

Ontario Energy Board
2016-17 Annual Report
DRAFT 4

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.

How we work

Our actions are guided by the following principles:

- Transparency
- Integrity
- Openness
- Responsiveness
- Efficiency

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 **a customer flips** 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, by disallowing XX per cent of the rate increases utilities asked for, we drove costs down for consumers and ensured the energy system as a whole operated even more efficiently.** 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 **customer** 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 program into the hands of those who need it most, at just 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 **acting 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 **ever before**. 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 all can do** to help strengthen and lead Ontario's energy future.

Sincerely,

Rosemarie T. Leclair

Chair and Chief Executive Officer, Ontario Energy Board

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Pull-quote: "This year, by disallowing XX per cent of the rate increases utilities asked for, we drove costs down for consumers and ensured the energy system as a whole operated even more efficiently."

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 wherever possible, encouraged them to become more efficient. Our decisions saved consumers approximately \$XX million and in so doing, attached a very tangible value to our commitment to act in the public interest.

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), in order to better understand the questions consumers have about our energy system, as well as the OEB's role as an independent regulator and trusted advisor to government on issues in the public interest.
- 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.

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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.

Testimonial about Consumer Panel:

“We create what is going to be written in the future for consumers. It’s wonderful to know you were involved in something like that.”- Member of Consumer Panel

Chiefs of Ontario testimonial: Chief Ava Hill, on the consultation process around the special First Nations electricity rate – **to come** – Carol sent a request July 28 to Neil Brodie to help navigate this request – I’ve requested a call back

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 acted on this authority by**

issuing warnings and fines to companies that failed to heed the new legislation. We also began a review of other existing customer service rules (scheduled for completion in the fall of 2017) 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 **approved** 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
- 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. **Based on the results, consumers could see more choice in terms of pricing plans and less money from rates being diverted into building new energy infrastructure.**

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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

Consumer **Charter** 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

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.

When the province's new cap and trade policy was announced in January, there was no regulatory framework underpinning it to establish how natural gas utilities could recover greenhouse gas emissions 'allowances' through rates (see sidebar).

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 **previously** serviced by

local utilities. Rather than equalizing rates for all customers – which would have been tantamount to charging existing customers a subsidy they would not benefit from -- the new ‘stand alone’ rate reflects the higher costs associated with connecting natural gas service to these communities. Going forward, customers in communities benefiting from natural gas expansion such as this will be included in the 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, available on www.oeb.ca. This new Handbook is in addition to the **Handbook to Electricity Distributor and Transmitter Consolidations**, released in January, which guides applicants, shareholders and customers on how the OEB will assess the merits of utilities’ consolidation applications.

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Sidebar: Ontario's Cap and Trade Program

What does Ontario's new cap and trade program mean for consumers?

- It is a central part of the province's solution to fight climate change and is intended to reduce Greenhouse Gas (GHG) emissions in the province.
- Natural gas utilities are now required to purchase emission credits called 'allowances' for the GHGs that are created when natural gas is used by their residential and business customers.
- Residential customers pay a charge for emissions related to their use of natural gas including home and water heating. The charge is included in the delivery line on their utility bill.
- Putting a price on carbon gives residential and business customers an incentive to cut emissions and conserve energy.

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Testimonial #1: Todd Wilcox, President and Chief Operating Officer, North Bay Hydro and Past Chair, Electricity Distributors Association

"When the OEB called us all together to begin discussions about a framework for identifying best practices in the area of cyber-security, what I found most refreshing was their willingness, as the regulator, to drive for consensus. We were all there as peers, all of us focused on a self-administered diagnostic tool to assess our level of risk. Also, our discussions generated a good amount of awareness across our broader sector on cyber-security issues, and from my perspective that was a really valuable outcome."

Testimonial #2: "Alectra Utilities worked hard to present a strong business case to the OEB in which we identified significant financial benefits for customers from our merger and the acquisition of Hydro One Brampton. Working efficiently through the regulatory approval process allowed us to meet our timelines and hit the ground running to build the new Alectra. As we transition into a modern, integrated energy services company, we will continue to rely on our strong working relationship with the OEB and work with

them to deliver value to our customers and shareholders alike.” -Brian Bentz, President and CEO, Alectra Inc.

Testimonial #3:

“Community meetings and consumer outreach allow us to hear directly from the people who pay the bills through a process that is as convenient and unintimidating as possible. We hear consumers' questions, concerns and comments first-hand and take this information back to the hearing room, where it is really changing the way we review applications and make decisions. I wasn't sure how it was going to work out at first, but now that I see the positive difference it is making for consumers and our hearing process, I'm really glad we're sticking to it.” - Kristi Sebalj, Registrar, Ontario Energy Board