

Rosemarie T. Leclair  
Chair & CEO  
Ontario Energy Board

# Developments at the OEB – Taking Stock after Three Years

**“Northwinds” 10<sup>th</sup> Annual Electricity Invitational Forum**

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Good evening everyone,

While I have been billed as the evening's Keynote Pre-Dinner address, I see my address as being more as the beginning of a conversation that we will continue over the conference.

Rather than pre-empt any of the panel discussions to come... my brief remarks will lay the foundation from the OEB's perspective for the issues that we will discuss as a group.

These annual gatherings always generate unique and informative discussions.

Like all of you, I look forward to hearing everyone's ideas and thoughts... including those of my colleagues Ken Quesnelle and Peter Fraser.

The last time I spoke at Northwinds was in 2012.

At the time, I wasn't even a year into the job ... and here I am now past the mid-point of my five-year appointment as Chair.

I want to take this opportunity to reflect on my work at the Board... what we set out to do...where we are today and how we are positioning the Board for the future.

When I joined the Board as Chair and CEO in April 2011, I recognized that I was inheriting a strong regulatory organization....

Strong in the 3 'P's...

- strong in people...
- strong in policy... and
- strong in process.

I came into my position with a commitment to build on these strengths by raising this bar of excellence...

As you know, I came to the Board with a different background from my predecessors.

While being a lawyer, you will know that my public service experience includes heading up Hydro Ottawa... and before that leading the meat-and-potatoes Public Works and Services out of Ottawa's City Hall.

While the sectors and titles of my career changed, the common element in my work is that these were positions where the customer... the public... was front and centre in everything we did.

This is the same lens through which I view the work at the OEB.

Early on in my term, I determined that there was an opportunity to raise the level of excellence in our work, by refocusing some of the major initiatives that were underway... and to enhance our work in certain areas... particularly in the way we engage with consumers and reflect their perspectives in the work of the Board.

These initial observations led to a broader rethinking as set out in the Board's 2012-2013 Business Plan.

That plan articulated a new 'Vision' for the Board, with a much stronger emphasis on the position of consumers... on driving utility performance... and focusing on strategic initiatives that would drive the Board and the sector forward to meet both short and long term challenges...

The Business Plan... which we continue to adapt and build on...also recognized the need for the Board to have regard to the broader policy framework in which it and other agencies operated.

We also invited many of you and other stakeholders for your feedback so that we could think about the issues the Board needs to address in new ways.

I started my talk referencing excellence in people, policy and process. I would like to now share with you an example of how we are raising the bar in all three categories by bridging our strategy with our vision.

The Board's vision is reflected most strongly in our continuing and evolving work on the Renewed Regulatory Framework for Electricity... with its emphasis at the front end on planning and early customer engagement... and its emphasis at the back end on monitoring and measuring ongoing performance.

While the RRFE continues to address cost structures, there is a new emphasis on assessing the value to the consumer and utility outcomes.

These changes in the substance or structure of our approach to regulation have necessarily had a "knock on" effect on our processes... that is, on the way we go about our work.

The Framework also raises the bar for Board staff and the organizations we regulate.

For example, the Renewed Framework comes with heightened expectations regarding the quality of a utility's application for rates.... "*Own your application*" you may have heard me say when we launched the Framework in 2012.

Utilities face the risk that applications will be sent back for additional work.

Because if the upfront planning and overall business case is not thorough and well thought out, the Board is not in a position to determine appropriate rates.

The Framework also represents a cultural change in how Board staff approach cases.

That change is reflected in the completeness check that staff will undertake in order for an application to move forward... interrogatories that are focussed on the key issues and the outcomes we seek... an enhanced role in settlement conferences to better ensure that the discussion and any settlement agreement reflect the Board's policy objectives... and a renewed emphasis on the role of Board staff to represent the public interest in the Board's adjudicative proceedings.

Given the heightened expectations regarding applicants and Board staff, our renewed approach also created the right context to look at our expectations regarding intervenors... In other words, consider the role of intervenors in the light of their contributions to the broader public interest and consumers more generally.

