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# Consumer-Centric Regulation

## *From Vision to Reality*

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CHECK AGAINST DELIVERY

Thank you Annette (Annette Verschuren, Chair of NR Stor) for that kind introduction.

And thanks to Gord and David for inviting me back.

As I prepared for today's talk, I thought a lot about what would be an appropriate theme...

There's a lot going on at the Board....and so....a lot to choose from.

In the end...I've decided to focus my remarks on a topic that will be familiar to many of you...and hopefully of interest to all of you ... building as it does on themes I have spoken to previously.

## **THANK YOU TO OEB STAFF**

But before I start... I would like to take just a moment to acknowledge a number of my colleagues from the OEB who are here today .... Several of our Board members....our management team ... and staff...

It is their skills and expertise, their commitment to public service, and their support of the Board's vision of providing value to energy consumers ... that has helped to advance so much of what I am going to talk to you about today.

I also want to congratulate Ken Quesnelle on his recent appointment as Vice Chair.

Ken brings a wealth of knowledge and leadership to this position and will continue to serve the sector well in this expansion of his duties.

And I want to acknowledge and thank Cynthia Chaplin for her exceptional contribution to the work of the Board over the past 11 years.

Cynthia has been an exceptional Board member and has assisted me greatly and contributed significantly to advancing the Board's vision in her capacity as Vice Chair.

It has been a pleasure working with her.

## **INTRO**

Now, the last time I spoke at the OEN was November 2011.

At the time, I was six months into my appointment as the OEB's new Chair and CEO.

I knew that I was inheriting a strong, well respected regulatory organization....

Strong in the 3 'P's...

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

I also recognized that there was a real opportunity 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 department 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 consumer... the public... was front and centre in everything we did.

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

When I was last here....six months on the job.... I was preoccupied by this question...

“How can... the regulator... within its mandate.... better align the interests of legislators, utilities and consumers... and achieve all of the objectives with which we are tasked... in a way that keeps the consumer front and centre?”

It is that question...that has guided the work of the Board over the last three years...as we have looked to become much more consumer centric in our approach to regulating the energy sector.

And much has been accomplished... as we have looked into how we regulate...to ensure that we are providing value to consumers...and that they can see that value....both in what we do...and how we do it.

Today...I will talk to you a little bit about our approach...and share some examples of consumer centric regulation in action at the Board.

## **CONSUMER CENTRIC REGULATION AT THE BOARD**

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 consumer engagement...and its emphasis at the back end on monitoring and measuring ongoing utility performance.

In fact... when I was last here...we had just launched the review, with significant stakeholder consultations that led to the development of our new approach...and this year...we have put it into action.

While the renewed regulatory framework continues to address cost structures and cost management ... there is a new emphasis on assessing the value to the consumer and utility outcomes.

The Board ....like so many others in the sector....is looking to give consumers greater clarity on the value they are getting...for the utility bill....gas or electric...that they pay ...

## **ENERGY LITERACY**

Simply said...we want to .... improve the level of Energy Literacy among Ontario's energy consumers.

So what exactly is energy literacy?

It is certainly a term that is being used more and more frequently within the sector...

You will find it referenced in Ontario's new Long Term Energy Plan...

And just this past week...it was used by Pollution Probe in launching one of its new initiatives.

At the OEB, Energy Literacy is about three things.

First...it's about getting understandable Information out to consumers...

How?

By increasing the amount of information available on our website... by putting more information in our public notices... and redesigning our template for Board decisions... so that decisions really do speak for themselves... and by adopting plain language in all of our work.

This is not only about quantity...it's also about quality.

Second .... .. it's about making it easier for consumers to participate... and provide their input to the Board ...on decisions that directly affect them.

How?

By making sure our public notices reach a broader audience... by providing an ability to register and receive ongoing information about an application... by accepting and considering letters of comment in all Board proceedings... by taking the Board on the road and holding hearings in communities affected by the issue...and by requiring applicants to consult with customers as part of their applications ...

This is about better access.

Third...by taking a much more proactive approach to soliciting input directly from consumers to help inform the Board's approach to regulatory policy...

How?

By using focus groups and consumer surveys to inform specific initiatives...by reaching out broadly to consumers across Ontario where appropriate... going beyond traditional consultation approaches with utilities and institutional stakeholders....

This is about giving consumers a voice at the table.

While there are many initiatives underway at the Board in our pursuit of consumer centric regulation...given the time we have...I'd like to talk about three in particular that demonstrate where we are heading....customer engagement as part of rate applications...our new performance scorecard for LDCs....and our consumer engagement in policy development.

