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Mr. Ritchie Murray
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

**Re: Oshawa PUC Networks Inc. (“Oshawa Power”)
Application for 2026 Distribution Rates (“Application”)
Ontario Energy Board (“OEB”) File No. EB-2025-0014
Revised Interrogatory Response 1-SEC-7(b)**

We are counsel to Oshawa Power in the Application. On August 18, 2025, the intervenor School Energy Coalition (“SEC”) filed a notice of motion seeking, among other relief, an order requiring Oshawa Power to provide “full and adequate responses to the following interrogatory questions: a. Interrogatory 1-SEC/Staff/CCMBC-7(b)...” (“1-SEC-7(b)"). The motion is scheduled to be heard on September 29, 2025.

Oshawa Power answered 1-SEC-7(b) as originally asked during the interrogatory phase of the Application. Through the notice of motion, SEC has amended their request under 1-SEC-7(b). Oshawa Power would have answered the amended request if it has been put them in the first place. Oshawa Power now provides this revised response to the amended 1-SEC-7(b). The 1-SEC-7(b) question originally stated:

With respect to the fact that “the entire senior management team at Oshawa PUC Networks has turned over since the last Cost of Service rate filing”:

...b) Please file any presentations, plans, strategic memoranda, or other documents describing the initial plan for the modernization of the Applicant’s system, and/or the connection, if any, between that plan and the management turnover.¹

¹ EB-2026-0014, Oshawa Power, Exhibit 1: Administrative Documents Interrogatory Responses, filed July 30, 2025, p. 17-18: <<https://www.rds.oeb.ca/CMWebDrawer/Record/906755/File/document>>.

Oshawa Power provided the following response to the original 1-SEC-7(b) on July 30, 2025, including supporting attachments:

The plans for modernization of Oshawa Power's system were developed by the new leadership following the management turnover. The plans are documented in the 2026-2030 Strategic Plan (Exhibit 1, Attachment 1-2) and the 2025-2030 Strategic Direction for the Oshawa PUC Networks Group of Companies, see 1-SEC/PP-27, Attachment 1-1.²

In its notice of motion, SEC now states that its request under 1-SEC-7(b) is for "planning documents" used in the process of developing "a 'business transformation plan' developed by an entirely new senior management team".³

Oshawa Power provides the following revised response to SEC's amended 1-SEC-7(b) request:

The plans for modernization of Oshawa Power's system were developed by the new leadership following the management turnover. The plans are documented in the 2026-2030 Strategic Plan (Exhibit 1, Attachment 1-2) and the 2025-2030 Strategic Direction for the Oshawa PUC Networks Group of Companies, see 1-SEC/PP-27, Attachment 1-1.

The following documents were used by the new leadership in the process of developing the plans for modernization of Oshawa Power's system:

1. **PESTLE analysis (Attachment 1-8):** The PESTLE model is a tool used in strategic planning to identify and monitor the large number of external forces facing an organization. It is an acronym for the six factors accounted for in the model – political, economic, social, technological, legal and environmental. The attached PESTLE analysis document was prepared October 12, 2023 and itemizes the identified external forces facing the Oshawa PUC Network group of companies at that time.
2. **Business Transformation: Understanding Why, How & What (Attachment 1-9) (the "Presentation"):** The Presentation dated May 1, 2024, was prepared for Oshawa Power by Robert Wong, principal of Hesketh Sloane Advisory and director of the Independent Electricity System Operator. The Presentation provides details of factors driving the need for change, the form of change and areas for change for Oshawa Power, including manual and paper-based processes, capacity

² Ibid.

³ EB-2026-0014, School Energy Coalition, Notice of Motion dated August 18, 2025, paras 6-8: <https://www.rds.oeb.ca/CMWebDrawer/Record/909238/File/document>

and capability constraints, business processes, data governance, corporate performance culture, collaboration and organizational change management.

3. **2023 UtilityPULSE Customer Satisfaction Survey Report (Exhibit 1, Attachment 1-8):** Customer satisfaction survey results prepared by a third-party consultant.

If you require any further information or clarification, please feel free to reach out at your convenience.

Sincerely,

BORDEN LADNER GERVAIS LLP



Zoë Thoms

ZT/zt

PESTLE

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Political

Federal politics

- Liberals are losing favour and at risk of losing the next election – which can shift energy goals and programs, including active green programs, tax incentive credits and provincially, capacity procurement, with future energy procurement slated for 25/26.
 - Grants such as Greener Homes Canada offers Consumers rebates. Oshawa Power and local regional governments are actively promoting this as a cross collaborative effort.

