

Our “Strategic Blueprint” for the Next Five Years

- Welcome
- Thank you [name] for the introduction
- **[Further niceties?]**

- I last spoke to the OEN over three years ago in April 2014
- In the world of the Ontario energy sector, three years is a very long time
- Just think about what has happened in those three years:
 - The release of the Clark Report and the subsequent IPO of Hydro One and creation of a new mega-utility in the GTHA
 - The establishment of the Ontario Electricity Support Program to assist low income consumers
 - Changes to the statutory rules governing the business activities of electricity LDCs and their affiliates
 - Measures to strengthen the oversight of the retail energy market, including the banning of door to door sales
 - A new statutory framework for the designation and procurement of transmission facilities
 - The Climate Change Action Plan, including the cap and trade regime - June 2016
 - The Fair Hydro Plan - July 2017
 - The Long Term Energy Plan – later this fall
- Each of these initiatives is important, significant and complex – for the sector and for the OEB
- This list highlights the need to look at the work of an energy regulator such as the OEB in the context of the broader public

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policy environment - particularly when that environment is as dynamic as it has been in Ontario

- But we also need to remember that this trend is not unique to Ontario
- We are not alone
- The last 10 years or so has brought into sharp focus:
 - the overlap of energy regulation and environmental policy
 - the interconnection between energy regulation and broader concerns about economic development and the welfare of our citizens, particularly those who are vulnerable and have low incomes
- These points of overlap and interconnection have heightened the interest of governments in what energy regulators do and has increased the need for collaboration between regulators and governments
- We see this not only in Ontario but at the federal level at the NEB
- And we see it in other jurisdictions - such as New York, the UK and California - where the regulators have emerged as thought leaders about the role of energy regulation in a sector that is changing rapidly

[Consider adding here a reference to the collaboration and dialogue between OEB and gov’t regarding implementation of the FHP and the LTEP – and indeed many of the things on the list? Stating that provision of expert advice to government is an important part of your role as an independent and expert agency – might be politic?]

- When I was here 3 years ago, my theme was “consumer centric” regulation
- By “consumer-centric” regulation, I mean the ways in which the regulator – within the exercise of its mandate and the pursuit of

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its objectives - seeks to better align the interests of legislators, utilities and consumers and to keep the consumer “front and center”. **[note – reference to “legislators” here ties back to the introductory point about governments and regulators]**

- Three years on, I can say that the principles of “consumer-centric” regulation are deeply and firmly embedded in the OEB’s approach to regulation
- Those principles are reflected in some of our key achievements over the past five years: **[this is a slightly different list than in the OEA speech]**
 - The renewal of the regulatory framework under which the Board sets the remuneration for regulated utilities
 - That renewed framework emphasizes the need for robust customer engagement in the development of utility system plans and rate proposals
 - It sets out the Board’s expectations for demonstrable improvements in utility performance and establishes a public “scorecard” for utility performance that is accessible and meaningful to consumers
 - Above all, it includes rate setting methodologies that seek to shift utilities away from a focus simply on costs and cost recovery towards a stronger focus on long term value for consumers
 - The redesign of electricity distribution rates to give residential customers a better signal regarding the cost and value of the delivery service they receive
 - The adoption of a multi-year roadmap for the reform of the Regulated Price Plan in order to give consumers greater choice and control **[possibly reference pilots underway]**
 - The development of a new framework setting out the Board’s

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- expectations regarding cyber-security to protect the privacy of consumer information as well as the system reliability on which consumers depend
 - The introduction of new ways to give consumers a better understanding of the work of the OEB and, in turn, to provide the OEB with deeper insight into the perspectives of energy consumers **[possible reference Consumer Panel and the current survey initiative re customer service rule review]**
 - The implementation of new consumer protection measures, including stronger rules regarding the conduct of energy retailers and a Consumer Charter setting out the rights and responsibilities of residential energy consumers
 - Ongoing improvements to make our adjudicative processes more meaningful and accessible to consumers **[need Kristi to review and correct as appropriate]**
 - We are now holding “community days” – and in some cases, parts of the hearing – within the service territory or territories affected by an application
 - We are giving consumers more opportunities to share their perspectives with the applicant, Board staff and the Board Members hearing the application
 - And are requiring applicants to consider and address the input from consumers
- **[At the Managers offsite – Sylvia K mentioned some data about attributes of the OEB that resonated with consumers – particularly “expert”, “independent” – can we refer to and use this data?]**

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- All this provides a strong foundation for the next 5 years
- My colleagues and I recognize that more needs to be done to ensure that the sector is delivering long term value to consumers
- But we have also concluded that this work should take place against the back drop of a broader and enduring strategic approach or “regulatory blueprint” for the next 5 years
- **[Consider explaining why we use the word “regulatory blueprint” rather than “plan” – I would not have any hesitation in saying: we liked the term “blueprint” because a) it a document that will be used to build new – or remodel - regulatory frameworks, and b) avoids confusion with the LTEP]**
- We reached that conclusion because the pace and complexity of the changes underway in the sector warrant a longer term and more strategic approach than that which could be accommodated within the OEB’s standard 3-year business planning cycle
- At the outset of the work to develop our new strategic “regulatory blueprint”, we posed the question: *“Where do we want the OEB and the sector it regulates to be in five years?”*
- As we formulated our answer to that question, we considered developments in the energy sector both in Ontario and more broadly, including: **[note – we can provide more detail/meat in the next version if appropriate]**
 - The implications of rapid technological innovation
 - the emergence of new business and service models

