



April 20, 2012

Ms. Kirsten Walli
Secretary, Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re. Renewed Regulatory Framework

Dear Ms. Walli:

I am pleased to provide written comments in response to the Board's letter of April 5, 2012.

AMPCO supports the need for regulatory reform and will continue to support the Board's initiatives in this regard. Customers' interests, of course, revolve around price, by which we mean the delivered cost of power, and by important public interest objectives dealing with efficiency, cost-effectiveness, health, safety and the environment.

The main issue facing Ontario at the moment is how to balance the electricity sector's assertions of a need for ever increasing spending, with the reality that energy consumption in Ontario is declining. Industrial consumption declined by more than 2.6 TWh between 2010 and 2011. There will be areas of the Province that require investment, but there is little detailed or coordinated information available, at least to us, to assess these needs. The Board's current approach has its limitations, both in terms of its ability to review utility applications in a context of the long term needs of the Province, and its ability to coordinate and optimize these competing requirements across utility franchise areas.

Ontario's electricity infrastructure is constructed of long-lived cost assets. In that respect, utilities and customers have much in common. Energy-using appliances, industrial facilities, and the built environment that serves the needs of all customers—residential, commercial, institutional and industrial—are all durable assets. It only makes sense that we would plan, construct and operate the system to meet long term needs, and to recognize the long term economic implications for customers. Incidentally, experience with engaging customers to promote more efficient behaviours, and adopt more efficient technologies, demonstrates that these programs are most effective over time. Myopic rate-making, looking only 2 or 3 years into the future, creates a systematic bias against opportunities to promote efficient demand management.

Our written comments respond to the Board's specific requests in more detail.

Sincerely,

A handwritten signature in blue ink, appearing to read "Adam White", written over a circular blue stamp or seal.

Adam White

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Renewed Regulatory Framework for Electricity AMPCO Comments

Background

On October 27, 2010, the Board announced its intention to develop a Renewed Regulatory Framework for Electricity. The current regulatory framework has been in place since 2001. The letter acknowledges that energy policy in Ontario has undergone considerable change in recent years and environmental goals have become increasingly important in energy policy and regulation. The letter also acknowledges that the Board has been working in recent months to integrate its new environmental objectives¹ due to the passing of the *Green Energy and Green Economy Act, 2009* with its mandate to protect the interests of consumers, with respect to prices and the adequacy, reliability and quality of electricity service and to promote economic efficiency and cost effectiveness.² The Board believes it's now time to further integrate its objectives into a renewed framework that reflects the significant investments potentially required in the years to come. The Board indicates that recent applications point toward significant levels of investment in transmission and distribution networks that may be needed over the next few years for the renewal of assets to maintain appropriate levels and system reliability and to connect new generation. Understandably, system investments, together with new investments in generation, have led to an increased focus on cost to consumers.

The Board identified three key policy initiatives within the framework: examination of the Board's approach to network investment planning by transmitters and distributors (**network planning**); review of the Board's rate mitigation policy (**rate mitigation**); and defining and measuring the performance of electricity distributors and transmitters (**network utility performance**). On November 8, 2011, the Board released five staff discussion papers regarding five inter-related policy initiatives to initiate dialogue and support RRFE development. The Board also released three reports prepared by consultants.

¹ Green Energy Act

² *Ontario Energy Board Act, 1998*, Section 1

On December 8-9, 2011, a two-day Staff Information Session was held as an informal question and answer session to better understand the discussion papers. In February and March 2012, the Board held eight Executive Roundtable meetings with consumer groups, distributors, transmitters, agencies, academics and the financial community. AMPCO was unable to participate due to scheduling conflicts. On March 28-30, 2012 a Stakeholder Conference was held and participants had an opportunity to make presentations. On April 5, 2012 the Board provided guidance on the issues where comments would be particularly helpful to the Board in furtherance of the development of the RRFE. AMPCO's comments respond to the Board's questions and are informed in part by the above consultation activities.

