

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

March 7, 2012

To: All Licensed Electricity Distributors
All Licensed Electricity Transmitters
All Licensed Retailers
All Licensed Wholesalers
All Licensed Generators
Independent Electricity System Operator
All Other Interested Parties

**Re: Notice of Review of the Electricity Reporting and Record Keeping
Requirements and Amendments to the Electricity Reporting and Record
Keeping Requirements
Board File No.: EB-2012-0062**

Licensed entities in the electricity sector are required to report or maintain records of the information described in the Board's Electricity Reporting and Record Keeping Requirements ("RRR-Electricity") under the terms of their licences. The Board notes that one of the recommendations in the Auditor General of Ontario's 2011 Annual Report was that the Board should "work with utilities to streamline reporting requirements, including the timing and frequency of reporting". In its response, the Board noted that it had worked to streamline its reporting requirements and would further review those requirements in consultation with the industry and other stakeholders.

Today, the Board is launching a comprehensive review of the RRR-Electricity. The Board recognizes that licensed entities devote time and resources to the collection and reporting of information. The review is intended to re-examine the RRR-Electricity with a view to streamlining those requirements while ensuring that the content and frequency of reporting continues to provide the Board with information needed to fulfill its mandate effectively.

The Board has also today issued some minor amendments to the RRR-Electricity, a summary of which is set out below. These amendments relate to the reporting requirements applicable to distributors, and also include revisions to the reporting

requirements for transmitters in relation to the Affiliate Relationships Code for Electricity Distributors and Transmitters (the “ARC”). No amendments have been made to the reporting or record keeping requirements applicable to other licensed entities.

The revisions to the RRR-Electricity principally:

- (i) change the due date for certain filings to align with other due dates to minimize the number of different dates for reporting;
- (ii) reflect amendments that the Board previously made to the Distribution System Code or the ARC; and
- (iii) integrate reporting requirements that have already been put into place by the Board.

The Board believes that the new requirements can be implemented with minimal effort by distributors and transmitters because they represent small changes that align the RRR-Electricity with amendments previously made to Codes. The change to the due dates for filing will streamline the administration of the RRR-Electricity for both utilities and the Board.

In addition, the Board is providing guidance below on how distributors should calculate the regulatory return earned for the purposes of reporting under section 2.1.5.6 of the RRR-Electricity (Incentive Rate Mechanism).

Comprehensive Review of the RRR-Electricity

The Board’s comprehensive review will consider issues such as the frequency of reporting, areas of potential redundancy, and provisions that may need further clarification in order to ensure that consistent information is filed by all licensed distributors. A key consideration of the review will be how the information assists the Board in meeting its mandate, and to communicate this to stakeholders. The Board will also use this consultation to elicit stakeholder views on how best to gather data to assess the regulatory costs of the industry.

The Board invites expressions of interest from stakeholders interested in participating in a small group discussion with Board staff on these issues. Based on the expressions of interest received, the Board will select a representative group of individuals to take part in the discussion. An initial meeting will be held to assist the Board in defining the approach and scope of the review. All interested stakeholders will have an opportunity to comment on any proposed amendments to the RRR-Electricity that may be issued as part of the comprehensive review.

Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1998* to eligible participants to a maximum of 4 hours of preparation time for the initial meeting plus the hours of attendance at that meeting. The costs to be awarded in each case will

be recovered from all rate-regulated licensed electricity distributors based on their respective distribution revenues.

An interested stakeholder that wishes to nominate a person to participate in the small group discussions should submit a letter to the Board in accordance with the filings instructions set out on page 5 and 6 by **March 21, 2012**. That letter must include the following:

- The name of the stakeholder, the interest or constituency represented and the name of the nominee;
- A short statement identifying the nominee's relevant experience and qualifications; and
- If the stakeholder intends to seek an award of costs, a request for cost eligibility that includes the grounds on which the stakeholder believes that it is eligible for an award of costs, addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*.

Rate-regulated licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **March 28, 2012** in accordance with the filing instructions on page 5 and 6.

The Board notes that a separate process is currently underway on proposed Reporting and Record Keeping Requirements for distributors related to revised customer service rules (Board File: EB-2007-0722). The outcome of this process will be communicated in the coming weeks.

