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## **BY E-MAIL AND WEB POSTING**

March 7, 2014

**To:** All Licensed Electricity Distributors  
All Licensed Electricity Transmitters  
All Other Interested Parties

**Re: Amendments to the Reporting and Record Keeping Requirements (RRR) for Licensed Electricity Distributors**

The Renewed Regulatory Framework is a comprehensive performance-based approach to regulation that promotes the achievement of customer focus, operational effectiveness, public policy responsiveness, and financial performance outcomes that benefit existing and future customers. To facilitate performance monitoring and eventually distributor benchmarking, the Board will use a scorecard approach to link measures directly to the performance outcomes.

The Board is making amendments to the Electricity RRR to implement an electricity distributor scorecard, to support the Board's continued benchmarking of electricity distributor total costs, and to facilitate the Board's continued monitoring of electricity distributor financial viability. The Board expects that a further review of the reporting requirements will be conducted in the future to streamline reporting requirements to achieve greater efficiency for distributors and the Board.

### **The Electricity Distributor Scorecard**

On March 5, 2014, the Board issued its *Report of the Board on Performance Measurement for Electricity Distributors: A Scorecard Approach*. The Report sets out the Board's policies on, among other things, the performance measures that best reflect a distributor's effectiveness and improvement in achieving four performance outcomes. As set out in the Report, four new measures are to be reported by distributors.

### *Five New Performance Measures*

As a result, Section RRR 2.1.19 has been added to require the reporting of the results of the following five performance measures:

- First contact resolution;
- Billing accuracy;
- Customer satisfaction survey results;
- Public safety; and
- Distribution system plan implementation progress.

As noted in the Report, some distributors have already implemented some or all of these measures for their own purposes. Some distributors have not. Those distributors that have implemented some or all of these five new measures are required to report their results with their annual RRR filing this year (i.e. by April 30, 2014). Distributors that have not implemented some or all of these measures are required to have all of these four new measures in place by July 1, 2014. All distributors will be required to report on their results for the measures with their annual RRR filing next year (i.e. by April 30, 2015).

The Board is consulting with the Electrical Safety Authority and will consult with stakeholders to identify a measure that is readily available for use as the Public Safety measure on the Scorecard.

### *New Micro-embedded Generation Facility Connection on Time*

In addition to the measures previously noted, and to facilitate reporting on the micro-embedded generation facility requirements set out in the Board's Distribution System Code<sup>1</sup>, Section RRR 2.1.4.10, has been added to the Electricity RRR document.

### **Benchmarking and Financial Viability**

The Board has determined that some specific areas of the electricity RRR filings related to benchmarking and financial viability should be amended to facilitate the reporting of

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<sup>1</sup> For generation facilities that are 10 kW or less, the Board established a connection measure in amendments to the Distribution System Code that came into effect on June 13, 2013 (EB-2012-0246). A distributor shall connect an applicant's micro-embedded generation facility to its distribution system within 5 business days of which all applicable service conditions are satisfied, 90 percent of the time on a yearly basis, or at such later date as agreed to by the customer.

consistent data and to provide important information for monitoring performance. The reporting with respect to these amendments will be effective on April 30, 2014 for the 2013 RRR filings and include:

1. Revised reporting on capital – RRR 2.1.5.2; and
2. New financial viability reporting on large customers – RRR 2.1.17 and RRR 2.1.18.

### *Revised Reporting on Capital*

In November 2013, the Board issued its *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* ("Rate Setting and Benchmarking Report"). This report provides the Board's final determinations on its policies and approaches to distributor rate adjustment parameters and benchmarking of electricity distributor total cost performance.

The Rate Setting and Benchmarking Report highlighted several areas in which the reporting of information by distributors should be reviewed and possibly amended. It has been identified that the work on benchmarking could be completed more efficiently if specific data on capital costs is available. Furthermore, as part of the RRR review in 2012, it was noted that for capital additions, some distributors were reporting capital expenditures in order to be able to provide the required sub-components.

For these reasons, the Board is amending Section RRR 2.1.5.2 to require the reporting of both capital additions and capital expenditures. It is the Board's expectation that this required data is generally available by distributors. Therefore, the revised reporting will be required for 2013 data to be filed on April 30, 2014.

Further work will be undertaken by the Board to address the other areas identified in the Rate Setting and Benchmarking report such as smart meter investment data and further consideration of high voltage (HV) and low voltage (LV) costs.

### **Capital Additions**

The requirement for reporting on changes in gross capital assets in the revised Section RRR 2.1.5.2 a) requires reporting of the following four categories:

- Gross capital additions for the year;
- Retirements/write-offs/sales /asset impairment losses;
- Contributed capital; and
- Others if applicable.

For each of the categories, the electricity distributor is required to report the total capital additions (including high voltage assets) as well as separate reporting for high voltage (HV) capital additions.

HV assets are those assets that are used for conveying electricity at voltages higher than 50 kilovolts. These assets are considered HV assets, regardless of whether they have been deemed as distribution assets or not; and regardless of where the financial information is recorded and reported in the distributor's trial balance accounts (RRR 2.1.7).

### **Capital Expenditures**

Reporting on capital expenditures in the revised Section RRR 2.1.5.2 b) requires the breakdown of capital expenditures into the following five categories:

- Direct labour (including benefits);
- Equipment and materials;
- Capitalized overhead;
- Contract services; and
- Others if applicable.

The Board expects that most electricity distributors will have the details for all five of these categories of capital expenditures, and therefore this information is required to be reported for April 30, 2014. However, if a distributor does not currently have the 2013 information for one or more particular category, the distributor must ensure that the 2014 data for each category is available and reported to the Board for April 30, 2015.

### *New Financial Viability Reporting on Large Customers*

To facilitate the Board's continued monitoring of electricity distributor financial viability, the Board has introduced a new annual reporting requirement in Section RRR 2.1.17 to report details on any customer whose annual distribution revenue exceeds 5% of the distributor's annual distribution revenue. There is no need to provide the names of the customers, only the sector in which they operate. Section RRR 2.1.18 has been introduced for distributors to report, on an exception basis, when a material loss of load is incurred or is expected to be incurred.

The first reporting will be for April 30, 2014. It is expected that these amendments will affect only a limited number of distributors.

**Other Changes**

*Section RRR 2.1.4.2*

The Board has made a minor amendment to Section RRR 2.1.4.2 to clarify the timing of the reporting on system reliability indicators previously approved by the Board.

*Section RRR 2.1.5.6*

Board staff has prepared a revised template for the reporting of regulatory return by distributors under Section RRR 2.1.5.6. This template will be posted on the Board's website. Section RRR 2.1.5.6 requires that the regulated return be filed on the same basis as was used in establishing the distributor's base rate. The revised template now includes expected adjustments related to future income taxes and non-rate regulated businesses (e.g. conservation and generation) which are not part of distribution rate setting.

A revised version of the Electricity RRR document is attached, including the amendments described in above. The Electricity RRR document with amendments shown in track changes is also attached.

All inquiries regarding amendments to the RRR for licensed electricity distributors must be forwarded to the Market Operations Hotline at [Market.Operations@ontarioenergyboard.ca](mailto:Market.Operations@ontarioenergyboard.ca)

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary

Attachments: Attachment A: Electricity RRR dated March 7, 2014, as amended  
Attachment B: Electricity RRR document with tracked changes (for information purposes only)