



Ontario Energy Board

Business Plan Balanced Scorecard Performance Audit

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BACKGROUND

The Ontario Energy Board (“the OEB”) oversees the province's electricity and natural gas sectors through effective, fair, and transparent regulation. The OEB’s mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and enables consumers to access reliable energy services at reasonable costs. The OEB reports on administrative matters to the Legislative Assembly of Ontario through the Minister of Energy, Northern Development and Mines but carries out its functions and responsibilities independently, with over 200 staff and appointees.

As a regulator and oversight body, the OEB is accountable for ensuring that strong internal processes and controls are in place to mitigate risk, comply with legislation and directives, and assist in the achievement of organizational objectives. To track its achievement of organizational objectives, the OEB measures its performance using a Balanced Scorecard approach. The OEB develops its annual Balanced Scorecard based on the approved three-year Business Plan, aligning milestones for each activity within the business plan that are initiative based and include metrics and outcomes that are tracked and monitored throughout the year. On an annual basis, each activity is scored and weighted within the Balanced Scorecard to provide the OEB a mark out of 100% on the achievement of the business plan milestones.

In accordance with the OEB’s Memorandum of Understanding (“MOU”) with the Minister of Energy, Northern Development and Mines, the OEB requires an independent auditor to review and report on the OEB’s past year’s achievement of the performance standards (i.e. milestones and activities) set out in the Business Plan.

The OEB retained MNP LLP (“MNP”) to conduct an audit of the OEB’s performance against the fiscal year (“FY”) 2019-2020 Balanced Scorecard.

OBJECTIVES

The objectives for the audit were to:

1. Provide an assessment of the results achieved for the OEB’s key programs and activities within the 2019-2022 Business Plan for FY 2019-2020; and,
2. Provide confirmation of the OEB’s Business Plan milestone achievement scoring.

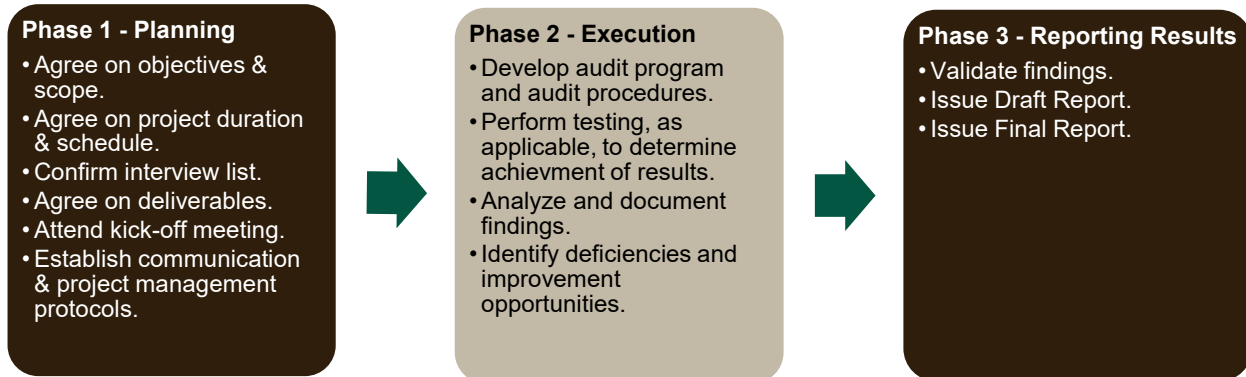
SCOPE

The scope of the audit was limited to:

- Interviews with OEB Management; and,
- Review of supporting documentation to verify that:
 - Amendments made to the OEB's FY 2019-2020 Balanced Scorecard are in accordance to the process outlined in the OEB's Performance Evaluation Framework.
 - Achievements of all key activities as reported by staff are substantiated by pre-determined metrics and outcomes and approved by the Management Committee.
 - Scores assigned to each of the key milestones included in the FY 2019-2020 Balanced Scorecard are determined in accordance with the OEB's Performance Evaluation Framework.