AMPCO

AMPCO is a not-for-profit consumer interest advocacy organization. AMPCO's members represent a cross-section of Ontario's major industries: forestry, chemical, mining and minerals, steel, petroleum products, cement, automotive and manufacturing and business consumers in general. AMPCO members are:

- Industry leaders in energy management
- Forestry, chemical, mining and minerals, steel, petroleum products, cement, automotive and manufacturing industries
- 42 of the largest power consumers in Ontario 16.5 TWh per year – electricity expenditures >\$1.5 billion/a
- 50% of industrial demand, 14% of Ontario demand
- 50,000 employees across Ontario

AMPCO's mission is to reduce the delivered cost of power to customers, to promote rates that are competitive, fair and efficient. Ontario's electricity policy powers the economic future of Ontario. Reliable electricity at affordable prices is essential to the success of AMPCO members as well as Ontario's overall economic success.

AMPCO supports the need for regulatory reform. The current regulatory regime has been in place since 2001 and changes are needed. From AMPCO's perspective, greater efficiency in the sector should be the overarching goal. Reforms need to recognize the significant changes at play in the energy sector today and be flexible enough to respond to future challenges.

AMPCO agrees with a phased approach in developing a new framework. One of the biggest challenges facing the sector is the magnitude of proposed capital expenditures over the next 5 to 10 years. AMPCO seeks a regulatory approach that properly evaluates the need for capital, understands and responds to the cost drivers for infrastructure investment and decides best how to manage these costs. Clarity and direction on the treatment of capital for rate making purposes needs to be addressed as a top priority and this aspect should be addressed ahead of other components of the RRFE.

AMPCO observes that energy demand in Ontario is shrinking. However, as noted in the Executive Roundtable meetings, the price of electricity is projected to increase significantly as electricity assets are renewed, networks are expanded and the supply mix is diversified. Rate applications reflect increasing investments to renew and expand infrastructure to meet demand and maintain system operability and reliability. Additional investment may be required to respond to public policy directions to develop smart grid and increase renewables.³ AMPCO submits that the Board's review and approved pacing of network investments needs to consider energy demand trends.

AMPCO Perspective

AMPCO's members, like other customers, are concerned about the delivered cost of power and the risks of cost increases. AMPCO members want rates that are reasonable now and over the long term and based on long term infrastructure needs. There is no data on long term investment requirements for distribution and transmission networks. It is very difficult to access the data that is available and make reasonable judgments about future rate implications and how it affects the AMPCO member businesses. The type and quality of data across LDCs

³ Executive Roundtables Presentation, OEB website

varies significantly. Greater transparency needs to be at the core of any regulatory reforms.

Board Issues for Comment

AMPCO's responses to the Board's specific issues are completed below.

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?***

Planning optimization in the electricity sector must include consideration of not only transmission and distribution infrastructure, but also supply and demand options. In AMPCO's view, this means that input from industrial customers and developers should be brought directly into the planning process. Many of the largest cost transmission projects facing Ontario are being driven by industrial and especially resource development, such as the "Ring of Fire" and other similar projects. Mutual planning exercises have the potential to reduce the total cost of meeting new load requirements for all customers.

Historically, Ontario's electricity sector has been successful at maintaining both reliability and power quality. Because of the geography of the province and wide variations in customer (load) density, service levels vary across the province and customers (including AMPCO members) understand and accept this. Customer surveys in Ontario and other jurisdictions, including those commissioned by the Board, have not indicated a willingness to pay significantly more for electricity in order to improve reliability. The Board does not need to take specific action to broadly improve these service levels.

- ***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?***

Planning of electricity supply is infrastructure planning and as such should be integrated with plans for water, sewage, roads and communications. At the regional and municipal level, there already exist structures for long term growth planning, and the larger municipal LDCs are involved with these exercises. Prior to deregulation, Ontario Hydro's Regional Supply Planning department represented the transmitter interest in these proceedings. Since the creation of the IESO and OPA, transmitter involvement in regional planning work seems to have declined.