## **RRFE CUSTOMER ENGAGEMENT**

First, our Renewed Regulatory Framework ... which I have already touched on... emphasizes early and ongoing customer engagement by utilities in developing their capital plans and rate proposals....and an expectation that utilities reflect their customers value proposition in the rate applications ultimately filed with the Board.

The Board expects that this type of engagement will be an important means of creating greater alignment between the utility and its customers....and enriching energy literacy among customers in the process.

With the renewed framework...the Board has established an approach to rate regulation that provides...

....a stronger alignment between the utilities' applications....their 'ask'....and their customers' needs and expectations....as well as...

.....a better mechanism to inform consumers on their utilities' performance... so that they can judge for themselves the value that they receive.

## **THE SCORECARD**

Which brings me to our new performance Scorecard for LDCs.

One of the challenges for the Board and stakeholders has been defining value and how to measure it.

We speak to price and reliability as the hallmarks of the value proposition for consumers... but what does that really mean through the eyes of a utility's customers?

Our new Scorecard is an attempt at expressing that value in a way that is meaningful and accessible to consumers.

The scorecard includes many measures that utilities have traditionally reported on..... measures such as... services connected on time...average duration and frequency of power interruptions...costs per customer.

And as important as these measures are...the Board believes that there is much more to be done to make the Scorecard more meaningful and relevant to customers...

By listening to the perspectives of consumers that contact us... we have already identified additional measures to be developed...such as first contact resolution... and billing accuracy.

Our focus is to develop and have utilities report on measures that reflect the consumer experience ... measures that respond to consumer expectations of a well operated utility.....

Naturally that will include good system performance...but it goes beyond.

The Scorecard is a tool for customers ...to improve their energy literacy... by providing information about their utility...

...and allowing them to assess for themselves the value of the service they receive.

## **DIRECT ENGAGEMENT ON BOARD POLICY**

And while it's important to push information out to consumers ....the Board also recognizes the importance of hearing back on matters that affect them.

Much like our expectations of utilities under the renewed framework... the Board wants to improve its understanding and its response to consumer expectations... by engaging much more directly with consumers in our development of regulatory policy proposals..

Over the past several months we have taken some modest first steps to do just that.

## **PUBLIC NOTICES**

Last year we took aim at our public notices of application.

With the help of consumer focus groups... those notices were completely redrafted to bridge the gap between legal notice and better informing consumers about an application ... its impact ... the Board's role... and a consumer's ability to participate... or "have their say"... in our process ....

Consumer feedback on early versions of the new notice dispelled a number of presumptions about consumer expectations and how they might view or interpret such notices.

We are now using this new approach for our leave-to-construct proceedings as well...

With the notice redesign complete... the Board is looking at how we can expand our reach to consumers...and we will again reach out to consumers themselves... to benefit from their perspectives.

## **RATE DESIGN**

More recently the Board has relied on consumer focus groups to test some preliminary models for distribution rate design.

Our review of rate design is intended to improve a consumer's understanding and connection ...of the charge they see on their Delivery line... with the actual service they are receiving.

By making charges on the bill more understandable ...we improve energy literacy among consumers.

Hearing directly from consumers through these rate design focus groups has provided helpful insights into the perceptions... and misconceptions... of consumers around the work... and the costs... of their local distribution company.... Insights that will be a significant contribution to the Board's work going forward.

## **ENERGY EAST**

Going forward, the Board will go beyond the use of focus groups and engage more broadly... and more directly... with consumers in our policy development work.

We have two immediate opportunities that are well suited to doing just that.

First ....

As I alluded to earlier... the Minister of Energy recently tasked the OEB with examining and reporting back to him on TransCanada's proposed Energy East pipeline project from an Ontario perspective.

As part of our research... Board staff recently travelled from Kenora to Cornwall ...and listened to the people of seven different communities along the pipeline's route...

...And while there were institutional delegations at the meetings...more than 800 residents took the time to come out...in arctic cold and rainy days...to address the Board.

Not only did we hear thoughtful and heartfelt submissions on the concerns and perceived benefits of the project... we also heard a deep appreciation for the Board's efforts to come to their communities... and listen.

## **ECPA REVIEW**

Another opportunity for the Board to engage more directly with consumers... is our upcoming review of the province's Energy Consumer Protection Act.

For those of you not familiar with the ECPA... it is the bill that introduced a number of consumer protection measures around retail energy contracts.

Those measures have now been in place for three years... and the Board has been asked by the Minister to review whether the legislation is achieving the desired consumer protection and recommend any improvements.

Given the nature of these rules and their direct impact on consumers...it is more than appropriate for the Board to go directly to consumers... to hear about their experiences with electricity retailers and natural gas marketers.

If you followed the CRTC's recent public outreach related to cell phone contracts...you will know that consumers jumped at the opportunity to help inform the CRTC's new codes by way of online, social media avenues.