Ontario Government:

- In July 2023, Government released its Powering Ontario Growth plan outlining the actions the Province is taking to meet the increasing electricity demand over the long term.
 - Nuclear Energy – Advancing reliable, affordable and clean nuclear power through pre-development work at Bruce Power and three additional small modular reactors at Darlington
 - Competitive Procurements – Starting to plan for the next long-term competitive procurement of non-emitting electricity resources including wind, solar, hydroelectric, batteries and biogas
 - New Transmission Infrastructure – Designating and prioritizing three new transmission lines that will power Algoma Steel and job creators in Northern Ontario, and one new transmission line to power growth in the Ottawa region and across Eastern Ontario.
 - Hydroelectric Power – Asking OPG to optimize hydroelectric generation from current sites and working with IESO to assess two proposed pumped hydroelectric storage projects in Marmora and Meaford to improve grid efficiency
 - Keeping Costs Down – Starting planning for the future of energy efficiency programming in Ontario to help reduce demand and supporting the deployment of distributed energy resources (DER) such as rooftop solar and the EV batteries
 - Planning for Future Transmission – Directing IESO to report back to the Minister with transmission options to address system bottlenecks between Toronto and northern Ontario, and into downtown Toronto, to enable growth
- The PC government's Green policies do not favour sustainable policies, and each time the political party changes, it needs ongoing stakeholder attention. New opportunities for EnerFORGE generation and managed projects could be problematic. In reverse, a PC government could be good for the LDC and LDC services. However, the continued notion of consolidation from the government and OEB is present. The introduction of ULO and Green Button programs are indicators of the need for more customer choice programs.

<https://www.cer-rec.gc.ca/en/data-analysis/canada-energy-future/2023/canada-energy-futures-2023.pdf>

<https://www.electricity.ca/news/electricity-canada-on-federal-budget-2023-funding-for-electrification-is-good-news/>

<https://natural-resources.canada.ca/energy-efficiency/homes/canada-greener-homes-initiative/canada-greener-homes-grant/greener-homes-grant-ontario/24835>

<https://news.ontario.ca/en/release/1003253/province-launches-plan-to-power-ontarios-growth>

<https://ieso.ca/en/Learn/The-Evolving-Grid/Pathways-to-Decarbonization>

Economic

Interest Rates Elevated but Holding:

- Bank of Canada is holding its key interest rate, the overnight rate, at 5%, with two more dates in 2023 where policy interest rate decisions will be released.
- TD is forecasting a reduction in the overnight rate starting in Q2 2024, with a continued decline to 2.25% in Q4 2025. This will also influence short and long term borrowing rates. Currently long term rates are more favorable with that expected to change in late 2024.
- Rate decisions are tied to inflation in that the Bank of Canada is seeking to reduce inflation and are using interest rate hikes to do so. With higher interest rates, the hope is that spend will reduce, thereby reducing inflation.
- This will impact financing decisions as we consider relocation plans and a refinancing strategy. This will also influence the deemed cost of debt that the OEB sets as part of the Cost of Service application set for 2026.

<https://www.bankofcanada.ca/2023/09/fad-press-release-2023-09-06/>

<https://economics.td.com/ca-forecast-tables>

<https://www.bankofcanada.ca/2022/07/2023-schedule-interest-rate-announcements/>

Elevated Inflation:

- Canada's inflation increased to 4% in August, which was a rise from June and July. Inflation peaked at 8.1% in June 2022.
- TD forecasts that the annual rate for 2023 will be 3.8% and that this will decline to 2.8% in 2024 and 2.1% in 2025.
- High inflation is driving up costs to operate and wage growth has remained at between 4-5%.
- This will impact budgeting decisions, as well as, long range planning tied to our Cost of Service application and labour negotiations that will take place in late 2024.

<https://www.bankofcanada.ca/2023/09/fad-press-release-2023-09-06/>

<https://www150.statcan.gc.ca/n1/daily-quotidien/230919/dq230919a-eng.htm?indid=3665-1&indgeo=0>

<https://economics.td.com/ca-forecast-tables>

What is changing in our economy and how does the increases in inflation and interest rates change outlooks.

- A recent report from Deloitte states that Canada's near-term economic struggles will ease as we enter into 2024 and beyond
- Recovery will pick up steam in the second half of 2024
- The report further suggests that consumer spending will grow 1.2% in 2024
- Ontario in particular is attracting unprecedented investment in electric vehicles, battery manufacturing, clean steelmaking and other sectors, creating new jobs and driving demand for new electricity generation and storage of up to an estimated 8TWh
- Ontario is also driving new investments by introducing Clean Energy Credits (CEC's). Proceeds from the sale of CEC's will assist in the funding of clean energy projects through the new Future Clean Electricity Fund
- The Region of Durham and Oshawa in particular have seen and will continue to see unprecedented growth. According to Statistics Canada, Oshawa is leading the country in population growth year over year

