ONTARIO
ENERGY
BOARD

Performance, Value, Innovation, Reward

EDA Joint NE/NW Districts
2017 Fall Conference & Annual Meeting

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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

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
- ✓ Residential fixed rates
  - Provides greater certainty of revenues to support investment and reliable operations
- ✓ 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 and facilitate regional planning and infrastructure build

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)
  - Comparative info 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
  - Gathers customer input on rate applications in their community with participation by the Utility
- ✓ Consumer Charter
  - Provide accessible and transparent information for customers on their rights and responsibilities
- Review of Customer Service Rules
  - Want rules to serve the needs of customers and balance customer protection and operational needs of LDC’s

Value and Innovation

- Smarter Rates

  Enabling:

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

✓ Residential Fixed Rates

- Connection charge
- Support net metering and conservation

▪ Commercial and Industrial Demand Rates

- Recognizing impact of larger customers on the grid
- To send a price signal to customers to adjust demand to optimize investment and avoid overbuilding

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
- Addressing Public Policy
  - Continue focus on Smart Grid, conservation and affordability
  - Climate Change Action Plan and de-carbonization
  - Long-Term Energy Plan policy direction

Anticipate and prepare for the future

- Energy Policy Evolution
  - Climate Change Action Plan
  - 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

Utilities provide 'VALUE FOR MONEY'

- Understand customer preferences/ needs
- Focussed on outcomes/results
- Focussed on performance <u>and</u> 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

Questions & Answers