

Rosemarie T. Leclair
Chair and CEO
Ontario Energy Board

Efficient, Effective, Consumer Focused – Inside and Out

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CHECK AGAINST DELIVERY

Good afternoon. Let me first congratulate the Ontario Energy Association (OEA), particularly Elise Herzig and the organizing committee, on the success of this year's conference.

It is a pleasure for me to be speaking to an OEA gathering so soon after addressing another OEA breakfast event in Toronto just last month where I focused my remarks on the Board's recently released Renewed Regulatory Framework for Electricity (RRFE).

It occurred to me in preparing for today's session, that I have had many opportunities over the last year to speak at the OEA and elsewhere about my perspectives on the industry and the regulator's, how we want to work with stakeholders some of the initiatives that are underway at the Ontario Energy Board (OEB), and what we hope to accomplish.

And while all of these topics start to paint a picture I think it's important to put all of the Board's initiatives into a broader context.

So today, I would like to talk to you about our vision for regulation and how all of the initiatives that we have underway contribute to the achievement of that vision.

For those of you who have visited the "What's New" section of the OEB website recently you may have noticed that we posted our 2012-15 Business Plan earlier this summer. Like most business plans, it sets out the specific projects the Board plans to undertake over this period but for the first time it also sets out the outcomes that we hope to achieve. These outcomes are set out in four statements that appear prominently in the plan. Together they suggest what things will look like a few years down the road both at the OEB and within the sector that we regulate.

First, we will regulate the gas and electricity sectors in a manner that focuses on outcomes that are valued by consumers. Second, regulated utilities will invest and operate in a manner that increases efficiency and productivity, and provides consumers with a reliable energy supply at a reasonable cost. Third, the Board's own processes will be efficient, cost effective, understood and accessible to both industry and consumers. And last, but not least, energy consumers will have the information they need to understand the value they receive for their energy dollar and make choices regarding their energy use.

Four statements that reflect the Board's focus - looking out at the industry that we regulate and looking in at the way in which we go about doing that. Our focus is on achieving greater efficiency, effectiveness and responsiveness so that consumers can be assured that they are getting good value for their energy dollar. And if you were listening closely, you will have noticed that "consumers" figure prominently in each of these four statements. That is not accidental. The service that regulated utilities provide and the oversight that the Board provides are very much for the benefit of consumers. The Board's mandate includes both protecting the interests of consumers and ensuring

that we have a financially viable industry to provide service to those consumers. The two objectives, in my view, are closely linked.

So it makes sense that consumers are central to the Board's approach to regulation. That does not mean that the Board will be any less focused on ensuring the viability of the industry. The Board has an important role in facilitating the alignment of both consumer and utility interests in delivering on our mandate.

While there are many initiatives included in this year's Business Plan, there are three in particular which I believe will be instrumental in moving us closer to the achievement of these objectives, all of which are currently underway.

- Our new Performance Based Approach to regulation, as laid out in the Board's just released Report on the Renewed Regulatory Framework for Electricity;
- Our Applications and Hearing Process Review; and
- Our Consumer Touchpoints Review

I have spoken about each of these initiatives before, some at great length, and others very briefly. But let me take a moment to touch on each.

As I alluded to a moment ago, the Renewed Regulatory Framework is the Board's performance-based approach to regulating electricity, distributors. It is about the achievement of clearly identified outcomes supported by specific measures and targets and annual reporting. Utility performance will be compared year over year and to the best of the best with the use of a new scorecard approach.

Consistent with the broader ambitions of the Board I mentioned the Board has similarly identified four key areas of focus that will be reflected in ongoing performance monitoring of regulated utilities:

- Customer service: services are provided in a manner that responds to identified customer preferences;
- Operational effectiveness: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
- Public policy: utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
- Financial performance: financial viability is maintained; and savings from operational effectiveness are sustainable.

In order to accomplish these desired outcomes we are enhancing our approach to rate setting so that it better recognizes distributor diversity it is anchored in a coordinated and comprehensive approach to planning while maintaining a commitment to continuous improvement.

Each distributor will ultimately be expected to select from the three alternative rate-setting methods choose the one that best meet its needs and circumstances and apply to the Board to have its rates set on that basis.