- In 2022, Oshawa had a total construction value approaching \$1 billion. This trend appears to be continuing as the 722 acre Northwood Business Park begins development with developers such as Broccolini and Panattoni leading the way
- Access to lower cost of capital – Agriculture
 - [Farmer Credit Canada](#)
 - Green focused programs ([Agriculture Clean Technology “ACT” program](#))
- MUSH sector is looking for capital to fund their budget and sustainability goals
 - \$40 Million [Capital budget for City of Oshawa in 2024](#)
 - \$820M spending through 2032
- Network’s customer impact and the economic pressures should we raise rates +/- 15% - could slow any adoption (or with proper messaging/marketing on offsetting costs by using renewables/EV)
 - [Capacity and energy shortfalls and potential solutions including conservation and demand management to minimize the costs.](#)
- New focus on housing could lend to opportunity as more homes are built and coming up will be no HST that
 - [Removing the Goods and Services/Harmonized Sale Taxes on new qualifying rental housing constructions](#)
 - Construction that begins on or after Sept 14, 2023 and on or before the end of 2030 with completion of construction before the end 2035
 - Access to capital seems to be decreasing - [Construction and other capital projects and seeing delays or cancel based on models that did not anticipate the high cost of capital](#)
- Capacity/Energy procurement incentives and grants around Net Zero
 - [Current capacity procurement may not be established early enough and could require CDM support](#)
- Equipment costing and procurement timelines - [Recommendations from CM&E](#)
 - Embrace Value-Based Procurement
 - Leverage the Ontario Made Program
 - Confirm Supply Ontario as the Procurement Hub
 - Use Flexibility in Trade Agreements to Benefit Local Supply Chain
 - Define ‘Ontario Business’ Broadly to Incentivize Foreign Investment
 - Introduce Transparent Procurement Reporting
 - Allow for Longer-Term, Predictable Contracts
 - Build in Flexibility to Address High Inflation
 - Learn from federal Industrial Regional and Technology Benefits
- With the economic challenges Networks/EnerFORGE will need to look at creative solutions around financing to support customers who have capital constraints to get projects on board and take part of the value chain.

Societal

Population Growth:

- With Oshawa being one of the fastest-growing areas in the country, according to Statistics Canada, Oshawa Power will be able to leverage our ability to attract top talent, work with the Ontario Tech University and attend local job fairs in an effort to protect us from the labour supply gap.
 - From 2016 to 2021, the population growth rate of the Oshawa CMA was 9.3%, and the population growth rate of its downtown was 8.2%.
 - According to data shared at the City of Oshawa's 17th Annual Realtor and Developer Breakfast, 2022 was a record-breaking one for growth and development in Oshawa. Year-to-date building permit activity reported for 2022 exceeds any year in Oshawa's recorded history. The city's previous annual building permit record of \$614 million in 2017 was recently shattered with \$877 million in building permit values for 2022 — that's double the pace of 2021.
 - Oshawa posted the highest rate of population growth in Canada at 2.1% - Statistics Canada, 2020. Oshawa G.D.P. is expected to grow by 5.2% in 2021 and 4.7% in 2022 with 2023 GDP growth forecasted at 2.2 per cent – Conference Board of Canada.

<https://www150.statcan.gc.ca/n1/daily-quotidien/220209/g-b001-eng.htm>

Labour shortage and supply gap :

Tight labour supply provides leverage in offering new strategies in recruitment and retention and taking advantage of the population growth in Oshawa.

According members of the EDA HR Council, the LDC Sector is experiencing a labor supply gap expected to last over the next 1-5 years.

- The roles most difficult to recruit for;
 - Financial and regulatory positions;
 - Powerline technicians;
 - System Operators and Engineering;
 - IT
- Potential Causes
 - Lack of interest from younger talent pools;
 - Increasing rate of retirements;
 - Demand for remote of hybrid work arrangements;
 - Factors external to the industry

Consumer Attitudes & Opinions

- As the customer experience becomes more important, Oshawa Power will need to continue to focus on opportunities for improvement.
- Google Reviews 2.2/5 (93 respondents)

Technological



Technological changes impacting general economies (AI, automation, data analysis) as well as industry.

Technology will change the way we interact with customers and employees:

- AR/VR will becoming more prevalent over the next decade. Workers/Customers will expect those types of experiences from us.
- Natural Language Processing (NLP) and Artificial Intelligence (AI)-augmented customer/employee experiences will become more common-place. Utilities will be expected to match these commercial experiences and offerings
- Increased demand for transparency with utility and energy data (sharing with customers, 3rd parties, etc.) as energy becomes more transactive and trends such as 'super apps' mature.

Technology will dramatically change the way Utility operations and labour force makeup

- Over the next decade, dramatic increases in distributed energy, coincident loads, bidirectional energy, moving loads (EVs) and the possible introduction of transactive energy will require the re-engineering of much of the distribution network.
- Realtime observability will be essential to enabling future opportunities such as improved reliability and DSO operations.
- Digitization, automation and emerging technologies (AI, NLP, ML) will displace many customer-facing and low-skill jobs, creating capacity and opportunity for up-skilling.
- AI will begin to creep into grid operations, gradually automating many lower-value operator tasks.
- IT and OT will continue to blend, increasing automation opportunities.
- There is a looming major disruption to the energy sector that could threaten its existence as it currently operates. There are many competing technologies such as Small Modular Reactors, Hydrogen fuel cells and Wave Reactors that could effectively render much of the utility infrastructure obsolete, though it is difficult to predict when these technologies would be commercialized. Utilities must be ready to lead and participate in the shift to survive.

Cyber security

- Decentralization of workforce and systems will continue to increase cyber attack surface
- Risk of disruptive foreign-based cyber-attack will correlate to level of geopolitical instability
- More resources (money, time, governance) will be required to keep up with upcoming cyber security trends
- IT and OT will continue to blend, increasing risk
- Quantum computing over next decade will be disruptive across all industries, likely requiring significant and rapid investment, redesign and upgrade of infrastructure.
- Transactive Energy will create entirely new classes of cyber risk for utilities.