The Board may wish to examine the Local Integrated Resource Planning (LIRP) process that Ontario Hydro pioneered successfully in the Collingwood area and elsewhere. This process succeeded in deferring substantial transmission investment for many years, until the load had materialised to fully justify the cost of new transmission.

As a first step, the Board should emphasize to transmitters that their responsibilities under Section 6.3.6 of the Transmission System Code (TSC) remain in effect and are still the responsibility of the transmitter, not the OPA. The Board should not expect the OPA to necessarily be the sole planning body in the province, especially with respect to regional planning. This emphasis should not impede the transmitters from working in a coordinated fashion with the OPA and IESO.

In the workshop sessions, it was noted that municipal planning currently includes consideration of the cost of growth as it affects municipal infrastructure (roads, sewers), but does not seem to consider the cost of new transmission and distribution infrastructure. The Board may have limited tools to address this shortcoming, but it may be able to improve the current situation in a few ways.

First, emphasizing the requirement of Section 6.3.6 of the TSC for transmitters to develop and maintain plans should lead to transmitters becoming more involved in infrastructure planning. The Board may wish to make it clear to both transmitters and distributors that they should inform municipal and regional planning processes with an understanding of the consequent costs of electricity infrastructure. Especially in the case of the LDCs, the Board should expect that their participation in local planning includes informing the planning process on the rate impacts of different growth plans. In principle, this should not be different from the aspect of municipal planning that considers the effects of growth on property taxes.

Achieving optimal integration of electricity planning with other infrastructure planning will not happen overnight, but the Board can help start the process of improvement.

- ***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?***

AMPCO is unconvinced that pooling is needed or desirable with respect to capital costs that have not been planned for via the requirements of Section 6.3.6 of the TSC.

As noted above, a regular and transparent planning process should obviate the need for many of the capital contributions that would otherwise be required.

For those that do not plan well or choose not to (including large customers), the capital contribution formulae provide a logical and fair way to accommodate unforeseen requirements.

The existing capital contribution formulae already discriminate among customer types on the most important aspect that differentiates industrials from distributors, which is future payment risk. New companies and companies in risky business areas, such as mining, must provide security for the cost of their connection. The capital contribution rules adjust for risk via the relationship between cost recovery period and financial risk.

To our knowledge, no evidence has been brought forward that the current capital contribution process has resulted in any connection cost risk being realized by customers other than the connected party. In the first workshop, the example of the Xstrata closure in Timmins was provided as an example of a risk that was realized, but this facility in fact operated for thirty years, far beyond the longest period assignable under the prudential requirements of the TSC.

Moreover, the Board should be concerned about the moral hazard implicit if LDCs were relieved of the requirement for a capital contribution in those cases where Section 6.3.6 did not apply.

In planning for electricity growth, transmission is not the only alternative available. Additional distribution facilities such as subtransmission tie lines or new stations can often mitigate the need for new transmission lines. In the Collingwood LIRP case noted earlier, a distribution strategy was used for over 15 years to defer transmission costs. Absent a responsibility for either good long term planning or a capital contribution for new (unplanned) transmission, LDCs may be too tempted to transfer the cost of growth from the local ratepayer to a provincial pool. AMPCO does not accept that the OPA can always be relied on to make sure this doesn't happen.

- ***How can the Board satisfy itself that multi-year investment plans are appropriate?***

Long-lived investments require a long term assessment. Too often rates are approved based on inappropriate myopic time horizons.

The process used by OFGEM in the UK has considerable merit, as it uses the assessment of an independent third party expert to validate investment plans.

The Board may also wish to consider increasing the filing requirements in COS applications, especially for transmitters, to require that supportive evidence for drivers such as customer load growth needs to be more robust. As an intervenor, AMPCO has been concerned in the past by simple assertions of "load growth" as justification for new projects, with little supporting evidence of past or future trends.

