ONTARIO ENERGY BOARD

Advancing PBR – PIMs

Stakeholder Meeting
June 3, 2025

Agenda

01	Welcome & Land Acknowledgment	10 min.
02	Background & Context	20 min.
03	Proposed PIMs	60 min.
04	Break	15 min.
05	Implementation	30 min.
06	Wrap up & Next Steps	10 min.

Background & Context

Purpose

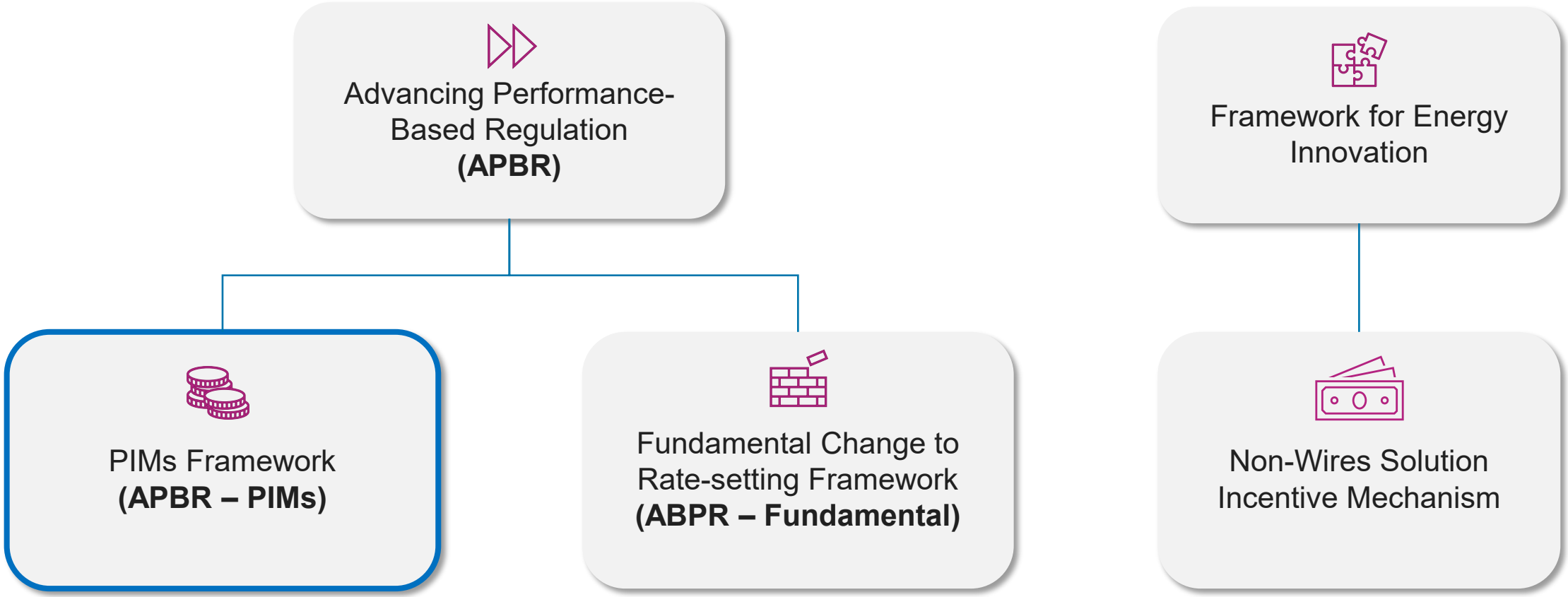
The purpose of this meeting is to:

Provide an overview of the Performance Incentive Mechanisms (PIMS) Discussion Paper issued in May 2025

Answer any questions of clarification regarding the Discussion Paper

Discuss the questions posed to stakeholders on the Discussion Paper

Context


Advancing Performance-Based Regulation **(APBR)**
PIMs Framework **(APBR – PIMs)**
Fundamental Change to Rate-setting Framework **(ABPR – Fundamental)**
Framework for Energy Innovation
Non-Wires Solution Incentive Mechanism

Background

"Develop a performance incentive regime that considers aspects such as customer service, resilience, or managing peak loads to defer distribution system needs, and work with the sector to develop principles, generic designs, and other criteria for performance incentives".
– 2023 Letter of Direction