- [Global Augmented Reality and Virtual Reality Market Size to Reach USD 789.85 Billion in 2032 | Emergen Research](#)
- [NLP in 2023: An Overview of the Latest Advancements in Natural Language Processing - TechSmartFuture: Your Guide to a Futuristic Technology Landscape](#)
- [2023 DOD Cyber Strategy Summary \(defense.gov\)](#)
- [National Cyber Threat Assessment 2023-2024 - Canadian Centre for Cyber Security](#)
- [Cyber threat bulletin: The cyber threat to Canada's electricity sector - Canadian Centre for Cyber Security](#)
- [2023-gartner-top-strategic-technology-trends-ebook.pdf \(gcom.cloud\)](#)
- [A Call to Action: A Canadian Roadmap for Small Modular Reactors \(smrroadmap.ca\)](#)
- [https://www.terrapower.com/](#)
- [French drillers may have stumbled upon a mammoth hydrogen deposit | Ars Technica](#)
- [Canadian Engineers Make 'Revolutionary' Hydrogen Breakthrough - Hydrogen Central \(hydrogen-central.com\)](#)
- [Ontario Long-Term RFP for 2,518 MW of energy \(ieso.ca\)](#)
- [Ultra-Low Overnight Prices May 1, 2023 to October 31, 2023 \(oeb.ca\)](#)
- [Guide to Transactive Energy: What Everyone Needs to Know - IEEE Blockchain Technical Community](#)

Legal/Regulatory

Ontario Government:

- In July 2023, Government released its Powering Ontario Growth plan outlining the actions the Province is taking to meet the increasing electricity demand over the long term.
- This is in response to the IESO's report Pathways to Decarbonization published in December 2022.
- This will require significant public and private investment and innovation across multiple technologies. Regulations and legislation will need to change to reflect and facilitate climate change and electrification. LDCs will play a pivotal role.

<https://news.ontario.ca/en/release/1003253/province-launches-plan-to-power-ontarios-growth>

<https://ieso.ca/en/Learn/The-Evolving-Grid/Pathways-to-Decarbonization>

KPMG – Energy Transition Trends in Canada and Beyond (presented Sept 2023)

Regulation:

- Government sets the direction which is implemented by the Ministry of Energy (MOE) and governed by the OEB as the Regulator. The OEB regulates the IESO, generators, transmitters, distributors and retailers.
- MOE provides letters of direction to the OEB with the most recent one indicating that “the government has a vision for the energy system in which Ontario leverages its clean energy grid to promote electrification and job creation while continually enhancing reliability, resiliency and customer choice.”
- OEB establishes its business plan from this and both the OEB and IESO have communicated various initiatives and activities that will enable the Energy transition set by the Government.
- See appendix for lists of these initiatives

<https://www.ontario.ca/page/published-plans-and-annual-reports-2022-2023-ministry-energy>

<https://www.oeb.ca/about-oeb/corporate-governance-and-reports/letters-direction-formerly-mandate-letters>

<https://www.oeb.ca/sites/default/files/OEB-2023-2026-business-plan-en.pdf>

<https://www.ieso.ca/en/Sector-Participants/Planning-and-Forecasting/Annual-Planning-Outlook>

ESG Reporting

- International Sustainability Standard Board (ISSB) is a standard setting body of IFRS that recently released two standards for future sustainability reporting requirements. Currently awaiting Canadian adoption.
- Although this is more geared towards investors seeking sustainability information to influence their decisions, it is expected that this will become mandated and regulated going forward.
- Need to establish and design our reporting strategy and overall governance

<https://www.ifrs.org/groups/international-sustainability-standards-board/>

IASB Regulatory Accounting

- Exposure draft was released in 2021 setting out a new accounting model for companies subject to rate regulation. Many concerns raised and the IASB is currently working through them
- Anticipated release of final standard is for 2025 with implementation expected for 2028
- This will impact the accounting of the regulatory assets and liabilities and will impact the presentation within the financial statements which will impact users of the financial statements and possibly future rate applications.

<https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2021/03/rate-regulated-activities.pdf>

Extreme weather events and natural catastrophes:

- Events are increasing which results in rising insurance premiums due to increased loss of assets.
- Risk management and business continuity planning will be key to ensuring services are able to continue with minimal disruption to customers.
- Insurance companies will require more demonstrable evidence of policies and procedures in place to mitigate against disruption and loss

MEARIE – Risk Management presentation

APPENDIX

LEGAL (REGULATORY)

Regulatory framework in Ontario via OEB and IESO structures and its impact on LDC's

The Changing Regulatory Environment:

1. Changes in industry fundamentals:
 - Electric Vehicles
 - Distributed Energy Resources (DERs)
 - Microgrids
 - Distribution System Operator (DSOs)
 - Energy Storage
 - Climate Change Goals
 - Electrification of Transportation
2. What role will the LDC assume moving forward?
3. Rules/Acts requiring change to facilitate climate change and electrification transformation?
4. Innovation and funding approaches?

The Ministry of Energy Priorities:

The Ministry of Energy Letter of Direction to the Ontario Energy Board dated October 21, 2022 “the government has a vision for the energy system in which Ontario leverages its clean energy grid to promote electrification and job creation while continually enhancing reliability, resiliency and customer choice.”

