

Ministry of Energy

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November 15, 2021

Mr. Richard Dicerni
Chair
Ontario Energy Board
2300 Yonge Street, 27th floor
PO Box 2319
Toronto ON M4P 1E4

Dear Mr. Dicerni:

Thank you for your letter dated July 27, 2021 presenting the Ministry of Energy (ENERGY) with the Ontario Energy Board's (OEB) 2021 Annual Report for the fiscal year ending March 31, 2021. I have accepted the Annual Report and tabled it with the Legislative Assembly of Ontario on September 28, 2021. The report should now be made available on the OEB's website (as required by our Memorandum of Understanding).

The 2020/2021 Annual Report captures the progress the OEB made toward modernization in the year that it transitioned to its new governance structure. The OEB's commitment to modernization is further reflected in the report card on the Mandate Letter that you submitted to me on September 20, 2021.

The Mandate Letter provided to the OEB on October 1, 2020 showed an ambitious multi-year agenda for a modernized OEB. I am pleased that the OEB has taken such significant steps to promote regulatory excellence within the organization. This work was accomplished while facing the challenges associated with the COVID-19 pandemic. This period saw the OEB adapt to a remote work environment while also moving quickly to support consumers experiencing difficulties with their energy bills and industry as it responded to the crisis. I want to thank you along with the OEB's leadership team, Commissioners and dedicated staff for the incredible work done in support of Ontarians over the past year.

As you begin planning for your next Business Plan, it is my responsibility as Minister to provide you with a renewed Mandate Letter to update you on the government's priorities for the energy sector and my expectations for the OEB for the upcoming three-year planning period. It is essential that the OEB continues to make progress in implementing the priorities of the 2020 Mandate Letter, including robust performance measurement, transparent engagement with stakeholders and red tape reduction.

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The OEB has incorporated these priorities into the Strategic Themes of its 2021/22 – 2025/26 Strategic Plan – evolving to become a top quartile regulator, driving energy sector performance, protecting the public and facilitating innovation. These themes remain both relevant and necessary as the OEB updates its Business Plan to reflect the priorities set out below.

The government's priorities for the energy sector are about promoting reliability, affordability, sustainability and consumer choice. I know that the OEB has begun grappling with important questions related to these priorities, such as how to consider greenhouse gas emissions and decarbonization within the energy sector activity that the OEB regulates. I have confidence in the OEB, its commitment to modernization and that it will set its priorities and undertake its work with an eye to addressing the challenges and opportunities facing Ontario's energy sector. Within that context, I would like to highlight some initiatives where the OEB's role in delivering these priorities will be critical over the next three years:

- The OEB should continue to prioritize its work facilitating and enabling innovation and adoption of new technologies where it makes sense for customers, including implementation of the government's Green Button and Community Net Metering initiatives. Developing policies that support the adoption of non-wires and non-pipeline alternatives to traditional forms of capital investment, where cost-effective, will be essential in maintaining an effective regulatory environment amidst the increasing adoption of Distributed Energy Resources. Work that is already underway, like the Framework for Energy Innovation, should continue. I am pleased with the increased co-ordination and collaboration with stakeholders, especially the Independent Electricity System Operator (IESO). This ongoing collaboration is critical to ensure that initiatives are evaluated and decisions are made with both cost and reliability in mind.
- Increased adoption of electric vehicles (EVs) is expected to impact Ontario's electricity system in the coming years and the OEB must take steps to facilitate their efficient integration into the provincial electricity system, including providing guidance to Local Distribution Companies (LDCs) on system investments to prepare for EV adoption. I am pleased that the OEB is participating in the government's Transportation Electrification Council. I will write to you in the near future on this matter, as it relates to the OEB's Regulated Price Plan (RPP) Roadmap to improve system efficiency and give customers greater control.
- The OEB has done extensive work studying dynamic pricing plans for Class B customers. As Ontario recovers from COVID-19-related economic hardships, we must find ways to support small businesses and give businesses the tools to keep energy prices low so as to not pass on those costs to consumers. I ask that the OEB work with the IESO to develop a plan to design and implement a dynamic pricing pilot to assess the benefits for non-RPP Class B customers.

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- I expect to see the establishment of multi-year natural gas Demand Side Management (DSM) programming and the implementation of the OEB's Integrated Resource Planning framework for assessing demand-side and supply-side alternatives to pipeline infrastructure in meeting natural gas system needs. I would like to express my strong interest in a framework that delivers increased natural gas conservation savings and reduces greenhouse gas emissions. Conservation is a strong driver for cost savings for ratepayers, and with the introduction of carbon pricing, conservation can also transform homes and help protect ratepayers from the impact of the carbon tax. Natural gas conservation programs have delivered continued value for money for ratepayers – based on OEB-verified results for 2019, every dollar spent on natural gas DSM has resulted in up to \$3 in participant and social benefits.
- With regard to the next multi-year DSM programming period, it is important that the regulatory processes are optimized to increase efficiency so that they do not hinder Ontarians' access to the real savings that result from these programs. It is also important that the DSM Framework be implemented in a way that enables customers to lower energy bills in the most cost-effective way possible, and help customers make the right choices regardless of whether that is through more efficient gas or electric equipment. I also wish to stress the continued need to foster integration and alignment between natural gas and electricity conservation programs to find efficiencies and to facilitate a streamlined customer experience, where feasible. That said, I am pleased to see the continued collaboration between the IESO Conservation and Demand Management (CDM) and DSM programs in the low-income space and encourage further collaboration, as appropriate. Likewise, as communicated in a recent letter from the Ministry to the federal government encouraging collaboration between DSM and the new Canada Greener Homes Program, it is important that the OEB considers how to use Ontario's DSM programs to leverage these federal funds to benefit Ontario ratepayers.
- The *Supporting Broadband and Infrastructure Expansion Act, 2021* (Bill 257) received Royal Assent on April 12, 2021. This Act contains amendments to the *Ontario Energy Board Act, 1998* that, when proclaimed into force, would establish new authorities in support of the use of and access to electricity infrastructure for non-electricity purposes. As ENERGY considers how these authorities can support the government's objectives for rural broadband expansion, continued consultation and collaboration with the OEB will be essential.
- Modernizing and streamlining processes to reduce regulatory burden is vitally important to the work of an efficient and effective regulator. I am pleased that the OEB has taken steps in this direction in response to the 2020 Mandate Letter, including reviewing how filing requirements can be tailored to LDC size, releasing the Chief Commissioner's Plan with initiatives to enhance adjudicative processes and launching a review of the Reporting & Record-keeping Requirements.