September 2024

Report Back to Minister – Memo & Jurisdictional Scan

November 2024 – January 2025

Stakeholder meeting and written feedback

May 2025

Discussion Paper on Proposed PIMs

Objectives

Consultation objective

Strengthen the link between what electricity distributors earn and achievement of outcomes consumers value

Secondary Objectives (Outcomes Consumers Value)

Reliability

Resiliency

Customer Service

Efficient Connections

System Capacity/ Electrification

Cost Control/ Efficiency

Affordability

PIM Definition & Design Criteria

A PIM is a revenue adjustment mechanism that ties financial rewards or penalties to the achievement of pre-defined targets

- Consistent with other OEB initiatives
- Tied to outcomes that LDCs can control
- Builds on existing data
- Outcomes consumers value
- Aligns with policy goals
- Proportionate to the penalty/reward
- Benefits to ratepayers
- Does not increase regulatory burden
- Simple, measurable & transparent

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PIM Inputs

The proposed PIMs for electricity distributors were developed using the following inputs:

The jurisdictional scan and supplementary research on PIMs

A review of outcomes consumers value from recent electricity distributor cost-of-service applications

Stakeholder feedback from the November 19, 2024, consultation meeting

Examination of related OEB initiatives and processes

Other OEB Activities

- Activity and Program-based Benchmarking
- Framework for Energy Innovation (FEI)
- Reliability and Power Quality Review (RPQR)
- DER Connections Review
- FEI 2.0 Non-Wires Solution Incentives (Margin on Payments)
- Reporting and Record Keeping Requirements & Scorecards
- Distributor Spending Pattern Analysis
- Generic Proceeding – Cost of Capital
- System Expansion for Housing Developments
- Distribution System Operator Capabilities
- Incremental Capital Module Review
- Total Cost Benchmarking Review
- Vulnerability Assessment and System Hardening (VASH)

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Discussion Questions

- Which **outcomes that consumers value**, if any, are missing?
- Is the **definition** of a PIM employed in the Discussion Paper fit for purpose? If not, why not?
- Are you supportive of applying **a standard set of PIMs** to all electricity distributors in Ontario? If not, why not?
- Are the **criteria** used to evaluate the proposed PIMs appropriate? If not, why not?

Proposed PIMs

1 System Capacity/Electrification – Load Factor

Objective	Outcome	Metric	Structure & Target	Timeframe & Frequency
System Capacity/Electrification	**More efficient system utilization**	Load factor $\frac{Total\ consumption\ \left[\frac{kWh}{yr}\right]}{(Peak\ demand\ [kW]) * \left(8760\ [\frac{hours}{yr}]\right)}$	Reward-only Target set based on distributor historical performance	Implemented in rebasing applications filed no earlier than 2027 for 2028 rates Annual measurement through RRR process

OEB Foundation	Similar PIMs	Rationale	Pros	Cons
N/A	Hawaii, New York, Australia	1) Aligns with government energy policy and could address interest in non-wires solutions 2) Could reduce system costs	1) Relatively simple metric that allows utilities to make economic decisions about how to invest in reduced system load factor, but does not punish distributors that do not have leeway to affect load factor (e.g., less substantial DER penetration) 2) Provides an incentive to build an efficiently-sized distribution system	1) Distributors do not have control over all aspects of its load factor 2) OEB reporting requirements would need to be updated to implement this PIM

1 System Capacity/Electrification – Load Factor

Design Criteria	Rating	Design Criteria	Rating
Consistency	🟢	Distributor Control	🟡
Existing Data	🟡	Outcome	🟡
Policy Alignment	🟢	Proportionality	TBD
Ratepayer Benefits	🟢	Regulatory Burden	🟡
Simplicity	🟢		

🟢 Aligns well with criteria

🟡 Aligns somewhat with criteria

1 Discussion Questions

- Are you supportive of implementing a PIM related to system utilization? If not, why not?
- Are there any specific characteristics of the system utilization PIM that you have issues with? If so, which characteristics?