Ministry of Energy Letter of Direction priorities to advance in the near-term:

- Supporting the Electrification and Energy Transition Panel – Decarbonization, Digitalization, Decentralization, Democratization
- Regulatory Framework – further enable electrification related investments while protecting the interests of consumers
- Distribution Sector Resiliency, Responsiveness, and Cost Efficiency – ensuring LDCs are preparing distribution infrastructure for extreme weather events
- Electric Vehicles – enable system readiness for EV adoption and demand for cost effective and convenient charging options
- Strengthening the Performance Measurement Framework – industry consultation of Total Cost Benchmarking
- Red Tape Reduction – reduce burden from regulatory compliance requirements

Ministry of Energy Letter of direction continuing priorities:

- Facilitating Innovation – Framework for Energy Innovation (FEI)
- Ultra-Low Overnight Price Plan – implementation by November 1, 2023
- Dynamic Pricing Pilot for Class B customers – customers not on regulated price plan (RPP)
- Green Button – implementation by November 1, 2023
- Supporting Broadband Expansion – new legislative and regulatory instruments that promote broadband expansion
- Conservation and Demand Management/Demand-Side Management (CDM/DSM) – work with IESO to reduce barriers for LDCs that wish to deliver CDM activities through distribution rates to address local distribution level electricity needs

- Net Metering Regulatory Changes – new Community Net Metering (CNM) regulation and regulatory amendments to clarify third-party ownership (TPO) net metering arrangements

<https://www.ontario.ca/page/published-plans-and-annual-reports-2022-2023-ministry-energy>

<https://www.oeb.ca/about-oeb/corporate-governance-and-reports/letters-direction-formerly-mandate-letters>

OEB Initiatives/Activity - Energy Transition:

1. Renewed Regulatory Framework
2. Green Button Implementation & Compliance
3. Ultra-Low Overnight (ULO) Price Plan
4. Framework for Energy Innovation (FEI)
5. Electric Vehicle Integration
6. IESO/OEB Study of DER Incentives
7. Reliability and Power Quality Review
8. DER Connections Review
9. Net-Metering Initiatives Implementation
10. Benefit-Cost Analysis for DERs
11. Distribution Sector Resilience, Responsiveness & Cost Efficiency
12. Innovation Handbook/Innovation Sandbox Challenge
13. Facilitate use of CDM Guidelines by Distributors
14. Consolidated Guidance on Non-Wire Alternatives

<https://www.oeb.ca/sites/default/files/OEB-2023-2026-business-plan-en.pdf>

IESO Initiatives/Activities - Energy Transition:

1. Pathways to Decarbonization
2. Annual Planning Outlook
3. Conservation & Demand Management Framework Mid-Term Review
4. Distributed Energy Resources (DER) Market Vision & Design Project
5. Market Renewal Program (MRP)

<https://www.ieso.ca/en/Learn/The-Evolving-Grid/Pathways-to-Decarbonization>

<https://www.ieso.ca/en/Sector-Participants/Planning-and-Forecasting/Annual-Planning-Outlook>

<https://www.ieso.ca/en/Sector-Participants/Energy-Efficiency/2021-2024-Conservation-and-Demand-Management-Framework>

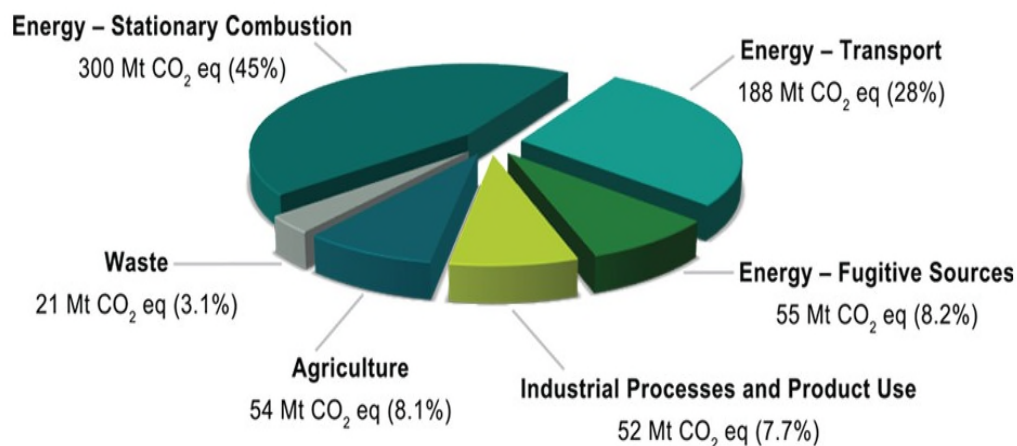
<https://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Distributed-Energy-Resources-Market-Vision-and-Design-Project>

<https://www.ieso.ca/en/Market-Renewal/Background/Overview-of-Market-Renewal>

Environmental

As the climate change pressure to push renewables and clean industries, the changes and impacts on existing business need to adapt.

