



By RESS

February 27, 2026

Mr. Richard Murray  
Acting Registrar  
Ontario Energy Board  
PO Box 2319  
2300 Yonge St., Suite 2700  
Toronto, ON, M4P 1E4

**Subject: EB-2026-0002 - An Integrated Approach to Utility Remuneration - Next Generation Rate Framework**

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Dear Mr. Murray:

Hydro Ottawa appreciates the opportunity to provide its comments regarding the OEB's Next Generation Rate Framework consultation. Enclosed in Appendix A are Hydro Ottawa's written comments on the proposed objectives, scope, and topics outlined in Appendix A of the letter dated January 8, 2026.

Sincerely,

Signed by:

*April Barrie*

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**April Barrie**

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## APPENDIX A

### GENERAL COMMENTS

On January 8, 2026, the Ontario Energy Board (OEB) initiated its Integrated Approach to Utility Remuneration - Next Generation Framework, consolidating four separate proceedings into a single integrated proceeding. The integrated proceeding aims to update the remuneration framework for Ontario electricity and gas utilities and will build on the OEB's existing Renewed Regulatory Framework (RRF) established in 2014. The OEB has established a proposed objective, scope, and topics of focus for the proceeding to which it solicited comments.

Hydro Ottawa supports the OEB's initiative to review its remuneration framework at this critical and transformative moment for Ontario's electricity distributors, including integrating the remuneration-related proceedings into a single holistic approach.

Hydro Ottawa is also generally supportive of the OEB's consultation goals, scope, and topics. However, it emphasizes that utility financial health and its ability to support customer needs should be a priority and clarified as such through the goals.

### CLEAR AND APPROPRIATE OBJECTIVES AND GOALS

The OEB's third proposed objective is to "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." Hydro Ottawa recommends that the OEB consider including language focused on meeting the utility's need for capital attraction and certainty around opportunities to recover prudently incurred costs related to expansion.

Distributors face a generational challenge in growth, electrification, cybersecurity threats, and the renewal of aging infrastructure. These challenges have put increased pressure on distributors' ability to fund the infrastructure needed to reliably and effectively meet customers' needs. The current inflation-minus-x framework and capital modules, in this respect, are outdated because they do not acknowledge or include mechanisms for high growth periods or generational investments appropriately. Instead, the multi-year ratemaking plan is designed to cap available funds to drive efficiencies, regardless of increased needs. The risk of not improving access to funding is a degradation of distribution assets' quality as they are pushed beyond their service life, and could create a bottleneck for further electrification. As an unintended outcome, this framework could incentivize utilities to preserve funding through their efficiency factor and risk needed investment.

The Panel for Utility Leadership and Service Excellence (PULSE) acknowledges this funding shortfall and the need for industry reform.<sup>1</sup> The findings of PULSE, if adopted, may also alter the

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<sup>1</sup> Ontario Energy and Mines, *Panel for Utility Leadership and Service Excellence*, <https://news.ontario.ca/en/backgrounder/1006662/panel-for-utility-leade,incentivizership-and-service-excellence-pulse>

business environment for Ontario distributors, identifying RRF weakness in the face of shifting macroeconomic conditions and electrification. In this sense, Hydro Ottawa cautions the OEB from pursuing major structural changes before the results of the PULSE report are known and can be examined in this proceeding.

## **SCOPE OF THE CONSULTATION**

Hydro Ottawa supports the OEB's proposed scope to build upon the existing OEB RRF. The utility views this consultation not as a mandate to rebuild the regulatory architecture from the ground up, but as a necessary evolution of the RRF. The goal should be to modernize incentive structures and modify the ratemaking framework to meet the challenges of the energy transition while preserving a framework that has been successful for over a decade, which, by itself, lends credibility to the process and structure. By establishing the scope of this proceeding as building on the previous RRF, the OEB acknowledges the previous framework's value.

In alignment with the OEB's recent directives, Hydro Ottawa believes the updated framework must prioritize the following new objectives to support critical infrastructure and evolving customer requirements. The framework should incentivize utilities to simplify customer interactions and improve overall satisfaction. This includes the expansion and optimization of digital service offerings that provide consumers with more control over their energy usage and billing preferences.

While building on the RRF lends credibility to the process, Hydro Ottawa maintains that the OEB should avoid a "one-size-fits-all" approach that penalizes high-performing utilities with excessive reporting requirements. The OEB's own assessment demonstrates that the RRF has been successful for many utilities. Heightened oversight should be strategically directed toward those utilities that are currently failing to achieve established performance outcomes. Imposing a universal structure on the entire sector to address the deficiencies of a subset of distributors would lead to unnecessary regulatory burden and hinder the very efficiency the OEB seeks to promote.

While Hydro Ottawa supports the OEB's overall proposed scope, it wishes to express concern regarding the OEB's suggestion that "some changes to the rate framework, such as the incorporation of performance incentive mechanisms, will apply only to rate-regulated electricity distributors." Singling out one sector is inappropriate and creates asymmetry within the industry. As the province moves toward a more integrated energy landscape, the OEB should ensure that implementation dates and incentive structures are aligned across both electricity (distributor and transmitters) and natural gas sectors.

This alignment is critical because the Minister's directives and the Integrated Energy Plan mandate a high degree of cross-sector coordination. Decoupling the incentives of electricity and

gas distributors undermines the very synergy the OEB is attempting to foster through its information-sharing initiatives.<sup>2</sup>

The future energy needs of Ontario require significant capital investments, and the regulatory framework must provide a consistent set of expectations and rewards for all distributors simultaneously to ensure these investments are executed efficiently. Hydro Ottawa maintains that if the OEB deems these new incentives and mechanisms appropriate for the next generation of regulation, they should be implemented simultaneously for gas and all electric utilities. A divided approach risks complicating the regulatory environment at a time when alignment is essential for the timely build-out of critical infrastructure.

## **CONCLUSION**

Hydro Ottawa looks forward to working with the OEB and industry stakeholders. It views this review as a critical opportunity to address structural limitations of the previous ratemaking framework and to leverage the full value of distributors in enabling Ontario's energy transition.

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<sup>2</sup> E.g. EB-2025-0227