I am confident that our engagement on the ECPA will produce a similar level of interest.

## **PUBLIC ENGAGEMENT AND PUBLIC TRUST**

These few examples exemplify the Board's resolve to expanding our level of direct engagement with Ontario's energy consumers.

We know that this may involve some risks... and that we may not always get it right... but we also know that the status quo is not an option... if we are to maintain consumer confidence in the Board... and its ability to protect consumer interests... while maintaining a viable energy sector.

Two weeks ago...like many of you.... I had the opportunity to attend the Public Policy Forum here in Toronto.

As it happens... my generous introducer...Annette Verschuren... was recognized by the Forum for her contribution to the advancement of public policy and good governance in Canada.

Another award recipient that evening was The Toronto Star's veteran Parliament Hill writer Susan Delacourt..... Susan received the Hyman Solomon Award for Excellence in Public Policy journalism.

Now if any of you have had the pleasure of meeting Susan... or reading her work... she is a wry, plain spoken and insightful commentator of federal politics.

On this occasion... Susan spoke about voter apathy.

She took issue with the commonly held notion that the declining rates of voter participation are a sign that people don't care about politics. .... a notion that implies that people don't want to be informed.

Susan took issue with the notion that voters don't care ... it is that people genuinely feel that they are powerless.

As a journalist, Susan committed helping to close that 'information gap.'

Susan's comments resonated with me.

In my nine years in the energy sector.... I have often heard the same type of comment about energy consumers...

In fact a similar discussion was had at the OEN round table the last time I was here...my colleagues David McFadden and Syd Ridgley will remember it well.

Most recently ...executives of two local utilities echoed that same view to me...in response to the Board's new requirement that utilities demonstrate that they have engaged more directly with customers on their applications for new rates.

Now those of you that have worked with me throughout my career ...will appreciate how little stock.. I ...like Susan ....put in that view...

People do care... They just don't understand....and how could they?

We... as a sector ... have not always made it easy for consumers to understand ...and access the information they need... and as a result they have come to feel powerless...

Examples clearly show that if you take the time to explain issues to consumers... they can understand them ... and embrace them....and provide meaningful input ...to help shape our response to them.

We...like many of you....have seen this first hand ...with our consultations on the redesign of our notices...the redesign of rates...and our Energy East consultations.

## **CONCLUSION**

Improving alignment between customers and utilities...enriching energy literacy among consumers....and solidifying the trust of customers in the energy sector we regulate...is a significant objective of the Board.

In today's rapidly evolving energy sector...gas and electric... we need to recognize that while our expectations of consumers are changing... so too are their expectations of us.

The sector is going through a major transformation.

Technology is revolutionizing the energy field... from smart grids, distributed generation, renewables, storage, off grid, in-home automation... and so on.

And technology is revolutionizing the profile of utility customers.....those that pay the bill.

Tomorrow's customer will be more demanding... more technologically savvy... more information hungry... and more involved in managing their energy use.

We need just compare ourselves...to our children...or to our Engineering students from U of T who are with us today...

...from landlines... to cell phones... to smart phones... to... "I've got an app for that"...to quote my colleagues at Toronto Hydro.

The paradigm is shifting from a static energy system... with largely passive, 'powerless' consumers... to one where consumers want to be... and are expected to be... more active in managing their own energy use.

We in the sector need to anticipate...plan for... and adapt to this changing reality.

As leaders in the energy sector... we need to embrace and act on it.

We must look at consumers through a new lens... not as a commodity... but a trusted relationship to be coveted.... respected ....and valued... a relationship that underpins future success ....and allows us to better align the objectives of legislators... utilities... and consumers.

This is how we at the OEB are building on our foundation of excellence ...and raising the bar for ourselves... and the sector more broadly...

...by listening, understanding, and educating...by anticipating and responding...

What I have described today is the consumer centric focus I spoke about three years ago....in action.

And when all is said and done....How will we measure our success?

For me... it is often about looking in the rear view mirror...

We will know that we have achieved our objective... when energy consumers ....understand the charges on their bill...appreciate the value they receive for the money they pay...are equipped to make informed decisions about how they use energy....and know how to stay informed and get involved.

Let me close my remarks today with a quote from Susan Delacourt's Public Policy speech that I believe is equally as applicable to the energy sector:

*The mark of a healthy economy, we're told, is one in which everyone has a chance to improve his or her lot in life.*

*A healthy democracy should work the same way — a society in which everyone has a chance to know more, where we don't write people off as permanently apathetic, any*

*more than we'd write them off as permanently poor.*

*If we want to close that information gap, we need more "responsibility to inform" and less "people don't care."*

Thank you very much.

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