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OEB & LDCs working together to enable the future of the sector

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CHECK AGAINST DELIVERY

Thank you Vinay for that kind introduction.

As speakers go at the EDA ... I can honestly say that I probably need no introduction.

I dare say that I've become as much of a tradition at this event as the highland bagpipes are at your gala dinner.

For those of you keeping score, this is the 5th year I have had the pleasure of joining you as a guest speaker at your AGM.

And, unbelievably, at least to me it's almost six years to the day that I became Chair of the OEB.

As I look back over those six years, in some ways it seems like an eternity has passed and in other ways like time has stood still.

That hit home for me as I listened to Minister Thibeault speak at an OEA breakfast last week about the challenges and opportunities that we continue to tackle in the energy sector.

For many of us, much has changed and yet much has stayed the same. And we are challenged every day either to embrace the change the future will surely bring or try to hang on to the status quo.

So the theme of this year's Enercom Conference — "LDCs Powering the Future" — is timely.

What the future holds and what energy services and service providers will look like in the years ahead is clearly top of mind for stakeholders across the sector as the Ministry

contemplates the next Long Term Energy Plan, the IESO starts work on its Market Renewal Program and the Climate Change Action Plan is carried out.

As EDA members you have also turned your minds to what the future holds for LDCs and the future that you aspire to with the recent release of your vision paper “The Power to Connect.”

We look forward to welcoming Theresa at the OEB in the weeks ahead to speak to us about that vision and how it can help inform our regulatory agenda going forward. As you’ve heard me say many times before, the OEB’s approach to regulation is very much aimed at keeping pace with and more importantly trying to anticipate the changes that lie ahead.

So today in the time we have I want to focus my remarks on preparing for the future as well and talk about two areas of significant shifts that are converging and increasingly challenging the status quo and the traditional LDC business model:

The first is emerging technologies and the second is evolving customer expectations.

All of us can relate to the power of technology to make or break a business. Look at smart phones. Overnight, they created a whole new industry of apps and service providers and destroyed landlines, cameras and paper maps.

But customer loyalty or the lack of it can be just as disruptive. People will line up for hours or days in all kinds of weather for the latest iPhone. Not because it’s a better product, but because Apple customers are deeply attached to the product.

And we all know these dynamics are not limited to one sector.

So, like you, the OEB needs to prepare for and respond to the changing dynamics we are seeing in the energy sector.

We have a broad mandate and it includes protecting the interests of consumers with respect to price, reliability and quality of service, facilitating the maintenance of a financially viable electricity sector, promoting renewables and helping to set up a smart grid.

Creating the future for the OEB started with the Renewed Regulatory Framework for Electricity, which we launched in 2012. It focussed on robust, local and regional system-planning, asset management and grid modernization. It addressed many of the foundational requirements to enable the distribution network of the future.

The Framework also acknowledged the significant financial demands of modernizing the network and put new tools in place to facilitate LDCs' access to capital.

Now that the basics are behind us, the OEB is turning its attention to some of the more technical and operational challenges and opportunities of grid modernization and new technology.

Things like the security of the distribution system.

It seems like every week we hear about an Information System security breach whether it is in the retail sector, financial sector or public sector.

I bet most of us have had to deal with a compromised bank card. I know I have.

And when it happens, we lose faith and trust. As customers, we want to have faith that our information will be kept private, safe and secure.

As business and industry leaders we want to earn our customers' trust and ensure that our business systems and infrastructure are not compromised.

As the energy sector expands its use of technology, more and more systems are automated as we increasingly rely on interconnectivity with third parties that support or interface with the grid.

As we move closer and closer towards our vision of a smart grid in Ontario, our risk of cyber-attacks inevitably increases.

The good news is that transmission and distribution licences, codes, and rules have always included privacy conditions regarding customer information and utilities are already required to incorporate security risk mitigation as part of their asset management and distribution system plans.

The bad news is that there is no comprehensive standard, at least not yet, for meeting those obligations that is directly applicable to the distribution system.

Not in Ontario nor anywhere else.

So there is no way for LDCs to know how exactly to assess and address risks and no way for the OEB to effectively discharge its mandate.

So, when the OEB put the call out a little over a year ago for volunteers to sit on our cyber security working group we were overwhelmed by the response we received... 16 distributors came forward.

And, with your input, the OEB now has a draft framework that will help protect critical infrastructure in Ontario.

The framework creates a common approach that ensures consistency in the assessment of risk levels and preparedness.

It is based on distribution specific business criteria that you helped create.

It establishes control objectives, offers guidance on evaluation and compliance and maintains accountability with the utility.

In the weeks ahead, we'll be releasing a staff paper to solicit your comments on the elements of the cyber security framework and its implementation so we can finalize it for adoption by the Fall.

While we've been considering issues of privacy, security and cyber risk in our evolution to a smarter grid, we've also been mindful of the many opportunities that new technology may offer customers in the future and the implications that will have on distribution networks.

Customers will have more choices with their energy production and usage and many of them will want to use the distribution network in very different ways than they have in the past.

