

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



VIA WEB POSTING

December 1, 2011

To: Natural Gas and Electricity Stakeholders

Re: Evaluation Framework for Board Policy

Today, the Ontario Energy Board (the “Board”) has released a Staff Report to the Board on the Proposed Evaluation Framework for Board Policy (the “Staff Report”). The Staff Report is available on the Board’s website at www.ontarioenergyboard.ca.

The Board believes that an evaluation framework for Board policy is an important tool to:

- assess whether the objectives of its policies have been met; and
- encourage continuous improvement (as on-going monitoring may reveal issues that can be addressed).

The Staff Report sets out the framework to achieve these goals. An overview of the framework is provided in Attachment A.

Yours truly,

Original Signed By

Aleck Dadson
Chief Operating Officer

Attachment A – Overview of the Evaluation Framework for Board Policy

Attachment A
To Letter dated December 1, 2011
An Overview of the Evaluation Framework for Board Policy

The Ontario Energy Board (the “Board”) initiated a process to develop a systematic framework to monitor and evaluate the effectiveness of its policies. The Board believes that an evaluation framework for Board policy could be an important tool to:

- assess whether the objectives of its policies have been met; and
- encourage continuous improvement (as on-going monitoring may reveal issues that can be addressed).

Board staff’s proposed framework focuses on four areas in the monitoring and evaluation process.

- A **logic model**, which provides a structured approach to link a policy to its intended or expected outcomes¹.
- **Impact analysis** (or “impact assessment”), which includes any analysis that supports a decision to initiate or revise a policy and takes place prior to the issuance of the policy.
- **Performance monitoring and reporting**, which includes tracking the progress of a policy on a regular basis so that successes or problems are reported and communicated.
- **Evaluation**, which provides feedback, after the sufficient passage of time, on the success in terms of achieving expected outcomes.

The application of the proposed framework should be limited to codes, rules, filing requirements, guidelines, handbooks, and Reports of the Board. In particular, it should be applied as follows:

- for future policies, an evaluation plan would be built into the policy making process from the outset;
- for existing policies with identified measurable objectives, the framework would be used to evaluate the effectiveness of these policies; and
- for existing policies where objectives have not been identified, elements of the framework may help the Board to report on the impacts of these policies as part of periodic reviews.

Below is a summary of the proposed evaluation framework that will be used by Board staff.

¹ The terms “objectives”, “outcomes”, and “results” are used interchangeably.

| Area | What is it? | What to do? |
|------------------------------|--|--|
| <p>1. Logic Model</p> | <ul style="list-style-type: none"> • A logic model is used to summarize, often in visual form, the linkages between activities and outputs, and between outputs and measurable outcomes or objectives. - What are the drivers or inputs that trigger policy activity within the Board? - What are the Board’s activities such as the processes, tools, events and actions that make up the work in relation to the policy? - What are the outputs which are the direct products of the specific policy? - What are the outcomes/objectives which are the specific changes in behaviour, knowledge, and/or level of functioning that are expected to result from policy activities and outputs? | <ul style="list-style-type: none"> • An example. A legislative change triggers the need for a new code (the “input”). To develop a new code, the Board meets with stakeholders, prepares a Staff Discussion Paper and then issues a Notice of Proposal (the “activity”). The “output” is the new code. The “outcomes” of this new code may be transparency and non-discriminatory access leading to fewer disputes and less need for Board support. • Adopt a structured approach to the Terms of Reference (ToR) that reflects this framework. • At a high level, the ToR should explicitly link the Board’s activities and outputs to the desired result of that particular policy. • It should create an explicit understanding of the challenges ahead, the resources required and available, and the timetable in which the Board is expected to achieve the policy’s outcome or objectives. • If possible, identify whether policy should be evaluated. • Not all policies can be evaluated. A policy must meet the central requirements of evaluation for a successful evaluation to occur. |

