



**BY EMAIL AND WEB POSTING**

August 18, 2025

To: All Licensed Electricity Distributors

**Re: Incentive Rate Setting: 2024 Benchmarking Update for Determination of 2025 Stretch Factor Rankings (EB-2010-0379)**

**What You Need to Know**

- **The OEB has benchmarked electricity distributors' cost performance, with the results determining stretch factors under the annual Incentive Rate Mechanism for the 2025 rate-setting process.**
- **Most distributors maintained their ranking while one improved due to better cost performance. This continues a trend of consistent cost performance improvement, on average.**

The Ontario Energy Board (OEB) is releasing this year's total cost benchmarking update. Each year, the OEB benchmarks electricity distributors' total cost performance. The rankings from the benchmarking results for the current year's electricity distributors are used to assign stretch factors. The stretch factor forms part of the annual Incentive Rate Mechanism (IRM) process and is used to determine how a distributor's rates will be adjusted. This benchmarking update uses 2024 data to determine the 2025 stretch factor assignments for distributors, which are to be used in the 2026 rate-setting process.

Incentive rate setting rewards distributors commensurate with their total cost benchmarked against an econometric model. Distributors are assigned to one of five cohorts on a sliding scale based on their performance level with the best cost performers placed into Cohort (I). Distributors in Cohort I receive no rate reduction adjustment. Distributors in cohorts 2 to 5 receive rate reduction adjustments that range from 0.15% to 0.60%. Stretch factors incent distributors to be more productive, thereby promoting, recognizing and rewarding distributors for cost efficiency improvements, which in turn lead to lower distribution costs and rates.

The OEB commissioned Pacific Economics Group Research (PEG) to perform the benchmarking analysis according to an OEB-approved methodology. The most recent update, based on 2024 data, has been received and is posted on the [Performance Assessment](#) page of the OEB's website.

The OEB notes the following regarding overall industry's cost performance:

- The electricity distributor sector has shown consistent cost performance improvement. The average level of cost performance in 2024 for the 53 distributors was 14.8% lower than forecast cost, which is a slight improvement over 2023 performance of 14.3% below forecast cost. 2023 and 2024 industry performance builds upon the cost performance improvement in the two years previous, with costs were lower than forecast cost by 14.2% in 2022 and 13.8% in 2021.
- The one distributor whose performance has improved from 2023 to 2024 has moved cohorts based on improved cost performance.

The overall trend is indicative of improved cost performance on average.

The OEB recognizes the distribution sector's ongoing commitment to cost-effective service for their customers. The OEB will continue to monitor to determine whether these improvements are sustained.

The table below shows the distributor whose 2025 stretch factor assignment has changed from the previous year's update. Amounts shown in brackets represent the downward percentage adjustment to reduce the rates during the 2024 IRM rate setting process. The stretch factor assignments of all other distributors remain the same as assigned in the previous year's update results (i.e., 2024 stretch factor ranking).

<b>Company Name</b>	<b>2024 Stretch factor ranking</b>	<b>2025 Stretch factor ranking</b>
Wellington North Power Inc.	Cohort III (0.30)	Cohort II (0.15)

Any inquiries regarding the above matter should be directed to the OEB's Industry Relations hotline at 416-440-7604 or by e-mail to [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca). The OEB's toll free number is 1-888-632-6273.

Yours truly,

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