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BY EMAIL AND WEB POSTING

March 27, 2024

To: All Licensed Electricity Distributors
All Participant in EB-2023-0003
All Other Interested Parties

Re: **UPDATE: Initiatives Arising from the OEB's Report to the Minister of Energy *Improving Distribution Sector Resilience, Responsiveness and Cost Efficiency* - Ontario Energy Board File No. EB-2023-0003**

The Ontario Energy Board (OEB) is pleased to provide an update on activities arising from its report to the Minister of Energy entitled *Improving Distribution Sector Resilience, Responsiveness and Cost Efficiency* - June 29, 2023 (the Report).

The initiatives the OEB has planned will enable significant progress to mature the sector's capability to anticipate and respond to adverse weather - all while ensuring distributors continue to deliver value for customers.

Background

In view of the climate-related challenges that are coming, the Minister of Energy's 2022 Letter of Direction (2022 Letter) asked the OEB for advice and proposals to improve distribution sector resilience, responsiveness, and cost efficiency. The 2022 Letter makes specific reference to the pressing need for distributors to continue providing high levels of reliability and resilience to their customers, be responsive to changing consumer expectations and new government mandates, and to do so at an affordable price.

The Report, our response to the 2022 Letter, outlines a number of actions to address vulnerabilities arising from severe weather events that may become more intense and frequent as a result of climate change; it also outlines options for enhancing cost efficiency within the distribution sector. In the Minister's Letter of Direction dated November 29, 2023 (2023 Letter), the OEB was asked to move ahead with the development and implementation of several Report recommendations. The OEB has prepared a workplan for each of these initiatives.

Resilience and Responsiveness

As an initial step, the OEB recently convened its [Reliability and Power Quality Review \(RPQR\)](#) working group (Group) (EB-2021-0307) to begin the discussion of issues regarding resilience, restoration, and customer communication. Its first area of focus pertains to a survey of distributors designed to catalogue today's practices and planning techniques. This step will establish strong foundational knowledge of utility practices on which to inform subsequent work. The Group will also contemplate ways to refine the definition of "resilience events"; High Impact, Low Frequency (HILF) occurrences around which new response expectations will be established.

Next, the Group will establish expectations for communicating with customers before, during and after resilience events, as well as restoration performance measurement and reporting. The OEB's consumer panel will be used to obtain customer input regarding expectations in response to major storms, including LDC communication and restoration performance. Further details, including a schedule for this work, will be developed, and issued via the RPQR initiative.

This Spring, OEB staff will also be launching a parallel initiative to define how utilities should assess vulnerabilities in their systems and identify which risks can be cost-effectively mitigated based on the way customers value continuity of service.

This initiative will seek to outline which inputs need to be factored into the capital planning process, with the overall goal of integrating resilience into system planning, alongside other drivers such as asset renewal and system enhancement. Further details on the schedule and scope will be available once this work gets underway. Key dependencies for this work are the survey responses on current practices, as well as the definition of resilience events, both of which are being led within the RPQR initiative.

The OEB expects to make significant progress on these initiatives in 2024, and looks forward to working together with Ontario's customer representatives and local distribution companies on this key policy work. The OEB's proposals aim to establish a consistent set of expectations for distributors in support of outcomes that customers value. As work moves toward implementation, the OEB will continue to take steps to ensure any incremental reporting or filing requirements are necessary, efficient, and focused on the objective of delivering value for customers.

Cost Efficiency Improvements

Also, in response to the 2023 Letter, the OEB will carry out work on a range of efficiency-related opportunities. The first of these will be to advance work on cloud computing as a dimension of shared services opportunities for distributors. This work will be conducted as part of its generic hearing on the cost of capital, to begin this April (EB-2024-0068). Later in the year, the OEB will take a close look at distributor spending patterns to assess where changes or incremental incentives are warranted.

Finally, the OEB will initiate work to define how performance incentive mechanisms can complement our approach to rate-setting. This work will be integrated with our assessment of how utilities should be appropriately remunerated through the energy transition. As with all policy work, the OEB will be engaging with the sector during these initiatives and will provide a clear plan for the timing of any reforms.

Participation

The OEB's [Distribution Sector Resiliency, Responsiveness, and Cost Efficiency Hub](#) will serve as a central source for information and will include links to the various initiatives. A full list of initiatives identified in the 2023 Letter is attached as an appendix and available through the Hub.

Stakeholders are invited to register their interest in participating in any of the initiatives directly through the initiatives themselves.

Any questions relating to this letter should be directed to Industry Relations via industryrelations@oeb.ca. The OEB's toll-free number is 1-888-632-6273.

Sincerely,

Nancy Marconi
Registrar

APPENDIX A

Improving Distribution Sector Resilience, Responsiveness and Cost Efficiency: Project Breakdown from 2023 Letter of Direction

Resilience Priorities

Steps	OEB Initiative	Initiative Launch
Provide details and report on their current storm recovery planning and preparation activities;	Reliability And Power Quality	March 2024
Incorporate climate resiliency into their asset and investment planning;	Vulnerability & System Hardening	June 2024
Engage in a regular assessment of the vulnerabilities in their distribution system and operations in the event of severe weather;	Vulnerability & System Hardening	June 2024
Prioritize value for customers when investing in system enhancements for resilience purposes;	Vulnerability & System Hardening	June 2024
Satisfy minimum targets for customer communication regarding interruptions and restoration of service following major weather events	Reliability And Power Quality	March 2024
Measure and report on restoration of service following such events.	Reliability And Power Quality	March 2024

Cost Efficiency Priorities

Steps	OEB Initiative	Initiative Launch
Reviewing whether the accounting and associated rate treatment of shared services should be adjusted and develop guidance on a fair approach to cost and risk apportionment for shared service provision	Initial step: Cloud Computing; included in the OEB's Generic proceeding on the Cost of Capital (EB-2024-0063)	March 2024
Engaging stakeholders in a scoping exercise at the outset of the Mergers, Acquisitions, Amalgamations and Divestiture (MAADs) review	Evaluation of Policy on Utility Consolidations (EB-2023-0188)	Input complete; see paper published February 8, 2024
Reviewing elements in its incentive rate-setting mechanisms and examining distributors' spending patterns to identify where changes or incremental incentives are warranted	Spending Pattern Analysis	Q3 2024-5
Developing a performance incentive regime that considers aspects such as customer service, resilience, or managing peak loads to defer distribution system needs, and working with the sector to develop principles, generic designs, and other criteria for performance incentives.	Forthcoming	Q3 2024-5