So, services provided by the network need to be valued differently than they are today. It's no longer just about consumption and one-way delivery of power, it's about connections, access to other networks and managing electricity needs.

To borrow from the EDA's Vision document: It's not business as usual.

Last year, the OEB announced we were moving to fixed distribution rates for residential customers starting in 2016.

That new rate structure recognizes the changing role and use of the network and the value it provides and we expect that it will be fully implemented across Ontario by 2020.

Since I last spoke to you, we've also developed options for smarter distribution rates for commercial and industrial customers as well. Rates that better align with the way they are using and relying on the distribution network.

Getting this right is important because this group of customers are the most likely to adopt innovation and we want to create a pricing structure that enables and encourages customer choice.

But, it's a balancing act.

Adoption by some customers can come at a significant cost to people who will choose to continue to rely on the network in more traditional ways.

And to distributors who are at risk of losing the revenue they need to invest in maintaining a reliable network to meet the needs of all customers.

So we are taking our time.

With input from business associations such as CFIB and CME... from storage and distributed generation industries and large industrials and generators, we issued our first staff paper last spring that set out options and issues to be considered.

Since then, we've worked with our consultants and a small working group of these same representatives to study the data of six LDCs, assess the impacts and fine-tune those options.

We expect to release our staff paper on a proposed New Rate Design for Commercial and Industrial Customers later this summer.

There's no doubt that technological innovation presents challenges in how we operate and value our electricity grid.

And no doubt it will disrupt the traditional business model.

But it can also offer opportunities and benefits to customers.

As you know only too well customers are demanding more from their service providers:

- More choice;
- More control; and
- More information.

Something I have often heard from the EDA is that a “one size fits all” approach to LDCs doesn't work.

Well it doesn't work for customers either when it comes to energy services and pricing. Enabled by new technology — behind and in front of the meter — and by the availability of data to better understand consumer behavior the OEB is also looking at ways to better empower customers.

When I was here last year, we had just released our new Regulated Price Plan Roadmap including our five point plan to help us redesign our existing TOU pricing structure.

We recognized that the existing pricing structure no longer meets public policy objectives or consumer expectations so we created a plan to move from our one-size-

fits-all approach to pricing energy in a way that gives customers the control and options they are demanding and reduces overall system costs.

This past summer, we released guidelines, and invited LDCs to submit proposals to run pilot projects over the next 12 to 18 months.

These pilots will assess the effectiveness of different pricing options including critical-peak pricing, different TOU daily and seasonal time periods and the impact of automation such as in house-monitoring devices, on bill-benchmarking, on consumer behaviour and customer satisfaction.

A number of LDCs came forward with innovative and responsive proposals which we are now in the final stages of reviewing.

We expect to launch these pilots by the summer and hope to have results to help shape future pricing-plans by 2018/19.

As you have heard the OEB has taken some important first steps in planning for our energy future but like you we know there's more to do to modernize regulation.

We also know we can't do it in isolation.

Many of our most challenging and most successful undertakings are thanks to working closely with the people most affected by them.

With input from the EDA, the OEA and our Chair's Advisory Roundtable among others we will soon replace our long-standing Smart Advisory Committee with a new CEO's Advisory Forum.

This new forum will help create strategic alignment on regulatory policy and priorities and give ongoing advice to the OEB so we can better understand and respond to the real and perceived shortcomings of the regulatory framework in enabling the future.

Now you and I know that all across the sector people like us are working on policies, regulations and technologies that will help sustain our energy system for decades to come.

We know it but customers don't.

They haven't seen the benefits, at least not yet. They've only seen rising costs for something that to them seems like it's unchanged from what it was 100 years ago.

That's why managing that customer relationship has never been more important than it is today.

And I believe LDCs have a vital role to play in maintaining customer confidence in these times of transition. As you have said in your Vision document "LDCs...serve as a crucial link between the grid and customers" and can "leverage existing customer relationships, expertise, and brand recognition."

The utility - customer relationship has been jealously guarded by LDCs for as long as I can remember.

But it's a relationship that is evolving one that I think is much more fragile these days and has to be treated with respect not only by LDCs but by the OEB, too.

Part of the OEB's mandate is to "promote the education of consumers...as well as to protect (their) interests".

As you know, we've been working hard to get to know customers better so we can better deliver on that mandate.

We are focused on understanding customer needs and expectations of both their utilities and the regulator and acting on what we learn. And we want to help customers get to know the OEB a little bit better, too.

One theme that we hear from customers over and over again is that they don't have enough information about the system. They don't have enough information about costs and they don't know who is looking out for their interests.

So we are doing more to meet with them so that they do know.

Last year, I talked briefly about our new Consumer Engagement Framework which would help bridge the gap between the customer and the OEB, help customers understand the OEB's relationship with LDCs and the charges that make their way onto the bill.

The framework has now been finalized and many aspects are being carried out including Community Days which are now a standard part of our adjudicative process.

