



# Regulatory Framework Workshops

April 19, 2023

# Letter of Direction

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October 21 Letter of Direction from Minister of Energy to the OEB:

- I am counting on the OEB...to provide the [Electrification and Energy Transition] Panel with its best advice on potential changes to the OEB's mandate and operations...
  - Opportunities to incorporate environmental and economic development considerations
  - Approaches to integrating regulation of the electricity and natural gas systems
  - Enhancements to how the OEB and Market Surveillance Panel (MSP) oversee the acquisition of energy resources, regulate the IESO, and review long-term planning efforts
- ...it is critical that the OEB not wait until it has been provided with additional legislative authority before it begins to consider these reforms...
- ...Therefore I ask that the OEB launch workshops...that explore how the OEB could enable electrification related investments while protecting consumers' interests to deliver on the government's vision.

# Workshop Framing & Goals

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## Workshop Goal

To elicit stakeholder views regarding what changes to regulatory mandates, tools, or authorities may be needed for the OEB to continue to regulate effectively in a time of significant sector transformation

## Framing

Topics and ideas presented are not OEB recommendations, and do not presuppose a problem or imply a single answer or a current gap in authority. The ideas included here are intended to be a starting point to generate discussion.

# Workshop Topic Areas

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## 1. Long Term Energy Planning

Coordination of electricity and natural gas planning requires a new approach, and Ontario does not currently have a central authority or process to enable that. There is currently no review of IESO supply procurement against objectives set out in directives.



## 2. Objectives

The OEB “shall be guided” by objectives for electricity and natural gas set out in the OEB Act. While all objectives must be considered in balance, they could be expanded to reflect government policy priorities.



## 3. Leave to Construct (Facilities) Approvals

Specific considerations could be built into facilities authority to provide greater certainty that Commissioners will consider net zero or other policy goals.



## 4. Electricity Distribution Activities

Allowable distribution activities are circumscribed by OEB Act s. 71. How does the nature of distribution activities stay current with LDC, market and customer expectations? The OEB could be asked to examine and report on new models for LDC operations in Ontario (e.g., Distribution System Operator model).



## 5. Indigenous Relationships

The OEB is considering how to incorporate Indigenous perspectives into its work, including opportunities to partner with others in the sector to engage and work with Indigenous communities.



## 6. Innovation

More tools could enable the OEB to empower utilities to test new ideas and businesses (e.g., new authorities to provide exemptions for pilot projects).

# Discussion Guide

# Long Term Planning

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## Context

A cost-effective energy transition requires whole system planning that considers coordination between natural gas and electricity transmission and distribution.

Oversight to ensure planning coordination could help promote cost-effectiveness and better outcomes for customers.

## Discussion Questions

- What role should the OEB play in long-term planning?
- What is required to ensure coordination or oversight of planning is clear and predictable while also nimble and responsive?

## Illustrative Examples

Potential roles for the OEB could include:

- Set expectations for development of coordinated planning document
- Review assumptions, inputs or processes related to coordinated planning
- Provide recommendations to IESO or government for consideration in finalizing a coordinated planning document
- Decide rates and facilities applications in the context of coordinated planning outcomes

Approaches that could be used to provide oversight of planning include:

- MSP review
- OEB staff review
- Adjudicative hearings

# Objectives

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## Context

The OEB is guided by statutory objectives set out in the OEB Act.

As per the Letter of Direction, there may be “opportunities to incorporate environmental and economic development benefits into the OEB’s regulation of the sector.”

## Discussion Questions

- Should the OEB’s statutory objectives be amended to reflect the energy transition, net zero, or other priorities?
- Are there any existing objectives that may need to be revisited in the context of the energy transition?

## Illustrative Examples

Existing objectives could be updated and/or new objectives could be added to explicitly address priorities such as:

- Net Zero
- Electrification
- Natural Gas sector innovation

\* See appendix for objectives.

# Leave to Construct (Facilities) Approvals

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## Context

The OEB has the authority to grant Leave to Construct (LTC) for electricity transmission and natural gas pipelines

In parallel to the addition of a new objective(s), to provide greater certainty that net zero targets or other policy goals will be considered in Leave to Construct decisions, it could be helpful to build new considerations into existing leave to construct authorities.

## Discussion Questions

- Would it be beneficial to include, for example, net zero considerations in OEB decision-making authorities related to LTC?
- What considerations should the OEB take into account when making decisions related to LTC?