| Area | What is it? | What to do? |
|---|--|---|
| <p>2. Impact Analysis / Assessment</p> | <ul style="list-style-type: none"> • Impact Analysis is a structured approach to policy development including a more systematic approach to assessment. - Define the Problem (or Need): What is the problem (or need) this Board policy is trying to solve? - Identify the Objectives: What is the Board trying to achieve with this policy? Objectives should be SMART – specific, measurable, achievable, relevant and time-bound. - Identify Policy Alternatives: What alternatives have been considered and what is the best approach to take and why? - Determine a Performance Monitoring and Evaluation Plan: How will the Board know that the policy is doing what it is intended to do in the short and longer terms? - Identify Implementation and Compliance Considerations: How would the Board implement the policy? What are the anticipated implementation costs? How can compliance with mandatory requirements be assured? How do we expect to monitor compliance or monitor whether a policy is being followed (e.g., complaints, self-reporting, audits)? | <ul style="list-style-type: none"> • Problem (or need) statement should identify the magnitude (frequency, level of risk, etc.) and the incentives or behaviours that contribute to or cause the problem / need. • Objectives should reflect the Board’s accountability. Objectives are the things against which the Board will be evaluating itself and against which stakeholders will be assessing the Board. <ul style="list-style-type: none"> - Has the Board agreed to these objectives for the purpose of evaluation? Stakeholders? • Policy alternatives should involve researching, identifying and describing costs, benefits and risks, and testing these alternatives through formal consultations. • Monitoring and Evaluation Plan should outline the general approach and this approach would be refined with more specifics closer to the actual evaluation. The Plan should include: a) the scope of the evaluation (i.e., what is to be evaluated and why), b) the performance indicators to measure the policy’s progress, c) staff and other resources necessary to conduct the on-going monitoring and the expected evaluation, d) the proposed approach to collecting the evidence to monitor and evaluate (i.e., data collection, reporting, etc.), and e) the timing and cost. The plan should be prepared in consultation with stakeholders. • Key to controlling costs is proportionality: effort should be proportional to anticipated impact. |

| Area | What is it? | What to do? |
|---|--|---|
| <p>3. Performance Monitoring & Reporting</p> | <ul style="list-style-type: none"> • On-going monitoring provides timely information and is based on performance indicators (or performance measures) set during the impact analysis. - Identify the appropriate performance indicators, which are qualitative or quantitative means of measuring an outcome, with the intention of gauging the performance of a policy. Performance indicators should answer the question – How will the Board know whether the anticipated outcomes/objectives have been achieved? - Put in place a strategy for data collection and retention. - Monitor and analyze the data (i.e., the results of the policy). - Report on the policy’s progress. - Ensure that the information gathered will support evaluation activities. | <ul style="list-style-type: none"> • Performance Indicators: <ul style="list-style-type: none"> - Select at least one indicator (but no more than three) for each outcome identified in the logic model. - Estimate indicator range or target for each selected indicator. - Consult with stakeholders to identify performance indicators. - Identify data sources (existing and required) and any challenges. - Consider the cost when selecting indicators. • Performance Monitoring: <ul style="list-style-type: none"> - Need a process to collect baseline data. Need to define and identify baseline data for future policies, if appropriate. - Need a process for data collection. Identify the sources of required data, design sampling procedures if and when appropriate, develop data collection instruments, determine the frequency for data collection, and collect the actual data requirements. - Need a process to analyze data. Will require analysis and the results of this analysis will indicate whether the performance indicators are falling within the normal, watch, or outside the acceptable tolerances range. - Need to further refine the reporting process to effectively monitor policy outcomes. |

| Area | What is it? | What to do? |
|-----------------------------|--|--|
| <p>4. Evaluation</p> | <ul style="list-style-type: none"> • Typically two types of evaluation – formative (or process evaluation) and summative (or impact evaluation). • Summative and formative evaluations use qualitative and quantitative methods for gathering data to support evaluation activities. • More than one method of data collection should be used but methods should be balanced against costs, level of intrusiveness, creditability of the data, and value of stakeholder engagement. • Timing of an evaluation should be established at the impact assessment. Potential triggers for an evaluation may come from on-going performance monitoring (i.e., observations of indicators outside the normal expected range and the level of risk impacting the policy’s ability to achieve its expected outcomes. Additional outside factors, such as Ontario government priorities and changes in North American energy markets may impact the necessity and timing of evaluations. • Construct a detailed evaluation plan. The plan should include a list of questions to address the core evaluation issues and proposed approaches. Questions should address relevance and performance. | <ul style="list-style-type: none"> • Summative evaluation is more appropriate for providing feedback on whether desired outcomes are being achieved. It is resource-intensive and may require external consultants. • Summative evaluations should be considered for major initiatives after an appropriate defined period. • Some of the available methodological approaches are more applicable to summative evaluations, while others are more applicable to formative evaluations. <ul style="list-style-type: none"> - Formative evaluations are likely to use focus groups, in-depth interviews, and stakeholder analysis that are capable of providing feedback on the efficiency of a particular policy initiative and the effectiveness of the process by which it is being managed. - Summative evaluations will use comparative studies and data review (to compare outcomes with baseline data), and standardized questionnaires or surveys where stakeholders are selected randomly from the study population in an unbiased manner. • Decide whether the evaluation is conducted in-house or independent (i.e., evaluation consultants). |