Linking Utility Performance and Regulatory Review
RRF – Roadmap for Regulatory Reform

- 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

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
RRF – Expected Outcomes

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

Proportionate Review
Adjudicative Process Review - What did we do?

- 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
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 ≠ Less Rigorous

- 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:

### Historical Applicant Performance Against Benchmark & Continuous Improvement
- RRR, stretch factor group, customer feedback and complaints, audit
- RRFE outcomes Scorecard
- Trend analysis

### Application Specific Factors
- Application type (e.g. number of years, rebasing vs. IRM, DVAs, etc.)
- Support for requests
- DSP, capital projects, workforce changes and other OM&A, innovations
- Responsiveness to customer feedback

### OEB Policy Alignment
- New issues for which no current policy exists
- Deviations from existing OEB policy
- Corporate governance practices
## Proportionate Review: Four Main Streams

<table>
<thead>
<tr>
<th>Process &amp; Scope</th>
<th>Community Meeting</th>
<th>Issues</th>
<th>Hearing Process</th>
<th>Cost Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>No hearing</td>
<td></td>
<td>✓</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Abridged hearing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Focused hearing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Fully adjudicated</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Proportionate Review: Looking Ahead

• 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

- 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?