Summary of RRR-Electricity Amendments and Coming into Effect

Distributors:

Section 2.1.4: The due date for this filing has been changed to April 30 (from March 31) to align with the other annual filings under the RRR-Electricity. A new section (2.1.4.1.9) for reporting on performance against the "Reconnection Standards" service quality requirement has been added to reflect the addition of that service quality requirement in section 7.10 in the Distribution System Code.

Section 2.1.9: This section is no longer required and has been removed.

Section 2.1.10: This section has been updated to reflect revisions to the ARC, in a manner that ensures that the data to be reported is more useful to the Board than was previously the case.

Section 2.1.15: The due dates for this filing have been extended by one month to align with the other quarterly filings under the RRR-Electricity.

Section 2.1.16: This new section integrates the LEAP emergency financial assistance reporting requirements set out in the Board's letter dated December 21, 2011. However, the due date for filing has been extended to April 30 to align with the other annual filings under the RRR-Electricity. Accordingly, the first filing under this reporting requirement is due by April 30, 2012.

Transmitters:

Section 3.1.2: This section has been updated to reflect revisions to the ARC, in a manner that ensures that the data to be reported is more useful to the Board than was previously the case.

Coming into Effect:

The amendments to the RRR-Electricity come into effect on today's date, and apply to all filings due on or after today's date.

The amended RRR-Electricity is attached as Attachment A to this letter, and is available on the Board's website at www.ontarioenergyboard.ca. A comparison version of the RRR-Electricity that shows the amendments relative to the May 1, 2010 version is set out in Attachment B to this letter for information purposes only.

Guidance on Section 2.1.5.6 (Incentive Rate Mechanism)

Under section 2.1.5.6, a distributor whose rates were set using an incentive rate mechanism is required to report, in the form and manner determined by the Board, the regulatory return earned in the preceding fiscal year. While the Board has been receiving this information from distributors, it has been submitted in different formats and based on a variety of methods for calculating the regulatory return.

In order to ensure consistency, the Board is providing further guidance on this calculation. The requirement is to calculate the return on the same basis as was used in establishing the distributor's base rates, and is to be done based on the deemed debt to equity ratio of 60/40, using the distributor's cost of capital parameters last approved by the Board (typically as part of the last cost of service rate proceeding). The deemed return on equity ("ROE") should be calculated each year and compared to the Board-approved ROE in effect at the time of the distributor's last cost of service proceeding. This methodology is consistent with the approach taken by some distributors in reporting their 2010 results with the Board.

An illustrative Excel model is provided as Attachment C to this letter. If a distributor wishes to provide an additional calculation to reflect unique circumstances, it can do so by adding an additional worksheet to the Excel model.

The RRR Filing Guide that was posted on March 4, 2011 has been updated to reflect the above and can be found on the Board's website at the following link:

<http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Reporting+and+Record+Keeping+Requirements/RRR+Documents>

The Board reminds distributors that the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 15, 2008, established a trigger mechanism with an annual ROE dead band of ± 300 basis points. When a distributor performs outside of this earnings dead band, a regulatory review may be initiated. The Board intends to use the information filed by distributors under section 2.1.5.6 to assess if further action is warranted. Furthermore, the Board may reflect the resultant ROE calculations in the 2011 statistical Yearbook of Electricity Distributors.

If you have any questions regarding the amendments to the RRR-Electricity, please contact the Market Operations Hotline by e-mail at:

market.operations@ontarioenergyboard.ca. The Board's toll free number is 1-888-632-6273.

Filing Instructions

Two (2) paper copies of each filing must be provided, and should be sent to:

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at www.errr.ontarioenergyboard.ca. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.ontarioenergyboard.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@ontarioenergyboard.ca.

Those that do not have internet access should provide a CD or diskette containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number EB-2012-0062 and include your name, address, telephone number and, where available, your e-mail address and fax number.

All filings received by the Board in relation to the review described in this letter will be available for viewing at the Board's offices and will be placed on the Board's website.

If the filing is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the filing available for viewing at the Board's offices or placing the filing on the Board's website, the Board will remove any personal (i.e., not business) contact information from the written comment, request or other filing (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the filing will be available for viewing at the Board's offices and will be placed on the Board's website.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachments:

- A: RRR-Electricity, as amended
- B: Comparison version of the RRR-Electricity showing amendments relative to the version dated May 1, 2010 (for information purposes only)
- C: Generic sample of regulatory return on equity calculation