



Ontario  
Energy  
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de l'énergie  
de l'Ontario

**BY EMAIL AND WEB POSTING**

March 27, 2023

To: All Rate-regulated Electricity Distributors  
All Other Interested Parties

Re: **Enhancements to Activity and Program-based Benchmarking  
(EB-2018-0278)**

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Aligned with its [2022-2025 Business Plan](#), the Ontario Energy Board (OEB) is supporting its strategic goal to drive energy sector performance by further refining its benchmarking approach. More specifically, the OEB is taking additional steps to encourage continuous improvement by regulated electricity distributors (distributors) and increase regulatory efficiency through enhanced Activity and Program-based Benchmarking (APB).

## **Background**

The OEB places a high value on stakeholder engagement which is why, in November of last year, a stakeholder meeting was held that sought feedback on proposed APB unit cost formula enhancements. Then, in December of last year, a survey was released that provided stakeholders with another opportunity for comment.

Based on feedback received, the OEB is making changes to unit cost formulas of two programs and publishing an [updated report](#) that presents 2018 to 2021 unit cost results, with revised formulas, in the same format as the [previous report](#) published in September of last year.

## **Programs for which Unit Cost Formulas are Changing**

For the two programs described below, go-forward enhancements to unit cost formulas aim to ensure unit cost metrics:

- Reflect the underlying business drivers of the costs themselves, and
- Allow for accurate comparability of unit costs between distributors.

### Distribution Station Capital Expenditure (CapEx) Program

The denominator of the unit cost formula for the Distribution Station CapEx program is being changed from 'MVA per Station' to 'Total MVA' to better reflect the underlying business driver of the Distribution Station CapEx.

### Distribution Station Operation and Maintenance (O&M) Program

Similar to the Distribution Station CapEx program, the denominator of the unit cost formula for the Distribution Station O&M program is also being changed from 'MVA per Station' to 'Total MVA'.

### **Unchanged Programs**

At this time, the following three programs will remain unchanged.

#### Meters CapEx Program

OEB staff proposed that the denominator for the Meters CapEx unit cost formula be changed from 'the Total Number of Customers' to either 'the Number of Meters Installed' or 'the Number of Meters Installed plus the Number of Meters Added to the Reserve' in a given year. The intention behind this change was to have a unit cost measure that better reflects the capital expenditure incurred on the meters in a given year. While a majority of stakeholders generally agreed with this proposal, further work needs to be done in defining 'the Number of Meters Added to the Reserve' in order for distributors to report the number consistently.

#### Meters O&M Program

OEB staff proposed that the denominator of the unit cost formula for the Meters O&M program be changed from 'the Total Number of Customers' to 'the Total Number of Meters in Operation'. The majority of stakeholders commented that the total customers to total meters relationship would be approximately linear and hence the proposed revision to the denominator would not meaningfully improve the metric.

#### Vegetation Management O&M Program

OEB staff proposed that the reporting of the costs related to vegetation management around secondary lines and service wires should be separated from that of the primary lines. Recognizing that not all distributors perform planned vegetation management activities around secondary lines and service wires, the intention was to work towards a more comparable benchmarking measure for vegetation management O&M. Stakeholders were generally not supportive of this change on the grounds that it is not practically feasible to separately report on these costs, and that attempting to separate these costs would be resource intensive and that reporting amongst distributors would likely be inconsistent.

The OEB thanks stakeholders for their contributions to this initiative and looks forward to their continued support as we explore additional opportunities for enhancing our approach to benchmarking.

Any questions relating to this letter can be directed to the Performance Analytics & Reporting team at [performance\\_reporting@oeb.ca](mailto:performance_reporting@oeb.ca).

Sincerely,

Kevin Mancherjee  
Director, Operations Decision Support