

## **Terms of Reference**

### **PBR Design Detail Task Forces**

#### **A. Cap Mechanism**

##### 1. Objective

The objectives of this task force are to (1) assess alternative cap mechanisms, (2) review and assess methods and data for establishing price and productivity adjustment factors for the PBR cap scheme adopted, and (3) compile data collection procedures for periodic submission to the OEB.

##### 2. Scope of Work

This technical task force will assist Board Staff in establishing criteria to determine which electricity distribution utilities would be suited to cap regulation and the form of that mechanism. Options include price or revenue cap, or a hybrid combination. In addition, members of this task force will assist Board Staff in reviewing input price adjustment factors, specifically the trade-off between more aggregate but readily available price indices versus an industry-specific input price index. While the former may have advantages in ease of implementation as well as cost, the potential biases inherent in such broad-based indices may require the adoption of a sectoral specific approach. Therefore, this task force, would identify, develop, and assess industry specific acquisitions of goods and services. Members of this task force will also assist Board Staff in developing methods and obtaining data related to productivity factor(s). This would include information on output prices and amounts, as well as input prices and amounts.

A mechanism for providing data to the Board on an ongoing basis will also need to be developed.

#### **B. Yardstick Grouping**

##### 1. Objective

The objective of this task force is to determine the number of yardstick groups, the assignment of utilities to a group and the specific benchmarks selected.

##### 2. Scope of Work

Members of this task force will assist Board Staff in developing the criteria for establishing yardstick groups. This entails the identification of significant but uncontrollable factors affecting utility performance. Members will work with Board

Staff to develop not only qualitative, but if feasible, quantitative determinants. This task force will assess the most effective set of characteristics to be used to establish groups of relatively homogenous utilities. In addition, this task force will analyze and assist in the design of rates to be used in yardstick regulation. Specific benchmarks to be employed in establishing rates will also be analyzed for their impact on utilities and other stakeholders.

## **C. Implementation**

### 1. Objective

The objective of this task force is to assist Board Staff in identifying and assessing features, procedures and requirements relevant to the implementation of PBR.

### 2. Scope of Work

Members of this task force will assist Board Staff in identifying, prioritizing, and evaluating the non-economic aspects of PBR. For example, members of this task force will assist in the development of minimum performance standards, sharing mechanisms, plan term, 'Z' factors (or cost pass throughs), and exit ramps/reviews. In each of these, as well as, other possible aspects of implementation, members will work to develop detailed guidelines and benchmarks. With respect to minimum performance standards, members will identify required categories (e.g. reliability), the measurement benchmark to be employed (e.g. minutes of interruptions), and the quantitative threshold of performance. In addition, with respect to standards, this task force will assess the need for geographic differentiation, in part or all, of a particular standard. Other implementation issues may require similar considerations.

## **D. Rates**

### 1. Objective

The objective of this task force is to assist Board Staff in developing rate guidelines and assessing the financial and customer rate implications of different methods of establishing initial PBR rates and rate structures.

### 2. Scope

Members of this task force will assist Board Staff in evaluating the options available for establishing initial rates for PBR. These include, for example, cost of service or current rates. Issues such as regulatory compliance costs, fairness and reasonableness of rates, practicality, and competitive considerations may all impact on the methodology ultimately selected by the Board.