Absent an objective third party review mechanism, the remaining check on an applicant's assertion of need is third party evidence produced by intervenors. If the Board wishes to continue with this mechanism, intervenors need to be as assured of cost recovery for producing evidence as applicants are currently.

- ***How should smart grid investments be treated (i.e., as part of rate base, or based on type of activity/asset)?***

This question is somewhat unclear. Smart grid investment requests should be supported by evidence of an actual requirement, but once the need is established, should be part of rate base. "Smart Grid" should not be used as a terminological self-justification; the smart grid should be developed and deployed to secure real benefits to customers. If these cannot be quantified, the investment should be regarded as either premature or suspect.

- ***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?***

A utility plan should fundamentally be a response to an anticipated future situation, most often customer load increase, new industries coming to the service territory, etc. These future

changes to the utility's load or configuration are derived in turn from non-utility forecasts and plans, such as a new subdivision or industrial facility.

As a start, a utility should provide succinct but sufficiently detailed summaries of whatever planning source data it has used to develop investment plans and applications.

The Board may wish to consider development of a few basic indices (comparators) to inform itself of the reasonableness of specific plans. For example, the cost per customer or per additional MW of demand for increased service may provide useful but not absolute indicators of whether a plan is "in the ballpark" or needs to be examined more closely.

Where a proposal seems problematic, the Board should itself commission outside estimates as a check on the utility's projections. Likely, such a mechanism would not need to be used frequently, if applicants knew it was available to the Board.

Performance & Incentives (EB-2010-0379)

- ***What outcomes for customer service and company cost performance should be established?***

AMPCO has not seen any evidence from its own members, or surveys of other customers, that current customer service outcomes are inadequate. All the factual data of which we are aware indicate that customers do not want to obtain improved service and reliability if it comes at the cost of higher delivery rates.

Company cost performance in the utility industry remains problematic. Revenue per customer and per unit of energy delivered have consistently increased at faster rates than customer price inflation. There may be cost pressures on delivery utilities that derive from ageing assets and government directives under the GEGEA. At the same time, the industry does not appear to view these pressures as indicative of a need for change in the way it operates.

The Board should consider setting an index limit, related to the CPI, on utility cost increase that would incent significant cost performance improvement in the sector.

The Board has used capable consultants (PEG) to develop what appear to be useful Total Factor Productivity (TFP) comparators. Carefully used, these can form the basis of continuing IRM development.

On experience, the availability of an "opt in, opt out" IRM, along with access to the capital module, may compromise the effectiveness of IRM by allowing utilities to periodically reset their cost base. Dr. Cronin's evidence at the workshop indicated that this is happening. The implementation of IFRS should minimize this effect, as it will make it harder for IFRS- compliant LDCs to shield ongoing cost increases behind capital overheads. The Board should consider increasing the IRM period and limiting recourse to the capital module.

The Board may wish to consider the concept of a maximum tariff for distribution rates, set to lower profitability for bottom quintile or decile LDCs. This could incent the least performing LDCs to either improve significantly or turn over their business to a more capable operator. Such a regime would not violate the Board's directive to maintain the health of the industry; it would incent the least healthy members to significant and needed improvement.

- ***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?***

There does not seem to be any substantiated evidence that the Board's current customer service indices are inadequate or in need of revision. Whenever this topic has been discussed in Board initiatives, there are invariably claims made that customers should be provided higher levels of service. This is not AMPCO's view of the general level of service its members receive

and we are not aware of any customer group demanding higher average service levels.

One issue with cost performance is that the current IRM formulae do not demand faster improvements in TFP or cost performance generally. The utility industry generally has not exhibited close to the rate of the degree of productivity increases that the private sector has had to implement in order to remain competitive.

- ***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)?***

Good regulation should be a surrogate for effective competition. It follows that high performing regulated entities may share some characteristics with high performing non-regulated entities.

