
SUBMITTED BY:

**Cornerstone Hydro
Electric Concepts
(CHEC)**

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CHEC's Submission to the Ontario Energy Board
An Integrated Approach to Utility Remuneration – Next Generation Rate
Framework (EB-2026-0002)

Submitted On:

February 27, 2026

The Cornerstone Hydro Electric Concepts (CHEC) Association would like to make submission to the Ontario Energy Board as requested in its January 8, 2026, Letter.





Executive Summary

CHEC supports this initiative by the Ontario Energy Board as a review of the 2012 Renewed Regulatory Framework is in order. CHEC will be pleased to participate in this new policy consultation that aims to develop an updated rate-setting framework for utilities that supports a reliable, affordable, clean and secure electricity system.

Introduction

CHEC is a collaborative association of local electrical distribution companies (LDCs) that celebrated its 25th year of operation in 2025. We believe in the importance of keeping local distribution companies in their communities and our support allows our members to serve their customers and their shareholders cost-effectively and efficiently. The strength of our collaborative model is being able to adapt to changes in the industry and that strength has allowed us to effectively navigate and respond to the evolution of the Ontario industry over the last twenty-five years.

CHEC currently represents 17 LDCs with a combined customer count of 205,495. The current members include Bluewater Power, Centre Wellington Hydro Ltd.; ERTH Power Corp.; Fort Frances Power; Grimsby Power; InnPower; Lakefront Utilities Inc.; Lakeland Power Distribution Ltd.; Niagara-on-the-Lake Hydro; Orangeville Hydro Ltd.; Ottawa River Power Corporation; Renfrew Hydro Inc.; Rideau St. Lawrence Distribution Inc.; Sioux Lookout Hydro Inc., Tillsonburg Hydro; Wasaga Distribution Inc.; and Wellington North Power Inc.

As stated in its January 8, 2026, letter: *“The new policy consultation will bring together the following OEB initiatives under a new comprehensive policy consultation known as the Next Generation Rate Framework (EB-2026-0002):*

- *Advancing Performance-based Rate Regulation (EB-2024-0129)*
- *Spending Pattern Analysis (EB-2025-0108)*
- *Total Cost Benchmarking (EB-2025-0102)*
- *Evaluation of Incremental Capital Module (ICM) Policy (EB-2024-0236)*

The OEB is adopting this integrated approach to utility remuneration in response to stakeholders' feedback that these topics should be considered in a holistic fashion. This work will also provide



distributors with a clear and comprehensive understanding of how they will be remunerated as they build out their systems for electrification and economic growth.

The Next Generation Rate Framework consultation will build on the Renewed Regulatory Framework (RRF), which has been in place for over a decade. The RRF was designed to be an enduring framework, and this update is intended as an evolution of performance-based rate regulation in response to a changing energy and policy landscape.

The overall objective of the Next Generation Rate Framework consultation is to develop an updated rate-setting framework for utilities. The impetus for this work is to ensure continuous improvement in the OEB's performance-based approach to utility remuneration so that the rate-setting framework continues to drive outcomes consumers value and is fit for purpose in a changing energy sector.

Proposed Objectives

The specific goals for developing an updated rate-setting framework are to:

- *Strengthen incentives for achieving outcomes consumers value, including improved or maintained service quality.*
- *Help level the playing field for solutions (e.g., non-wires solutions, shared services, etc.), whether they be capital investments or operations, maintenance and administration expenses.*
- *Support timely system buildout for electrification and economic growth and ensure that risk remains appropriately shared between utilities and consumers in the context of a changing energy landscape.*
- *Explore opportunities for the rate-setting framework to address uncertainty about future energy use (e.g., the pace of electrification, and the impact of other energy resources such as hydrogen or district energy systems) and information asymmetry.*

Proposed Topics

Considering the objective and goals identified above, the OEB proposes to explore the following topics during the Next Generation Rate Framework consultation. The OEB is committed to considering stakeholder feedback already received on these issues, as part of individual OEB consultations, and examining them in a holistic way going forward.

