



BY EMAIL and WEB POSTING

June 11, 2025

To: All Rate-regulated Electricity Distributors and Transmitters
All Rate-regulated Natural Gas Utilities
Ontario Power Generation Inc.
All Registered Intervenors in 2026 Rate Applications
All Other Interested Parties

Re: 2026 Inflation Parameters

This letter provides the calculation for the inflation factors and establishes the process for their implementation in applicable 2026 rate applications.¹

The Ontario Energy Board (OEB) has established sector-specific inflation factors.² The calculation of the inflation factor for each sector uses the same data from Statistics Canada and the same basic formula, but differs for each sector based on the weights for labour and non-labour (i.e., materials, capital assets, and equipment).

For electricity distributors, the inflation parameters measure (the Input Price Index or IPI) is set out in the *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*.³ For electricity transmitters, the methodology was approved in decisions for several transmitters.

The OEB has calculated the 2026 inflation factor for electricity distributors to be **3.7%**, and for electricity transmitters to be **3.5%**. Tables showing the derivation of the 2026 inflation values are provided in the attached Appendix.

For Price Cap Incentive Rate-setting (IR) and Annual IR applications for electricity distributors, the OEB's 2026 Incentive Rate-setting Mechanism (IRM) model, expected to be posted on the OEB's [website](#)⁴ in July 2025, will reflect the inflation factor change.

¹ Price Cap Incentive Rate-setting (IR), Annual IR, Revenue Cap IR, Custom IR, and other similar rate adjustment options made available by the OEB, as applicable.

² Electricity distribution, electricity transmission, and natural gas distribution. EPCOR Natural Gas Limited Partnership uses the electricity distribution IPI for its annual rate adjustments for its two natural gas service territories (as noted in EB-2018-0264 and EB-2024-0130).

³ EB-2010-0379, issued November 21, 2013 and updated December 4, 2013.

⁴ The model will be posted on the OEB's website for 2026 electricity distribution rate applications.

Other utilities which have utility-specific models (e.g., those under Revenue Cap IR or Custom IR) should update any applications, as appropriate, for approval by the OEB.

Statistics Canada Data Revisions

The OEB notes that Statistics Canada has revised certain GDP data that impacts the calculated 2026 Inflation Parameters.⁵

In calculating the 2026 Inflation Parameters, the OEB has relied on the latest (revised) Statistics Canada data. This is in accordance with OEB policy, which stipulates that “the most recently available annual change” is to be used.⁶

Any questions relating to this letter should be directed to the OEB’s Industry Relations hotline, at 1-877-632-2727 or industryrelations@oeb.ca.

Yours truly,

Ritchie Murray
Acting Registrar

Attachment: Appendix – 2026 Inflation Parameter Calculations

⁵ Statistics Canada, The 2021 to 2023 [Revisions](#) of the Income and Expenditure Accounts, November 29, 2024.

⁶ EB-2010-0379, *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*, issued November 21, 2013 and updated December 4, 2013, pp.10 & 11.

Appendix – 2026 Inflation Parameter Calculations
June 11, 2025

Electricity Distribution – 2026 Inflation Factor

Table 1: Non-Labour Component - GDP-IPI (FDD) – National

Year	Q1	Q2	Q3	Q4	Annual	Annual % Change	Weight
2023	118.7	120.1	121.1	122.5	120.600		
2024	122.8	124.3	125.2	126.0	124.575	3.2%	70%

Table 2: Labour Component – AWE – All Employees – Ontario

Year	Annual	Annual % Change	Weight
2023	\$1,232.27		
2024	\$1,293.52	4.9%	30%

Table 3: Resultant Values – Annual Growth for the 2-Factor IPI Formula

Year	Annual GDP-IPI % Change (Table 1)	Weight	AWE % Change (Table 2)	Weight	Annual IPI	Annual % Change
2023					129.6	
2024	3.2%	70%	4.9%	30%	134.5	3.7%

Sources:

- [GDP-IPI \(FDD\): Statistics Canada, Table 36-10-0106-01 \(formerly CANSIM 380-0066\) - Price Indexes, gross domestic product, quarterly \(2017 = 100 unless otherwise noted\) - 2025 Q1, data accessed May 30, 2025](#)
- [Average Weekly Earnings \(AWE\): Statistics Canada, Table 14-10-0204-01 \(formerly CANSIM 281-0027\), Ontario, Industrial aggregate excluding unclassified businesses, annual \(current dollars\), data accessed May 30, 2025](#)

Note: As set out in the EB-2021-0212, OEB 2022 IPI Generic Proceeding, Procedural Order No. 1, Fact Sheet, August 27, 2021, the calculations of the “Annual % Change” in GDP-IPI (FDD) – National and AWE – All Employees – Ontario are based on the logarithmic growth rate, as opposed to the arithmetic growth rate.

Electricity Transmission – 2026 Inflation Factor

Table 1: Non-Labour Component - GDP-IPI (FDD) – National

Year	Q1	Q2	Q3	Q4	Annual	Annual % Change	Weight
2023	118.7	120.1	121.1	122.5	120.600		
2024	122.8	124.3	125.2	126.0	124.575	3.2%	86%

Table 2: Labour Component – AWE – All Employees – Ontario

Year	Annual	Annual % Change	Weight
2023	\$1,232.27		
2024	\$1,293.52	4.9%	14%

Table 3: Resultant Values – Annual Growth for the 2-Factor IPI Formula⁷

Year	Annual GDP-IPI % Change (Table 1)	Weight	AWE % Change (Table 2)	Weight	Annual IPI	Annual % Change
2023					128.8	
2024	3.2%	86%	4.9%	14%	133.3	3.5%

Sources:

- Please refer to the Sources for Electricity Distribution, as set out in this Appendix.

⁷ Note that the Annual % Change in Table 3 is calculated to be 3.5% excluding rounding impacts.