



February, 27 2026

Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4
(by email: registrar@oeb.ca)

Re: Next Generation Rate Framework (EB-2026-0002),

Dear Sir/Madam,

Thank you for the opportunity to submit written feedback on the proposed objectives, scope, and topics for the Next Generation Rate Framework.

1. Objectives - Suggested Changes and Addition

- I. Consider broadening the first stated goal to “Strengthen incentives for achieving outcomes consumers, participants, and communities value.”**
 - a. Consumers can be more than consumers, they can be participants in the grid, as is occurring in many jurisdictions. No doubt improved and maintained service quality is important. In addition, addressing obstacles to innovation and participatory models is likewise important. We can “strengthen incentives for achieving outcomes that electric system consumers and participants value.”
 - b. We, utility customers, are not consumers living in isolation, concerned only with our own well-being. Rather, we are part of communities. We rely on one another, and we can work together. There are a number of innovative electric system solutions that transcend individuals and can be implemented at a community level. We can “strengthen incentives for achieving outcomes that communities value” as well.

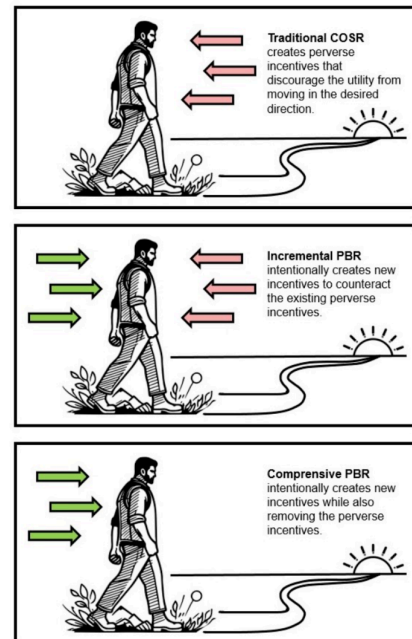
II. Consider adding to the proposed objectives section: “Removing Perverse Incentives.”

Explicitly making “removing perverse incentives” a goal of the Next Generation Rate Framework is important because it is more efficient and more effective to deploy regulatory mechanisms that remove perverse incentives across the utility, rather than attempting to counteract them using new incentives (without fundamentally changing them). The image to the right illustrates the difference between these two approaches.¹

Perverse incentives may include the incentive for utilities to favour Capex over Opex solutions (CapEx Bias) as identified in the Spending Pattern Analysis report. Opex solutions like energy conservation, peak load management, and DERs, which are substitutes for greater CapEx spending, would be more attractive to utilities if the CapEx bias were removed.

Another perverse incentive is the incentive to overspend on Capex (sometimes referred to as “gold plating”). This incentive can manifest in many different ways, including the overt (e.g., proposing pricier than necessary projects) and the more subtle (e.g., discouraging or opposing third-party or customer-owned solutions that could displace utility-owned assets).

Incremental vs. Comprehensive PBR



2. Scope

The proposed scope (building on the RRF’s performance-based regulation approach) is clear and appropriate. Performance-based regulation’s focus on aligning utility profit motives with societal goals and compensating utilities based on performance is an effective framework for meeting important objectives when well designed and implemented.

These objectives can include:

¹ RMI, Building a Brighter Future by Changing Utility Incentives: How comprehensive performance-based regulation can improve outcomes for customers and society
<https://rmi.org/building-a-brighter-future-by-changing-utility-incentives/>



- Affordability & Cost Control
- Emissions Reduction
- Reliability
- Equity
- Participant Satisfaction
- Energy Efficiency, Demand-side Management, DER Expansion
- Security & Safety
- Resilience
- Renewables Interconnection & Integration
- Competitive Procurement
- Utility Financial Integrity
- Community Energy Resource Development

Given the evolving nature of the electric grid, identifying the RRF's shortcomings and proposing solutions to address them will be key.

3. Proposed Topics

The proposed topics are reasonable and show promise for improving utility regulation in Ontario to better align utility incentives with consumer, participant, and community expectations and needs.

We very much appreciate your careful consideration of the ideas enclosed here.

Thank you,

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