Thank you ???? For that kind introduction

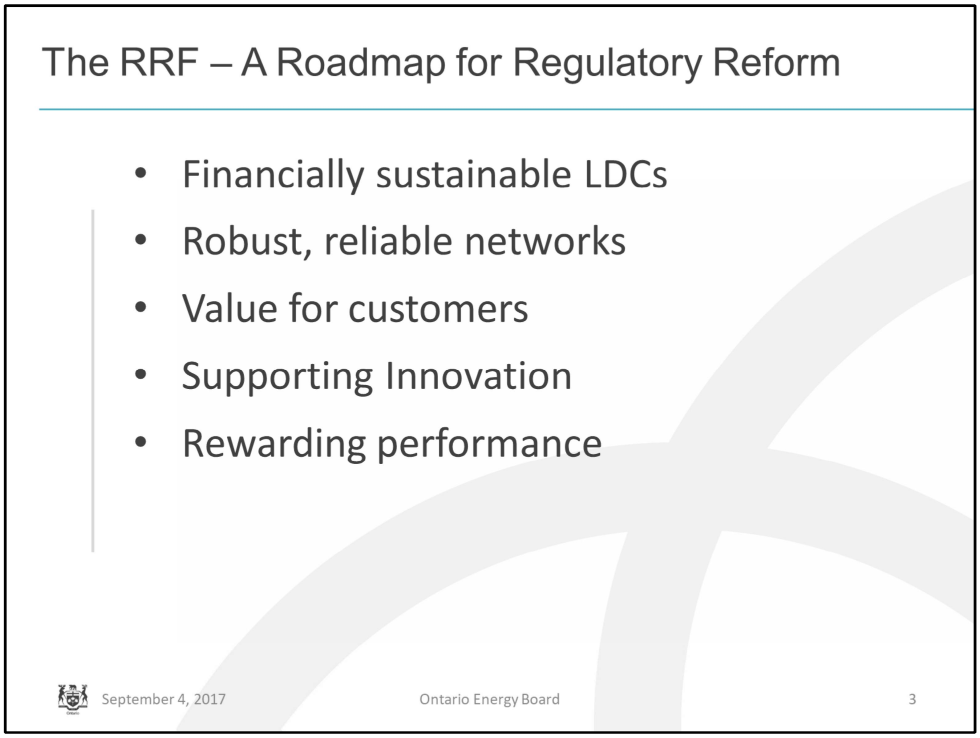
Its great to be back in my home town of Sudbury

I took the opportunity to drive up from Toronto with my mother and it was great reminiscing about the time we spent here.

Overview

- QQQQ Regulatory evolution continues
- QQQ What's new?
- QQQ The next 5 years

To be filled in when the body is locked down.

