

# The Ontario Energy Board

## Review of Regulatory Framework for Electricity

### Presentation of the Medium Size Distributors Group

# Members of the Group

- **Bluewater Power Distribution**
- **Brantford Power**
- **Canadian Niagara Power**
- **EnWin Utilities**
- **Erie Thames Powerlines**
- **Essex Powerlines**
- **Greater Sudbury Hydro**
- **Guelph Hydro**
- **Halton Hills Hydro**
- **London Hydro**
- **PUC Distribution**
- **Welland Hydro**

**\*Each Member serves 15k-150k Customers**

**\*Total Group serves 550k Customers**

## MEDIUM SIZE LDC ISSUES

- Economies of scale curve is U-shaped, so bigger LDCs ≠ better customer experience
- Regulatory burden needlessly distracts from customer-focus
- Wide variation in LDC service territories, age of plant, customer preferences, local economics means one size regulation does not fit all
- Incentive rate-making as applied is good theory, bad practice
- Price index ≠ actual baskets of prices, X-factor from benchmarking ≠ actual efficiency
- No way of knowing if costly regulatory regime now increasing or decreasing LDCs' efficiency

# OVERVIEW OF ELECTRICITY REGULATION

- OEB Act and Electricity Act was new regime, OEB had no prior experience, had to borrow from others (primarily Ofgen, UK)
- Ontario now has enough experience and data to develop our own models – more relevant to customers and LDCs
- Regulators everywhere create more regulation, unaware that its cumulative burden may pass the point of diminishing returns, and that it may be the wrong tool
- OEB now has the opportunity to lead by example: reject any part of your regulatory regime that is not both prudent and necessary.

## OVERVIEW OF ONTARIO ELECTRICITY REGULATION (cont'd)

- In 8 years (2005-13) OEB budget grew by 50%
- For every additional dollar OEB spends our members' costs increase, e.g., by 5-8 dollars for some of them
- 5-8% of OM&A costs are direct compliance costs; indirect costs would make it higher
- Whether regulation now benefits consumers as much as it costs them is debatable
- The staff proposals add burden, with no proposal to reduce it elsewhere

## VISION FOR SUSTAINABLE REGULATORY REGIME

- A renewed regulatory framework should be an improved regulatory framework
- Price shock will increase, but LDCs are a small (and shrinking) % of total price
- OEB can't fix price shock by increasing an already excessively costly regulatory regime
- “If it ain't broke, don't regulate it”: list of What's New on OEB website suggests micro-regulation

## CHANGES NEEDED FOR THIS VISION

- LDC performance, not size, matters to customers
- Prescription where necessary, but prescription is mostly unnecessary (nor beneficial to outcomes)
- Diverse Inputs + Universal Outputs  
≠ Customer-focused Outcomes
- Outputs as well as inputs must be local LDC-specific: locally aware, balanced and responsive
- OEB should focus on sector leadership and ensuring LDCs meet a few key outcomes



## OUTCOMES

- Price: Total Bill
  - Stability: For big cost drivers see Ministry-OPA
- Price: Distribution
  - Stability: LDCs create local multi-year proposals
- Service: Traditional (Safety & Reliability)
  - Responsiveness: Not a source of complaint for most LDCs
- Service: New Products (CDM, Smart Grid)
  - Responsiveness: LDCs create locally appropriate mix



# Thank you

- QUESTIONS?