APPROACH

In accordance with MNP's performance audit methodology, the high-level work plan for this review included the following phases:



AUDIT RESULTS

The OEB currently has four strategic goals [items A to D] and a set of metrics for engagement with consumers and regulated entities [item E] within the 2019-2022 Business Plan (“Business Plan”) for FY 2019-2020:

- Utilities are delivering value to consumers in a changing environment.
- Utilities and other market participants are embracing innovation in their operations and the products they offer consumers.
- Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services.
- The OEB has the resources and processes appropriate for the changing environment.
- Performance measures.

Further in the Business Plan, items A to E are each assigned key programs and activities to ensure accountability of the OEB. Milestones with weighted scores have been assigned to the key programs and activities in order to allow scoring in the FY 2019-2020 Balanced Scorecard¹.

Two key programs from the Business Plan, were excluded from the Scorecard - 1) Consumer Participation in Decision Making and 2) Wholesale Market Oversight, and one additional key program was created – 3) Measure OEB Outcomes. As stipulated in the June 19, 2019 “OEB Letter to Regulated Entities and Relevant Stakeholders”, the OEB consulted with the Ministry of Energy, Northern Development and Mines to conclude that for certain policy initiatives, the OEB will defer external stakeholder engagement activities during the OEB corporate governance structure transition. The exclusion of the two key programs and inclusion of the one key program in the Scorecard was approved by the OEB Management Committee in accordance with the OEB Performance Evaluation Framework.

As a further result of the continued corporate governance structure transition, certain changes to key activity deliverables were recommended based on circumstances that were outside the control of the OEB. All changes

¹ Changes to key programs, activities, and milestones due to evolving priorities and operating environmental factors are permitted under the OEB Performance Evaluation Framework. OEB Management has approved changes to key programs, activities, and milestones throughout FY 2019-2020.

were approved by the OEB Management Committee throughout FY 2019-2020.

There were two key activities that were not fully completed by the OEB during the FY2019-2020 due to the OEB's evolving priorities (i.e. 5.A and 17.A). These have been scored at less than 100% completed as appropriate and documented on the Balanced Scorecard assessment in **Appendix A**.

AUDIT FINDINGS

Audit findings are ones that do not adhere to the OEB Performance Evaluation Framework or do not sufficiently document and evidence the achievements of key activities.

Our audit did not reveal any audit findings.

AUDIT CONCLUSION

The OEB's achievements of key programs and activities are fairly represented in the OEB's FY 2019-2020 Balanced Scorecard. MNP confirms the accuracy of the OEB's Business Plan milestone achievement scoring of 97% (i.e. 97/100), as reviewed and verified through documentation received from the OEB on each of the key programs, key activities and key milestones for each of the OEB's Business Plan goals and metrics.

The assessment of the FY 2019-2020 Balanced Scorecard can be found in **Appendix A**.

ACKNOWLEDGEMENT

We wish to extend our appreciation to the staff and management of the OEB for their co-operation and assistance throughout the engagement.

LIMITATIONS AND DISCLOSURE

We have limited the scope of our work to documents provided by the OEB and are not providing an opinion on the accuracy of the information contained within.

This report is intended solely for the information and use of the OEB and the Ministry of Energy, Northern Development and Mines. Any use that a third party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third party. MNP accepts no liability or responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

APPENDIX A: ASSESSMENT OF FY 2019-2020 BALANCED SCORECARD RESULTS

For FY 2019-2020, the OEB had five strategic goals. Strategic goals A to D are defined in the OEB 2019-2022 Business Plan (“Business Plan”), whereas strategic goal E was developed as an additional metric for the FY 2019-2020 Balanced Scorecard (“Scorecard”). There are 18 key programs in total with collective weighting of 100%.

The tables below outline the complete Scorecard criteria and compares the assessment of results achieved by both OEB Management and independently by MNP. Based on MNP’s assessment of the results achieved for the OEB’s FY 2019-2020 key programs and activities within the Business Plan, the OEB achieved a score of **97%** (i.e. 97/100).

