

October 2, 1998

Dear Sir/Madame:

Re: Development of PBR for Regulated Energy Utilities in Ontario

In anticipation of the passage of Bill 35, which will expand the Board's regulatory responsibilities and allow it to implement new approaches to regulation, the Board is considering the use of performance based regulation ("PBR") wherever it is appropriate. Attached is a draft policy paper outlining the general principles upon which PBR will be developed.

Since there are few gas utilities and electricity transmission utilities in the Province, the Board does not anticipate logistical problems with the review and issuance of rate orders for these utilities. However, due to the large number of electricity distribution utilities, the Board believes that it would be expedient to establish a framework for, and guidelines on the application of PBR to this sector of the energy industry.

To develop a framework to apply PBR to the electricity distribution utilities, the Board has established the following timetable:

Mid-October	Distribute a Board Staff PBR options paper to stakeholders and a consultation letter outlining the issues upon which Board Staff would like to receive comment.
Late-October	One-day PBR educational seminars to be held in Toronto.
Early-November	Deadline for written comments on issues identified in the consultation letter from those stakeholders who wish to provide them.
Mid-November	Facilitated consultation workshops at various locations in the Province at which stakeholders may provide input.
Early-December	Board Staff proposal tabled with the Board on application of PBR to electricity distributors reflecting stakeholders' consultation.
Early- 1999	The Board's PBR proposal to stakeholders for comment.
Spring 1999	Issuance of Board Handbook for performance based rates.

For entities other than the electricity distribution utilities, PBR will be addressed through other Board processes.

If you wish to attend a PBR educational seminar and/or participate in a consultation workshop, please advise Michael McLeod of your intention by fax at (416) 440-7656 or by e-mail at [mcleodmi@oeb.gov.on.ca](mailto:mcleodmi@oeb.gov.on.ca) on or before October 12, 1998.

Sincerely,

Robert A. Cappadocia  
Director,  
Regulatory Affairs

cc. Floyd Laughren      Chair, Ontario Energy Board  
    Les Horswill         Assistant Deputy Minister, Ministry Energy, Science and Technology