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Introduction

Thank you David (McFadden) for your kind introduction. I should add that I am also lucky to be speaking after Terry Rochefort of the Canadian Association of Public Utility Tribunals (CAMPUT). Terry presented a very comprehensive overview of smart regulation in Canada, including Ontario.

The Ontario Energy Board's focus has been, and continues to be, on providing smarter regulation – regulation that builds investor confidence and public confidence in the sector.

Many of you also heard the Chair's remarks at yesterday's Electricity Distributors Association meeting. Howard Wetston identified the areas where the proposed Green Energy and Green Economy Act will impact the Board.

As Howard noted yesterday, the Board's core values and responsibilities include:

- openness and transparency in its processes,
- timely and clear decisions,
- practical and workable solutions.

To that end, today I want to focus my remarks on a number of initiatives on which the Board is currently working.

These initiatives are:

- the steps we are taking to increase the efficiency and timeliness of our processes;
- improvements to our rate setting framework; and
- a new program focused on low income consumers.

Improving timeliness and efficiency

As you may be aware, we have recently published the results of our stakeholder survey. We are one of the few energy regulators in Canada who periodically survey stakeholders about its performance.

The survey is important because it highlights areas of strength and areas for improvement. As someone said, "Half of being smart is knowing what you are dumb about." Accordingly, half of being a smart regulator is always understanding what we have to do better, where we have to improve.

One of the performance measures that we track in the survey is timeliness and efficiency. While we continue to show improvement on this measure, it is still an area that is identified for improvement, particularly by the distribution sector.

I would like to give you a few examples of some of the steps we are taking to bring greater efficiency to our processes.

The first example relates to improvements to our process for licensing applications.

We have simplified our forms to ensure we are asking for only that information which is really relevant to the licence application.

And we are now using a streamlined approach to the process of applications for licences, certificates and franchise applications.

Under that approach certain staff have delegated authority to process routine applications for these matters. They can also handle requests for leave to dispose of part of a transmission or distribution system.

The approach helps to speed up the process. It also frees up Board members to focus on larger and more complex decisions.

Another step we are taking to enhance our processes relates to training. We are developing a program to offer training to the staff of those LDCs which are filing Cost of Service rate applications in 2010.

We will walk them step by step through the entire hearing process. They will get an opportunity to see what actually happens on the witness stand.

We anticipate that this type of training will relieve some of the uncertainty that the LDCs may have about the Cost of Service filing and the process. Our hope is that it will ultimately produce better applications.

Electricity Distribution Rate Process Improvements

Let me turn now to the steps we are taking to enhance our rate setting process.

1. Cost of Service Applications

First, I would like to give you some examples of how we are streamlining our processes with respect to cost of service applications.

For our 2009 cost of service applications, staff have endeavoured to focus on material issues.

This “laser-like” focus reduces the number of interrogatories and avoids getting the process tangled in issues that have a lower impact on the revenue requirement.

We have further streamlined the process by consulting directly with the applicant and intervenors to see where we can eliminate technical conferences. There is no point in having a technical conference that is not needed.

Where parties are interested in negotiating, as was the case with Bluewater and Enwin, we continue to use settlement conferences.

In fact, Bluewater settled all its outstanding issues and last Friday we released the Decision – our first Cost of Service Decision for 2009. It was a long negotiation process, but the outcome was successful.

In other cases, we have been able to eliminate technical conferences and move directly to written submissions. We did this in the applications by Niagara-on-the-Lake, Collus and Innisfil. It appears to have worked well.

I want to acknowledge the contribution that applicants and their consultants have made to improve our EDR process. We are seeing clearer and more complete applications.

In our view, this enhanced clarity and completeness reflects the efforts of all parties – the applicants, intervenors and Board staff - to learn from the experience in prior years.

2. Incentive Regulation Mechanism (IRM)

Let me turn now to our approach to IRM applications.

Beginning in August of 2007 and continuing through to January of 2009, the Board undertook research, commissioned expert advice and consulted with stakeholders on the principles and methodology regarding an enhanced model of IRM – what we call the “third generation”.

These consultations considered all of the necessary elements of the incentive regulation mechanism framework:

- the form and term of the plan,
- inflation and productivity factors,
- potential for earnings sharing, and
- the treatment of unforeseen events.

The resulting formula attempted to address the two issues that were considered to be the key shortcomings of the “second generation” IRM model.