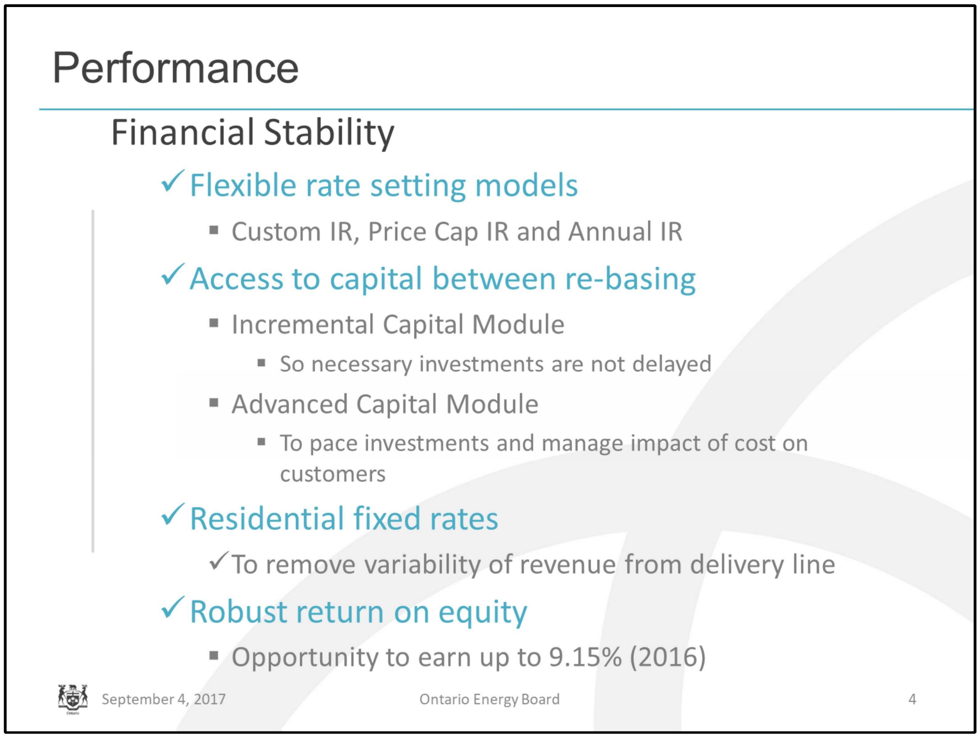


I arrived at the OEB early in 2011 and looking back at my calendar I was in Sudbury on September 8th of that year addressing this same gathering. Some faces are new, some are the same

I talked that day about the big picture trends and challenges in our sector. And how the regulator and the sector must develop in step with each other.

Shortly after that meeting the OEB began to renew its regulatory framework to better respond to the needs of the sector while also protecting the public.

Its taken a while but I think that task is almost done. But as I say that I realise how much there is still to do to keep up with the pace of change..



Rate Setting Models

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Access to Capital

ICM So necessary investments are not delayed

- this mechanism is to be used by a LDC when it sees a major capital investment need arise during IRM period. ICMs are granted for capital needs incremental to what is provided for under the IRM. The OEB has considered 16 ICMs since it was introduced

ACM To pace investments and manage impact of cost on customers

- advanced capital module allows a LDC to include a cost for a future expected capital investment during its CoS rebasing, rather than coming in for an ICM later. The funding that is allowed comes in through a Rider, just like ICM, but the assessment of prudence and need is done as part of the Cost of Service. There has been only 1 ACM request - Wellington North.

Residential fixed rates

To remove variability of revenue from delivery line

Rates that will support ongoing and optimal investment in grid by ensuring pricing that recognizes consumers' impact on planning

Robust return on equity

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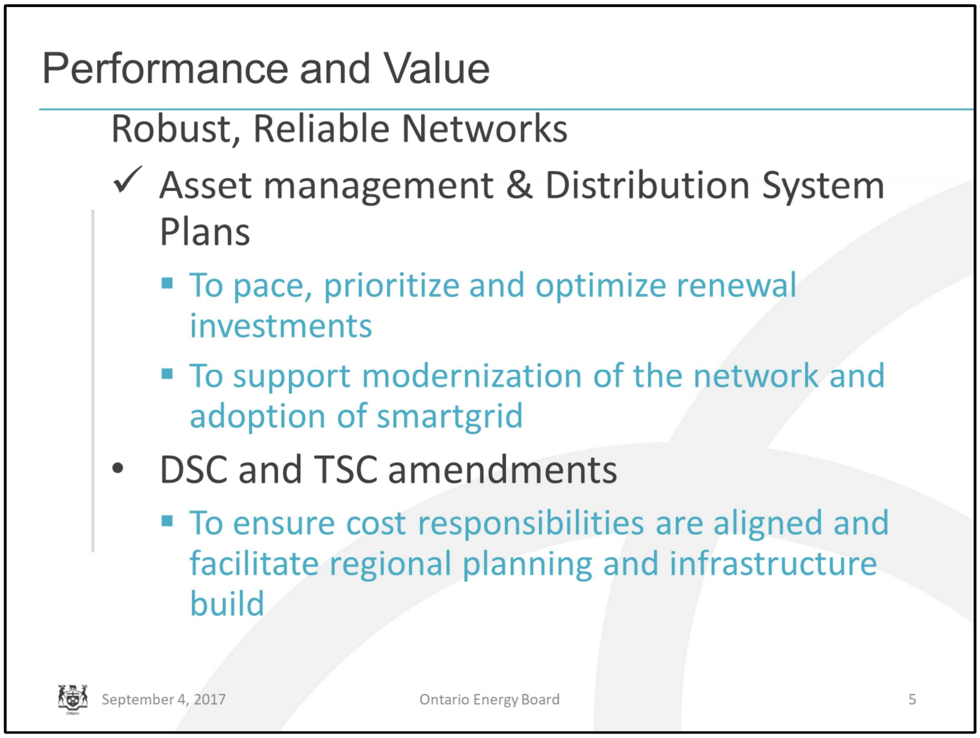

