ONTARIO ENERGY BOARD

Performance, Value, Innovation, Reward

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

Rosemarie T. Leclair, Chair and CEO
September 6, 2017

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

✓ 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 with the benefits of infrastructure build
  - To facilitate regional planning through removing barriers to sharing the costs of network investments

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)
  - 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
  - To give customers direct access and a voice in regulatory decisions
- ✓ Consumer Charter
  - To provide accessible and transparent information for customers on their rights and responsibilities
- Review of Customer Service Rules
  - To modernize rules to better meet the needs of customers and balance customer protection and operational needs of LDC's

Value and Innovation

- Smarter Rates

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

✓ Residential Fixed Rates
  - Moving from demand-based to a fee to connect
  - Provides greater certainty of revenues to support investment and reliable operations
  - Support net metering and conservation

- Commercial and Industrial Demand Rates
  - Mix of fixed and demand charges
  - Recognizes impact of larger customers on the grid
  - Price signal encourages customers to adjust demand while fixed charge reflects cost of connection

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

Anticipate and prepare for the future

- Energy Policy Evolution
  - Climate Change Action Plan and impacts of climate change policies
  - 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 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

Questions & Answers