

## Cap Mechanism Task Force Terms of Reference

### 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 schemes;
- (3) assemble and compile necessary underlying data for estimating adjustment factors, evaluate the implications of cap/factor alternatives for stakeholder impacts; and
- (4) recommend data collection procedures for periodic submission to the OEB.

### 2. Scope of Work

This technical task force will assist Board Staff to establish 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 to review 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 necessitate the evaluation and, possibly, the adoption of a sectoral specific approach. Therefore, this task force, would identify, assemble, and assess industry specific inputs and their prices. Members of this task force will also assist Board Staff to develop methods and construct data sets related to productivity factor(s). This would include information on outputs and their prices. This task force will assist in the evaluation of alternative cap approaches and adjustment factors for stakeholder impacts.

A mechanism for providing updated data to the Board on an periodic basis will also need to be developed. Members of the task force will recommend the procedures and processes to provide such updates to the OEB.

### 3. Overlap with Other Task Forces

This task force may need to coordinate efforts with the yardstick task force regarding utility assignments to PBR models and some aspects of data collection and construction.