In 2016, OEB staff visited 15 communities all across Ontario to hear from customers about the rate applications of 12 different LDC's.

From Welland to Prescott and from Atikokan to Kapuskasing, the OEB has been there and so have you, as we listen to the concerns of your customers.

Not only have we heard what they want, need or expect and what they like or don't like, but we've also been able to talk through the why or why not, the how and give them the information they're looking for.

Not everyone likes everything they hear, but they generally leave knowing more about the system and what it takes to run it than when they arrived. And, they leave thankful for the opportunity to be heard.

For many customers that we hear from it's not just about the rates they are charged it's about how they are treated.

It's about knowing their rights as a customer as well as their responsibilities.

It's about maintaining a balanced and respectful relationship.

So, as part of the OEB's efforts to fill the literacy gap we worked with our Consumer Panel to develop a Consumer Charter.

We wanted to pull together all of our customer-facing rules and obligations that are buried away in dense codes and licenses and make them more accessible more understandable.

The new Charter will be released in the coming weeks and made available to customers through our website as well as more broadly through community meetings and bill inserts.

The Charter helps customers learn what they have a right to expect during their interactions with their utility and what the utility expects from their customer. It does not include any new obligations existing codes and rules continue to apply.

The Charter is an important way we can build the customer-centered culture that we have been trying to foster.

We know the regulator is the “middleman” when it comes to the utility-customer relationship and that the standards set by regulators should be considered minimum standards at best a backstop.

We know that successful companies go the extra mile to make every customer experience exceptional because they know that the cost of acquiring a new customer is far greater than the cost of keeping one.

That’s an important lesson as we plan for the future, a future with more providers and more choice for today’s monopoly customer.

It’s a principle that is acknowledged in your Vision document as well:

“Successful utilities will adopt more holistic and strategic principles, boosted by strong customer-centric thinking”

So while the Charter itself does not change existing obligations its release will mark the public launch of our planned review of our Customer Service Rules.

This review was introduced last month with the implementation of our new temporary rules around winter disconnections.

I want to take a moment to acknowledge the significant effort put in by all LDCs to implement the new requirements and acknowledge the leadership of utilities like Hydro One, London Hydro, St. Thomas Energy, Thunder Bay Hydro and Alectra in particular.

I also want to remind utilities that May 1 is around the corner and we will be looking with interest to see how utilities transition back to business as usual.

This is a real opportunity for LDCs to demonstrate customer service excellence and to work closely with customers in need to reduce their risk of disconnection on exiting the ban.

Our existing customer service rules and service charges were put in place back in 2011 and with few minor exceptions they have not been reviewed since then.

We think the time has come to take a fresh look at those rules through the customer's lens.

We will look to best practices not only in the energy sector but beyond to develop a framework that will establish an appropriate balance between utilities and customers.

And that will serve us well into the next decade.

Like our review last year of rules governing retailers we plan to engage broadly and directly with all customer groups but with residential and small business consumers in particular.

We will look to our Consumer Panel to help inform our approach and focus. This Panel helped us with our review of retailer practices as well as the development of the Consumer Charter.

For those of you who aren't familiar with the OEB's Consumer Panel, it is a standing group of 100 consumers randomly picked by a research firm engaged by the OEB. They are from geographically diverse parts of Ontario.

We get their input on a variety of customer-facing initiatives that the OEB is undertaking. They help inform our efforts on consumer protection, consumer literacy as well as consumer-centric regulation.

What makes the Panel so valuable is that they are everyday customers. So to preserve that value, we refresh the composition of the panel every 18 months.

Another benefit of having a group of 100 residential and small business customers is that it led to a meaningful teaching opportunity.

These participants have left the Panel more knowledgeable of the energy sector and the OEB and the important role we play in protecting consumer interest.

Quite honestly I think we learned more from them than they did from us and we are much better for the experience.

So I started my remarks today reflecting on six years with the OEB. I talked about the significant shifts we have all seen over that period brought on by innovation in the energy sector and changing customer expectations.

So I think it's fitting that I end my remarks by drawing from an article I recently read in the EDAs Winter Edition of The Distributor. It featured Hydro Ottawa and was titled "Hydro Ottawa...a champion of customer service and innovation."

As many of you may know, I left Hydro Ottawa in 2011 to come to the OEB. So I'd like to think I played some small part in nurturing the culture that has now taken hold under Bryce's capable leadership.

Here's what Bryce had to say

"Everything begins and ends with the customer. They are more informed than ever. And they are rightfully demanding more from us, our regulator, and government. These changes are profound and LDCs who choose not to innovate will be left behind.

Our customers, like the rest of Ontario, are struggling to manage their energy consumption and bills. They want a relationship with their utility that goes beyond a monthly billing transaction. They want to know we care, and are looking out for them. That's all there is to it."

And that for me at least sums up what it means to be powering the future.

Not only does it mean providing great service to the public it means serving the public. Meeting their needs for energy and meeting their expectations as customers, as citizens, as Ontarians.

Frankly, that really is all there is to it.

Thank you.