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- the heightened consumer expectations about service and affordability that I discussed in 2014
 - and important new public policy initiatives, particularly regarding carbon emissions and climate change – that I noted in my opening remarks today
 - the trend towards consolidation in the Ontario distribution sector
 - the IESO’s 20 year planning outlook
- We considered the implications of these developments both for the entities we regulate and for consumers **[we can add more meat/detail here as appropriate]**
 - And we looked at the ways in which other regulators are thinking about or addressing those changes
 - Some regulators are adopting a “proactive” approach and seeking to lead utilities to a particular model sanctioned by the regulator, while others are adopting a “wait and see” approach and reacting to the challenges of sector evolution as they arise
 - Although no regulatory model has yet emerged as the preferred “industry standard”, some of the key questions that other regulators are grappling with are instructive and very similar to the questions facing the OEB
 - Those questions include the following:
 - How should utilities be remunerated in order to encourage them to be more efficient and to innovate?
 - Does sector transformation create new utility services that need to be assessed and remunerated appropriately?

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- How should utility rates and commodity prices be designed to provide appropriate signals to consumers to guide their own consumption and investment decisions?
 - What measures are needed to protect consumers or particular subsets of consumers from some of the impacts of sector transformation (such as cost shifting, the protection of privacy, and concerns about sales practices regarding new products and services)?
 - What role should incumbent utilities play in the emerging market for distributed energy resources and related services?
 - How should the risk regarding underutilized or stranded assets be allocated between utilities and their customers, and are there any steps that can or should be taken to mitigate that risk?
- As interesting and as instructive as the work of other regulators is, we concluded that our approach must be grounded in an appreciation of the circumstances in Ontario **[might want to note that this was the conclusion in the recent Mowat papers as well]**
 - The ways in which other utility regulators are addressing these issues reflect the particular institutional arrangements, market structure and broader policy framework prevailing in their jurisdictions – the same should be true of us
 - It is premature to sanction or mandate, as some regulators have, a particular new business model for utilities or a specific new “platform” to accelerate the deployment of distributed resources

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- However, Ontario’s pending shift further away from fossil fuels and the commitment to electrification suggests that a “wait and see” approach is not sufficient for Ontario
- The OEB has the opportunity - and the responsibility – to *support* and *guide* the sector it regulates through the evolution underway
- *Support* – by helping prepare utilities, other market participants and consumers for the change and uncertainty that lies ahead
- *Guide* – by working to secure the benefits and mitigate any adverse consequences of that change and uncertainty
- We ultimately concluded that the OEB can best provide that *support* and *guidance* by maintaining and sharpening its focus on efficiency, cost-effectiveness, innovation, value for consumers, and our own effectiveness as a regulator
- And by using its traditional regulatory tools of – rate making, codes and rules and policy guidance
- In this regard, the strategic “blueprint” combines the principles of consumer-centric regulation I outlined in 2014 with a stronger emphasis on the new and different challenges posed by sector evolution.
- The strategic “regulatory blueprint” is organized around 4 themes or what we have come to call our “Strategic Challenges”

[consider using a dynamic slide here – the concentric circles]

- They are as follows:

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- **Transformation & Consumer Value** – How can the OEB help ensure that the evolution of the sector brings a stronger focus on consumer value?
 - **Innovation & Consumer Choice** – How can the OEB encourage innovation in a way that enhances consumer choice and control?
 - **Consumer Confidence** – How can the OEB best work to strengthen and maintain the confidence of consumers during a period of accelerating change?
 - **Regulation “Fit for Purpose”** – How should the OEB, as an organization, equip itself to meet the challenges of sector transformation?
- For each of these **Strategic Challenges**, we have set out a **Strategic Goal** and a set of corresponding **Strategic Objectives**.
 - The **Strategic Goals** represent the specific outcomes we aim to achieve with respect to each of the corresponding Strategic Challenges.
 - The **Strategic Objectives** describe the particular areas on which we will focus in order to attain each of the Strategic Goals.

[I would suggest using a dynamic slide here – that sets out and populates the table towards to end of the strat plan]

[note – we did the “top 3” at the CAR and the same exercise at the Managers Offsite – some alignment/but some differences as well – I

will send along the slide that Lisa B has prepared as a summary – it may or may not be something Rose would want to use, but she should be aware of it – to discuss – it could be fun if done properly]

- I want to acknowledge the role which Board Members and the OEB’s leadership team have played in the development of the new strategic blueprint
 - Throughout the process they demonstrated a readiness to bring a fresh perspective to the work of the OEB
 - We had many lively discussions along the way – and that dialogue has been key to the refinement of the blueprint
 - I also want to thank the members of the Chair’s Advisory Roundtable for their comments on an earlier version of the blueprint – their constructive, unfiltered and expert input was precisely what I was hoping for when we established the CAR
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- Our “strategic blueprint” sets ambitious goals for both the OEB and the sector we regulate.
 - The preparation of the Strategic Plan has in a way been the easy part
 - Once the blueprint is finished we will face the much challenging task of working through the details of how we will meet our strategic goals and objectives
 - There will undoubtedly be much controversy and debate along the way, but everyone at the OEB recognizes that doing this work well will demand continued and constructive engagement with consumers, regulated entities and all our stakeholders.