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Ontario's Energy Future: *Evolving our Regulatory Framework*

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CHECK AGAINST DELIVERY

INTRODUCTION

Good morning everyone. And thank you so much for joining me this morning.

Thank you, Jane, for that very kind introduction. And a special thanks to the Toronto Region Board of Trade for inviting me to speak today.

It is not often that regulators get invited to speak to anyone other than those that they regulate, or other regulators.

So I am especially pleased this morning to have the opportunity to address an audience made up of energy consumers and utility customers. Although I do expect that among this crowd there are as many, if not more, energy sector professionals than utility customers.

I am pleased to be here, because the theme of my talk this morning is “transformation”.

Transformation in the context of Ontario’s energy sector, generally, and our approach to regulation, more specifically.

It's a topic that is being discussed at many energy forums in Canada and abroad, as the energy sector embarks on a period of profound change in how we produce, transport and consume energy.

And it's a topic that affects each and every one of us.

As many of you know, the scope and speed of transformation both ongoing and anticipated is unprecedented for this sector. I would venture to say that we have seen more transformation in Ontario's energy sector in the last 10 to 15 years, than we have in the last hundred.

And that pace of change driven by significant advancements in technology and enabled by evolving public policy is expected to continue and it will affect all aspects of our energy system both electric and gas.

So, today I want to focus my remarks on some of the transformation that is underway at the Ontario Energy Board as we prepare for this new world and the changing expectations it will place on the regulator.

The Board recognizes that regulation will need to evolve in lockstep with the evolution of the sector. And that we must prepare for that evolution by asking the right questions and putting in place the right regulatory frameworks.

Frameworks that will enhance our ability to anticipate significant changes in the energy system. That will help us to fully understand – and respond correctly – to the value proposition consumers expect from the utilities that we regulate, and, that will improve the effectiveness of our regulatory response in serving the public interest.

OUR KNOWLEDGE OF THE SECTOR

As many of you in this audience are energy sector professionals let me start by speaking a little bit about our efforts to enhance the Board's ability to keep pace with the transformation that is happening and the impacts it is having on Ontario's energy system.

As you may know the Ontario Energy Board has a long history of regulating the gas and electricity sectors.

In fact we've been doing it for more than 50 years for natural gas and a somewhat shorter period for electricity.

And over that time we've developed a solid reputation and gained significant expertise through our ongoing adjudication and policy work.

But today's rapidly changing environment requires that the Board be much more proactive in our approach.

We need to get out ahead if we can and better anticipate and thoughtfully consider the impacts of potential game changers ... big and small and be prepared to respond as needed in an appropriate and in a timely way.

And I'm pleased to say that we've actually been doing just that through some the initiatives that we currently have underway.

Let me share with you a couple of examples.

First, our review of the proposed Energy East pipeline.

The Board's been asked by the Minister of Energy to consider the project from an Ontario perspective having regard in particular ... to its impacts on the environment, pipeline safety, local communities, First Nations and Métis, gas consumers, and its short and long-term economic benefits for Ontario. The Board's report when complete will be used to inform Ontario's position in the proceedings before the National Energy Board.

Another example of our efforts to keep pace.

Starting later this morning the Board will be hosting a 2-day forum for stakeholders to discuss changes happening in the natural gas market more generally and to consider how those changes should be reflected in our regulatory priorities going forward.

We'll be looking at things like the impacts of shale gas, Liquefied Natural Gas (LNG), opportunities to connect remote communities.

It's been more than 4 years since we held a similar forum and much has changed in that time...

More than 75 delegates have registered to participate in this year's forum, a clear indication of the importance of providing these kinds of opportunities to dialogue with the Board.

Building on these types of issue specific initiatives the Board is now looking at ways to maintain an ongoing dialogue with stakeholders so that we can be much more proactive in anticipating change and developing innovative solutions to some of the most challenging issues the energy sector is facing.

I'm pleased to announce that early in the new year, the Board will be launching:

A new Chair Advisory Roundtable. This roundtable will bring together some 20 energy sector leaders, including industry leaders from gas and electric representatives of industrial, commercial and residential consumers, environmental and public policy groups, and the financial community.

The Roundtable will provide a timely venue for discussing emerging issues and opportunities in the sector, to enable us not only to keep pace with evolving issues, but to get well ahead of them.

In addition, much like the Gas Forum we are holding today, the Board sees a great deal of benefit in hosting forums much more frequently to enable stakeholders to share their perspectives on issues of importance issues that matter to them.

To that end, commencing in 2015, the Board will convene both an electricity and a gas forum in the spring of each year. Discussion from these forums will help to inform the Board's regulatory agenda and the priorities that will be reflected in our annual business plan.

CONNECTING WITH CONSUMERS

As important as these new stakeholder forums will be to positioning the Board for significant transformation in our energy sector, I also want to spend a few minutes talking about transformation that is underway, in the way the Board connects with energy consumers.

During my term as Chair, the OEB has been very committed to better understanding the needs and expectations of energy consumers: to getting a better grip on how transformation in the

energy sector has and will affect them; and, to making our approach to regulating the sector, much more consumer centric than it has been in the past.

Why?

Because we recognize that as the energy sector transforms very real changes will emerge in the way consumers engage with the market and that we will expect and need consumers to be much more actively involved than they are today.

This is especially true for residential and small business consumers.

The Board adopted our consumer-centric approach a few years ago to enhance the level of literacy among consumers about energy matters and the things that impact the bill they pay.

We want to equip consumers with the information and the tools that they need to make informed choices about energy issues and the energy they use.

But consumer-centric regulation goes well beyond energy literacy for consumers.

