



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **Renewed Regulatory Framework for the Electricity Distribution and Transmission Sectors**

**Executive Roundtables**

# Agenda

- Introductions
- Objective of the meeting
- Overview of RRFE
- Discussion
  - Board's approach to regulatory framework
  - Elements of the framework
- Last words and next steps

# RRFE Consultation Meetings

- Roundtable meetings stakeholders
- Eight meetings, 110 participants invited
  - Consumer groups
  - Distributors, transmitters and agencies
  - Academics and financial community
- Focus is on substantive approach to regulating rates, not on Board process
- Intent is to be forward looking and proactive
- Stakeholder participation is essential to success



- OEB objectives in regulating the electricity sector
  - Protect the interests of consumers with respect to price, quality and reliability of supply
  - Promote economic efficiency and cost effectiveness
  - Facilitate maintenance of financial viability of the sector
- Mandate is carried out by setting rates charged by monopoly utilities that are “just and reasonable”
  - Fair to consumers
  - Provide utility with a fair return on invested capital

## Looking Back – the last 10 years

- The Board, utilities and stakeholders have gained significant knowledge and experience in rate regulation
- Utilities have matured as investor owned business corporations
- Public policy objectives continue to evolve to incorporate economic and environmental objectives



# Looking Ahead – the next 10 years

- Price of electricity is projected to increase significantly as we renew our electricity assets, provide for network expansion and diversify our supply mix
- Rate applications reflect increasing investments to renew and expand infrastructure to meet demand and maintain system operability and reliability
  - Additional investment to respond to public policy directions to develop smart grid and increase renewables
- Consumers expect reliability and quality of service to be maintained or enhanced
- Consumers expect to pay “reasonable” rates



# OEB Response: A Renewed Regulatory Framework for Electricity

- Announced in 2010 to ensure that regulation reflects increased need for infrastructure investment and focuses on total bill impact
- Formally launched in 2011 with updated and broader focus
- RRFE to ensure sustainable, long-term and efficient framework for rate regulation that:
  - Builds on Board experience and expertise
  - Reflects the evolving maturity of the sector
  - Allows for necessary investments
  - Encourages utility efficiency
  - Manages bill impacts



# The Board's Approach for the RRFE

- Establish performance outcomes that reflect consumers' expectations and encourage enhanced utility productivity
- Provide for efficiently planned investments in grid sustainment, expansion and modernization
- Align rate setting cycle and investment planning horizon and provides for efficient recovery of costs
- Increase efficiency in the regulatory process through greater focus on outcomes

# Key Features of the Board's 'Strawman' Model

- Integrated investment planning
  - Sustainment, expansion, generation, smart grid and regional considerations
- Treatment of capital
  - approved multi-year investments recovered over multi-year term
- Performance standards and incentives
  - Desired outcomes established for the utilities
  - Incentives available for achieving investment plan objectives
- Rate setting
  - OM&A indexed to performance outcomes and a productivity measure
  - Investment costs passed through based on approved plan
  - Total cost benchmarking implemented to encourage effective cost containment
- Cost of Service/IRM term
  - reflects approved investment spending horizon
- Total bill mitigation

- Approach for the regulatory framework
- Key elements of the Board's approach

- Stakeholder Roundtable - Feb 21 – March 7
- Meeting notes and participants to be posted
- Stakeholder conference - March 28-30
- Written comments received - April
- Board policy statement – Spring/Summer