Asset management and Distribution System Plans

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DSC and TSC amendments

To ensure cost responsibilities are aligned and facilitate regional planning and infrastructure build

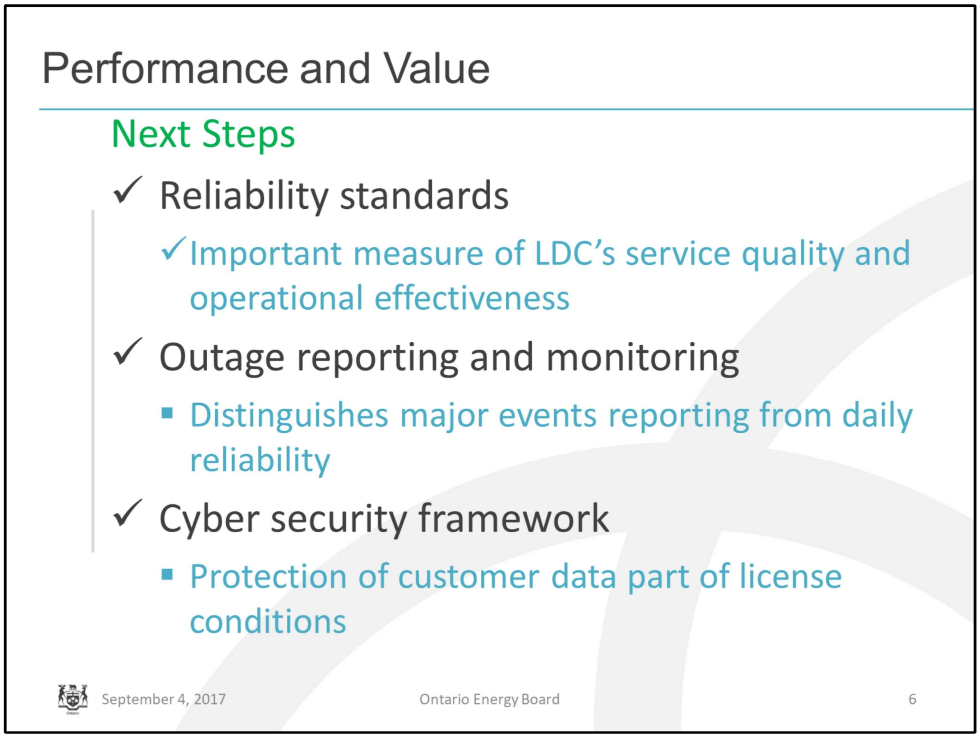
Builds on changes to the Transmission system code cost responsibility rules

To evaluate the:
-Proportional Benefit Approach
--where a new or modified connection facility that exceeds the needs of the connecting load customer(s) that created the need for the new or upgraded connection investment is more cost effective than an investment in a network facility.

And

-Upstream Transmission Investments
--in relation to instances where customers connecting or connected to a distribution

system create a need for investments in upstream transmission connection assets.



Reliability Standards

Important measure of LDC's service quality and operational effectiveness

Reliable service is expected by all consumers, most important energy issue next to price/cost

SAIDI and SAIFI measured and reported by LDC's reported since 2001

OEB set targets to be met by distributors for SAIDI and SAIFI in 2014

Targets for each distributor are uniquely based on the average of that distributor's past 5 years performance compared to rolling average of current performance

Loss of supply separately reported

OEB posts performance results and comparison to targets as part of the Scorecard.