- *Enhance Benchmarking*
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- *Update the Total Cost Benchmarking and Total Factor Productivity models*
- *Consider the role of a Global Stretch Factor to understand Ontario electricity distributors' cost-efficiency and incentivize improved cost-performance*
 - *Consider the role of Activity- and Program-Based Benchmarking in rate-setting*
- *Incorporate performance incentive mechanisms for electricity distributors*
- *Update the Incremental Capital Module*
- *Consider merits of refinements to the Price Cap Incentive Regulation (IR), Custom IR and/or Annual IR Index rate-setting methods to strengthen incentives, level the playing field for solutions, share risk and/or mitigate risk due to uncertainty*
- *Consider the merits of additional or alternative approaches to determining the revenue requirement, such as TOTEX (which allows a return on portions of both capital expenditures and operational expenses), that can help strengthen incentives, level the playing field for solutions, share risk and/or mitigate risk due to uncertainty."*

Questions for Stakeholder Feedback:

Response to Question for Stakeholder Feedback

- a) *Are the proposed objectives and goals of this consultation clear and appropriate? Why or why not?*

Yes. CHEC supports the objectives of this consultation; they are clear and appropriate. CHEC supports all the OEB objectives as they are currently articulated. CHEC would suggest that a consideration of supporting climate change objectives should also be given some thought.

- b) *Is the proposed scope of the consultation to build on the OEB's current rate-setting framework, the RRF, clear and appropriate? Why or why not?*

Yes. It is appropriate for the next Generation Rate Framework consultation to build on the OEB's current rate-setting framework, the Renewed Regulatory Framework (RRF). CHEC does have some questions about the specifics of items to be considered. These include;





- a) How does this consultation consider the work of the PULSE panel? There could be items coming out of the PULSE panel that impact on this consultation and perhaps vice versa.
- b) Will the four areas of performance outcomes be examined or are they going to be considered as a given?
- c) Will the three types of rate setting approaches be examined (4th GIRM, Custom and Annual)
- d) Is the MAADs process to be part of the discussion?
- e) Will the use and definition of Z factors and offramps be discussed?
- f) Will changes to legislation be considered in these discussions?
- g) Will the Innovation Sandbox process and structure to be discussed?
- h) Will the outcome of this consultation be a document like the 2016 Rate Handbook and / or the existing RRF document (2012)?

CHEC would also like to suggest some specific small distributor considerations. Opportunities exist to refine the regulatory frameworks, but changes must:

- Include mechanisms that support financial viability.
- Consider that small utilities are accountable locally and are integral to their communities.
- That cost control and efficiency are already core management priorities for small utilities.

- c) *Have the right proposed topics been identified as this next generation rate framework is developed? Why or why not? What other topics, if any, should the OEB consider?*

CHEC believes that the topics are generally appropriate. Some additional considerations are noted below.

- Need to ensure that a mechanism for obtaining funding in an IRM period is addressed.
- Need to revisit the ACM and ICM processes and associated tests.
- Need to consider what comes out of the Spending Pattern Analysis (SPA) consultation. For example, if an ECM is put into place then that mechanism needs to be specifically considered.
- More clarity should be provided on how the OEB will deliver on its new objective to 'support economic growth.'



- If needed, develop a list of potential legislative changes to review with the Government.

d) Is there anything else the OEB should consider as it develops proposals for a next generation rate framework?

CHEC believes there are several other considerations that should be considered in this consultation. The responses to b) and c) above outline some of these concerns. In addition, with respect to the objectives of this initiative, CHEC believes that the OEB should actively support the Industry Transformation. The OEB should support the vision and objectives of the Ministry of Energy and Mines Integrated Energy Resource Plan and help lead the change through clear directions specifically in the areas of:

- Grid modernization,
- Electrification,
- DER usage, and
- DSO implementation.

CHEC would be pleased to discuss its submission and answer any questions the OEB may have.

Yours truly,

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cc: Greg Van Dusen – CHEC Regulatory Specialist
cc: Colleen Winter – CHEC Communications Specialist

