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## **BY E-MAIL AND WEB POSTING**

April 5, 2012

**To:** All Participants in Consultations EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043 and EB-2011-0004

**Re: Provision for Written Comments by Stakeholders  
Renewed Regulatory Framework for Electricity  
Board File Nos.: EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043  
and EB-2011-0004**

The Ontario Energy Board (the “Board”) currently has underway a consultation process to develop a renewed regulatory framework for electricity distributors and transmitters (“RRFE”). The purpose of this letter is to invite interested stakeholders to provide written comments to assist the Board in the development of the RRFE.

As stated in the attachment to the Board’s March 20, 2012 letter to stakeholders, the RRFE consultative process will lead to the formulation of Board policies in relation to a renewed regulatory framework for electricity which will:

- Establish performance outcomes that reflect consumers’ expectations and encourage enhanced utility productivity;
- Provide for efficiently planned investments in grid sustainment, expansion and modernization that consider pace and prioritization;
- Align rate setting cycle and investment planning horizon and provide for efficient recovery of costs;
- Increase efficiency in the regulatory process through greater focus on outcomes; and
- Consider the total bill impact on consumers.

As indicated on March 30, 2012 at the Stakeholder Conference, the Board is providing guidance to stakeholders on issues where comments would be particularly helpful to the Board in furtherance of the development of the RRFE. Those issues are set out in Attachment A to this letter. While stakeholders are encouraged to address the issues identified in the Attachment, some of which are intended to elicit comments on the strawman issued as part of the Board’s February 2, 2012 letter, stakeholders should

feel free to address any other issues that they consider relevant to and important for the development of the RRFE. Stakeholders may also provide submissions in response to the questions contained in the five staff discussion papers.

Written comments are due on **Friday, April 20, 2012**, and should be filed in accordance with the instructions set out below.

### **Cost Awards**

Through this letter the Board is seeking responses to the strategic questions listed in Attachment A to this letter. The Board will provide for 20 hours per eligible participant in relation to the provision of responses to the questions in Attachment A. To the extent that parties respond to the questions outlined in the 5 discussion papers and any other issues that they consider relevant to and important for the development of the RRFE, the Board will accept submissions and costs are to be allocated to the EB number relevant to that initiative and as set out in Attachment A to the Board's February 22, 2012 letter. Time spent on the questions listed in Attachment A to this letter that do not have an assigned EB number will be allocated across all 5 initiatives when costs are awarded.

### **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, Ontario M4P 1E4

The Board requests that interested stakeholders 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](http://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](http://www.ontarioenergyboard.ca), and fill out a user ID password request. Additionally, interested stakeholders 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](mailto: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 April 20, 2012**. They must quote all of the applicable file number(s) (**EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043 and EB-2011-0004**) 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 initiatives described in this letter will be available for viewing at the Board's offices and will be placed on the Board's website.

If you have any questions regarding this consultation process, please contact Brian Hewson, Senior Manager, Networks & Smart Grid. Mr. Hewson can be reached by phone at 416-440-7628 or by email at [brian.hewson@ontarioenergyboard.ca](mailto:brian.hewson@ontarioenergyboard.ca).

The Board's toll free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

*Original signed By*

Kirsten Walli  
Board Secretary

Attachment A – Issues for Written Comment

## **Attachment A: Issues for Comment**

The Board has identified the following specific issues for stakeholder written comment. Stakeholders are encouraged to formulate proposals where appropriate, and in such cases should identify the benefits and disadvantages of each proposal.

- What is your vision for a sustainable and long-term regulatory regime?
- What changes would be needed to evolve planning, mitigation, and performance policies towards your vision?
- As a means of representing the Board's vision for the regulatory framework, Board staff prepared a strawman that summarized the key elements of the regulatory framework. In providing their comments on the issues the Board would be assisted if stakeholders also provided comments in relation to this vision.

### **Planning (EB-2010-0377)**

- How do we optimize planning across the sector to ensure that investment decisions achieve the level of reliability and quality of supply that consumers demand and are paying for?
- How might coordinated regional planning between utilities and third parties (e.g., municipalities) promote the efficient and cost-effective development of infrastructure and enhanced regulatory predictability, while maintaining reliability and system integrity? What are the implications, if any, for distribution network investment planning?
- How might the Board facilitate regional planning and the effective execution of the resultant plans as appropriate?
- If we revise cost responsibility under section the Transmission System Code in respect of transmission line connection facilities to pool the costs, should the pooling be on a province-wide basis, a regional basis, or some combination? Should the cost responsibility rules for industrial customers and distributor customers be the same? Why or why not?
- How can the Board satisfy itself that multi-year investment plans are appropriate?
- How should smart grid investments be treated (i.e., as part of rate base, or based on type of activity/asset)?
- What empirical and qualitative tools and methods might be used to inform: (a) utility planning processes; (b) utility applications to the Board; and/or (c) the Board's review of utilities' plans?

### **Performance & Incentives (EB-2010-0379)**

- What outcomes for customer service and company cost performance should be established?
- What standards and metrics for customer service and company cost performance should be established in regard to these outcomes? How do the performance benchmarks that are in place today relate to your proposed metrics?

- What are the characteristics of a “high-performing regulated entity” (i.e., what specific metrics can be used to evaluate the level of performance of the regulated entity)?
- What incentives, if any, are appropriate to reward utilities for cost-effective and efficient performance, including appropriate rewards for exceeding standards for customer service, and company cost performance? What incentives, if any, are appropriate for the purposes of rewarding performance with regard to multi-year capital programs?
- How might the Board enhance the alignment of customer and company interests through the use of incentive mechanisms?

#### Rate-setting & Mitigation (EB-2010-0378)

- How might the Board align rate-setting with multi-year investment plans? Do you have a preferred approach, and what are its benefits and disadvantages?
- Should the Board amend the ICM rules as proposed by some participants to provide for an interim solution? If so, how? What are the implications of such an interim change in the context of the longer-term RRFE approach of incorporating multi-year capital plans in rates?
- How might further benchmarking be used to: (a) help determine appropriate cost levels; (b) achieve further efficiencies; and/or (c) assist in managing cost increases?
- How might the Board’s approach to the application review process be proportionate to the characteristics of the application (including quality) and the performance of the applicant?
- To support the cost-effective and efficient implementation of Board-approved network investment plans by transmitters and distributors and to help mitigate the effects of any unavoidable and significant bill impacts, what mechanisms might be appropriate?

#### Other

- In light of what you heard at the March 28-30, 2012 Stakeholder Conference, what are your priorities for the Board’s development of the RRFE and how might the Board manage the transition to the renewed regulatory framework in a manner consistent with your priorities?
- Are there other key issues that should be considered in the development of the RRFE?