2 Reliability – System Average Interruption Duration Index (SAIDI)

Objective	Outcome	Metric	Structure & Target	Timeframe & Frequency
Reliability	**Improve electricity distributor reliability**	SAIDI	Penalty-only, based on Value of Lost Load Individualized distributor targets based on past performance and comparison with peers	Consistent with RPQR process: Targets established starting in 2026, during cost-of-service process for each distributor Annual measurement through RRR process
OEB Foundation	**Similar PIMs**	**Rationale**	**Pros**	**Cons**
1) RRR – SAIDI measured annually 2) RPQR – consistent with the outcomes of the RPQR stakeholder consultation 3) VASH – May employ a Value of Lost Load methodology based on the methodology established as part of the VASH consultation	New York, Hawaii, Australia	1) Reliability is an outcome that consumers value 2) There is a strong foundation of OEB work for developing a PIM 3) Reliability is a PIM used in other jurisdictions 4) Reliability is increasingly important as electrification advances	1) PIM is consistent with the outcomes of the RPQR stakeholder consultation 2) SAIDI is already measured through the RRR process and reported on the OEB electricity distributor Performance Scorecard	1) LDCs do not have control over all aspects of reliability 2) PIM may encourage excessive spending in attempt to improve reliability

2 Reliability – System Average Interruption Duration Index (SAIDI)

Design Criteria	Rating	Design Criteria	Rating
Consistency	●	Distributor Control	●
Existing Data	●	Outcome	●
Policy Alignment	●	Proportionality	TBD
Ratepayer Benefits	●	Regulatory Burden	●
Simplicity	●		

● Aligns well with criteria ● Aligns somewhat with criteria

3 Reliability – System Average Interruption Frequency Index (SAIFI)

Objective	Outcome	Metric	Structure & Target	Timeframe & Frequency
Reliability	**Improve or maintain electricity distributor reliability**	SAIFI	Penalty-only, based on Value of Lost Load Individualized electricity distributor targets based on comparison with peers	Consistent with RPQR process: Targets established starting in 2026 during cost-of-service process for each distributor Annual measurement through RRR process

OEB Foundation	Similar PIMs	Rationale	Pros	Cons
1) RRR – SAIFI measured annually 2) RPQR – consistent with the outcomes of the RPQR stakeholder consultation 3) VASH – May employ a Value of Lost Load methodology based on the methodology established as part of the VASH consultation	New York, Hawaii, Australia	1) Reliability is an outcome that consumers value 2) There is a strong foundation of OEB work for developing a PIM 3) Reliability is a PIM used in other jurisdictions 4) Reliability in increasingly important as electrification advances	1) PIM is consistent with the outcomes of the RPQR stakeholder consultation 2) SAIFI is already measured through the RRR process and reported on the OEB electricity distributor Performance Scorecard	1) LDCs do not have control over all aspects of reliability 2) PIM may encourage excessive spending in attempt to improve reliability

3 Reliability – System Average Interruption Frequency Index (SAIFI)

Design Criteria	Rating	Design Criteria	Rating
Consistency	●	Distributor Control	●
Existing Data	●	Outcome	●
Policy Alignment	●	Proportionality	TBD
Ratepayer Benefits	●	Regulatory Burden	●
Simplicity	●		

● Aligns well with criteria ● Aligns somewhat with criteria

2 3 Discussion Questions

- Are you supportive of implementing PIMs related to SAIDI and SAIFI? If not, why not?
- Are there any specific characteristics of the SAIDI and/or SAIFI PIMs as presented that you have issues with? If so, which characteristics?

4 Efficient Connections – DER Connection Time

Objective	Outcome	Metric	Structure & Target	Timeframe & Frequency
Efficient Connections	**Incent timely connection of DERs**	Average time it takes between when a customer requests DER connection and when the distributor actually connects them	Reward-only or symmetrical Targets set based on policy goals	Implemented in rebasing applications filed no earlier than 2027 for 2028 rates Annual measurement through RRR process
OEB Foundation	**Similar PIMs**	**Rationale**	**Pros**	**Cons**
DER Connections Review Framework for Energy Innovation	Hawaii	1) There is a strong foundation of OEB work for developing a PIM 2) Aligns with government policy	1) Relatively straightforward to measure 2) Aligns with government policy 3) PIM suggested by stakeholders in written comments 4) Consistent with distributor's views in the written comments that PIMs should be tied to government policy objectives	1) Electricity distributors do not have control over all aspects of DER connections 2) May not be tracked and reported by distributors in a way that is sufficient to support implementation of a PIM

4 Efficient Connections – DER Connection Time

Design Criteria	Rating	Design Criteria	Rating
Consistency	🟢	Distributor Control	🟡
Existing Data	🟡	Outcome	🟡
Policy Alignment	🟢	Proportionality	TBD
Ratepayer Benefits	🟡	Regulatory Burden	🟡
Simplicity	🟢		

🟢 Aligns well with criteria

🟡 Aligns somewhat with criteria

4 Discussion Questions

- Are you supportive of implementing a PIM related to DER connection time? If not, why not?
- Are there any specific characteristics of the DER connection time PIM as presented that you have issues with? If so, which characteristics?