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These plans should continue, ensuring they reflect the feedback of stakeholders and deliver results in the coming fiscal year. The OEB should also continue its work reviewing intervenor processes to identify opportunities to improve the efficiency and effectiveness.

- The OEB should continue to ensure that the structure and operations of the distribution sector constantly evolve towards optimal efficiency. To that end, the OEB should explore opportunities to enable proactive investment in energy infrastructure, such as protection and refurbishment, where utilities can prove there are long-term economic and reliability benefits to ratepayers. In previous years, these efficiencies have been found both through utility mergers/acquisitions and with the formation of innovative partnerships between utilities. Considering this, I also ask that the OEB require LDCs with fewer than 30,000 customers to file information within their cost-of-service applications on the extent to which they have investigated potential opportunities from consolidation or collaboration/partnerships with other distributors.
- Over the coming year, the government will continue its review of Ontario's long-term energy planning framework to increase the effectiveness, certainty, transparency and accountability of energy decision-making in Ontario while protecting the interests of ratepayers. I want to thank OEB staff and leadership for their contribution to the process so far and look forward to continued collaboration as we consider an appropriate role for the OEB in long-term planning.

Through these priorities we can ensure that the OEB is continuing to deliver value for Ontario's energy consumers. We are confident that as we recover from the COVID-19 pandemic, the people of Ontario are going to unleash the economic growth that is necessary for job creation, prosperity and a stronger province.

This Mandate Letter is also my opportunity to provide you with the government's broad priorities for board-governed agencies. As part of the Government of Ontario, agencies are expected to act in the best interests of Ontarians by being efficient, effective and providing value-for-money to the people of Ontario. Our government's primary focus is to protect every life and every job we possibly can. Without healthy people, we cannot have a healthy economy. As you implement your modernization plan for the OEB, I ask that you do so in a manner consistent with Ontario's priorities for board-governed agencies that are appended to this Letter.

Finally, in the coming months, my staff will continue to work with the OEB to prepare for the conclusion of the two-year transition period related to the establishment of the new governance structure. I am confident that the OEB will emerge from the transition period in October 2022 in a strong position to fully deliver on its statutory responsibilities.

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I thank you and your fellow board members for your continued support and for your valuable contributions. Should you have any questions/concerns regarding this Mandate Letter, please feel free to contact Karen Moore, Assistant Deputy Minister – Strategic, Network and Agency Policy Division at karen.moore@ontario.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Smith". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Todd Smith
Minister

c: David Donovan, Chief of Staff to the Minister of Energy
Dominic Roszak, Deputy Chief of Staff to the Minister of Energy
Stephen Rhodes, Deputy Minister of Energy
Susanna Zagar, CEO, Ontario Energy Board

APPENDIX: Government of Ontario Priorities for Board-Governed Agencies

1. Competitiveness, Sustainability and Expenditure Management

- Operating within your agency's financial allocations;
- Complying with applicable direction related to supply chain centralization and Realty Interim Measures for agency office space;
- Leveraging and meeting benchmarked outcomes for compensation strategies and directives; and
- Working with the ministry, where appropriate, to advance the *Ontario Onwards Action Plan*.

2. Transparency and Accountability

- Abiding by applicable government directives and policies and ensuring transparency and accountability in reporting;
- Adhering to requirements of the Agencies and Appointments Directive, accounting standards and practices, and the *Public Service of Ontario Act* ethical framework and responding to audit findings, where applicable; and
- Identifying appropriate skills, knowledge and experience needed to effectively support the board's role in agency governance and accountability.

3. Risk Management

- Developing and implementing an effective process for the identification, assessment and mitigation of risks, including planning for and responding to health and other emergency situations, including but not limited to COVID-19; and
- Developing a continuity of operations plan that identifies time critical/essential services and personnel.

4. Workforce Management

- Optimizing your organizational capacity to support the best possible public service delivery; and
- Modernizing and redeploying resources to priority areas when or where they are needed.

5. Data Collection

- Improving how the agency uses data in decision-making, information-sharing and reporting, including by leveraging available or new data solutions to inform outcome-based reporting and improve service delivery; and
- Supporting transparency and privacy requirements of data work and data sharing with the ministry, as appropriate.

6. Digital Delivery and Customer Service

- Exploring and implementing digitization or digital modernization strategies for online service delivery and continuing to meet and exceed customer service standards through transition; and
- Adopting digital approaches, such as user research, agile development and product management.

7. Diversity and Inclusion

- Developing and encouraging diversity and inclusion initiatives promoting an equitable, inclusive, accessible, anti-racist and diverse workplace;
- Demonstrating leadership of an inclusive environment free of harassment; and
- Adopting an inclusion engagement process to ensure all voices are heard to inform policies and decision-making.

8. COVID-19 Recovery

- Identifying and pursuing service delivery methods (digital or other) that have evolved since the start of COVID-19; and
- Supporting the recovery efforts from COVID-19.