

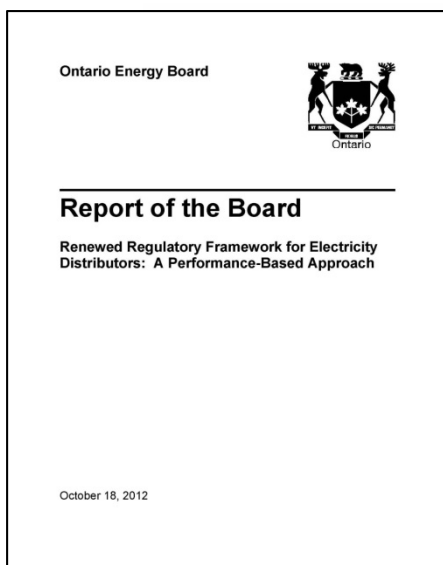


# Linking Utility Performance and Regulatory Review

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# RRF – Roadmap for Regulatory Reform

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- Shift focus from utility cost to value for consumers
- Better align utility reliability and quality of service levels with customer expectations
- Institutionalize continuous improvement and innovation
- Provide for a comprehensive approach to network investments to achieve optimum results
- Better align timing and pattern of expenditure with cost recovery
- Provide a sustainable, predictable, efficient and effective regulatory framework



# Evolution in Rate-setting

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## Flexible rate-setting methods

- Custom IR, Price Cap IR and Annual IR

## Access to capital between re-basing

- Mechanisms developed to pace investments and manage impact on customers
  - Incremental Capital Module
  - Advanced Capital Module

## Robust return on equity

- Opportunity to earn reasonable returns to finance investment



# Value for Customers

- ✓ **Transparent performance reporting (scorecards)**
  - To allow customers to assess value and performance of their utility year over year, and across LDCs
- ✓ **Customer engagement in utility investment and service planning**
  - To help inform utility investment and service plans and provide helpful information to customers
- ✓ **OEB community meetings for rate hearings**
  - To give customers direct access and a voice in regulatory decisions
- ✓ **Consumer Charter**
  - To provide accessible and transparent information for customers on their rights and responsibilities

Performance Outcomes	Performance Categories
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>  <b>Customer Satisfaction</b>
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>  <b>System Reliability</b>  <b>Asset Management</b>  <b>Cost Control</b>
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>  <b>Connection of Renewable Generation</b>

# RRF – Expected Outcomes

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- Financially sustainable LDCs
- Robust, reliable networks
- Value for customers
- Supporting Innovation
- Recognizing performance



# Enhanced Adjudicative Process

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**Proportionate Review**



October 4, 2017

Ontario Energy Board

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# Adjudicative Process Review - What did we do?

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- Mapped and reviewed our current processes, metrics and results
- Researched and assessed various regulatory models
- Considered our legislation, history and legal obligations
- Listened to regulated entities and other stakeholders
  - Regulatory process should be more flexible
  - More focus on outcomes



# The Result

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## Enhanced Adjudicative Process

- Designed to:
  - Align regulatory review with performance based regulation
    - Focus on utility performance
  - Recognize utility efficiency, good governance and customer focus
  - Optimize time and resources to focus on utilities and issues that require more detailed review
  - Ensure regulatory flexibility to adapt to a rapidly changing sector





# Proportionate Review Recognizes Performance

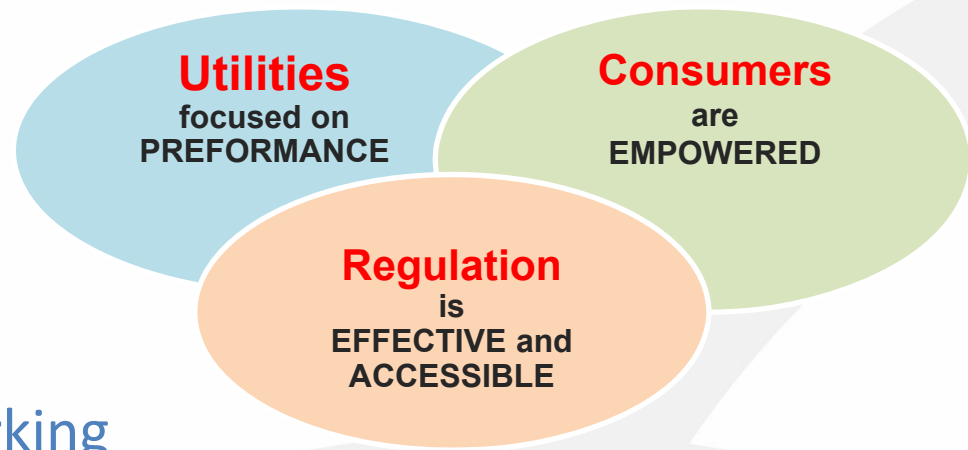
## ➤ Performance

- Financial
- Operational
- Organizational
- Quality of service

## ➤ Enablers

- Robust benchmarking
- Performance reporting and monitoring
- Good corporate governance
- Customer engagement