Additional PIMs Considered

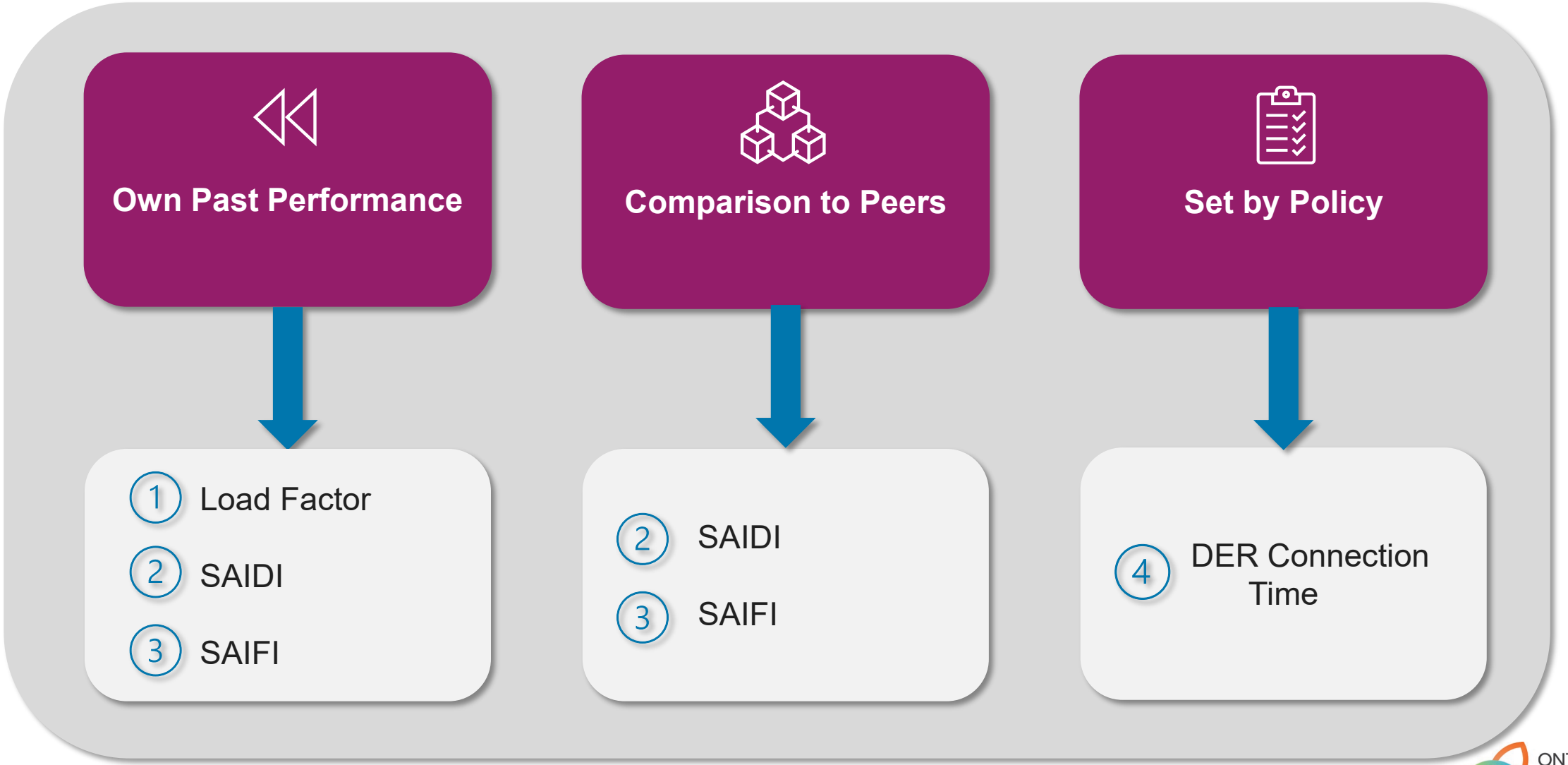
Policy Objective	Metric	Reason Not Included
Reliability	Feeders Experiencing Sustained Interruptions (FESI)	Only some electricity distributors currently track this metric.
Resiliency	Customers Experiencing Long Interruption Durations (CELID)	Difficult to account for which aspects of restoration are attributable to electricity distributors.
System Capacity – DERs	kW capacity of grid services acquired	Electricity distributors are not in control of how many of their customers wish to connect DERs.
System Capacity – Peak load reduction	Reductions from baseline weather normalized coincident system peak in MW	An alternative system capacity metric related to system utilization has been proposed.
System Capacity – Line losses	Reduced line losses	Evidence suggests that the cost to reduce line losses generally exceeds the benefit to customers. Therefore, there is a risk that such a PIM would not provide net benefits to customers.
Resiliency/ Customer Service	Difference between average estimated time of restoration and actual restoration time	The OEB is not planning a metric for average time to restore yet, as more data is required to be able to ensure that the metric is not driving the wrong behaviour.
Efficient Connections	Average time frame between when a customer requests a new electricity connection for housing and when the distributor actually connects them	This PIM does not address the underlying issue with improving the speed of housing connections, which research and stakeholder feedback suggests occurs before connection requests and involves collaboration between developers and distributors.