- Environment [Top polluting industries in Canada](#)
 - o Oil & Gas
 - o Transportation
 - o Retail sector
 - o Delivery companies
 - o Ag, meat & dairy
 - o These industries can face challenging times ahead as with the government's shift of attention toward a carbon-free economy, the industries would have to look for alternate ways of conducting their business operations.



- [The Canadian government has passed a Net Zero Emissions Accountability Act](#) wherein it aims to have a carbon neutrality economy by 2050.
 - Ban of all gasoline vehicles sales from 2035 onwards.

Renewable energy investments:

- The country as a whole it all its industries is gradually moving towards the use of renewable energy for operations and business processes.
- Federal incentives have been established at 30% for renewable and clean technologies.
- This is being done to reduce the environmental footprint by the market, as well as for reducing the carbon effect.
- Province of Ontario and related industry members are increasingly making use of solar energy.

Green consumption:

- The increased awareness of environmental sustainability has also given way to an increase in the green lifestyle
- Consumers in the country, and across all markets are increasingly preferring products and services that are green i.e. produced and marketed using environmentally friendly and sustainable ways and methods
- Companies are also hopping on the bandwagon and introducing green products to appeal to the consumers
- Province of Ontario engages regularly in environmental friendly CSR activities.

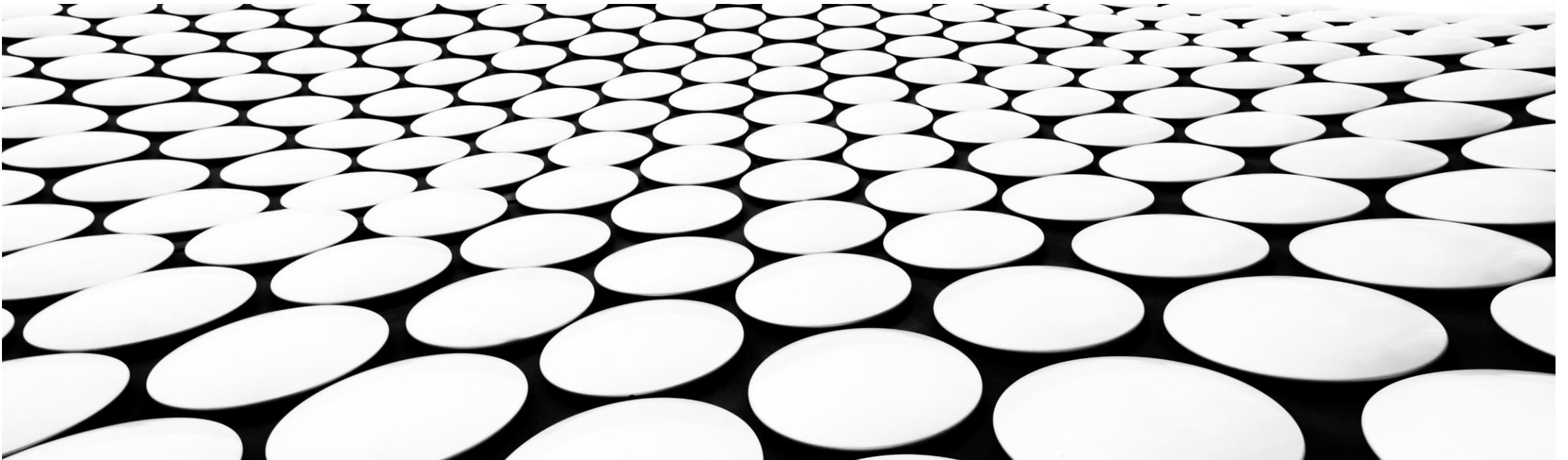
EnerFORGE needs to be prepared to champion our customer needs and facilitate solutions that work best for their situation to reach sustainability goals and alleviate increase pressures from carbon tax or other increasing factors.

BUSINESS TRANSFORMATION: UNDERSTANDING WHY, HOW & WHAT

PATHWAY TO THE FUTURE



PREPARED BY: ROBERT WONG, P.ENG, MBA, C.DIR.
HESKETH SLOANE ADVISORY
MAY 1, 2024



1. RECOGNIZING THE NEED TO CHANGE

- Understanding **WHY** change is necessary at this time
- An external scan reveals that the electricity sector is in a time of unprecedented change in response to the impacts of climate change, economic pressures, a more competitive landscape, and an **evolving energy sector** model
- The expectations of Oshawa Power's key **stakeholders** are becoming increasingly higher and higher
- Current **macro environmental factors** are impacting all aspects of business and society – Oshawa Power must develop capabilities to respond effectively
- Given the evolving conditions, Oshawa Power's senior leadership team, as well as its board of directors and employees, through observations, experience and feedback, recognize that the **status quo** for how work is done is no longer viable
- Senior Management has a clear **vision** of the company's **aspirations** and **ambitions**