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
Strategic Goal A – Utilities are delivering value to consumers in a changing environment				
1. Gas Supply Planning During 2018, we developed a new framework for the assessment of natural gas utilities' gas supply plans. The framework requires natural gas utilities to develop five-year gas supply plans and submit them to the OEB for review. We will review a utility's performance against the plan on an annual basis. This framework will increase transparency and accountability, helping to ensure that consumers are getting value for money	A. Complete review of the five-year gas supply plans filed by natural gas utilities.	4	100%	100%
2. Utility Benchmarking We are expanding the scope of the utility benchmarking to include a detailed evaluation of costs at the program or activity level. We expect that this initiative will drive greater cost discipline and efficiency among utilities and ultimately reduce costs for consumers. Our initial focus will be on electricity distributors and then expanding to other regulated utilities.	A. Implement new framework for program-level benchmarking of electricity distributors in the assessment of rate applications for 2020.	8	100%	100%

² As a result of the continued corporate governance structure transition, certain changes to key activity deliverables were recommended based on circumstances that were outside the control of the OEB. All changes were approved by the OEB Management Committee throughout FY 2019-2020.

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
3. Natural Gas Demand Side Management We have completed the mid-term evaluation of the current Demand Side Management (DSM) Framework for Natural Gas Distributors and are continuing our work regarding the Evaluation, Measurement & Verification (EM&V) of DSM programs.	A. Complete the EM&V of the 2017 and 2018 DSM results, implement any modifications to the DSM framework as appropriate, and initiate development of the new framework for the 2021-2026 period.	6	100%	100%
4. Updating the Electricity Distributor Scorecard To ensure that the OEB's electricity distributor scorecards provide value to consumers, we are reviewing and evaluating the scorecard.	A. Evaluate the current scorecard and assess possible modifications.	4	100%	100%
5. Affiliate Relationships Code We will undertake a review of the affiliate relationships regulatory requirements for both electricity and natural gas utilities to ensure the requirements reflect the balance between protecting the interest of consumers and the role of utilities in an evolving energy sector.	A. Consult with consumers and industry stakeholders to identify issues with the existing codes, including potential barriers to the evolving roles for utilities, and consider options for addressing the issues where appropriate.	2	0% A staff report identifying issues and potential barriers with options for addressing issues where appropriate was not prepared.	0%
Sub-Score for Strategic Goal A		24	22	22
Strategic Goal B - Utilities and other market participants are embracing innovation in their operations and products they offer consumers				
6. Utility Remuneration To support the evolution of the sector, we are evaluating options for a regulatory framework that remunerates utilities in ways that make them indifferent to traditional or alternative solutions, better	A. Evaluate and consult on options, ensuring a comprehensive approach.	8	100%	100%

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
support their pursuit of least cost solutions, strengthen their focus on long-term value and require them to reflect the impact of sector evolution in their system planning and operations.				
7. "Smarter" Electricity Delivery Rates To encourage the efficient use of electricity infrastructure and enable greater customer choice and control, we are developing a new rate design policy for commercial and industrial electricity distribution rates and related charges.	A. Approve a plan for implementing the new rate design for commercial and industrial electricity rates.	6	100%	100%
8. "Smarter" Electricity Prices To provide appropriate price signals to low-volume and other Class B electricity consumers in accordance with the Regulated Price Plan (RPP) Roadmap, we are taking steps that could inform a new methodology for the RPP and carrying out related work. The OEB has initiated four pilot projects to test options regarding RPP pricing. Results from pilots currently in the field are expected by the end of 2019.	A. Analyze the results of the RPP pilots and evaluate pricing options for RPP consumers and other consumers.	6	100%	100%
9. Distributed Energy Resources We will identify and consider new instruments and regulatory reforms that would facilitate investment in distributed energy resources (DERs) on the basis of the value to consumers. As a near-term priority, we will also evaluate current provisions of the Distribution System Code (DSC) governing the connection of loads, generators, storage and similar facilities and consider appropriate modifications.	A. Evaluate the existing connection-related provisions of the DSC and implement modifications necessary to support immediate sector initiatives. Evaluate options regarding the evolution of a regulatory framework for DERs that focuses on value to consumers.	12	100%	100%
Sub-Score for Strategic Goal B		32	32	32