Discussion Questions

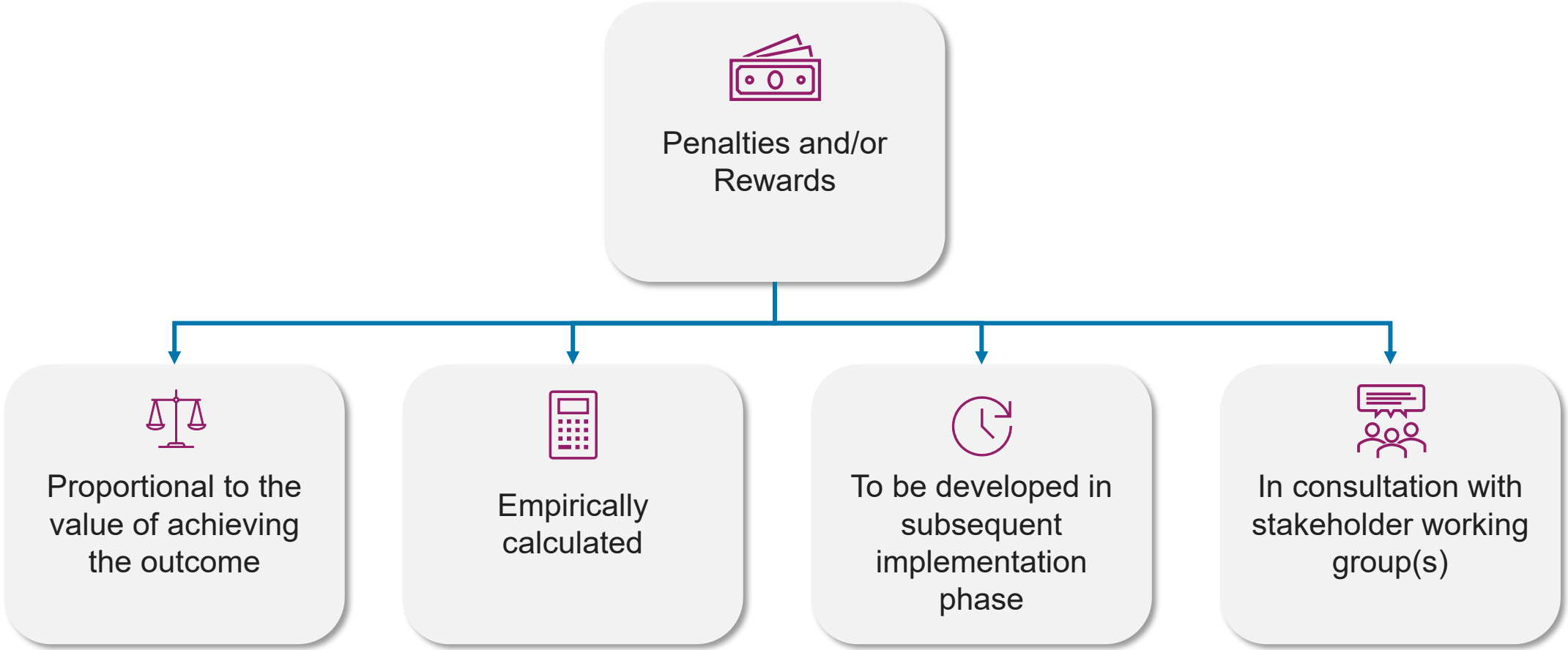
- Which of these additional PIMs deserve further consideration, if any?
- Are there any other PIMs that we have not considered that you would like to discuss?

