

## Z-Factor

Once a utility's rates have been set by the Ontario Energy Board (OEB), the utility is expected to operate and maintain its system and serve its customers based on those rates until the utility's next major scheduled rate application, usually five years later.

Between rate-settings, if a utility experiences an **unforeseen event** (typically damaging storms) that impacts their financial sustainability, they can apply for cost recovery through an OEB rate mechanism called the "Z-Factor" application. The Z-Factor is designed to help ensure utilities remain financially sustainable, customers are protected from unjustified rate increases and that the system remains resilient and reliable in the face of emergencies.

To qualify, utilities must demonstrate that the additional costs they are requesting to recover are significant and that, without them, the ability to provide a reliable power service to their customers would be compromised. Costs must be over and above what the utility is currently collecting through their rates, and the utility must prove that it took the most cost-effective steps to prepare for such an incident in advance.

Utilities have six months from the time of the incident to state their intention to file a Z-Factor application.

Applications are reviewed, considered and decided upon by a panel of commissioners (usually three) with input from intervenors and OEB staff. Intervenors are individuals or groups who participate in a hearing before the OEB. Examples of participation can include asking questions of the applicant, filing evidence and making submissions. Intervenors often represent various customer groups such as low-income and other residential consumers, Indigenous communities, school boards and commercial and industrial customers. They also sometimes represent special interests such as environmental and conservation groups.

The onus is on the applicant to make a good case for their needs through filing evidence and participating in an oral or written hearing process or a settlement with the other parties to the case. The onus is on the OEB to ensure the utility is financially sustainable and rates are fair and reasonable.

The OEB works with utilities to ensure the right investments are made so that services are reliable and resilient.

### Additional Resources

- Engage With Us: [Distribution Sector Resilience, Responsiveness & Cost Efficiency | Engage with Us \(oeb.ca\)](#)