STAKEHOLDER EXPECTATIONS



- Oshawa Power's shareholder, the City of Oshawa, expects to receive greater value for its investment in the company – **higher ROI**
- Like all municipalities in the province, the City of Oshawa has financial challenges. **Larger future dividends** are expected as a revenue source for the City to help meet its budget requirements
- As most of the world is embarking on a journey to decarbonize their energy, the City of Oshawa is looking for Oshawa Power to be a key **resource** to help support customers navigate through the **energy transition**
- As electricity rates are expected to continue to increase as a result of greater electrification and growth, there will be more pressure from the Regulator (Ontario Energy Board) to demonstrate and achieve **greater productivity and efficiency** in Oshawa Power's operations to partially offset some of those increases
- The customer interaction experience is very important for **customer satisfaction** and **brand reputation**; thus, B2C businesses continually invest heavily to enhance it. Oshawa Power's customers have similar expectations, and therefore it must find ways to make it "easy to do business with"

MACRO ENVIRONMENTAL FACTORS



- Government response to fighting climate change is leading to policies and regulations to **decarbonize** (in the electricity sector as well as others such as transportation, manufacturing, and energy), which in turn is driving an energy transition from fossil fuels. Not only will the electricity sector be expected to decarbonize its operations, but also support the **electrification** in the other sectors.
- Through government immigration policies and goals to drive economic development, Oshawa Power and other electric utilities will have to make changes to support **growth challenges** in both population and electricity demand
- **Inflationary pressures, competition for talent, supply chain challenges** all drive a need to transform the business model to mitigate these risks and “*survive and thrive*” going forward
- With the arrival of **disruptive technologies** such as Gen AI (Generative Artificial Intelligence) and DER (Distributed Energy Resources), old paradigms are being shifted and new business models and approaches need to be developed and adopted to mitigate risks and exploit opportunities

INTERNAL CHALLENGES AND ASPIRATIONS



Challenges:

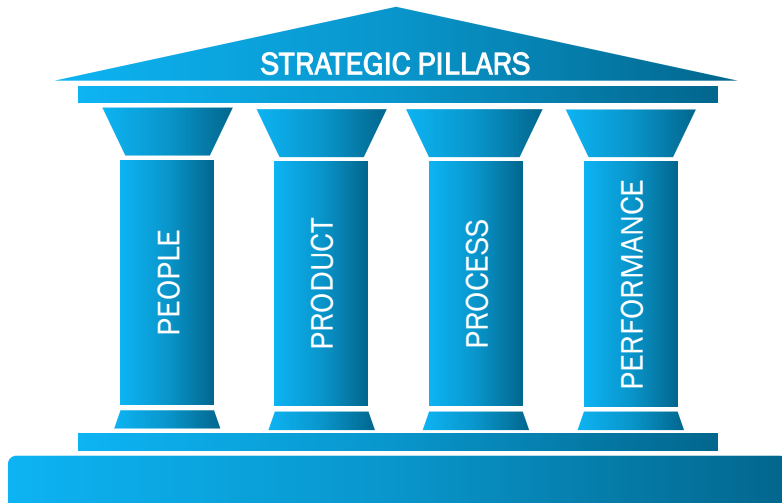
- Increasing **workloads** and inefficient **business processes** (paper-based, manual, lack of standardization, weak controls) create productivity and efficiency gaps
- **Skills gaps** and underdeveloped business **capabilities**
- **Performance** challenges (execution and delivery, accountability, agility, quality control)
- Under-exploited business opportunities



Aspirations:

- Realize its potential, become and be recognized as a high performing organization
- Be viewed as the ***“Trusted Partner and Leader in the energy sector”*** in Durham
- Be the de facto delivery agent for the region’s energy solutions

2. AGREEING ON THE FORM OF THE CHANGE



- Building and gaining consensus amongst Oshawa Power's entire staff on **HOW** to change is critical to the success to the effort
- Because of the magnitude of the effort that is required to address the reasons for change, a foundational approach that targets specific priority areas is necessary
- An enterprise-wide **Business Transformation** initiative that encompasses, to varying degrees, transformational elements such as Digital, Process, Management, Organization, and Culture
- Aligning the Business Transformation efforts with the Oshawa Power's corporate strategic objectives (**G.R.I.D.**) is an essential requirement for success; in particular, "Developing conditions for success"
- Create a **sense of urgency** and **excitement** of the vision and the need for change to gain commitment and buy-in

3. UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: ***BASELINE WHAT NEEDS TO CHANGE***



- There are still many **manual** and **paper-based processes**, which can be major sources of errors, omissions, and productivity losses, that can be improved upon
- There is a lack of **capacity** and **capabilities** in certain areas of the business that presents bottlenecks and barriers to becoming an industry leader and the service provider of choice
- Existing business **processes** that are not standardized, end-to-end, integrated and streamlined effectively further reduce capacity and agility
- Better **governance** and use of corporate data will enable better business insights, improve analytics, and support better decision-making in the operations of the company
- A **results-oriented** corporate culture with strong business governance and a high degree of accountability is lacking
- Areas of the organization are operating in silos and can benefit from greater **collaboration** amongst business units to achieving the company's strategic objectives
- Formal **Organizational Change Management** practice are needed to propel the organization through the upcoming changes

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *MANUAL AND PAPER-BASED PROCESSES*



- Reducing manual tasks and use of paper documents will create capacity, improve productivity, and reduce costs and opportunities for inconsistency, errors and omissions
- Institutional knowledge that resides with individual employees will be distributed and formalized, thereby reducing risk of loss
- Adopting and implementing technology solutions for core business processes and functions such as Customer Information System (CIS), Enterprise Resource Planning (ERP) system, Mobile Workforce Management (MWM) would greatly minimize these deficiencies
- Leverage technology to automate and minimize manual and paper-based processes, with built-in controls (i.e., workflows, segregation of duties, permissions and authorizations) to enhance business governance

