enforcement proceedings**.

To support our customer-centric and outcome-based mandate, we invested in new back-office systems, including a fully **upgraded IT infrastructure** and a new content management system. 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 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 built on the goals set out last year in the Regulated Price Plan (RPP) Roadmap and developed **RPP Pilot Guidelines** in order to begin exploring new priority price and non-price options through pilot projects. Five utilities made submissions. **Pilots from Alectra Utilities and London Hydro**, involving roughly 16,000 customers, will begin in late 2017 and remain in effect for one year. Remaining applications are under review. The pilots will assess the

effectiveness of new pricing options including critical-peak pricing; test the effects of different on-peak periods or bigger price spreads between periods; and help to gauge the impact of automation and real-time feedback on consumer behaviour. Enrolled customers will pay actual pilot prices. A 12-month study period will allow us to assess customer acceptance, understanding and willingness to pay for certain price features. Pilot results will be available in 2019.

##

Testimonial #1

“The RPP pilots are price-based experiments that will allow real-world experience and customer preference to shape a re-vamped approach to the way electricity is priced. Ultimately, the goal is to unlock more value for the electricity system and consumers alike.” – Ceiran Bishop, Manager, Strategic Policy, OEB

Testimonial #2, Hydro Ottawa on customer service:

“Consumers are at the very heart of each decision we make. Not unlike the rest of Ontario, our customers are struggling to manage their energy consumption and bills. They want a relationship with their utility that goes beyond a monthly billing transaction. They want to know we care, and are looking out for them. That’s all there is to it. Addressing these basic needs is what we strive for every day.” – Bryce Conrad, President and Chief Executive Officer, Hydro Ottawa [needs Hydro Ottawa approval]

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 that Ontario's regulatory framework should include. In May, we issued a staff paper that outlines our position for addressing these issues, along with various options.

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 local utilities. 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. 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 utility 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 on www.oeb.ca. 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 utilities’ consolidation applications.

##

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

Testimonial #2: Brian Bentz, Alectra, on the value of consolidation for customers – to come by July 28

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.”