Successful non-regulated entities, especially those exposed to global competition (e.g., manufacturing, mining, engineering services) or deregulation into a more competitive landscape (telecoms, banking, some government services) have developed some common responses, such as:

- Outsourcing non-core activities to more competent third parties. Call centres are a common example. Today, automobile manufacturers outsource much of their engineering and design to outside parties. Virtually all industries outsource the design and construction of their facilities, as well as much of the maintenance.
- Sector consolidation. In most sectors, the number of manufacturers or service providers has steadily decreased in reflection of the economies of scale and scope. This has been true of basic industry such as steel and mining, but also services, retail and electricity in other jurisdictions.
- Continuous improvement in productivity and cost performance.

The attributes noted above seem largely absent from Ontario's electricity delivery sector, with the exception of some call centre and account collection activities.

Most, if not all LDCs in Ontario currently keep both construction and maintenance activities in-house. The presentation from the counsel for the ECAO noted that, even in Canada, Ontario appeared to have an uncharacteristically low level of facility construction contracting.

If LDCs and transmitters are basically asset managers, then the question should be asked why they are also in the design, construction and routine maintenance business. Arguments that these activities are required to provide steady work for the utility employees are circular, where staff counts required to execute programs are used in turn to justify not outsourcing these programs.

Since the loss of the transfer tax credit, industry consolidation in Ontario LDCs has basically stopped. Tax issues aside, this seems to indicate that sub-optimal LDCs are not feeling the pressure to grow or fold that exists in other sectors.

The Board should consider metrics related to industry consolidation and core business outsourcing.

- ***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?***

In AMPCO's view, the current ROE formula is exceedingly generous for monopoly, regulated entities and would be more appropriate to businesses with a higher risk profile. Respectfully, the Board should consider counter incentives that reduce ROE for LDCs that perform below the mean. This would introduce a level of performance risk more appropriate to the ROE formula.

Incentives for exceeding standards for customer service are not needed, as customers have indicated they are unwilling to pay for such.

Multi-year capital program costs should be reviewed by an objective third party before approval. Performance can be managed through a collar mechanism that allows superior performance to result in increased profit for the shareholder within a band, and the reverse (+/- 10% is typical). Performance outside the band would be cause for regulatory review.

- ***How might the Board enhance the alignment of customer and company interests through the use of incentive mechanisms?***

Customers in Ontario are generally satisfied with the levels of service and reliability they experience with their LDCs and transmitters. Without hard data at hand, it seems likely customers overall are more satisfied with their LDC service than they are with their mobile phone provider or cable TV operator. If the Board is to have a focus in this area, it should likely be in maintaining the status quo versus incenting improvement.

The issue of cost is the one that customers have been most vocal on, to the point that it has become a provincial political issue.

In an environment where the cost drivers have been increasing in pressure, the stasis of the electricity sector on attributes that are reflective of high performing organizations is disturbing. In a competitive environment, alignment of customer and business interest is mostly achieved through price (rates). The Board can and should benchmark LDCs and transmitters on their practices and productivity, but the ultimate incentive has to be through rates if customers are to benefit.

The Board should also consider that its mandate to guard the financial health of the sector may not be consistent with preserving the financial health of all participants in the sector. Sectors need both winners and losers to remain healthy.

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?***

The Board currently establishes the rates and charges for electricity transmission and distribution companies using a combination of annual incentive regulation mechanism ("IRM") adjustments (3rd generation) and periodic cost of service ("COS") reviews. The current 3rd generation IR plan is based on a comprehensive price cap form of adjustment mechanism. The plan term is fixed at three years (i.e. rebasing year plus three years.) The distribution rates are not expected to be subject to rebasing before the end of the plan term other than through an eligible off-ramp.⁴ An incremental capital module is included in 3rd generation IRM to accommodate some incremental unexpected capital investments needs that may arise during the IR term provided the applicant meets certain criteria.

⁴ Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, Page 7

As noted earlier, the Board's approach to a RRFE needs to be a phased approach with priority placed on making changes to the current IR plan and filing guidelines to address the issue of multi-year investment plans and significant capital investments in transmission and distribution.