## ➤ Level of performance → Level of review



# Proportionate $\neq$ Less Rigorous

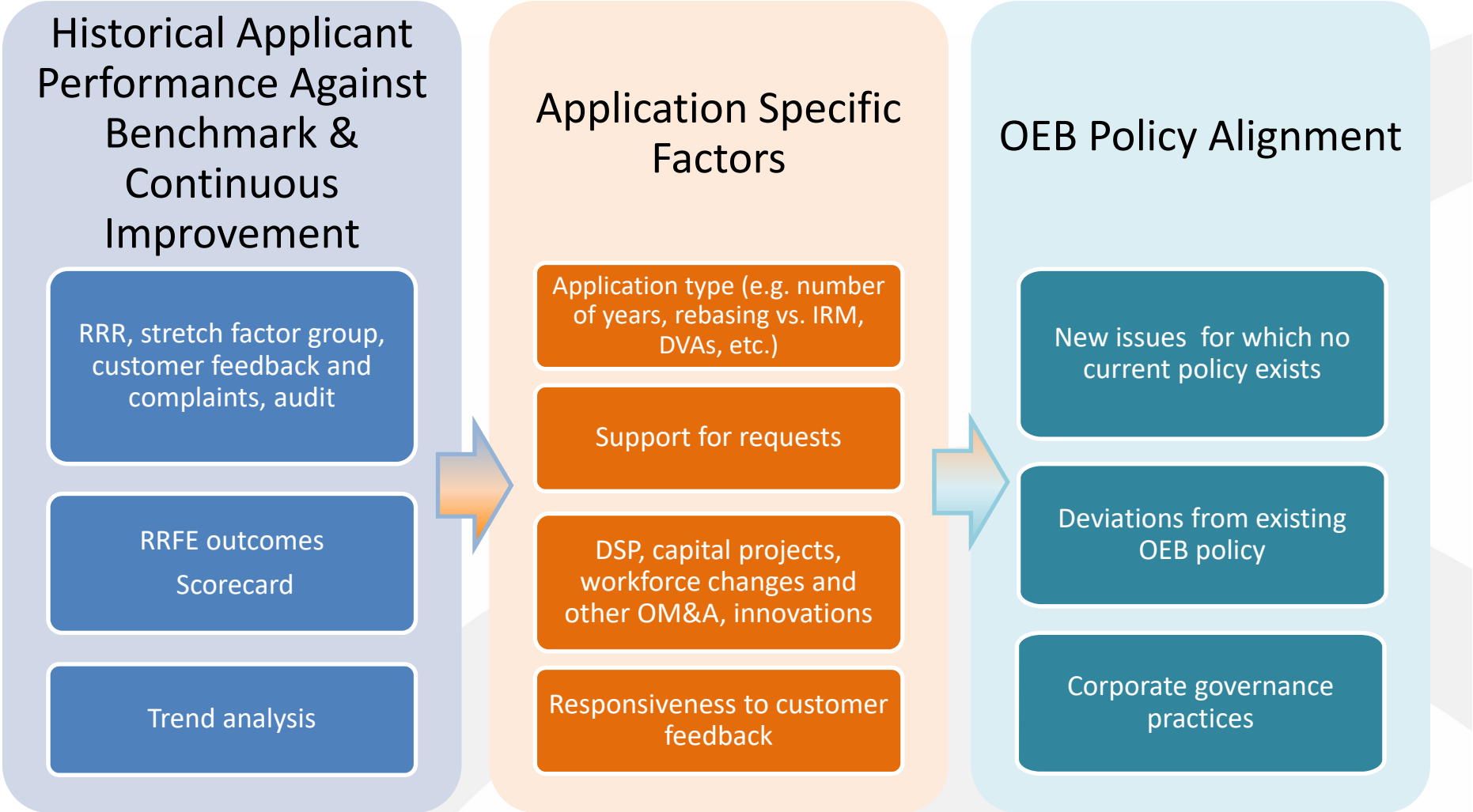
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- The OEB will:
  - Maintain a fair and independent process
  - Leverage the expertise of its staff
  - Focus regulatory effort where it is most needed



# Assessment: Determining Level of Review

We plan to use criteria from three areas to determine level of review:



# Proportionate Review: Four Main Streams

	Community Meeting	Issues	Hearing Process	Cost Awards	Process & Scope
No hearing	✓	Case-by-case	-	-	No legal notice or hearing
Abridged hearing	✓	✓	✓	-	Minimal Process Few issues
Focused hearing	✓	✓	✓	For selected issues only	Moderate process Selected Issues only
Fully adjudicated	✓	✓	✓	✓	Full Process All Issues Open



# Proportionate Review: Looking Ahead

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- More emphasis on:
  - past performance
  - benchmarking performance
  - continuous improvement
  - corporate governance
  - customer satisfaction
  - public policy alignment
  - nature of requests in application
- More effective use of monitoring
- Ongoing refinement of review process to incorporate continuous learning and greater proportionality



# First Steps

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- Assess all 2018 rebasing applications against criteria
- Test the proportionate review concept with two 2018 cost of service applicants
  - Use the up-front assessment to select a proportionate review process for those applications
- Evaluate the results of the assessment and proportionate review
- Seek stakeholder feedback
- Revise the criteria and the assessment process as needed
- Target implementation for May 1, 2019 rates applications



# Questions?

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