



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL and WEB POSTING

May 14, 2025

**To: All Rate-Regulated Electricity Distributors
All Rate-Regulated Electricity Transmitters
All Rate-Regulated Natural Gas Utilities
Ontario Power Generation Inc.
All Other Interested Parties**

**Re: Advancing Performance-based Rate Regulation – Performance Incentive
Mechanisms (PIMs) (EB-2024-0129)
Issuance of a Discussion Paper on Proposed PIMs for Electricity
Distributors and Invitation to a Stakeholder Meeting**

The Ontario Energy Board (OEB) has released a Discussion Paper presenting draft performance incentive mechanisms (PIMs) for electricity distributors as part of its consultation to advance its performance-based approach to rate regulation. The Discussion Paper proposes four PIMs for stakeholder feedback, with the goal of strengthening the link between what electricity distributors earn and the achievement of outcomes consumers value. The OEB is considering PIMs for electricity distributors in Ontario first before considering the use of PIMs for all utilities.

The Discussion Paper was developed based on input from a stakeholder meeting last November, as well as subsequent written comments. It was also informed by a review of the outcomes consumers value and an examination of related OEB initiatives and processes.

Invitation to Participate in Stakeholder Meeting and Provide Written Comments

The OEB is hosting a virtual stakeholder meeting on **June 3, 2025**, from **9:30 a.m. to 12 p.m.** to present the Discussion Paper and obtain stakeholder feedback on the proposed PIMs. Prior to the meeting, materials will be available on the OEB's Engage with Us [Advancing Performance-based Rate Regulation webpage](#). Recipients of this letter will be notified when the materials are available.

After the meeting, stakeholders will have an opportunity to provide written comments by **June 27, 2025**. Stakeholder input will help inform the OEB's work in developing PIMs for electricity distributors. Questions to help guide stakeholders' responses to the discussion paper, both during and after the meeting, are presented in Appendix A of this letter.

Participation

Parties interested in participating in the meeting are requested to register by emailing AdvancingPBR@oeb.ca by **May 30, 2025**. Please ensure that emails have "EB-2024-0129 Advancing Performance-based Regulation – PIMS" in the subject line and include the following details:

- Name of organization/participant;
- Name(s) of attendees to register;
- A contact name, telephone number and email address.

Instructions on how to sign into the stakeholder meeting will be provided in due course.

Background

In the November 29, 2023, [Letter of Direction](#), the Minister of Energy asked the OEB to consider whether utilities' remuneration based on traditional capital infrastructure deployment remains the most cost-effective model. The Minister asked the OEB to take steps to consider what changes may be required to ensure timely investment is made to support the right outcome and that a report back on this work incorporate a review of models deployed in other jurisdictions. In response to this request, the OEB retained consulting firm Christensen Associates to assist in the preparation of a [jurisdictional scan](#) to better understand the opportunities in Ontario related to utilities' remuneration.

The Discussion Paper only covers the short-term approach to advancing performance-based rate regulation, which is incorporating PIMs into the OEB's existing rate-regulation framework. Whether to proceed with a long-term fundamental change to rate regulation is being considered in parallel to this PIMs work.

All background and materials related to this consultation can be found on the OEB's Engage with Us [Advancing Performance-based Rate Regulation webpage](#).

Cost Award Matters

Cost awards will be made available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998*, for participation in the consultation. Please see the November 14, 2024 [Decision on Cost Eligibility](#).

The PIM portion of the consultation is focused on electricity distributors, and therefore costs related to this stage will only be recovered from rate-regulated electricity distributors. Further information regarding cost awards is included in Appendix B to this letter.

For any inquiries regarding this letter, please email AdvancingPBR@oeb.ca. You can also contact the OEB through our toll-free number: 1-888-632-6273.

Yours truly,

Ritchie Murray
Acting Registrar

Appendix A

Discussion Questions

Objectives

1. Which secondary objectives, if any, are missing from the list presented in Section 1.3?
2. Which secondary objectives, if any, are not appropriately addressed by the proposed PIMs?

PIM definition and design criteria

3. Is the definition of a PIM employed in the Discussion Paper fit for purpose? If not, why not?
4. Are the criteria used to evaluate the proposed PIMs appropriate? If not, why not?