No penalty/reward mechanism in place

Outage reporting and monitoring

Distinguishes major events reporting from daily reliability

Definition of a Major Event was introduced in 2015 and the first year of reporting on the response to major events (2016 calendar year)

OEB wants to understand the impact of major events and utilities' response times

Understand effect of major storms on reliability and customer service, related to climate change

Announced pilot project to assess different approaches, effort, and time to implement <u>customer specific reliability measures</u>

Pilots currently underway with 4 distributors – started March 2016 until mid-2017

Purpose is to assess distributor's capacity to use data and Customer response to availability of information on specific reliability

Next steps are under development

DSP requires distributors to identify plans to address reliability concerns based on reporting

Reliability of service concerns have been identified by consumers at community meeting, shows customers' level of reliability awareness

Next for OEB

Develop approach to introducing customer specific reliability measures

Have implemented plans for performance audits on reliability

Undertake detailed assessment of reasons for some distributors' ongoing and significant loss of supply reliability concerns – under investment, transmitter issues

Consideration of minimum standards or incentives (positive/negative) for improved reliability as part of optimal investment initiative

Cyber Security

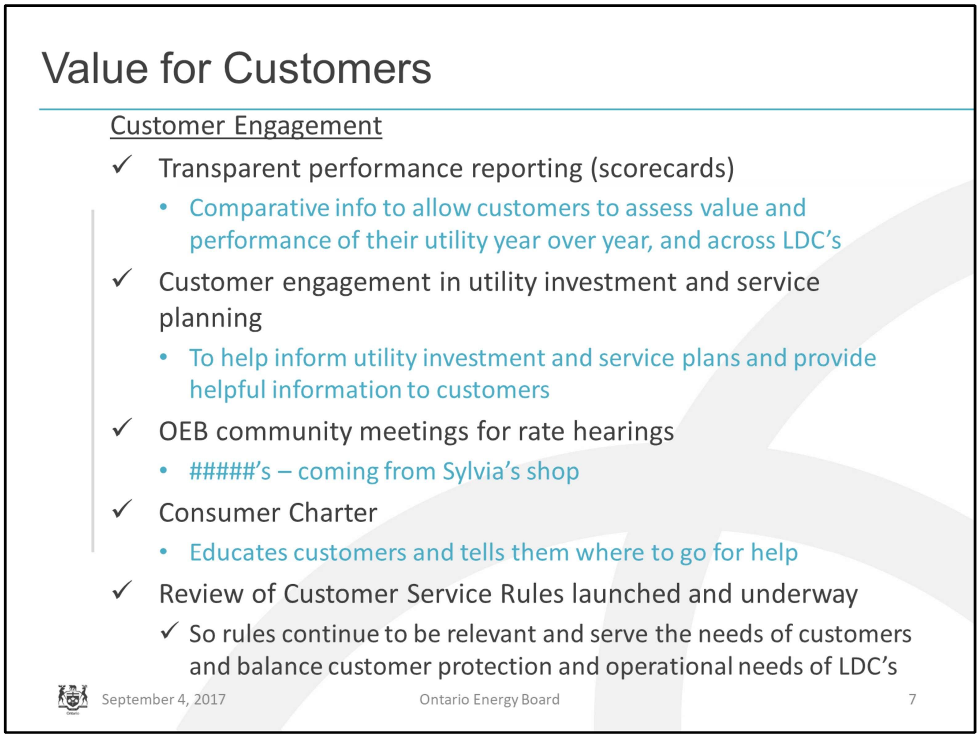
Protection of customer data part of license conditions

One of the best attended and most actively participated initiatives the OEB has run. Many distributors from across the province have told me how well this is going.