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
Strategic Goal C - Consumers have the confidence in the oversight of the sector and in their ability to make choices about products and services				
10. Consumer Outreach To increase consumers' confidence in the oversight of the sector and in their ability to make choices about products and services, we will enhance our engagement with consumers about the energy sector, the rights and choices consumers enjoy, and the work of the OEB.	A. Continue and expand our program of public outreach throughout the province, and implement a range of communications programs that inform consumers about issues of importance to them.	4	100%	100%
11. Review of Customer Service Rules and Charges We are reviewing the customer service rules for natural gas and electricity distributors and for unit sub-meter providers. During early 2019, we will complete the first phase of this review regarding disconnections and related activities.	A. Complete the second phase of the review, regarding the rules and charges relating to the management of customer accounts, billing errors and reporting requirements.	4	100%	100%
12. Low-income Energy Assistance Program (LEAP) To determine how well the LEAP emergency financial assistance program is meeting the needs of low-income energy consumers, we are evaluating the design and delivery of the program in both the electricity and natural gas sectors.	A. Develop and implement modifications to program design and delivery as appropriate.	6	100%	100%
13. Strengthening Utility Accountability to Customers To ensure that natural gas and electricity distributors and transmitters continue to deliver value to consumers in a changing environment, we will improve the reporting by utilities regarding the quality	A. Develop new reliability measures and reporting requirements for electricity distributors and transmitters.	6	100%	100%

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
of the service they provide their customers.				
Sub-Score for Strategic Goal C		20	20	20
Strategic Goal D - The OEB has the resources and processes appropriate for the changing environment				
14. Adjudicative Process Improvements To ensure the OEB’s organization and processes remain flexible and are adapted to changing needs, we are developing and implementing measures to better ensure that our review of electricity distribution cost-of-service applications is proportionate and aligned with the performance-based approach to regulation.	A. Continue implementation of the process enhancements, especially to incorporate the new approach to program-level benchmarking.	2	100%	100%
15. Evaluation of Policy on Utility Consolidations (MAADs) The OEB will review the MAADs policy with a view to assessing how well it has met its stated objectives and to identify and implement any modifications that may be required.	A. We will review our experience with the MAADs policy as it has been applied since implementation and identify areas that require modification.	2	100%	100%
16. Measure OEB Outcomes Continue development and refinement of an outcome-based performance measurement framework that enables the OEB to assess the cumulative effects of the full array of policy, operational and strategic activities that the organization undertakes from year to year.	A. Conduct an initial measurement of results for 2018 in order to test the operation of the Performance Measurement Framework, help to establish appropriate baselines and allow for any calibration as may be appropriate.	6	100%	100%
17. Enhancing OEB Performance To ensure our organization has the expertise, resources and processes appropriate for the changing environment, we will identify the attributes of high-	A. Assess the performance of the OEB with respect to high-performing tribunals and identify any areas of improvement.	4	75% Council of Canadian Administrative	75%

Key Program	Key Activities ²	Weight (%)	OEB Self – Assessment	MNP Assessment
performing tribunals and established a framework through which continuous improvement will be encouraged, measured and achieved.			Tribunals (CCTA) survey or equivalent to assess year over year stakeholder review of performance improvement was not administered.	
Sub-Score for Strategic Goal D		14	13	13
Strategic Goal E - Performance measures				
18. Activity Based Metrics The OEB has established a set of activity-based metrics that govern our engagement with consumers and regulated entities. We will track our performance against these metrics in the upcoming year. As noted earlier, the OEB will undertake several initiatives for the 2019-2022 planning period that will continue to build on the work undertaken during 2018 with respect to Regulatory Excellence. As part of these initiatives, we will be reviewing our existing metrics in order to assess their continued relevance and alignment with stakeholder expectations of a responsive regulator.	A. The OEB is meeting or exceeding the metrics. All metrics measured at end of Q4.	10	100%	100%
Sub-Score for Strategic Goal B		10	10	10
Overall Score (Strategic Goals A to E)		100	97	97



ABOUT MNP

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