



Ontario Energy Board

Commission de l'énergie de l'Ontario

3rd Generation IRM

Project Update

- Staff scoping paper issued to assist consultations that proposes a common framework for discussion:
 - describes context in which 3rd Generation IRM will be developed;
 - proposes underlying principles to guide the work and issues to be considered; and
 - Proposes an approach to the upcoming consultations.
- Comments received from 16 interested parties.

- The Context
 - The political, economic, social, and technological factors of the external macro-environment that are acting on distributors.
 - Goals or vision for incentive regulation in the electricity distribution sector.
 - A clear understanding of IR principles and objectives before detailing any framework.
 - Without a vision for a long-term regulatory framework that achieves the Board's regulatory objectives, consistent with articulated principles, there is a danger that Ontario will simply move from one arbitrary regulatory approach/mechanism to the next.
- The Proposed Principles & Issues
 - General agreement that the identified issues are important.
 - Quite different views as to how to examine the issues:
 - Some proposed specific principles to guide examination;
 - Some detailed preferred options and/or recommendations; and
 - Some proposed detailed issues lists.
- Today's Context and an Incremental Approach
 - Focus on a model for the more immediate future, but along evolutionary lines.
 - May need a staged/incremental approach to building the long-term framework.

Developing the Principles and Methodology for 3rd Generation IRM

- Initiatives that may affect rate-making in the coming years, include:
 - ✓ cost of capital confirmed;
 - ✓ 2nd Generation IRM set and 1st year rates implemented;
 - examination of rate redesign initiated;
 - cost allocation filings continue to be reviewed;
 - work continues to identify barriers to CDM and DG;
 - utility comparison methodology consultations underway;
 - 2008 IRM and CoS applications underway; and
 - review of SQR to recommence this fall.
- *Scheduling arranged to minimize overlap*
 - *Provides staff and parties with opportunity to consider the cross-cutting issues; and*
 - *facilitates coordinated development of Board policy in these areas.*



Where are we in the process?

Target

Event/Milestone

Regulatory Schedule

2007

—2007—

August 2nd

Initial consultation on issues

September 7th

A stakeholder working group established.

September 13th

Stakeholder consultation conference

September 21st

Written comments due on issues associated with development of 3rd Generation IRM.

Mid-October

Board confirmation of issues.

October-November

Stakeholder working group meetings.

Late-November

Staff initial proposals

December

Stakeholder consultation conference

- **August** – 1st tranche of distributors file rate rebasing applications.
- **September** – 2nd Generation IRM filing guidelines issued.
- **November** – Remaining distributors file 2nd Generation IRM applications.



- Working group meetings will lead up to staff's preparation of a discussion paper that will be issued for stakeholder comment.
- At that time, a stakeholder consultation conference will be held to for all interested parties on staff's proposals.
- This approach may be repeated to develop revised staff proposals.