

October 16, 1998

Dear Sir/Madam:

Re: Consultation Letter on the Board's Performance Based Regulation Initiatives

Enclosed please find a copy of a paper entitled *PBR Options for Electricity Distribution in Ontario* which is the Board Staff's performance based regulation (PBR) options paper mentioned in the Board's letter of October 2nd, 1998.

In that letter it was indicated that the Board would be holding PBR educational seminars and facilitated stakeholder consultation workshops. The educational seminars and the technical expertise at the consultation workshops will be provided by Hagler Bailly Canada, a consulting firm retained by the Board to provide technical expertise on PBR. The company providing facilitation services for the consultation workshops will be QCIC. The times and locations for these events are listed below.

Educational Seminar

One-day PBR educational seminars will be held on each of the following two dates, please select one date:

Date	Time	Location
October 27	9:00 a.m. - 4:30 p.m.	Toronto, Toronto Board of Trade Airport Centre
October 28	9:00 a.m. - 4:30 p.m.	Toronto, Toronto Board of Trade Airport Centre

Continental breakfast will be available at 8:30 a.m.

PBR Issues List

Attached to this letter is a list of PBR issues on which the Board is seeking comment. With the PBR options paper in hand and educational training behind you, we hope that you will be in a position to provide us with written comments on PBR issues, using the list as a guide. Your comments will be used to plan effective and productive regional consultation workshops in November. Please fax or e-mail your comments to the attention of Christiane Wong, Administrative Assistant to the Director, Regulatory Affairs, **on or before November 6, 1998.**

Facilitated Regional Stakeholder Consultation Workshops

One-day PBR stakeholder consultation workshops will be held on five dates:

Date	Time	Location
November 18	8:30 a.m. - 3:30 p.m.	Kingston, The Ambassador Hotel and Convention Centre
November 19	8.30 a.m. - 3:30 p.m.	London, Huron College
November 20	8.30 a.m. - 3.30 p.m.	Toronto, Ontario Science Centre
November 23	8.30 a.m. - 3:30 p.m.	Thunder Bay, Valhalla Inn
November 24	8.30 a.m. - 3:30 p.m.	Sudbury, Ramada Inn Convention Centre

Attendance Registration

Please note that a continental breakfast and a light lunch will be provided at all sessions, however, you are responsible for your transportation, accommodation and other related costs.

If you plan to attend any of the above events please register for specific date(s) by:

Fax at: (416) 440-7656 or
e-mail at: wongch@oeb.gov.on.ca
Attention: Christiane Wong

We look forward to meeting and interacting with you at our upcoming events.

Sincerely,

Robert A. Cappadocia
Director
Regulatory Affairs

c.c. Floyd Laughren Chair, Ontario Energy Board
Les Horswill Assistant Deputy Minister, Ministry of Energy, Science and Technology

Performance Based Regulation (PBR) Issues List

I Basic PBR Scheme(s)

1. Which of the PBR alternatives is most appropriate? Are there other schemes that you believe are more appropriate? Why?
2. If utilities are to be grouped using a yardstick competition approach, what characteristics should be used to assign the utilities to groups? What groups of utilities are similar, and which are dissimilar? What unique characteristics of the utilities should be taken into account?
3. Should different models be used according to utility size or circumstance? If so, what criterion or criteria should be used to define size and what circumstances should be considered?
4. How should base (initial) rates be established? Are there any implementation issues (historic data, administrative burden, etc.) that are relevant to the establishment of base (initial) rates?
5. What should be the term of the plan; that is, how long should it be before the plan is reviewed and its parameters changed?
6. Should exit ramps (events which trigger an automatic review of the plan) be a feature of the plan? If so, what events (e.g. in cases of mergers/acquisitions/divestiture, excess earnings outside of a reasonable tolerance zone) should be considered trigger events? What process should the OEB use to trigger a review?

II Features of PBR Model(s)

1. What, if any, metrics should establish standard(s) for monopoly services (e.g. CMI, call time response, installation time, safety, number of interruptions)? What specific standards should the OEB adopt? Should these differ by class of utility or should they be specific to a utility? How should these standards be adopted? What rewards/penalties should apply?

2. How should any distribution system losses incurred by distributors be accounted for ?
3. Should there be “Z” factors (pass-throughs of uncontrollable costs and/or extraordinary events)? What should constitute an extraordinary event?
4. What form of sharing (if any) is appropriate?
5. What impacts will PBR have on competition between electricity and gas? How can symmetry be achieved between gas and electricity as a result of the PBR schemes that may be applied to gas and electricity utilities?

III Implementation of PBR

1. When should PBR be implemented? Should all utilities start at the same time or should start dates be staggered? What options should be available for late filing or delay in implementation?
2. What information should the OEB routinely obtain from the distribution utilities? How often should it be collected? Should the information submissions differ by size or circumstance of the utility?
3. What type of utility operational/financial data is readily available for benchmarking? What data can be provided to the Board in a timely manner that will facilitate the Board’s examination of PBR options?
4. How should benchmarks be established (e.g. by geography, utility size, customer profile)?

IV General

1. Given that approval of the PBR plans may not involve a hearing, how should interested parties provide input into the process?