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**EB-2026-0002 Next Generation Rate Framework Consultation
Pollution Probe Comments**

Dear Mr. Murray:

On January 8, 2026 the Ontario Energy Board (OEB) initiated the new Next Generation Rate Framework policy consultation that will bring together the following OEB initiatives under a new comprehensive policy consultation:

- 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. Pollution Probe has been a long-time advocate for a holistic and integrated approach, particularly given the policy outcomes desired and large number of related initiative under way. Pollution Probe appreciates this approach being taken by the OEB and believes that it will be more effective in coordinating the multiple initiatives and drive tangible progress. Using sub initiatives or working groups to focus on targeted elements is also helpful (and has been successfully done for other initiatives), but these need to come together under the governance and integration of a master initiative in order to be effective.

As the OEB advances the four initiatives listed above, it is recommended that the Next Generation Rate Framework policy consultation be used to map the consolidated plan and outcomes from all of these initiatives to ensure that the activities are integrated in a complimentary manner, align with the intended policy objectives and also to identify any related gaps. Similar to the approached used for the Future of Energy Innovation consultation, any issues or gaps identified can be reviewed under the umbrella initiative to see where they

best fit for resolution. It is also important to consider the valuable work and information from related initiatives and proceeding to reduce duplication and maximize results and efficiency. One example is the recent OEB Utility Cost of Capital proceeding¹ which outlined areas of balance between enabling effective returns and avoiding excess incentives for spending. A large amount of related information is available from that proceeding and the OEB's consideration of those issues led to a fair and balanced outcome. This initiative can improve on the current approach.

The OEB provided four questions to elicit feedback on the new Next Generation Rate Framework policy consultation and a response to each question is included below.

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

Overall, the proposed objectives and goals provide an appropriate high-level direction, but an additional level of detail would lead to more focused efforts and results. This could be done by developing the more granular objective and goals as a subset of the higher-level objectives and could be done as a master list under the umbrella initiative (assigned to each sub initiative, as appropriate). Having a master list that aggregates all the goals and objectives would help avoid duplication, ensure that synergies are leveraged and help identify gaps. A consolidated scorecard could also be considered to measure results over time. This would help ensure that end goals are being achieved and help identify adjustments to be made where the desired outcomes are not being achieved.

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?

Overall, the scope of the consultation appears appropriate, subject to the comments included above. Fine-tuning will need to be done over time and it may be most efficient to hold a stakeholder session to solicit feedback and discussion opportunities prior to finalizing the scope. This will also ensure that all the stakeholders have a common understanding.

It is important to note that this initiative is occurring real time as other relevant activities are occurring. This includes meaningful changes which occur through utility rates cases which in many cases have rationalized the capital needed for electric and natural gas utilities. The Gas-

¹ EB-2024-0063.

Electric Co-ordination and Information Sharing initiative² is also considering ways to more effectively align natural gas and electricity planning which will hopefully result in a more efficient integrated planning approach, avoid excess capital spending and minimize stranded assets. All of this can lead to more efficiency and reduced costs for ratepayers. There is also several distributed energy resource initiatives and integrated resource planning initiatives ongoing which have a direct or indirect impact on this initiative. Mapping these connections will help ensure alignment, coordination and efficiency.

3) 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?

The initial list of topics seems appropriate and like similar complex initiatives, the OEB should expect to adjust and prioritize topics on an ongoing basis as the initiative proceeds.

One additional topic that comes to mind is the effectiveness and trend of customer incentive rate applications. These have become common and each utility notes their “unique” circumstances when pursuing a custom approach. Each custom application includes evidence and benchmarks that the utility believes is appropriate to support its request. Inevitably, some of those benchmarks are challenged to make a more objective comparison. Is custom incentive regulation delivering what the OEB intended? What comparative benchmarks help ensure that objective information is being used? It will be important that the outcomes of this initiative can be applied more broadly and not ignored by a custom approach.

Another consideration is balancing a five-year rate term against the longer-term outcomes expected. Short term planning is often inefficient in meeting long term goals (such as a cost-effective modern energy system to meet long term needs). Some utilities are better than others in making the right long-term investments and avoiding large rate increases while meeting long term planning needs (including DER and net zero goals). A short-term focus can increase regulatory gaming. Having a way to effectively benchmark spending and outcomes for a period longer than five years would help to make sure that plans and implementation is effective for the long term. A review of the effectiveness or asset plans (e.g. distribution system plans) in reducing excess expenditures, while meeting system and customer needs could be of value.

² EB-2025-0227

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

It is unclear if the outcomes of this initiative would be considered for application to the natural gas sector, or if there would be a parallel initiative to enhance ratepayer benefits from that sector. To the extent possible, relevant outcomes from this initiative could be considered for application to the natural gas sector. It was useful and appropriate for the OEB to consider and apply common application to electricity and natural gas sector in initiatives such as the Cost of Capital proceeding. An aligned approach can also help avoid duplication of investments intended to serve the same customer energy needs.

Pollution Probe looks forward to continuing its participation in these initiatives and would be happy to provide more detailed feedback once the OEB has a chance to review the initial feedback received. Please reach out at any time.

Respectfully submitted on behalf of Pollution Probe.



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