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# Opening Remarks:

## *Standing Committee on Finance and Economic Affairs*

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**CHECK AGAINST DELIVERY**

## INTRODUCTION

Good morning, Madam Chair, and Members of the Committee.

Thank you for the opportunity to appear before you today.

This morning, I'd like to provide the Committee with a brief overview of the Ontario Energy Board, the important oversight role that we have in Ontario's energy sector and discuss briefly the way in which we go about our work.

## OEB MANDATE

Let me begin with a brief overview of the Ontario Energy Board.

The OEB is the Province's independent energy regulator.

We regulate the natural gas and electricity sectors in Ontario.

Within our broad public interest mandate, we have specific objectives, set out in our legislation.

Our primary objective is to protect the interests of Ontario's 4.6 million energy consumers with respect to price, adequacy, reliability and quality of service...and to maintain a financially viable, sustainable and efficient energy sector.

The OEB has broad responsibilities.

We license all market participants. We establish standards of conduct and standards of service. We approve major network infrastructure investments. And we approve rates charged to consumers by distribution and transmission companies.

In gas we regulate the rates of three gas distributors.

In electricity we regulate the rates of more than 70 local distribution companies, and five transmission companies that operate Ontario's electricity delivery networks, and OPG.

Suffice it to say that the impact of our decisions on utilities and their customers is significant.

As the provincial regulator, the OEB's oversight and rate-setting applies to all regulated utilities in all corners of Ontario.

From municipally owned local distribution companies like Toronto Hydro, to government owned corporations like Hydro One and OPG, to privately held entities like Canadian Niagara Power, to broadly held investor owned utilities like Enbridge and Union Gas.

Regardless of size or ownership structure, we apply the same standards to, and we expect the same level of performance from, all entities that we regulate.

The Ontario Energy Board has carried out our oversight role for some time. In fact, we've been doing it for more than 50 years for natural gas and a somewhat shorter period for electricity.

Over that time, the OEB has developed a solid reputation and gained significant expertise.

The OEB is recognized by the Courts as an expert tribunal and for that reason accorded significant judicial deference by the Courts.

## OEB DECISION MAKING PROCESS

Having given the Committee a flavor of what the OEB does, let me now speak briefly on how we do it - our decision making processes, particularly as they relate to rate setting.

As I said earlier, the OEB is an independent tribunal.

While our mandate flows from our legislation as an adjudicative tribunal, our decision-making processes are based on the principles of administrative law and the rules of natural justice.

The OEB sets rates which are just and reasonable using a public hearing process.

We work to ensure our regulatory decisions further our legislated objectives in ways which are consistent, stable and predictable.

Although the size and operating characteristics of utilities varies, our approach to rate regulation does not.

The public hearing process is rigorous and requires utilities to provide comprehensive business plans and extensive data.

Proposals are examined and challenged in an open, public and transparent process which includes the active participation of ratepayer representatives and other stakeholders.

In fact, the OEB is one of the few energy regulators that provides significant funding to ensure that the voices of those impacted by

our decisions are represented in our proceedings in a meaningful way.

The OEB panel assigned to the proceeding reaches its decision based on the evidence, the submissions by each of the parties, the OEB's policies and the public interest.

Our decisions aim to ensure that utilities have sufficient revenues to support ongoing operations and investment in assets, that shareholders earn a fair return so as to attract ongoing investment in utilities and that customers benefit from predictable and paced adjustment to rates tempered by improving productivity and efficiencies.

Let me illustrate the OEB's effectiveness in the context of Hydro One rates.

Looking at an average residential customer's total bill since 2008, Hydro One's distribution rates have increased an average of 1.4% while its transmission rates have increased an average of 0.2 %.

Inflation during this same period ran about 2%.

In its 2011 utility ratings report, Standard & Poor's commented on the OEB's process as follows:

“...the OEB has exhibited increased scrutiny of requested cost increases in the distribution sector and the associated rate pressure on customers. While we expect rate increases will remain an important consideration, we believe...that the OEB will continue to honor its mandate to balance customer needs and the utilities' ability to earn a modest return.”

## CONCLUSION

Let me close by saying that the OEB's 50 years of rigorous, open, transparent and independent oversight of regulated utilities has served Ontario consumers well in the past and we are committed to continuing that legacy in the future.