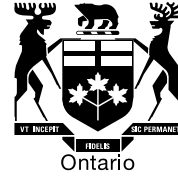


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BY E-MAIL ONLY

February 11, 2016

To: All Licensed Electricity Transmitters
Other interested parties

Re: Amended Filing Requirements for Transmission Applications

The Ontario Energy Board (OEB) has updated the filing requirements for electricity transmission applications. The amendments have been made to chapter 1 (overview) and chapter 2 (revenue requirement applications) of the filing requirements. Chapter 4, which deals with applications to seek the OEB's leave to construct transmission facilities, remains unchanged.

The Report of the Board *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* issued by the OEB on October 18, 2012 specified that the policies set out in that report applied only to distributors at that time. The report went on to state that the OEB would provide further guidance in due course regarding the manner by which the policies in the report may be applied to transmitters. The updated filing requirements require that steps be made towards the integration of core Renewed Regulatory Framework for Electricity (RRFE) concepts into revenue requirement applications.

Prior to issuing these new filing requirements, the OEB met with licensed transmitters and interested stakeholders to discuss the changes. The OEB considered the feedback it received in finalizing the filing requirements.

Updates to the Filing Requirements

1. New revenue requirement-setting options

The OEB has created two new transmission revenue plan options: a custom incentive rate setting plan (Custom IR) including transmitter-specific forecasts for each year of the term, and an incentive index rate setting plan (Revenue Cap IR), to consist of a one year cost of service review followed by four years of index-based adjustments to revenue requirement. The OEB recognizes that transmitters in Ontario operate under diverse circumstances and business conditions, and a transition period may be necessary. Accordingly transmitters may still apply for revenue requirement approval based on a one or two year cost of service application for their first application following the issuance of these filing requirements.

2. Consolidated Transmission System Plan

All transmission rate applications must include:

- A consolidated Transmission System Plan contained within a dedicated exhibit
- A proposed scorecard to monitor transmitter performance
- Enhanced reporting of existing or planned customer engagement or communication activities, and details on how the application and transmission system plans were adapted in response to identified customer needs

3. Additional requirements for Custom IR and Revenue Cap applications

Transmitters applying for revenue requirements under a Custom IR or Revenue Cap plan must include:

- Evidence of the continuous improvement and efficiency gains anticipated to be achieved over the rate term
- A mechanism to protect ratepayers in the event of earnings significantly in excess of the regulatory net income supported by the return on equity established in the approved revenue requirement
- Proposed performance metrics applicable to their individual circumstances

4. Benchmarking

As a key component of rate-setting under the RRFE, benchmarking evidence is required to support cost forecasts and system planning proposals, given the assistance it can provide in establishing the reasonableness of costs. However, the OEB recognizes that some transmitters may need time to prepare benchmarking evidence.

Custom IR applications must include benchmarking evidence. Other applicants, who do not have benchmarking evidence currently available, must file as part of their application a strategy to prepare or acquire such evidence for any subsequent rebasing application.

5. Additional options

In recognition of the challenges that may occur over longer rate terms, the OEB will consider proposals for:

- “Z-factor” applications during the rate term for unforeseen, uncontrollable and material expenses not included in the revenue requirement
- A pre-approved capital module, including supporting criteria and parameters, for applicants under the Revenue Cap IR method who face significant capital requirements associated with discrete projects whose costs cannot be managed through the revenues set by the index.

The amended filing requirements have been posted on the [OEB website](#).

Sincerely,

Original Signed By

Kirsten Walli
Board Secretary