The Board believes that this more flexible approach to rate-setting will enhance predictability necessary to facilitate planning and decision-making by consumers and electricity distributors better align rate-setting with distributor planning horizons facilitate the cost-effective and efficient implementation of distributor investments help to manage the pace of rate increases for consumers and encourage consumer alignment through better engagement performance monitoring and utility benchmarking

We are now in the process of assembling industry working groups to help us implement the direction laid out in the Board's report. With their help and a lot of hard work our expectation is to have the regulatory tools in place by next spring so that distributors can begin selecting a path under our new ratemaking structure for their 2014 rates.

We are also moving quickly on two more internally focused reviews aimed at bolstering our own performance in the pursuit of better outcomes and consumer-centric regulation. The first initiative I would like to highlight is the Board's Rates Application Process Review. This review aims to align our internal process with the outcome-based approach we are reinforcing through performance-based regulation. We looked very broadly at our approach to applications and hearings with a view to streamlining these processes improving their efficiency and effectiveness and ultimately reducing costs to customers.

With the assistance of external consultants, we have looked at the entire application process from end to end from filing requirements to pre-hearing processes through the duration of the hearing. We examined best practices from other jurisdictions in addition to learning from our own experience. We sought input from a number of stakeholders involved across the process from OEB Board members and staff to applicants, legal counsel and others who participate regularly. Ultimately, we spoke to more than 130 different people.

A number of opportunities across multiple parts of the end-to-end process have been identified opportunities centred around process, metrics, communication, accountabilities and consistency. Some improvements will be implemented quickly, and others may take a little longer.

Here are some examples that we are looking at. We are looking at things such as streamlining and simplifying the Notice of Application to make them more accessible and understandable for customers and reduce the associated costs. We will be working toward a greater focus on materiality to optimize the allocation of time spent on applications while maintaining quality results. And we will be looking to improve communications with applicants and other participants before and after applications are processed so that we can improve the quality of applications and the efficiency of the process as a whole.

Ultimately what we hope to see is a more effective and efficient process supported by high quality comprehensive applications that is less costly in time and resources and that supports the best decisions possible.

All of this spells better results for customers. Better engagement with consumers is a central theme of the Board's vision and our supporting initiatives be it the RRFE that contemplates better distributor engagement on their investment plans or the Applications Review that contemplates greater accessibility and understanding by customers on individual applications.

But there is one more Board initiative that is focused much more directly on customer communication – our Consumer Touchpoints review.

As I have said many times I strongly believe that we need to communicate with consumers through their lens not ours.

Indeed, we've been talking about this more and more with our agency partners, distributors, and organizations like the OEA, and through our own industry and consumer executive roundtables.

Everyone agrees that we need to do everything possible to better engage with the consumer to provide an appropriate level of understanding of the value that they receive for their energy dollar. And engagement and communication needs to be a two way street. It means talking *to* but it also means hearing *from*.

Our Consumer Touchpoints review is still underway but let me tell you a bit about what we've done so far. Like all of our initiatives we have sought the viewpoints of those affected by our work so that the decisions stemming from this review consider as many perspectives as possible.

We have examined recent public opinion research and focus groups to get a better handle on how much consumers know about the Board the work that we do and how it benefits them; how much they understand the workings of the energy sector and how it relates to their own energy use; and, what they need to know or want to know to help them be informed customers/ consumers.

We have also conducted dozens of interviews with a broad range of stakeholders reaching out to utilities and other agencies - consumer advocates representing a range of groups from business to seniors, because, as I said at the outset, we need to a better understand from their perspective as to where there are opportunities to do better.

Work on our Consumer Touchpoints review is in its early stages, and we look forward to the results that will identify opportunities to improve on our current work

Looking at what we do how we do it and how we work with and engage with both consumers and industry are all part of achieving our vision for the Board as a regulator.

Put very simply, we are aiming to be consumer centric in our approach knowledgeable of the business operations of those we regulate outcome and performance based in our approach focused on enhancing efficiency and effectiveness for the benefit of customers and engaged in a meaningful way with all of our stakeholders.

Getting there will take time and commitment from the Board and from those that we regulate and those who participate in our proceedings. But I believe we have made some great strides in the right direction recently.

I am confident that working with you and keeping a steady focus on those broader ambitions articulated in our 2012-15 business plan will lead us to energy consumers who value the service they get from an increasingly efficient and productive sector and who are empowered with the information they need in order to value and manage their energy use.

Thank you.