Thanks to:

***North Bay Hydro (thanks to Todd Wilcox (retiring) and welcome to Matt Payne (starting December 1, 2017)) and ***EDA ****on the **Cyber Security Steering Committee**

***Thunder Bay Hydro (**Robert Mace, president)** and ***Renfrew Hydro (QQ check they are North-East QQQ)(**Bill Nippard - President & CEO)** on the ****Cyber Security Working Group**



Scorecards

Utility scorecards track and show comprehensive performance information for each electricity utility in Ontario, over a range of time and for a specific year.

Utility scorecards show data for 20 specific measures within the following four key areas of performance:
---Customer focus
---Operational effectiveness
---Public policy and responsiveness
---Financial performance

Comparisons are critical to our rate-setting process, and through them, we can determine if corrective action is needed.

Customer engagement

Plain language application postings and decisions
LDC's submissions must contain customer input

Community meetings

Our community meetings are a chance for customers to ask questions about their local utility's proposal.
Hear from the OEB about our review process.
Speak with utility representatives, make a presentation and give the OEB their opinion.
We factor their comments into our decisions.

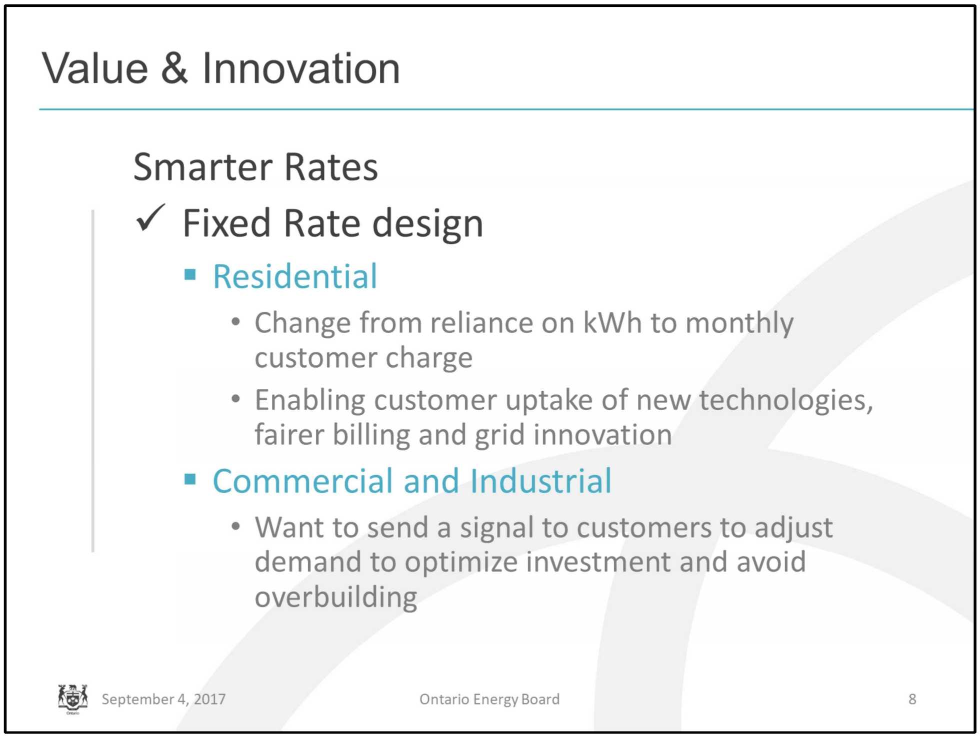
****Getting NE/NW specific details

Consumer charter

We worked with consumers, stakeholders and industry members from across Ontario, including our 100-member Consumer Panel, who provided excellent guidance about what a charter should do and say.
While it's based on rules and codes that are in place today, it is a living document that will evolve over time.
The Charter is the first of its kind in Canada

Customer service rules

--- Launched in May this year
--The review will consider how existing customer service rules have been implemented, ensure that they continue to be relevant and serve the needs of consumers, and that they maintain an appropriate balance between customer protection and the ongoing operational needs of utilities.
--This review follows the release of the OEB Consumer Charter that brings together existing customer service rules and clarifies the rights of Ontario's energy consumers in a single, easily understood document for the first time.
---Consumers, consumer representatives including representatives of low-income consumers, utilities and other interested stakeholders, will be engaged and consulted as part of the customer service rules review



