

ONTARIO ENERGY BOARD

Renewed Regulatory Framework for Electricity Frequently Asked Questions

OVERVIEW

Last December, the Ontario Energy Board (the Board) initiated a coordinated consultation process for the development of a renewed regulatory framework for electricity distributors and transmitters (RRFE).

The objective of a renewed framework is to support cost-effective modernization of the network while at the same time controlling rate and/or bill impacts on consumers.

The Board is now initiating a dialogue with stakeholders on renewing that regulatory framework for electricity.

Five discussion papers have been released to initiate the extensive consultation process that would ultimately lead to the regulatory tools it needs to ensure a predictable, transparent and sustainable policy framework to support the pacing and prioritization of a number of issues, including:

- Investments for new and upgraded infrastructure;
- Ongoing costs to maintain system operability and reliability;
- Development of a smart grid;
- The cost of infrastructure necessary to connect renewable generation;
- Smart meter deployment; and,
- Conservation initiatives.

In all areas, a consultation process will lead to the formulation of Board policies in relation to network planning, rate mitigation and network utility performance.

What is the Renewed Regulatory Framework for Electricity?

Our regulated electricity infrastructure needs greater investment to support a modern, efficient and sustainable power sector by:

- Replacing aging infrastructure to sustain system operability and reliability;
- Enabling the connection of generation to distribution systems to diversify sources of supply;
- Facilitating conservation initiatives; and
- Implementing smart grid innovations.

The Renewed Regulatory Framework will support cost effective modernization of the network. It will facilitate the recovery of costs by utilities, while at the same time controlling rate and/or bill impacts on consumers.

The staff discussion papers being released today address five inter-related policy initiatives which support RRFE development. The issuance of the staff discussion papers and the extensive consultation process to come (set out below) are intended to initiate a dialogue with stakeholders.

The staff discussion papers are:

- Distribution network investment planning (EB-2010-0377);
- Regulatory framework for regional planning for electricity infrastructure (EB-2011-0043)
- Establishment, implementation and promotion of a smart grid in Ontario (EB-2011-0004)
- Approaches to mitigation for electricity distributors and transmitters (EB-2010-0378); and
- Defining and measuring the performance of electricity distributors and transmitters (EB-2010-0379).

What is a regulatory framework?

A regulatory framework is the overall approach and set of tools (for example, the method used to set electricity rates) that a regulator uses to ensure that public policy goals are met in a cost-effective manner.

Why does the framework need renewing?

The current regulatory framework for the electricity distribution and transmission sectors has been in place since 2001. Given the various system investments currently underway, including the renewal of assets to maintain appropriate service levels and system reliability, it is appropriate at this time to consider how existing regulatory approaches and tools may need to be adapted to ensure that public policy goals are met in a cost effective manner.

A renewed regulatory framework will lead to the formulation of Board policies in relation to network planning, rate mitigation and network utility performance.

When will we see the benefits of a ‘renewed framework’?

Renewing the framework involves extensive consultation to gather a broad range of advice and feedback (including industry and consumer perspectives) before any specific changes to Board processes would be proposed, issued for comment and ultimately finalized. As an example: based on the process laid out in the letter to stakeholders today, specific measures that would improve the Board’s process for utilities applying to recover costs from customers could be in place for 2014 rates.

What are the next steps?

Next steps in the coordinated consultation process will include a staff information session, a Stakeholder Conference and the provision of written comment. Details are set out below.

- **Staff Information Session**
Staff will hold an Information Session on December 8, 2011. This session will be held at the Board's offices and will also be conducted via the web to allow broad participation. The purpose of this meeting will be for staff and the Board's consultants to answer questions and to provide any clarification needed in relation to the documents issued with this letter.
- **Stakeholder Conference**
The Board will hold a Stakeholder Conference in February 2012 to facilitate a dialogue with stakeholders on the development of RRFE. Further details regarding the conference will be provided by the Board in the near future.
- **Written Comments**
Following the conclusion of the Stakeholder Conference, participants will be invited to provide written comments on the issues identified by the Board, and on the presentations and discussion at the conference.
- **Following receipt of the written comments, the Board will also issue further guidance regarding the next steps in the development of the RRFE.**