Implementation

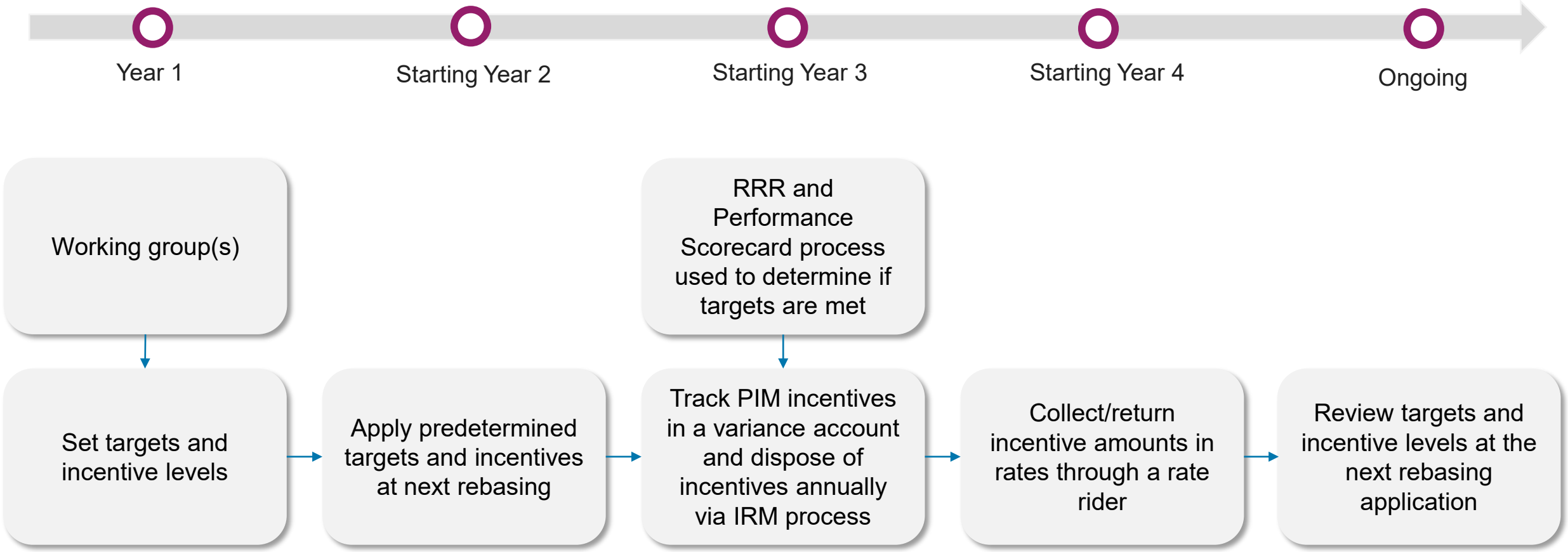
Target Setting



Incentives Levels



Implementation Process



Discussion Questions

- Have the most appropriate **target setting methodologies** been proposed for each of the PIMs? If not, which target setting methodologies would you recommend?
- Do you agree with the high-level methodology presented for setting the **incentive levels** for the PIMs? If not, why?
- Please provide feedback on the proposed process for **administering the PIMs**.
- Are you supportive of the use of **working groups** to further develop the PIMs targets and incentives?

Next Steps

Next Steps

Written comments on the meeting materials are due **June 27, 2025**. Please consider the questions posed in the letter of invitation to this meeting when preparing the written comments.