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BY EMAIL AND WEB POSTING

December 18, 2009

**TO: ALL LICENSED ELECTRICITY DISTRIBUTORS
ALL OTHER INTERESTED PARTIES**

**RE: CAPITAL INVESTMENT PLANNING
POSTING OF KEMA REPORT AND RELATED INITIATIVES**

Today the Ontario Energy Board has posted a report by KEMA Inc. entitled *Leveraging Network Asset Management Practices for Regulatory Purposes*. The report, which examines how various jurisdictions approach regulatory reviews of network utility investment plans, was commissioned by the Board for the purpose of better understanding how regulators elsewhere examine and utilize utility asset management information as part of the review of capital investment plans. The KEMA report complements an earlier report regarding Ontario electricity distributors' asset management practices, *Review of Asset Management Practices in the Ontario Electricity Distribution Sector*, which was posted March 19, 2009. Both reports are posted to the Board's website at www.oeb.gov.on.ca. Among other things, both reports highlight the interactive relationship between regulatory requirements and distributor capital investment planning processes.

The Board recognizes that distributor system planning must take into consideration inter-related regulatory requirements, including new requirements required under the *Green Energy and Green Economy Act* ("GEA"). A number of the Board's regulatory requirements and initiatives affect the capital investment planning process. These include distribution system planning to accommodate renewable generation and smart grid development, the implementation of system reliability standards, the Board's continuing interest in asset management practices.

The Board also recognizes the need for coordination of these related requirements and initiatives to ensure that capital investments are undertaken in respect of clear objectives and are focused on cost-effective infrastructure development. The two objectives of, first, providing consumers with an appropriate level of reliability and, second, supporting the government's policy objectives as reflected in the GEA remain central to the Board's work in this area.

The Board believes that distributors, ratepayers and other stakeholders would be assisted if the Board provided guidance as to how it intends to apply the outcomes of the various requirements and initiatives in a comprehensive and coordinated manner in the review of capital plans. The Board expects to provide that guidance in the near future.

Please direct any questions to the Market Operations Hotline at 416-440-7604 or by email at Market.Operations@oeb.gov.on.ca.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary