



Cornerstone Hydro Electric Concepts Association Inc.

January 17, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O.Box 2319
Suite 2700
Toronto, Ontario
M4P 1E4

Re: EB-2011-0002, 2011-2014 Ontario Energy Board Business Plan

Dear Ms Walli:

Cornerstone Hydro Electric Concepts Association is pleased for provide feedback on the Ontario Energy Board's Draft 2011-2014 Business Plan. The direction set in the Business Plan impacts on the regulatory activity over the next four years and has a direct bearing on our members and of course our customers.

The following feedback follows the general sections outlined in the Business Plan:

- 1. Outcomes vs. Output:** The transition from a focus on output to a focus on outcome is generally welcomed. The outcomes of regulatory changes are the true measure of whether goals and objectives have been met. As noted in the draft Business Plan the development of a robust performance-assessment framework will take some time to develop. Further the ability to clearly evaluate the short, medium and long term impacts will be developed within this planning window and beyond. We look forward to providing input to the development of the new focus.
- 2. In the Interim:** While the OEB is transitioning to the outcome focus it is suggested that the Business Plan indicate that for **each initiative undertaken the Board will identify potential outcomes, indicators and measures**. This will assist with the eventual transition by gradually developing familiarity with the terms and processes of the new focus for both Board Staff and stakeholders.
- 3. Renewed Approach to Regulation of Distributors and Transmitters:** A review of the Long Range Plan appears to indicate that the impact of the OEB's renewed approach to regulation of Distributors and Transmitters may have limited outcomes. **It is suggested that the Business Plan more fully explain how the renewed approach to regulation will have a significant impact (outcome) on bill changes to the consumer.**

The Draft Business Plans notes "sharper focus on the position of consumers in an environment characterized by increasing energy costs". The Business Plan then goes on to state "It is reflected most strongly in the commitment of the Board to

develop and implement, within the three-year period, a renewed approach to the regulation of distributors and transmitters that better manages the pace of rate and bill increase for consumers”. This statement appears to imply that the amount and rate of bill increases can be significantly impacted through the OEB’s renewed approach to distribution and regulation. This is not the case and the Business Plan should be reworded to remove the inference.

The Long Range Energy Plan indicates that energy costs are expected to increase by 46 percent over the next five years. Of this increase the Plan goes on to indicate that 44% of the price increase will be due to expenditures in nuclear and gas, transmission and distribution. The remaining increase is due to renewable energy generation. The pie chart in the Long Range Plan indicates that the Transmission contribution to the expenditure is \$9Billion out of the \$43.8Billion expenditures which drive 44% of the anticipated price increase. It is assumed that Distribution forms part of the cost shown as Transmission. As such the Distribution and Transmission portion only accounts for approximately 9% of the five year rate increase for a net impact of approximately 4%. From this it would appear that the OEB’s strong commitment to the distribution and transmission sector will have at best a 4% impact on rate increases over a four year period if all additional expenditures were avoided. As it is unlikely that all expenditures can be avoided, it would appear that the focus on distribution and transmission regulation will have minimal impact on the pace of rate and bill increase to consumers.

4. **Setting Rates and Prices, Section Objective 1.2.2:** It is suggested that in addition to the existing statements the following be added for FY2011, FY2012 & FY2013 - **Monitor and evaluate the efficiencies of regulatory services and the net benefit to customers and implement changes as required.** Within the rate setting and regulatory environment the cost of the regulatory process should be evaluated against the outcomes to determine the effectiveness of the process and improvements required.
5. **Consumer and Retail Markets Goal 4.3 Improving programs and services for low income consumers:** In this section it is recommended that the wording be expanded to: Low-income energy consumers have access to programs and customer service rules specifically tailored to their needs **that are cost effective and do not require cost subsidization from other customer classes.** If there are costs associated with the programs and customer service rules which add to the overall delivery costs, the additional costs should be funded from other social support funding rather than the ever increasing energy bill. This would be consistent with the Board’s sharper focus on the position of “**all**” consumers in an environment characterized by increasing energy costs
6. **Process and Organization Objective 5.2.2 – Operate in a cost effective manner:** It is suggested that for all years of the Plan the following be added: **Improve the efficiency of Board processes by analyzing the cost and effect of**

regulation and implement changes as required. This remains consistent with the focus on cost and the impact on consumer bills.

We trust the forgoing is beneficial to the Board's process in finalizing the 2011-2014 Business Plan and we look forward to continuing to work with the Board in the provision of electricity services to the consumers of Ontario.

Yours truly,

Gord Eamer

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