## Illustrative Examples

Net zero considerations could be included in specific LTC authorities. For example, certain sections of the OEB Act could be amended to include net zero and/or other considerations as part of decision-making criteria, in addition to price and reliability.



# Electricity Distribution Activities

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## Context

Section 71 of the OEB Act states that LDCs cannot carry on any business activity other than distributing electricity but does not address the question of how to distinguish distribution vs. non-distribution activities.

Section 71 also lists exemptions related to conservation, renewable generation and storage, and allows the OEB to provide exemptions in “special circumstances” on a case-by-case basis.

A different approach to s. 71 could enable utility spending to achieve additional or other policy objectives.

## Discussion Questions

- Does s. 71 provide the right balance between customer protection and the services that LDCs need to provide in 2023 and beyond?
- Does the broader question of the role of LDCs need to be considered?
- How can the OEB ensure that consumers are protected as distribution activities evolve?
- Should the OEB be given the authority to grant generic exemptions (rather than only on a case-by-case basis) for certain types of activities?

## Illustrative Examples

The question of the future role of LDCs may require broader study and consultation.

In the nearer-term, s. 71 (or a related regulation) could be modified to clarify language around distribution or to provide exemptions on a generic basis, including providing exemptions on the OEB's own initiative.

# Indigenous Relationships

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## Context

The OEB seeks to engage Indigenous communities and customers in carrying out its mandate. The OEB's activities related to Indigenous outreach could be expanded to ensure Indigenous perspectives are incorporated into the OEB's approach to the energy transition.

## Discussion Questions

- What should be the OEB's role in ensuring that Indigenous perspectives are considered in the energy transition?
- What engagement or outreach processes would be most effective?

## Illustrative Examples

An enhanced role for the OEB could include new dedicated engagement staff and/or collaboration with other entities working with Indigenous communities (e.g., IESO).

# Innovation

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## Context

The OEB has an objective to facilitate innovation in the electricity sector but does not have a corresponding one for the natural gas sector.

The OEB has taken steps to support innovation but may be able to do more with additional legislative tools.

## Discussion Questions

- Is there a need for additional support for innovation in the energy sector?
- Would legislative change be desirable to give the OEB more tools to support innovation for the benefit of consumers?

## Illustrative Examples

Consider new provisions to support innovation, including:

- Provide the OEB with ability to collect and disburse province-wide (pooled) funding for innovation or system-wide benefits.
- Greater flexibility to provide exemptions for pilot projects (e.g., for net metering).
- Expand innovation objective to include natural gas.
- New legislative provisions to deal specifically with EVs.

# Thank You

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Thank you for your contributions today!

If you would like to provide any written feedback, please email [RFworkshops@oeb.ca](mailto:RFworkshops@oeb.ca) by **Wednesday, May 3.**

# Appendix

# OEB Act Objectives

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## Electricity

- To inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service.
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
- To facilitate innovation in the electricity sector.

## Natural Gas

- To facilitate competition in the sale of gas to users.
- To inform consumers and protect their interests with respect to prices and the reliability and quality of gas service.
- To facilitate rational expansion of transmission and distribution systems.
- To facilitate rational development and safe operation of gas storage.
- To promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
- To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.
- To promote communication within the gas industry.

# OEB Act Section 71

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## Restriction on business activity

- 71 (1) Except as provided by this section or the regulations, and subject to subsection 70 (9), a transmitter or distributor shall not, except through one or more affiliates, carry on any business activity other than transmitting or distributing electricity.

## Exception

- 71 (2) Subject to section 80 and such rules as may be prescribed by the regulations, a transmitter or distributor may provide services in accordance with section 29.1 of the Electricity Act, 1998 that would assist the Government of Ontario in achieving its goals in electricity conservation, including services related to,
  - (a) the promotion of electricity conservation and the efficient use of electricity;
  - (b) electricity load management; or
  - (c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.

## Exception

- 71 (3) A distributor may own and operate,
  - (a) a renewable energy generation facility that does not exceed 10 megawatts or such other capacity as may be prescribed by regulation and that meets any criteria that may be prescribed by the regulations;
  - (b) a generation facility that uses technology that produces power and thermal energy from a single source and that meets any criteria that may be prescribed by the regulations; or
  - (c) a facility that is an energy storage facility and that meets any criteria that may be prescribed by the regulations.

## Exception in special circumstances

- 71 (4) The Board may, if in its opinion special circumstances of a particular case so require, authorize a transmitter or distributor to carry on a business activity other than transmitting or distributing electricity other than through one or more affiliates, in accordance with an order of the Board.