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VIA E-MAIL AND WEB POSTING

November 21, 2007

To: All Participants in Consultative Process EB-2007-0673

**Re: 3rd Generation Incentive Regulation for Electricity Distributors
Update on Project and Timeline
Board File No.: EB-2007-0673**

On August 2, 2007, the Ontario Energy Board (the "Board") initiated a consultation on the development of the principles and methodology for the third generation incentive regulation mechanism ("3rd Generation IRM") for electricity distributors.

This consultative process will culminate with the issuance of a Board report setting out the principles and methodology for the 3rd Generation IRM that will be used to adjust electricity distribution rates starting in 2009 for those distributors whose 2008 rates were rebased through a cost of service review.

Scope of Issues

Also on August 2, 2007, a Board staff Scoping Paper entitled "3rd Generation Incentive Regulation for Electricity Distributors" (the "Scoping Paper") was issued for comment. The Scoping Paper described the context in which 3rd generation IRM will be developed, proposed underlying principles to guide the work and issues to be considered, and also proposed an approach to the upcoming consultations.

The Board received written comments on the Scoping Paper from 16 interested parties. The Scoping Paper and the comments received are posted on the "Key Initiatives & Consultations" portion of the Board's web site at www.oeb.gov.on.ca and are available for review at the Board's offices during business hours.

The Scoping Paper was prepared by staff to elicit comment on the issues to be considered in the context of this consultation. The Board does not intend to limit the scope of the consultations at this time.

Working Group

On September 7, 2007, a stakeholder working group was established to provide assistance to Board staff by helping to carry out the analysis necessary for purposes of reviewing and evaluating options. The working group has met on several occasions, and will continue to meet throughout the coming months. Materials related to the working group are posted on the “Key Initiatives & Consultations” portion of the Board’s web site at www.oeb.gov.on.ca as they become available and are also available for review at the Board’s offices during business hours.

Update to Overall Project Timeline

The Scoping Paper set out a proposed approach and draft timetable for this consultation. To allow for further examination of the issues, the approach and timeline presented in the Scoping Paper has been revised by staff. In particular, the period of time over which the working group may meet has been extended, and provision has been made for an additional stakeholder consultation conference to be held in February, 2008 following issuance of the discussion paper that sets out Board staff’s initial proposals. The updated timetable is set out in Table 1 below.

Table 1: Updated Timeline for Consultation

Target	Event/Milestone	Regulatory Schedule
2007		—2007—
August 2	Initial consultation on issues by means of written comments (due mid-September) on Board staff’s scoping paper on issues associated with development of 3 rd Generation IRM.	
September 7	A stakeholder working group will be established to assist staff in the development of 3 rd Generation IRM.	● August – 1 st tranche of distributors file rate rebasing applications.
September 13	Stakeholder consultation conference for all interested parties on staff’s scoping paper.	● September – 2 nd Generation IRM filing guidelines issued.
September 21	<i>Written comments due on issues associated with development of 3rd Generation IRM.</i>	
October-January	Stakeholder working group meetings.	● November – Remaining distributors file 2 nd Generation IRM applications.
December 14	Stakeholder consultation conference for all interested parties on working group progress.	

Table 1: Updated Timeline for Consultation (...continued)

Target	Event/Milestone	Regulatory Schedule
2008		—2008—
Late-January	Staff initial proposals A Board staff discussion paper containing initial proposals, including data analysis, will be released for comment by interested parties.	
Early-February	Stakeholder consultation conference for all interested parties on staff’s initial proposals.	
<i>Late-February</i>	<i>Written comments due on staff’s initial proposals.</i>	
January-April	Revised proposals (if necessary). Further stakeholder working group meetings may be needed in March. A revised paper, including data analysis, may be issued for comment in mid-April (comments tentatively due mid-May 2008). A stakeholder consultation conference for all interested parties on the revised proposals may be scheduled late-April.	
June	Board Report issued. The Board will release its report describing the principles and methodologies of the 3 rd Generation IRM rate adjustment mechanism for setting electricity distributor rates in 2009.	<ul style="list-style-type: none"> ● August – 2nd tranche of distributors file rate rebasing applications. ● August – 2nd and 3rd Generation IRM filing guidelines issued. ● October – Remaining file 2nd or 3rd Generation IRM applications.
2009	Rates are Set	—2009—
		<ul style="list-style-type: none"> ● April - Board approves 2009 rates and issues rate orders. ● May 1, 2009 – Rates in effect.

If you have any questions regarding this consultation, please contact Lisa Brickenden at 416-440-8113, or e-mail EDR@oeb.gov.on.ca. The Board’s toll-free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary