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VIA E-MAIL AND WEB POSTING

October 18, 2012

To: All Participants in Consultations EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043 and EB-2011-0004
All Licensed Electricity Transmitters and Distributors
All Other Interested Stakeholders

**Re: Renewed Regulatory Framework
Issuance of Board Report and Next Steps
Board File Nos.: EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043
and EB-2011-0004**

Today, the Board issued its “Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach.” A copy of the Report is available on the Board’s website at www.ontarioenergyboard.ca.

The issuance of this Report completes the consultation process which began in October of 2010. The Board thanks all participants in this consultation for their contribution to the development of the Report. The Board will address the issue of cost awards for this consultation by separate correspondence.

Implementation of the Board’s policies

Work will now commence on implementation of the Renewed Regulatory Framework. Three new stakeholder working groups are being established to provide staff with expert assistance and to review and advise staff on proposals regarding the implementation matters identified in Chapters 3 and 4 of the Board’s Report. In addition, the Smart Grid Working Group will be reconvened. Working groups will work with staff on:

- **An Integrated Approach to Network Planning:** To revise the Board’s filing requirements for distributors and transmitters and issue guidance in accordance with the Board’s conclusions in the Report. The development of an integrated set of revised filing requirements will include those related to distribution network planning, smart grid planning and regional planning.

- **Regional Infrastructure Planning:** To develop guidance regarding the implementation of the Board's conclusions in the Report related to moving to a more structured approach to regional infrastructure planning, as well as the appropriate redefinition of certain line connection assets and Transmission System Code cost responsibility rule changes to remove barriers related to regional plan execution.
- **Development of the Smart Grid:** To develop the regulatory documents to implement the Minister's Directive and the Board's conclusions in the Report
- **Performance, Benchmarking and Rate Adjustment Indices:** To implement the Board's conclusions in the Report in relation to performance standards, measures, and the development of benchmarking. This will also include consideration of rate adjustment indices (i.e., inflation and X factors).

The stakeholder members of the working groups will be selected by the Board. By sharing certain members in common, working group efforts will be coordinated and mutually informed on an on-going basis. **The Board will announce the people who will participate in these working groups shortly.** It is expected that working group meetings will be scheduled over the November 2012 through February 2013 period.

Detailed activities contemplated over the coming months, and approaches that will be used to facilitate stakeholder input are outlined in Attachment A. Consultations will conclude with the issuance of filing requirements and guidance, code amendments, and/or supplemental Board policies in support of the framework.

The Board expects that the three rate setting methods will be available for the 2014 rate year. At that time, distributors may select the appropriate rate setting method for their utility.

The rate-setting policy set out in the Report addresses the variety of circumstances facing distributors by broadening the rate-setting methods available. The new policies achieve an appropriate balance between recognizing individual distributor circumstance and achieving regulatory efficiency. Accordingly, the Board will only depart from its rate-setting policy in exceptional circumstances. If a distributor applies to have its rates set using an approach other than one of the three established rate setting methods provided by the Board's policy, it will be required to demonstrate why and how it cannot adequately manage its resources and financial needs under any of the established methods.

Webcast in October

All interested stakeholders will be invited to participate in a webcast on the Board's Report and on the implementation plan set out in Chapter 5 of that Report. The webcast will be hosted by Board staff on **October 31, 2012**. The webcast is intended to give stakeholders an opportunity to ask Board staff clarifying questions so as to help better inform stakeholder understanding of the new framework and their participation in

the consultations scheduled throughout the fall and winter. Information on how to participate in the webcast will be posted on the Board's regulatory calendar a week before the event.

Cost Awards

Cost awards will be available to stakeholders in relation to the consultation activities described in this letter. However, the Board is not grandfathering cost award eligibility awarded prior to the issuance of this letter. A stakeholder must apply for cost eligibility status by filing with the Board a written submission requesting eligibility. **Important information on cost awards is set out in Attachment B.** Filings to the Board in relation to cost awards must be made in accordance with the filing instructions set out below.

Filing Instructions

Stakeholders must file two paper copies and one electronic copy of their filings with the Board Secretary by **4:45 pm** on the required dates. The Board requests that 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.pes.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 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. Persons that do not have internet access should provide a CD or diskette containing their filing in PDF format.

All filings must quote file numbers **EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0004, and EB-2011-0043** and include your name, address telephone number and, where available, your e-mail address and fax number.

All filings received by the Board will form part of the public record. Copies of the filings will be available for inspection at the Board's office during normal business hours and the filings may 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 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 may be available for viewing at the Board's offices and will be placed on the Board's website.