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *CAPABILITIES, SKILLS, AND TOOLS*

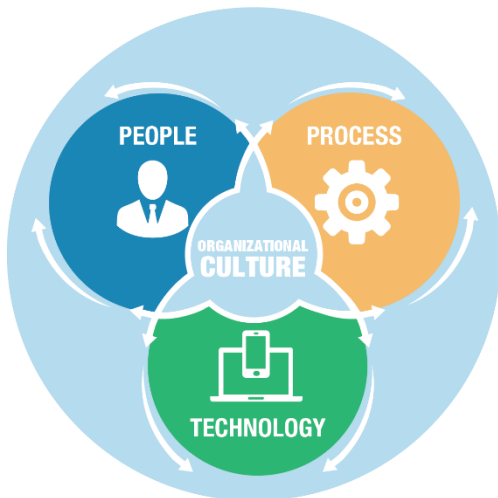


- Capacity and capability constraints across the utility introduce risks to the organization
- Formalized knowledge transfer and succession planning will benefit many areas of the organization to fill required capabilities and upskill newer employees
- Improved modern business tools will augment the company's ability to develop needed capabilities (e.g., CRM, MWM, Billing)

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *BUSINESS PROCESSES*



- Full business process engineering and optimization exercises will help identify areas for improvement, digitization, and modernization
- Holistic technology solutions will enable tight integrations, and closed-loop and end-to-end business processes
- Limitations in legacy systems and gaps in technology-enabled processes can introduce inefficiencies with manual tasks and workarounds



UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL:

DATA GOVERNANCE



- The shortage of digital tools or the use of ineffective technology solutions contributes to the poor management and usage of corporate data for business benefits
- Duplicate efforts from the need to enter data from paper documents introduce errors
- Lack of Master Data means that there is no “single source of the truth”
- Privacy and security risks are increased without Data Classification
- Analysis reports are unreliable
- Decisions are made with lower confidence levels
- Opportunities to glean deeper insights (business intelligence) into customers, the electrical grid, corporate performance, etc. are missed

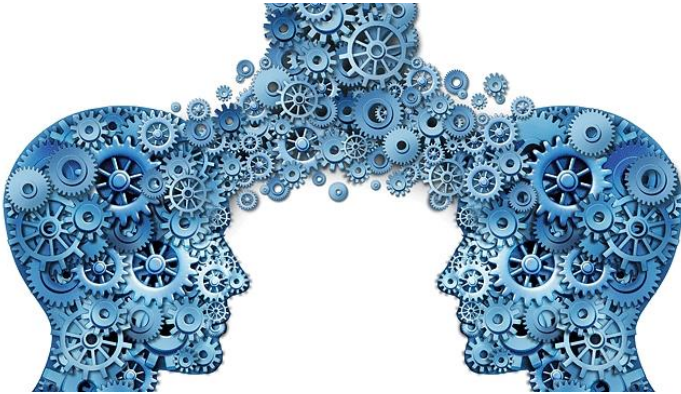
UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *CORPORATE PERFORMANCE CULTURE*



- Greater emphasis and focus are required to drive a results-oriented business culture – *“on time, on cost, with quality”*
- Business leaders need to drive greater individual accountability amongst their team members
- Need to develop and adopt systems and tools to better manage business performance: balanced scorecards, KPIs, standard reports and dashboards, regular performance review meetings, short interval controls model, near real-time performance monitoring and analytics, timely corrective actions, incentive rewards compensation program, etc.

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL:

COLLABORATION



- Lack of integrated, end-to-end, automated core business processes causes business units to largely operate in silos
- Dispersed workforce located in four separate facilities also hinder greater collaboration amongst business units
- Cultural differences between the regulated and unregulated business pose challenges to working effectively together
- Employee engagement and communications gaps (i.e., messages not consistently cascaded down to the front lines) also contribute to collaboration challenges

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *ORGANIZATIONAL CHANGE MANAGEMENT*



- No formal OCM practice currently in place
- Effective change management is critical to the success of any transformation effort for acceptance of and to sustain desired changes
- Corporate culture change is dependent on desired changes to employees' attitudes and behaviours
- Organizational change management is a critical success factor to effectively executing the corporate strategy and achieving the company's vision, aspirations and ambitions

SUMMARY: BUSINESS TRANSFORMATION GOALS



- Reduce manual tasks and paper-based processes
- Build greater capacity and capabilities
- Streamline and standardize business processes
- Strengthen data governance practices to better secure and leverage enterprise data in support of business objectives
- Develop a results-oriented corporate culture
- Improve collaboration across business units to find synergies and delivery better results
- Adopt formal Organizational Change Management practices to crystalize and sustain transformational changes

NEXT STEPS



- Gain agreement on what needs to change
- Prioritize the areas of change
- Develop detailed plans to implement new operating models for change areas
- Acquire the necessary resources to execute change plans
- Implement changes
- Institutionalize the changes