

March 21, 2019

Mary Anne Aldred
Chief Operating Officer
Ontario Energy Board
PO Box 2319
Toronto ON
M4P 1E4

Dear Ms Aldred:

I am writing to you to follow up on the Minister of Energy's letter to the Chair and Chief Executive Officer of the Ontario Energy Board (OEB) on March 21st. This letter includes more detail regarding the Minister's expectations of the OEB while the proposed amendments to the OEB's governance structure contained in the *Fixing the Hydro Mess Act, 2019* are considered by the legislature.

There are several near-term priorities on which Ministry staff and the OEB will be required to work together to ensure a smooth transition in the event the legislative amendments pass.

1. Continuity of Business

It is critically important that the OEB continue to undertake the day-to-day regulation of the energy sector. The adjudication of applications and the enforcement of consumer protection rules must continue without interruption. I am counting on the continued professionalism and commitment of OEB staff to deliver the OEB's required activities. To this end, I am asking that the OEB work with my staff to keep the Minister apprised of the following:

- Forecasts of current and future case load over the next 12 months;
- Any identified human or financial risks to meeting the OEB's obligations, including suggestions for mitigation;
- An assessment of which proposed OEB programs and activities are business critical and which can be paused pending the completion of transition to the new governance structure and the development of a new strategic vision; and
- Progress of on-boarding new Board Members, including any training requirements; and
- Any intended communications with stakeholders related to OEB Modernization.

To be clear, these requests should not be interpreted as Ministry interference in OEB decision-making. The independence of the OEB's adjudication function is critical to the integrity of the regulatory process and remains untouched by these measures. We seek to fulfill the Ministry's agency oversight obligations and ensure the OEB has the support it needs to conduct its work during this time of organizational change.

2. Transitioning to the Proposed Governance Structure

If the proposed amendments are passed, the OEB would no longer be led by a Management Committee composed of the Chair/CEO and Vice Chairs. Instead, the OEB would receive strategic direction from a Board of Directors. A Chief Executive Officer would oversee the day-to-day administration and policy functions of the OEB, while a team of Commissioners headed by a Chief Commissioner would be responsible for delivering the OEB's decisions. Existing Board Members would be transitioned to the role of Commissioner so that they can continue to serve the OEB as adjudicators. Additional responsibilities for these new positions and processes for appointments are proposed in the *Fixing the Hydro Mess Act, 2019*.

It is important that the OEB be prepared for the change in governance structure so that the work of the OEB can continue smoothly. I ask that the OEB assist my Ministry in efforts to prepare for transition while the proposed amendments move through the legislative process and while potential appointees are identified. These efforts include:

- Review the proposed legislation and advise the Ministry on the need for any amendments;
- Advise on job descriptions and competencies for new positions;
- Support my Ministry in conversations with Treasury Board Secretariat regarding remuneration and other operational matters;
- Prepare draft by-laws and a new Memorandum of Understanding for the future consideration of a potential new Chair of the Board of Directors.

I understand that preparing for transition may lead to additional expenses, including procurement of advisory services. I ask that you keep the Ministry informed of your intentions regarding these procurements and expenses. My Ministry is required to report on all costs related to modernization to Treasury Board/Management Board of Cabinet.

3. Mandate and Operations Reform

The introduction of *Fixing the Hydro Mess Act, 2019* is the first phase of the OEB Modernization Plan. In parallel with transitioning to the proposed governance structure, the Ministry will consider potential changes to the OEB's role in the energy sector. The Ministry has heard clearly from stakeholders that the OEB's mandate can be refined to keep the organization's focus on economic regulation. The Ministry has also heard that there are opportunities for process improvement that can reduce regulatory burden and help the OEB deliver on its responsibilities more effectively. I know that the expertise within the OEB would be a vital resource in making determinations in this regard.

I ask that the OEB provide advice to my Ministry on the development of two key components of modernization:

- Additional legislative amendments related to the OEB's mandate and processes that, if approved by Cabinet, would be introduced in fall 2019; and
- A Ministerial Mandate Letter to be sent to the first Chair of the Board of Directors, outlining process and performance expectations.

Further to this letter, Ministry staff will inform you on the types of mandate and process reform being contemplated through these initiatives.

I have asked Assistant Deputy Minister Carolyn Calwell to lead the Ministry's engagement with the OEB and to develop a work plan and schedule for the Minister's review that addresses the considerations laid out in this letter. I trust that ADM Calwell and her team will have your support and co-operation. You will have theirs.

I and the Ministry appreciate the commitment of the OEB to work with us in this endeavor.

Sincerely,

A handwritten signature in blue ink that reads "Stephen Rhodes". The signature is fluid and cursive, with the first name "Stephen" and the last name "Rhodes" clearly legible.

Stephen Rhodes
Deputy Minister of Energy

c: Rosemarie Leclair, Chair and CEO, Ontario Energy Board