The first shortcoming was the use of one uniform productivity factor for all distributors. Not all distributors are the same in terms of efficiencies and

challenges, and therefore one uniform productivity factor for all distributors is not appropriate.

The second shortcoming identified was the possibility that the second generation formula might not give distributors the adequate incentive to make the required appropriate investment in infrastructure.

As a result, the consultations also included a focus on specific issues associated with capital investment to support infrastructure maintenance and development.

The end result was a revised formula with:

- three different stretch factors, each corresponding to a group of distributors reflecting on assessment of distribution efficiency, and
- the ability to apply for a capital investment module during the IRM period.

It is worth reminding ourselves what the Board hoped to achieve when we first moved to an incentive regulatory framework. We aimed to achieve a number of things:

- predictable rates for consumers,
- a streamlined process for distributors, and
- a process that gives distributors an incentive to look for enduring efficiencies in their operations.

So how is it working?

- I would say the IRM mechanism is working as it was intended.
- We are currently dealing with 57 IRM applications.
- We are on target to start releasing the IRM decisions today.
- 8 are planned for today and another 10 tomorrow.
- With more to come each day following.
- Rates are being increased by about 1% per year.
- The formula is relatively mechanistic and straightforward.
- We maintain a transparent process which allows for stakeholder input when appropriate.
- Moreover, we have a model which gives flexibility to distributors when required.

Going forward, we will look further at how we can rely more on benchmarking.

With more than 80 distributors, we have the ability to explore benchmarking further and to encourage the relatively less efficient utilities (and I do mean to emphasize the word “relatively”) to learn from the leading edge utilities.

Accessibility to our processes

So we are moving forward with improvements in our processes and rate making formula.

As we do so, we are considering whether we need to enhance the ways in which we can make our processes more accessible.

For instance, the Board is looking to expand the use of webcasting and video conferencing as a way to engage more people into our processes.

We are trying to assess how this technology might lend itself to the review of applications, technical conferences, issues conferences, and our policy consultations.

This technology will also help us improve our consumer education and outreach programs.

Low-Income Energy Assistance Program (LEAP)

Let me turn to my third topic, namely the very important work we have been doing with regard to low income energy consumers.

We believe it is important that there be a comprehensive and province-wide approach to assisting low income energy consumers.

An approach that not only provides financial assistance for those in need but also provides tools to help low income consumers better manage their energy bills on an ongoing basis.

In the fall of 2008, the Board held a four-day stakeholder conference on issues relating to low income energy users.

Today the Board is issuing - indeed, has issued - its report regarding low income energy users.

The Board report sets out a new policy framework around an initiative we are calling the Low Income Energy Assistance Program – L-E-A-P (LEAP).

LEAP has three components:

- temporary financial assistance for consumers in need,
- access to more flexible customer service rules on matters such as bill payment and disconnection notice periods, and
- targeted conservation and demand management programs.

The first component builds on the success of the Winter Warmth program which a number of utilities, both gas and electric, already participate.

One of the strengths of the Winter Warmth program is the partnership between the participating utilities and social service organizations. The LEAP builds on that partnership model.

Along with the report we are also issuing, for comment, a set of proposed distribution system code amendments.

The amendments will standardize a number of service provisions and help provide uniformity for electricity consumers across the province. The proposed amendments also include measures that are more specifically tailored to the needs of low-income electricity consumers.

Proposed code changes will address:

- billing and bill payment,
- disconnection,
- security deposits, and
- arrears management.

We are looking to distributors, consumer and social services providers to help us as we move forward with the implementation of this program.

We will be setting up a working group to work with us on the refinement and implementation of LEAP.

Low income energy consumers need to be aware of and understand what tools are available and how to access them.

The Board believes it is critical for distributors to undertake a consumer awareness campaign to make their local energy assistance programs known to their customers.

To paraphrase the Minister's speech last night, the LDCs and their social agency partners are well positioned to speak to their customers and to their communities in a voice that will be understood.

Consumer education and outreach are fundamental to the success of the program and more importantly to ensuring that the assistance is reaching those in need.

We hope very much that the new program will earn your support.

Closing Remarks

The Board must continue to ensure that the right regulatory policies are in place at the right time. Hopefully, you will see the LEAP as an example of that.

We must also ensure that the right programs are in place to educate consumers and provide them with access to resources and assistance.

We will continue to look for opportunities to streamline our processes and to consult with you on policy initiatives.

We will ensure that we continue and endeavour to take a principled and "smart" approach to the new issues that come before us.