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BY EMAIL

February 11, 2013

To: Licensed Electricity Distributors
Other Interested Parties

Re: **Encouraging Electricity Distributor Efficiency
Stakeholder Meeting on February 27, 2013
Board File No.: EB-2012-0397**

1. Purpose and Scope of Consultation

The Ontario Energy Board has commenced an initiative to assess how the Board's approach to the regulation of electricity distributors may affect the ability of distributors to realize operational or organizational efficiencies that benefit customers. The Board understands that electricity distributors have indicated that productivity and efficiency may be increased through shared service and similar arrangements among distributors and through broader scope of new service offerings. Further the Board has identified in the past that consolidation may be a means to increasing productivity and efficiency in the sector. This initiative will consider how the Board's codes, licences and regulatory processes related to licensing and MAADs may affect distributors business and organizational arrangements.

This work will not consider rate-setting and performance measures which are being undertaken separately as part of implementing the Renewed Regulatory Framework. The focus of this project will be on the activities that distributors undertake to become more efficient and how the Board could support more wide spread engagement in such activities. It is expected that, the outcome of this initiative will complement the implementation of the new rate-setting approach.

One of the important steps to completing this initiative is to engage in discussions with distributors and other stakeholders to obtain their views on what changes could be implemented to the Board's process and policies that would support efficiency gains through economics of scope, economies of scale or consolidation.

2. Stakeholder Meeting on February 27, 2013

To assist in the completion of this initiative, Board Staff will be holding a Stakeholder Meeting on Wednesday February 27, 2013. The goal of this meeting will be to provide stakeholders with the opportunity to express their views and have discussions on issues related to the goal of the initiative. (See Attachment A for discussion topics)

This all day meeting will start at 9:30 am and be held in the Board's West hearing Room on the 25th floor of the Board's offices. This meeting will also be broadcast over the web to allow remote participation. (Instructions on how to participate via the web will be distributed to participants prior to the meeting.)

Stakeholders who wish to participate in the Stakeholder Meeting are asked to email notice of their intention to paul.gasparatto@ontarioenergyboard.ca by February 20, 2013. Participants are asked to indicate in their e-mail whether they intend to attend in person or by web.

The Board has also retained the services of Navigant Consulting Ltd. ("Navigant"). Navigant is currently completing interviews on these matters with selected individual stakeholders, as well as undertaking a Jurisdictional Review. A report outlining the results of Navigant's research will be distributed to participants prior to the meeting.

3. Cost Awards

Cost awards will be available under section 30 of the Act to eligible persons in relation to preparing for and attending the Stakeholder Meeting **to a maximum of 10 hours**. Costs awarded will be recovered from all licensed electricity distributors based on their respective distribution revenues.

Attachment B contains important information regarding cost awards for this notice and comment process, including in relation to eligibility requests and objections. In order to

facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

All material related to the consultation will be posted on the on the “Policy Initiatives & Consultations” portion of the Board’s website at www.ontarioenergyboard.ca. The material will also be available for public inspection at the Board’s office during normal business hours.

If you have any questions regarding this consultation, please contact Paul Gasparatto at paul.gasparatto@ontarioenergyboard.ca or at 416-440-7724. The Board’s toll-free number is 1-888-632-6273.

DATED at Toronto, February 11, 2013

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

ATTACHMENT A

Encouraging Distributor Efficiency Discussion Topics

- What are the main opportunities for increasing distributor efficiency?
- Which of these opportunities are currently being pursued by distributors?
- Why are these specific opportunities being pursued? What benefits do they bring to distributors and/or ratepayers?
- Are there any opportunities for efficiencies that could be pursued but are not currently being pursued?
- What are the primary barriers preventing opportunities from being pursued?
- Are any of the barriers driven by Ontario's regulatory structure and framework? If so, please describe?
- What could the OEB do to reduce or eliminate any perceived barriers in its own policies and practices?
- Are there initiatives the OEB could under take to promote and incent a distributor to engage in opportunities that would increase distributor efficiency?
- What do you see as the primary barriers preventing distributors from engaging in further consolidation?
- What could be done to assist those distributors who may wish to consider merging or consolidating with or selling to another distributor?

ATTACHMENT B

Cost Awards

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **February 20, 2013**, identifying the nature of the person's interest in this process and the grounds on which the person 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 person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

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 **February 27, 2013**. 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 parties.

Eligible Activities

Cost awards will be available in relation to preparing for and attending the Stakeholder Meeting to **a maximum of 10 hours**.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied. The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The Board will use the process set out in section 12 of its 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 in this process. For more information on this process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at www.ontarioenergyboard.ca on the "Rules, Guidelines and Forms" webpage.