Smarter Rates

- Rate design must recognize evolution in demands on the distribution system due to customer expectations and new technology and that all consumers, consumers need reliable grid
- Smarter rates to enable customers' adoption of new technology to control and manage their energy use and costs, support innovation
- Rates are designed so that all customers pay fair share for reliable distribution service. Customers adopting new technology, ie net metering which relies on the network, aren't shifting costs on to those that are not adopting.
- Value of distribution is better understood by customers
- Enable innovation that will bring benefits to customers and the electricity

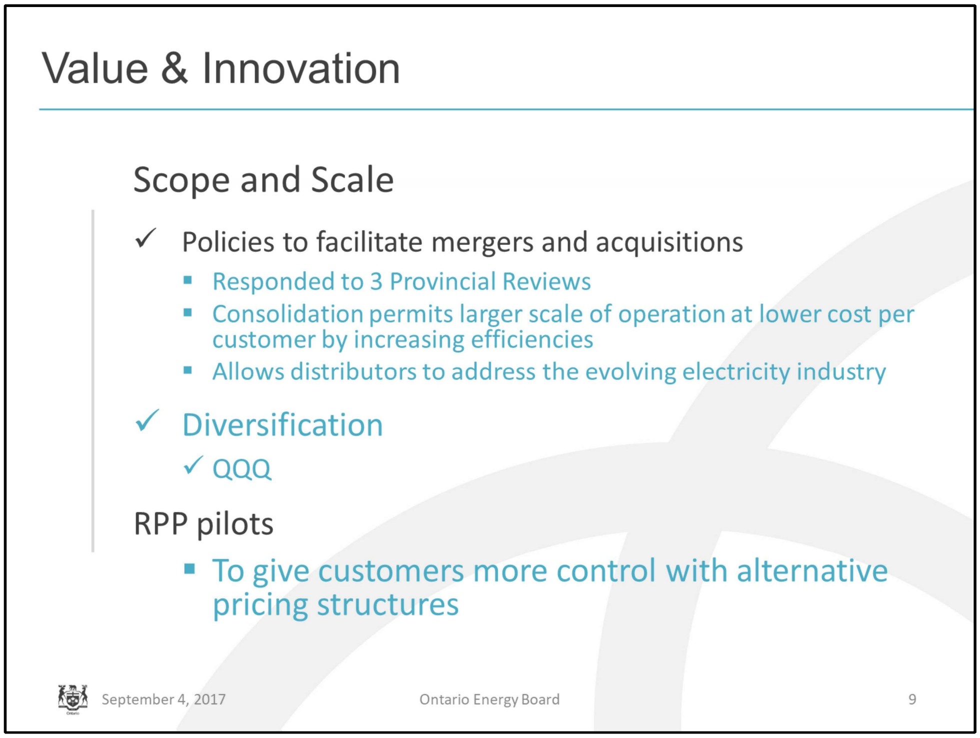
system as a whole

Residential Fixed Rates

- Change from reliance on kWh to monthly customer charge
- Transition started in 2016 and to be completed in 2019

Commercial & Industrial Rates

- Consultations underway, with focus on individual consumer groups and associations this Fall with policy set in early 2018
- Smallest commercial consumers are similar to residential – fixed monthly
- Larger consumers have ability to individually impact planning and demand on system – mix of fixed and demand based charges
- Want to send the signal to customers to adjust demand to optimize investment, avoid over building



MAAD's

--The Commission on the Reform of Ontario's Public Services,
--the Distribution Sector Review Panel,
--and the Premiers Advisory Council on Government Assets have all recommended a reduction in the number of local distribution companies in Ontario and have endorsed consolidation.

Consolidation can increase efficiency in the electricity distribution sector through the creation of economies of scale and/or contiguity.
Consolidation permits a larger scale of operation with the result that customers can be served at a lower per customer cost.
Consolidations that eliminate geographical boundaries between distribution areas result in a more efficient distribution system.
Consolidation also enables distributors to address challenges in an evolving electricity industry.