Proposed PIMs

General

5. What additional information, if any, is needed about each of the proposed PIMs in the final PIMs framework?
6. Are you supportive of applying a standard set of PIMs to all electricity distributors in Ontario? If not, why not?
 - a. Which PIMs should be applied to which distributors?
 - b. What characteristics of distributors should be used to define whether the PIMs framework should apply?
7. In the context of a standard PIMs framework, should electricity distributors continue to be able to propose custom PIMs in addition to being subject to “standard” PIMs?

PIM 1 – System Utilization

8. Are you supportive of implementing a PIM related to system utilization/load factor? If not, why not?
9. Are there any specific characteristics of the system utilization/load factor PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?
 - a. Please describe the issues and present alternative characteristics if possible.

PIM 2 – System Average Interruption Duration Index (SAIDI)

10. Are you supportive of implementing a PIM related to SAIDI? If not, why not?
11. Are there any specific characteristics of the SAIDI PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?
 - a. Please describe the issues and present alternative characteristics, if possible.

PIM 3 – System Average Interruption Frequency Index (SAIFI)

12. Are you supportive of implementing a PIM related to SAIFI? If not, why not?
13. Are there any specific characteristics of the SAIFI PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?
 - a. Please describe the issues and present alternative characteristics, if possible.

PIM 4 – Distributed Energy Resource (DER) Connections

14. Are you supportive of implementing a PIM related to DER connections? If not, why not?
15. Are there any specific characteristics of the DER connections PIM as presented in the Discussion Paper that you have issues with? If so, which characteristics?
 - a. Please describe the issues and present alternative characteristics, if possible.
16. Should all DER connections be considered the same? Should different sizes of DERs have different requirements?
17. What aspects of the DER connections process and timeline should be considered in the development of the PIM?

PIMs Considered but not Included

18. Looking at the PIMs considered but not included (Table 10 in the Discussion Paper), which of these PIMs deserve further consideration?
 - a. Please describe why the PIM deserves further consideration and what the characteristics of this PIM may be.
19. Does a housing connection PIM discussed in Section 4.5 require further consideration in advance of the OEB's other planned work in this area? Why or why not?

Target setting

20. Do you agree with the three target setting methodologies described in the Discussion Paper? If not, which aspects of these target setting methodologies do you disagree with and why?
21. Has the most appropriate target setting methodologies been proposed for each of the proposed PIMs? If not, which target setting methodologies would you recommend for each of the proposed PIMs?

Incentive levels

22. Do you agree with the methodology presented for setting the incentive levels for the PIMs? If not, which aspects of the incentive setting methodology do you disagree with and why?

Administration of PIMs

23. Please provide feedback on the proposed process for administering the PIMs presented in the Discussion Paper.
 - a. What aspects of this process work and why?
 - b. Which aspects of this process do not work and why?

- c. Do you have an alternative process or parts of the process that you would like to propose?

Time frame for implementation

- 24. Do you agree with the proposed time frame for the implementation of the PIMs?
If not, which aspects of the time frame do you disagree with?

Appendix B Cost Award Matters

Eligible Activities

The activities eligible for cost awards are:

Activities Eligible for Cost Awards	Maximum number of Hours
Attendance and participation in the June 3, 2025, stakeholder meeting	2.5 hours
Preparation for June 3, 2025, stakeholder meeting and reporting back on the meeting (Reviewing Discussion Paper)	5 hours
Written response to discussion questions (June 27, 2025)	15 hours

Further information regarding any subsequent consultation activities eligible for cost awards will be communicated later.

When calculating the amount of the cost awards, the OEB will adhere to the principles outlined in section 5 of its Practice Direction on Cost Awards. The maximum hourly rates set out in the Cost Awards Tariff will also be applied. The OEB 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. As per section 12 of its Practice Direction on Cost Awards, the OEB will serve as the central entity for all disbursements of cost awards in this process. For further details about this process, please refer to the OEB's [Practice Direction on Cost Awards](#).

How to File Materials

Please ensure that all materials filed include the file number **EB-2024-0129** and submit them in PDF format with a digital signature through the OEB's online filing portal.

- Please ensure that the sender's name, postal address, telephone number and email address are clearly stated in the filings.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.

- Stakeholders are encouraged to use RESS. Those who have not yet set up an account or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the File Documents online page of the OEB's website for more information.
- All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

All communication should be addressed to the Registrar and must be received by the close of business, 4:45 p.m. on the required date.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll-free)