Stakeholder Conference on Development of a Renewed Regulatory Framework

Board Staff Presentation on Staff’s Approach to the Consultation and the Issues

February 2, 2011
Today’s Objectives

• To help foster a common understanding of the three initiatives that commence development of a Renewed Regulatory Framework for Electricity:
  – Objectives;
  – Scope; and
  – Consultative process.
<table>
<thead>
<tr>
<th>TIME</th>
<th>TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:30 – 9:45</td>
<td>Introductions &amp; Opening Remarks</td>
</tr>
<tr>
<td>9:45 – 10:45</td>
<td>Renewed Regulatory Framework</td>
</tr>
<tr>
<td>10:45 – 11:45</td>
<td>Distribution Network Investment Planning</td>
</tr>
<tr>
<td>11:45 – 12:45</td>
<td>LUNCH BREAK (Lunch Not Provided)</td>
</tr>
<tr>
<td>12:45 – 1:45</td>
<td>Rate Mitigation</td>
</tr>
<tr>
<td>1:45 – 2:45</td>
<td>Defining &amp; Measuring Performance</td>
</tr>
<tr>
<td>2:45 – 3:00</td>
<td>Closing Remarks</td>
</tr>
</tbody>
</table>
Developing a Renewed Regulatory Framework for Electricity: Context

• Investment is needed:
  – to support Ontario’s Long-Term Energy Plan;
  – to connect renewable energy projects; and
  – for the development of the smart grid.

• Investment is underway:
  – for the renewal of assets to maintain appropriate service levels and system reliability;
  – for the continued deployment of smart meters and implementation of Time-of-Use Pricing; and
  – for the achievement of CDM targets.

• Leads to a sharper focus on the total cost to consumers.
Developing a Renewed Regulatory Framework for Electricity: Objective

• Framework to reflect significant role network investment will have in years to come, and aims to ensure that network investment is prioritized on a basis, and proceeds at a pace, that has regard to the total bill impact on consumers.
Developing a Renewed Regulatory Framework for Electricity

Planning
- Provincial
- Regional
- Utility
  - Preparation, filing, review & approval of plans

Implementation
- Ex-ante rate mitigation policy
- Network investment plan policy
- Defining performance policy
- Rate-setting, Performance Objectives & Monitoring

Results
- Performance vs.-vs.
  - Efficiency & Cost Effectiveness

Review

Initiatives that will be carried out in the coming months as part of the development of a Renewed Regulatory Framework include:

- Distribution Network Investment Planning (EB-2010-0377);
- Rate Mitigation (EB-2010-0378);
- Defining and Measuring Performance of Electricity Distributors and Transmitters (EB-2010-0379);
- Developing Guidance for the Implementation of Smart Grid in Ontario (EB-2011-0004);
- Transmission System Planning (*details to follow*); and
- Regional Planning (*details to follow*).
Developing a Renewed Regulatory Framework for Electricity: Initial Focus

• The Board will initially issue policies in three areas:
  – Distribution Network Investment Planning;
  – Rate Mitigation; and

Staff’s planned approach to these initiatives is the focus for today’s discussions.
To extent possible…

- The pursuit of economic efficiency should be encouraged.
- An appropriate level of reliability and quality of service should be maintained.
- Give consideration to the timing and pattern of expenditures and the corresponding recovery of the associated costs so as to minimize rate and/or bill impacts.
- Regulated utilities have opportunity to earn a reasonable return on shareholder capital and to maintain their financial viability.

Also, regulatory frameworks should be sustainable. And, in practice, a framework should be predictable and understood by stakeholders, and capable of being implemented through efficient & effective regulatory processes.
### Developing a Renewed Regulatory Framework for Electricity: Approach and Timeline

<table>
<thead>
<tr>
<th>Month</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>Stakeholder Conference</td>
</tr>
<tr>
<td>April</td>
<td>Staff Discussion Papers &amp; Consultant’s Reports issued for comment.</td>
</tr>
<tr>
<td>May</td>
<td>Stakeholder Conference on Staff Discussion Papers and Consultant’s Reports.</td>
</tr>
<tr>
<td>June</td>
<td>Written comments on Staff Discussion Papers and Consultant’s Reports due.</td>
</tr>
<tr>
<td>July</td>
<td><em>If necessary</em>, Staff proposals issued for comment.</td>
</tr>
<tr>
<td>August</td>
<td><em>If necessary</em>, Stakeholder Conference on Staff proposals. Written comments on Staff proposals due.</td>
</tr>
<tr>
<td>October</td>
<td>Report of the Board on A Renewed Regulatory Framework for Electricity issued.</td>
</tr>
<tr>
<td>December &amp; Beyond</td>
<td>Amendments to Board documents as required and implementation of Board policy.</td>
</tr>
</tbody>
</table>
Developing a Renewed Regulatory Framework for Electricity

- Questions
- Comments
- Discussion