



Submitted via RESS

February 27, 2026

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319, Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: EB-2026-0002 Feedback on the Next Generation Rate Framework

Elexicon Energy (“Elexicon”) welcomes the opportunity to provide comments on the Ontario Energy Board’s (“OEB”) proposed objectives, scope and topics for the Next Generation Rate Framework (“NGRF”) consultation. Elexicon appreciates the OEB’s decision to consolidate multiple related initiatives into one integrated process. In Elexicon’s view, this step is appropriate due to the important interdependencies among the topics at issue.

GENERAL FEEDBACK

Rate frameworks are essential to a broader regulatory framework, creating policy and guidance for utilities and adjudicators to ensure outcomes are achieved and investment attracted in the setting of just and reasonable rates. Ontario has a long history of doing so through performance-based regulation that has driven positive outcomes for customers. Ontario’s framework is supported by processes that ensure robust evidence, customer feedback, and disciplined scrutiny are brought to bear in adjudicative settings. Elexicon submits that these strengths remain valuable and should be preserved as the NGRF is developed.

At the same time, planning and investment decisions are becoming more complex. Legislation, policy direction and customer feedback are demanding utilities be even more proactive to meet new and more acute demands for reliability and service, while also enabling economic growth and electrification. In parallel, expectations are rising to deliver greater resilience, improved enablement of distributed energy resources, and more timely load connections – all while ensuring rates remain low-cost.

These trends are creating pressures on the existing rate framework that were not present when it was introduced in 2012. This new operating environment elevates the importance of forward-looking planning, programmatic investment needs, all while being flexible to adapt and respond to emerging local and regional system constraints. The “inputs” to just and reasonable rates increasingly depend

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on how well the framework can evaluate future requirements and trade-offs that are materially different than what they have been before.

Several tools that have traditionally supported the framework are becoming less suited given the current policy and planning environment:

- Historical costs remain an important component of evaluating investment proposals, but are less instructive on their own to capture forward-looking needs driven by growth, resilience and modernization requirements.
- Cross-utility benchmarking can still provide useful signals when an appropriate peer group is selected, but it is less able to consider emerging regional or local needs, particularly where growth trajectories diverge across utilities in Ontario.
- Capital mechanisms such as the ICM were designed to address discrete, exceptional or one-off needs. They are not naturally suited to funding sustained, programmatic needs that arise from renewal, resilience, modernization or economic growth drivers.
- Economic growth as a regulatory objective is now clearer in intent, but policy guidance is still emerging on how that objective should be supported and advanced consistently in adjudicative proceedings, including how trade-offs will be assessed alongside other outcomes.

These challenges do not necessitate a wholesale rethink of remuneration and rate-making. At the same time, making only small refinements across-the-board will not produce an optimal outcome.

Elexicon recommends that the OEB employ a more surgical approach that starts with an evidence-based evaluation of the effectiveness of areas of the current framework. Where frameworks are working, such as customer engagement and the menu approach for rate making approaches, the OEB should allow these to continue. Where tools are not fit for purpose in a changing environment, reforms should be considered.

In Elexicon's view, the NGRF will be most successful if it strengthens what is demonstrably effective, proceeds with restraint where evidence is mixed or complicated by changing conditions, and focuses reform where it can advance objectives that assist in establishing rates in Ontario that are just and reasonable. In a period of growing investment, stability in the regulatory construct is an important element to ensuring that utilities can continue to attract the capital necessary to deliver on the necessary infrastructure to serve their communities.



RESPONSES TO DISCUSSION QUESTIONS

1. Are the proposed objectives and goals of this consultation clear and appropriate? Why or why not?

Ellexicon believes that the proposed objectives are directionally appropriate and timely. The OEB is right to focus on ensuring Ontario's rate-setting framework remains fit for purpose in a changing environment and continues to produce rates that are just and reasonable. Ontario's performance-based approach to regulation has delivered positive outcomes over a long period, supported by robust adjudicative processes that bring strong evidence, customer feedback, and incentives to bear on investment decisions. Those strengths remain essential.