Most immediately, the Board is considering issues such as appropriate control, accountability and transparency regarding intervenors... Control with respect to standing, eligibility for costs, and cost awards... accountability and transparency with respect to the governance of intervenors and their participation in Board proceedings.

Ultimately, we would like to consider how we ensure the voice of the consumers more broadly is heard and represented in our work.

So it is clear that we are going through a cultural change both within the Board and outside the Board – among applicants and intervenors – about the way we approach the adjudication of rate applications.

I appreciate that this change will take time.

I had an opportunity to meet earlier this year with the people at Ofgem who have been leading the implementation of RIIO – their equivalent of the RRFE – regarding the UK electricity and gas network sectors.

They emphasized how challenging that change can be – both for Ofgem staff and for the regulated utilities – for the utilities who have been used to developing their applications in a particular way and for staff who have been used to looking at those applications in a particular way.

The current round of Cost of Service applications that are before the Board will be a good opportunity to assess how well that cultural change is taking hold.

Let me elaborate on our work in respect of consumers.

As I indicated at the outset, a focus on the position of consumers is a key part of our new vision.

You will see that focus on consumers reflected in several areas of our work.

First, the Renewed Regulatory Framework emphasizes the importance of early customer engagement by utilities in developing their plans and rate proposals.

Second, we are engaging more directly with consumers in our own work.

For example, last year we redrafted our public notices of application with the help of focus groups.

That engagement dispelled a number of presumptions about consumer expectations and how they might view or interpret such notices.

More recently we used focus groups to test some preliminary models for decoupling.

One take away from that work is that if you take the time to explain issues to consumers, they can understand them and embrace them.

Going forward, we want to look more broadly at how we can reflect consumer perspectives in our policy development work and applications.

We have two immediate opportunities to do that:

- the Energy East review which will involve consultations with communities in Northern and Eastern Ontario, and
- a review at the request of the Minister of Part II of the Energy Consumer Protection Act, during which it will be appropriate to hear directly from consumers about their experiences with retailers and marketers.

Expanding our engagement with consumers may involve some risks and we may not always get it right... But it will ultimately give us richer data and understanding about consumer expectations.

Each of your organizations has groups or departments that interact with your customers and I am sure that you too are continually looking at better ways to improve this area.

Let me turn now to a third part of our vision – that is that the Board must have due regard to the broader policy framework established by government.

Scott Hempling explored the issue of legislator-regulator relations in one of his insightful, monthly essays.

In this particular essay, he argued for a constructive relationship between the two.

*“Isolation as independence is unrealistic,”* he argued.

He went on to state: *“The political process can build solutions on technical foundations; the regulatory process can serve the political function of achieving legislators’ goals. Independence is not sacrificed; it is respected.”*

I believe very much that this is the right perspective.

The Energy East review and our ECPA review are also two timely examples of our own constructive engagement with policy makers.

A third example is our engagement among agencies in developing a new CDM framework.

Finally, I want to say a bit about what we are doing in respect of our organization.

We announced a reorganization to staff last week and shared that initiative with the external community this morning.

The new structure better aligns our teams with our mandate and the vision I have described.

It will enhance our understanding of consumer expectations and utility operations...

And build our capacity to monitor the performance of utilities.

Looking forward, we want to ensure that the OEB is “fit for purpose” and sustainable over the longer term.

We want to build our capability around consumers... listening, understanding, and educating... for example.

We want to build our capability around monitoring and measuring utility performance.

We want to listen and learn from those of you with an even closer relationship to the consumer.

We also want to build the capacity to measure our own performance as a regulator.

We need to look at ways to simplify our decision making – we have adopted a traditional adjudicative model for **all** decision making at the Board, that may not be needed or appropriate... Our statute gives us the scope to look at other models.

And all of these things will help us build a Stronger Organization.... Strong in People.... Strong in Policy.... Strong in Process.

As I mentioned, I am approaching the three-year mark of my five-year appointment at the OEB. It has been exciting, challenging and rewarding journey to this point. I have confidence that the next steps will be even better.

I hope that my brief remarks will spark some good questions and constructive conversation.

Thank you.