The Board wants consumers to be at the forefront of every utility decision and every regulatory policy.

And so, our consumer-centric approach is also about providing the utilities that we regulate with the information and tools that they need to better plan and respond to evolving customer expectations.

It's about obligating the utility to better serve its customers.

Our consumer-centric approach also extends to the way in which the Board does its work.

It's very much about giving the regulator - us at the OEB - much more direct and unfiltered access to consumer perspectives.

We need to engage directly with consumers so that we can implement a regulatory framework that not only reflects the evolution of the energy sector and considers the broader public

interest, but that also delivers outcomes that are meaningful to those who pay the bill.

So what exactly does that look like?

Well, let me share with you a few recent examples of consumer-centric regulation in action at the OEB.

First in applications.

We've made it easier for consumers to have access to Board proceedings, like rate applications for example.

We've improved our public notices so that they are much more understandable and reach more consumers. You may have seen them published in local newspapers under the heading: "Learn more. Have your say" ...

In fact, the recent OPG application was advertised in 81 local newspapers across the province.

And starting this past year the Board now requires local distribution companies to consult broadly with their customers and

to reflect what they've heard before bringing an application to the Board to change their rates.

The Board also monitors utility performance.

And this past year, we've introduced a number of new metrics ... that better reflect the customer experience. Measures like customer satisfaction and the accuracy of utility bills are now being reported to us.

And we're no longer keeping that information to ourselves.

This year we've developed a new scorecard for each distributor that shows, in a consumer friendly way, how well a utility is performing compared to its peers and its own past performance.

That scorecard is publicly available on both the distributor's and the Board's websites.

And in developing regulatory policy, we've also significantly increased our own direct engagement with consumers to ensure that their voices are heard and better represented in our work.

We are now regularly using focus groups, surveys, community meetings, online workbooks and behavioral economics to supplement our traditional stakeholder outreach.

Finally, a few words on our consumer protection role.

Over the last three years, the Board has adopted a rigorous approach to monitoring and enforcing market participant behavior.

Since 2011, when I joined the Board, we've levied more than \$2.3 million in fines against energy retailers and marketers and suspended the activity of 2 companies.

We're now holding officers and directors accountable where their companies continuously disregarded the rules.

And we're also in the process of reviewing the *Energy Consumer Protection Act* to consider whether additional consumer protection measures are warranted.

And while we have taken some important first steps to put the consumer front and centre in the work of the Board we know that

there is much more to be done if we are to maintain consumer confidence in these times of significant transformation.

While industry, policy makers and regulators are looking to how the transformation that is underway in the energy sector globally will affect us at a *macro* level on issues like market design, supply mix, smart grid, the Board believes that we also need to think and act at a *micro* level at the retail level where energy planning and design intersect with consumers.

This will continue to be a priority for the OEB.

Focusing our work on outcomes that are valued by consumers is essential to achieving an appropriate alignment between the public interest, utility interests and the interests of those consumers.

So I am pleased to announce, that in the very near future, the Board will be establishing its very own Consumer Panel to help improve the connection between the Board and those on whose behalf we regulate.

This new panel will include a large and diverse group of consumers from all parts of the Province, including residential and small business consumers.

The Board will use this panel to discuss issues identified as important to consumers to gather ideas and provide feedback on the solutions and tools we are developing and to help assess the effectiveness of our consumer-centric approach.

The logistics of implementing and managing the panel are still being worked through, but we are eager to move ahead on this important initiative.

CONCLUSION

As we consider our priorities going forward, the Board will continue to look for ways to improve the link between consumer expectations the information and tools available to them and ... desired outcomes.

The bill is one important tool that we can look at to better inform consumers and to better link behavior to outcomes. Going forward, the Board will continue to look for opportunities to improve the bill

whether through the way in which rates are designed the way in which information is presented, and its frequency and accuracy.

Codes and rules are another important vehicle that influences utility behaviour and the Board has many. Most were designed many years ago, and for a world much different than today's.

As we look to the evolution of the energy sector, changing business models, and changing consumer expectations, the Board needs to consider whether our existing rules and compliance-based approach to regulation will continue to deliver the best outcomes for consumers.

While it will be an enormous undertaking, we are committed to taking a fresh look and re-thinking our approach.

As a regulator, the Board wants to incent utilities to adopt a stronger customer focus in everything that they do and the way in which they do it.

We want to support and facilitate innovation in the energy sector. Innovation that can benefit consumers or, at the very least, we don't want to stand in the way of that innovation if we don't have to.

Perhaps a more tangible example might help illustrate my point.

I'm talking of course about Uber and the City of Toronto.

It's a classic example of regulation attempting to protect the public interest while ignoring the opportunities presented by transformation and demanded by consumers.

Mayor John Tory hit the nail on the head in his quote from the *Globe and Mail* last week:

“The reality is that there's great technology out there that is making people's lives easier and better every day, whether it's related to taxi or other things,” he said. “I think that regulators, whether it be taxis or other industries, have to take into account in doing their job that the world is changing and it's changing for the better, and that regulations have to be modernized.”

While I generally avoid publicly agreeing with elected officials for fear of losing my regulatory “independence” in this case, I'm happy to say that I couldn't agree more.

I started my opening remarks by noting the tremendous and profound change on which the energy sector is embarking – change in the way we produce, transport and consume energy. And, that it is a time of fundamental change for the consumer.

By transforming the way that we engage with utility and consumer stakeholders and the way in which we respond to what we learn from them, the Ontario Energy Board will be better positioned to keep pace with the transformation underway and help maintain investor confidence and consumer trust in an energy system that has served Ontario's energy consumers well for more than a hundred years.

Thank you.