Nevertheless, planning and decision-making environment is becoming more complex. Legislation, government policy, and customer expectations are increasingly demanding utilities be more proactive. Building for organic electrification, enabling economic growth, improving resiliency and DER capabilities, and connecting load more quickly must be done while keeping rates low-cost. Ellexicon encourages the OEB to ensure the objectives explicitly recognize that the framework must increasingly support forward-looking investment decisions, not only retrospective assessment.

2. 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?

Ellexicon agrees the consultation should build on the existing framework. Ontario's current approach has established processes that create predictability, drive high-quality evidence, and ensure investment plans are scrutinized and informed by customer feedback. Those elements should be preserved. Customer engagement, the elevated focus on performance and rate making flexibility are all innovations made in the RRF that should persist in the NGRF.

However, Ellexicon believes that evolving the RRF will mean more than making incremental adjustments to existing constructs across the board. The consultation should explicitly consider how well specific tools and assumptions function in a growth-oriented environment where obligations are changing and where forward-looking investment needs are increasingly shaped by policy direction and evolving customer expectations, and less so by historical trends and norms.

In particular, the scope should include a willingness to consider whether certain analytical approaches that rely solely on historical trends and data, remain sufficiently informative for assessing future needs, regional or local constraints, and programmatic investment requirements in this period of change. In instances that they do not, the OEB should be open to deeper reforms.



3. Have the right proposed topics been identified as this next generation rate framework is developed? Why or why not?

Elexicon strongly encourages the OEB to work from first principles on the topics considered in this consultation and consider discarding those misaligned to the current environment. Topics such as TOTEX and Global Stretch Factors, listed as examples of topics by the OEB, should not be presupposed as constructive solely on the basis of having been raised in previous consultations. The Global Stretch Factor in particular raised significant criticism when it was recommended by the OEB's consultant as it provides a contradictory, ill-suited incentive when utilities and the OEB are being called on to enable public policy priorities such as driving economic growth that do not necessarily align with other jurisdictions.

Instead, Elexicon encourages the OEB to approach these topics on their own individual merits. Elexicon submits the core issue is not that Ontario's remuneration and rate-making model is fundamentally broken, but that certain tools were designed for a different planning environment and may now be less able to enable appropriate outcomes under new expectations. Some areas for consideration were noted in the general feedback above. Namely, historical cost analysis, cross-utility benchmarking, ICM and capital tools, and the alignment of performance incentives with the enablement of current policy priorities.

Elexicon notes that policy guidance is still emerging on how the economic growth objective should be advanced in an adjudicative setting. The OEB should explicitly address how this objective will be evidenced, how it will be weighed alongside other objectives, and how it will be applied consistently so that utilities can plan and file with reasonable confidence.

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

Yes. Elexicon submits that the appropriate response is neither a wholesale rethink of remuneration and rate-making nor across-the-board tinkering. The better approach is targeted and surgical reforms to ensure Ontario's rate framework can evolve with the times. Elexicon encourages the OEB to apply an explicit discipline in developing proposals:

- **Maintain what is working:** Where Ontario's framework is working well, such as the requirement to entrench customer feedback into utility planning, the OEB should strengthen and scale how those measures feature in policy and adjudicative proceedings.



- **Recalibrate tools that remain useful but are becoming misaligned:** Where tools can continue to provide value, the OEB should adjust how they are used to ensure they remain useful under current growth projections, modernization, and evolving obligations.
- **Wind down mechanisms where tools are not fit for purpose:** Where regulatory approaches are overly technocratic, mechanistically applied, or do not distinguish emerging local needs or forward-looking programmatic requirements, the OEB should not shy away from narrowing their role rather than layering additional complexity on top of them.

Finally, Elexicon encourages the OEB to provide early clarity on sequencing and transition as proposals are developed, recognizing the interaction between NGRF topics and other evolving requirements. Clear sequencing will reduce uncertainty and support efficient participation by stakeholders.

All of which is respectfully submitted.

If you have any questions, please do not hesitate to contact regulatory@elexiconenergy.com.

Sincerely,

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Stephen Vetsis

Vice President, Regulatory Affairs & Stakeholder Relations