This includes new technology requirements to meet customer expectations,
changing dynamics in the electricity sector with the growth of distributed energy resources and to undertake asset renewal.

Distributors will need considerable additional investment to meet these challenges and consolidation generally offers larger utilities better access to capital markets, with lower financing costs

The OEB released the MAAD's handbook in early 2016.

Deferred rebasing for 10 years while maintaining the savings

Eligible to apply for an Incremental Capital Module

Bill 135

RPP Pilots

Part of the RPP Roadmap

The five components of the RPP roadmap are:
1. Renewing the RPP objectives
2. Empowering Consumers: Enhancing energy literacy and non-price Tools
3. Implementing price pilots
4. Engaging with low volume business consumers
5. Working with government to reduce barriers

The OEB received 5 applications from LDCs across Ontario:

--Three pilots are approved by OEB for implementation
--Two more are undergoing revision by distributors following OEB feedback;

The first tranche of Pilots was announced late in August.

We heard from the EDA after that announcement and – well – I believe the word used was **Fantastic.**

Some examples of types of pilots

Enhanced Time-of-Use

• Increases the on- to off-peak price differential to 4 to 1
• Increases the mid- to off-peak price differential from 1.5:1 to 3:1

Low Overnight

• Creates a low-priced overnight rate between midnight and 6am
• Slightly lowered mid-peak rate and increased on-peak rate

Super-Peak Time-of-Use

• Removal of mid-peak price period
• Introduction of a Super-Peak period on summer weekday afternoons

Real-Time Information Feedback
– Customers will receive communications through the delivery method of their choice
--It will provide disaggregation of total usage,
--track energy usage and savings,
--and generate behavioural messaging to incentivize customer behaviour.

These approved pilot projects will allow the real-world experience and preferences of more than 18,000 customers
-- to inform how electricity is priced for RPP customers in the future,
-- unlocking more value for them and the electricity system as a whole in the process.

Reward

Regulatory oversight is proportionate to performance

- Performance
  - Financial
  - Operational
  - Organizational
  - Service goals
- Enablers
  - Robust benchmarking
  - Performance monitoring
  - Corporate governance

Next year and the year after that

Maintain our focus on…

✓ Empowering customers
- Leverage our new website
- Modernize customer service rules
- Expand opportunities for consumers to have a voice

✓ Value and choice
- Develop new pricing models that meet needs of different consumers and reflect use of the system,
- Consider different rate setting models
- Assess performance against unit/production cost benchmarks

✓ Performance and protection
- Evolve utility scorecard to make it more relevant to customers
- Enhance auditing, compliance and complaint handling
- Implement corporate governance best practices
- Reward performance through proportionate regulatory reviews.

CONSUMER-CENTRIC REGULATION IN ACTION

Utilities provide 'VALUE FOR MONEY'

- Understand customer preferences/ needs
- Focussed on outcomes/results
- Focussed on performance and costs
- Investments and expenditures are paced and prioritized
- "Conservation first"
- Well governed
- Well capitalized
- Provide high level of customer service
- Innovative and adaptable

Consumers are EMPOWERED

- Understand what they are paying for and the value they receive
- Have access to the products and services they want
- Empowered to make informed choices about their energy use
- Have access to Board processes
- Have trust in the energy sector
- Needs of low-income and vulnerable consumers are addressed

Regulation is EFFECTIVE and ACCESSIBLE

- Ensures that customers are well-served by their utilities
- Ensures that utilities operate in an efficient manner
- Considers broader public interest and public policy
- Promotes "energy literacy"
- Adapts decision-making processes that are accessible and proportionate

Conclusion

- Questions & Answers

Supporting Innovation

What's New?

✓ Commercial & Industrial Rate Redesign
- Enable customers to leverage new technology and manage costs and understand the value of distribution
- Seen as a fairer way to recover costs of providing the distribution service
- Will provide greater revenue stability to position them for technological change

✓ Diversification (Bill 135)
- Opportunity for distributors to pursue non-distribution activities