Ontario Energy Board | Commission de l'énergie de l'Ontario

**BY EMAIL and WEB POSTING**

August 20, 2026

To: All Licensed Electricity Distributors

**Re: Incentive Rate Setting: 2025 Benchmarking Update for Determination of 2026 Stretch Factor Rankings (EB-2010-0379)**

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**What You Need to Know**

- **The OEB has benchmarked electricity distributors' 2025 cost performance, with the results determining 2026 stretch factor rankings under the annual Incentive Rate Mechanism (IRM) for the 2027 rate-setting process.**
- **Most distributors maintained their ranking. Overall results continue to show a trend of consistent cost performance improvement across Ontario's electricity distribution sector.**

The Ontario Energy Board (OEB) is releasing this year's Total Cost Benchmarking update. Each year, the OEB benchmarks electricity distributors' total cost performance and assigns stretch factors to individual utilities. The stretch factors incent improved cost performance, and reward distributors for cost efficiency improvements. The stretch factor reflects a distributor's potential for incremental productivity gains which depends on its relative level of cost efficiency compared to other distributors. Setting stretch factors contributes to lower distribution costs and helps moderate rate increases for consumers

The OEB commissioned Pacific Economics Group Research (PEG) to perform the benchmarking analysis according to an OEB-approved methodology. The most recent update, based on 2025 data, is posted on the Performance Assessment page of the OEB's website.

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The OEB notes the following regarding overall industry's cost performance:

- The electricity distributor sector has shown consistent improvement in cost performance. In 2025, the average level of cost performance for the 53 distributors was 15.7% below forecast cost, which is an improvement from 14.8% in 2024. This continues the positive trend observed in prior years, when costs averaged 14.3% below forecast cost in 2023 and 14.2% below forecast cost in 2022.

- The overall trend is indicative of improved cost performance on average. The OEB recognizes the distribution sector's ongoing commitment to cost-effective service for their customers. The OEB will continue to monitor to determine whether these broad improvements are sustained.

Incentive rate setting rewards distributors commensurate with their total cost benchmarked against an econometric model. Rankings from the benchmarking results for 53 of Ontario's electricity distributors are used to assign 2026 stretch factors. These stretch factors impact those distributors whose rates are adjusted through the annual Incentive Rate Mechanism (IRM) as part of the 2027 rate setting process. Stretch factors are incorporated into individual distributor's rates through an order of the OEB, and are ultimately subject to the OEB's discretion.

Distributors are assigned to one of five cohorts on a sliding scale based on their performance level. The best cost performers are placed in Cohort I, while the lower cost performers are placed in Cohort V. Distributors in Cohort I have their rates adjusted by inflation only and receive no rate reduction. Distributors with weaker cost performance are assumed to have greater opportunities for cost performance improvement and therefore receive rate reduction adjustments that are below the rate of inflation. These adjustments range from 0.15% in Cohort II to 0.60% in Cohort V.

Any inquiries regarding the above matter should be directed to the OEB's Industry Relations hotline at 416-440-7604 or by e-mail to IndustryRelations@oeb.ca. The OEB's toll free number is 1-888-632-6273.

Yours truly,

Ritchie Murray

Digitally signed by Ritchie Murray
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Ritchie Murray,
Registrar