



Ontario Energy Board  
Commission de l'énergie  
de l'Ontario

## Defining & Measuring Performance (EB-2010-0379)

### Session Location

The Ontario Energy Board  
2300 Yonge Street, 25<sup>th</sup> Floor  
Toronto, Ontario M4P 1E4

*Session will be held in the  
Combined West Hearing and ADR  
Rooms*

## **DRAFT** Stakeholder Meeting Agenda

Thursday, January 10, 2013

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9:30 AM - 9:45 AM      Opening Remarks, Peter Fraser, Ontario Energy Board

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9:45 AM - 10:15 AM    Update on Other Renewed Regulatory Framework Implementation  
Initiatives, Brian Hewson, Ontario Energy Board

### Performance, Standards and Scorecard

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10:15 AM - 12:15 PM      Board Staff Presentation  
followed by general discussion and Q&A

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12:15 PM - 1:15 PM      *Lunch (not provided)*

### Benchmarking (development of total cost model, estimation of Ontario TFP, more Ontario-specific inflation factor)

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1:15 PM - 3:15 PM      Presentation by Larry Kaufmann, Consultant to Board Staff  
followed by general discussion and Q&A

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3:15 PM - 4:30 PM      Additional time for general discussion

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4:30 PM      *Adjournment*

A summary of issues for consultation and links to suggested background materials for this stakeholder meeting are attached.



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## Summary of Issues for Consultation & Working Group

### Performance Measures and Scorecard

#### *Proposed Measures*

- 1) Do the proposed measures (on the proposed scorecard) align with, and reflect a distributor's effectiveness in achieving, the Board's performance outcomes?
- 2) Do the proposed measures meet the Board's criteria?

Criteria	Description in Board Report
Customer-oriented	be reflective of customer needs and expectations
Encourages Improvement	encourage year-over-year performance gains
Trend Analysis	reveal current performance and signal future performance
Measurable	be measurable by each distributor, and be aligned with their reporting for their own internal purposes to the extent possible
Considers Business Conditions	consider the characteristics of a distributor's service territory
Practical	be practical

- 3) What are your preferred measures and why?
- 4) With respect to the financial ratios, staff proposes that ROE be calculated two ways: based on "regulatory" and "financial statement" assumptions. Is this appropriate?
- 5) Do existing consequences associated with the proposed measures (e.g., retention of achieved productivity gains, compliance process; stretch factor assignment; or case-by-case review) continue to be appropriate? Why/why not?



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- 6) Are the new proposed measures appropriate?
- a) What are the costs of tracking the new proposed measures that do not leverage existing Board requirements?
  - b) Are there other measures that should be considered (e.g., community involvement, employee safety, environmental impact)?

### *Proposed Scorecard*

- 7) With respect to scorecard features:
- a) is five-years appropriate?
  - b) is the trend line appropriate?
  - c) should all measures have targets? If so, how should they be determined?
  - d) are other features needed (e.g., graphics, averages, absolute values, etc.)?
- 8) Should "aggregate" performance be shown on the scorecard? Why/why not? For example:
- a) Should the performance categories be weighted to prioritize them in order of importance? If so, how and by whom?
  - b) Should the measures be weighted? If so, how and by whom?

## Empirical Analysis and Benchmarking

### *Inflation*

- 1) Choices for inflation sub indices to be used for the inflation factor
- 2) Options for mitigating volatility of the inflation factor



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### *Total Factor Productivity*

- 3) Appropriate values for the depreciation rate to be used in the TFP analysis
- 4) Appropriate values for the rate of return to be used in the TFP analysis
- 5) The merits of using econometrics to supplement index-based TFP estimates

### *Econometric Benchmarking*

- 6) Choices for business condition variables in the econometric analysis

### *Peer Groups*

- 7) Possible adjustments of the peer groups used in the unit cost analysis

### *The Board's Use of Benchmarking*

- 8) In addition to the benchmarking analyses, whether the Board should examine other performance measures to be provided under the RRFE when establishing values for stretch factors in 4th Gen IR

## Suggested Background Materials:

- Materials issued for discussion at the January 10<sup>th</sup> stakeholder meeting.  
<http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory%20Proceedings/Policy%20Initiatives%20and%20Consultations/Renewed%20Regulatory%20Framework/Measuring%20Performance%20of%20Electricity%20Distributors#20121206>
- October 18, 2012 Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach.  
[http://www.ontarioenergyboard.ca/OEB/\\_Documents/Documents/Report\\_Renewed\\_Regulatory\\_Framework\\_RRFE\\_20121018.pdf](http://www.ontarioenergyboard.ca/OEB/_Documents/Documents/Report_Renewed_Regulatory_Framework_RRFE_20121018.pdf)