AMPCO submits that three aspects of the IR plan need to be reviewed: the design of the IR/COS mechanism, the length of the IR term and the rules of the incremental capital module. The current plan needs to be more flexible to accommodate the differences between distributors and needs to differentiate between ongoing capital needs, unique annual capital needs and stable capital needs. Also any changes need to consider the appropriate pacing of investments and the total bill impact on the customer.

AMPCO has reviewed the Board's "Straw Man" Model Regulatory Framework and supports the concept of each utility preparing a multi-year investment plan that would be pre-approved by the Board. A process is needed to identify long term capital investment plans that more appropriately reflect the life of the assets and customers interests. Looking at investment needs in a piece meal way on a short-term basis is not going to result in good long term decisions on needed investments. If for example, the multi-year investment plan is set at five or preferably ten years, AMPCO submits that COS (rebased) every 5 or 10 years to align with the multi-year plan seems reasonable. The COS would include a 5/10 year forward test year period and rates would be set accordingly. However, as noted earlier, AMPCO suggests that for utilities with significant capital plans that exceed a threshold test, an assessment by an independent third party expert to validate investment plans would have considerable merit (used by OFGEM in the UK). Decisions on the regulatory process and level of spending approved for each LDC could be based in part on the quality of the evidence and data provided, the performance of the utility and the outcome of the third party review.

At the March 30, 2012 session, Hydro One Networks presented two options for an annual review of capital needs in the IRM to recognize the ongoing increase in rate base, not just the one year that you have COS but each of the years in the IRM period.

The first approach reflects a forecast approach of the annual in-service additions and the second approach is a backward view. The forecast approach includes a one-year capital addition with a rate rider based on a detailed examination of the evidence and the second approach involves a funding adder (similar to the smart meter rider) to provide the funding (with a variance account) and a prudence review later.

AMPCO does not support a funding adder approach with a prudence review after the fact. The funding adder approach used for smart meters reflected a new program where it was difficult to forecast costs. Distributors coming in with capital additions should have sufficient evidence to allow for a detailed examination of the proposed costs.

In general AMPCO does not support changes to the incremental capital module. It should be used only in exceptional circumstances. AMPCO's position is that the approved multi-year plan and subsequent rate setting should reflect forward looking investment needs, good forecasting and management by the utility and eliminate the need for additional capital expenditures except under extraordinary circumstances.

AMPCO submits that on an annual basis LDCs should file (with the Board) an update to their multi-year investment plans to recognize shifts in investment priorities, new planning drivers and other developments.

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?***

- 1) Issues of cost connection responsibility and regional planning are important, but not critical to regulatory renewal. Regional planning particularly could be improved with a simple direction that LDCs and Transmitters should develop, maintain and publish their plans per Section 6.3.6 and the equivalent for Distributors.

The Board should prioritise a process of objective third party review for significant capital program increases. All utilities should be required to develop and maintain multi-year capital programs. Applicants should have incentives to ensure their capital programs are in line with what an objective third party would recommend.

There will be experience in OFGEM and perhaps other jurisdictions with how to manage the transition to a third party program review system. Likely, it can be started relatively quickly (i.e., within 18 months).

The cost burden of third party review can be at least partially mitigated by reducing the scope of intervention, once such a system is in place.

- 2) The Ontario government is launching a comprehensive review of the electricity sector and will explore options to improve efficiencies, including local distribution company (LDC) consolidation. AMPCO submits that the Board's RRFE needs to consider the objectives of this review.

- ***Are there other key issues that should be considered in the development of the RRFE?***

If the Board can successfully establish mechanisms that highlight relative performance and incentive progress on improving LDC efficiency, it should be prepared to lighten the regulatory burden in other areas, particularly detailed reporting.

The Board may also benefit from an examination of the current hearing process. The existing process is expensive and time consuming for all parties, including intervenors. At the same

time, it does not appear to eliminate the information rent advantage of the applicants, with consequence on its effectiveness. If the Board is to consider the suggestion for more robust third party review of applications, this should then lead to a review of the hearing process as well.