If you have any questions regarding the consultation process, please contact Board staff by e-mail at RRF@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 – Consultation Activities Timeline

Attachment B – Cost Awards

ATTACHMENT A
To Letter Dated October 18, 2012

A timeline for the planned activities

Target	Infrastructure investment planning			The outcome based framework		Electricity distribution rate-setting
	Distribution Network Investment	Smart Grid	Regional	Performance	Benchmarking and Rate Adjustment Indices	
2012						
October	Working groups established to address distribution network investment planning, smart grid, and regional planning issues			Working group established to address both performance- and benchmarking-related issues		
A web-cast on the "Report of the Board: A Renewed Regulatory Framework for Electricity" and next steps will be held						
November	Staff proposal issued in relation to asset management and capital planning filing requirements	Working group meetings			Summary of data points and time series needed for empirical analysis issued for distributor validation	
				Staff proposal on standards, measures and scorecard issued	Consultant concept paper on empirical analyses (<i>including consideration for inflation and productivity</i>) and benchmarking issued	
December	Working group meetings		Working Group Reports to the Board issued: (1) Asset Redefinition; (2) Regional Planning Process	A stakeholder meeting to inform and generate ideas prior to convening the working group		
				Working group meetings on standards, measures and scorecard		
2013						
January		Supplementary report of the Board issued: Smart grid policy		Working group meetings (continued)	Distributor validation of data points and time series due	
	Staff proposal for consolidated capital planning filing requirements issued					
	Working group meetings					

Target	Infrastructure investment planning			The outcome based framework		Electricity distribution rate-setting
	Distribution Network Investment	Smart Grid	Regional	Performance	Benchmarking and Rate Adjustment Indices	
February	Working group meetings (continued)		<p>Proposed amendments to the Transmission System Code issued</p> <p>If needed, proposed amendments to the Distribution System Code issued</p>		Working group meetings on empirical analyses (including consideration for inflation and productivity) and benchmarking	
	Application filing requirements and guidelines issued setting out consolidated capital planning provisions					
March				A Board Staff Report to the Board on standards, measures and scorecard issued for comment	Consultant report on methodology, data analysis, calculations, and results in relation to the preferred approach to benchmarking issued (consideration for inflation and productivity will inform a Stakeholder Conference in April)	
April			Amendments to the Transmission System Code issued	Stakeholder meeting on performance and benchmarking related issues		Stakeholder conference on appropriate values for inflation and productivity factors
May				Written comments due on staff report and the preferred approach to benchmarking and results		
June				Supplemental Report of the Board issued describing the standards, measures and scorecard reporting associated with utility outcomes for customer service and cost performance	Board determination on inflation, productivity factor, and stretch factors issued	
				Consultant final report setting out the approach to total cost benchmarking that will be used by the Board issued	Application filing guidelines issued setting rate application provisions	
July				If needed, proposed amendments to the Electricity Reporting & Record Keeping Requirements issued		Board determination on stretch factor assignments issued

ATTACHMENT B
To Letter Dated October 18, 2012

Cost Awards

Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1998* in accordance with this letter.

Costs will be recovered from all rate-regulated licensed electricity distributors (65% of the costs awarded) and all rate-regulated licensed transmitters (35% of the costs awarded).

The Board advises that it will use the process set out in section 12 of the Board's *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards relating to this consultation process.

Requests for Cost Eligibility

The Board determines eligibility for costs in accordance with its *Practice Direction on Cost Awards*.

A stakeholder must apply for cost eligibility status by filing with the Board a written submission requesting eligibility in accordance with the filing instructions set out in the attached letter. The submission must be received by the Board by October 29, 2012. It must identify the policy initiative(s) in respect of which the participant is requesting cost eligibility, the nature of the participant's interest in the initiative(s) so identified and the grounds on which the participant 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*). An explanation of any other funding to which the participant has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the participant intends to retain.

Participants requesting cost eligibility should indicate in their request whether specific costs for separate expert submissions should be provided for in relation to a given initiative and, if so, a description of and rationale for the proposed separate expert submissions and whether the participants intend to combine with other stakeholders with similar interests for this purpose.

All requests for cost eligibility will be posted on the Board's website. Licensed electricity distributors and transmitters will be provided with an opportunity to object to any of the requests. If an electricity distributor or transmitter has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by November 8, 2012. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available to each eligible participant as follows.

Activity Eligible for Cost Awards		Maximum Number of Hours
For each eligible participant	Preparation for, attendance at, and reporting on December stakeholder meeting	10 hours per day
	Preparation for, attendance at, and reporting on April stakeholder meeting on performance and benchmarking issues	10 hours per day
	Preparation for, attendance at, and reporting on April stakeholder conference on inflation, productivity and stretch factors	TBD
	Written comments	TBD

Cost awards will be available to each eligible participant that is also a working group member as follows.

Activity Eligible for Cost Awards		Maximum Number of Hours
For each eligible participant on any Working Group	Participation on stakeholder working group for covering preparation, attendance, and reporting time. <ul style="list-style-type: none"> • <i>Performance, Benchmarking, and Rate Adjustment Indices: up to 8 days are anticipated;</i> • <i>Regional Infrastructure Planning: up to 8 days are anticipated;</i> • <i>Development of the Smart Grid: up to 4 days are anticipated; and</i> • <i>Integrated Approach to Network Investment Planning: up to 4 days are anticipated.</i> 	10 hours per day
For each eligible participant on the Regional Infrastructure Planning Working Group	Drafting of Regional Infrastructure Planning Working Group reports to the Board.	TBD