



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# Comparison of Distributor Costs

3<sup>rd</sup> Generation IRM Working Group  
Project Status – Bill Cowan  
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# Purpose of Comparative Analysis

- Portfolio of electricity distributors with
  - varying characteristics
  - significant quantities of performance data
    - Financial
    - Volumetric
    - Service Quality
- Purpose is to adopt analytical tools that can help illuminate, improve understanding, draw intelligence regarding the portfolio so as to provide better regulation

# Background

- Two stage Board staff consultation, start Nov '06
  - Invited comments on various matters
  - Provided data 2002-2005
- Report of Pacific Economics Group, April 2007
- Comments on PEG Report, July 4, 2007
- Technical Consultation Sept 12-13, 2007
  - Address capital (age and size)
  - Address service quality
- Staff provided PEG
  - 2006 data
  - Capital spending and customer growth data
  - Service quality data



# Topics of Interest to Parties

- Data Improvement
  - Which improvements necessary (benefit > cost)
  - Any other issues
  - Phasing of the work – short, medium, long term
- Methodologies
  - Use one method or combination
  - Which methods most appropriate and why
- Uses in Ratemaking
  - Screening, informing interrogatories, developing filing guidelines for rebasing
  - Establishing costs for setting revenue requirement
  - Other alternatives for setting X-Factor
  - Staged approach to use in incentive ratemaking



# Preliminary Results, Latest Round

- Data relatively stable with 5<sup>th</sup> year (2006)
- Capital correlates with OM&A somewhat
- Service quality outage data not correlated with cost (perhaps measure not reliable)
- Service quality customer data not correlated with OM&A
- Degree of undergrounding significant
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# Next Steps

- Board staff complete analysis of 2006 mindful of participant comments
- Staff recommendation to Board on uses of comparative analysis early November
  - Rebasing
  - Incentive regulation
  - Next steps
- Board action as appropriate