



EB-2006-0209 - OEB initiated proceeding regarding Multi-year Incentive Rate Regulation for Gas LDCs – Hydro One Networks Submission regarding Goals and Parameters

Hydro One is participating in the natural gas proceeding because of its keen interest in the development, and application, of incentive regulation to the transmission and distribution of electricity in Ontario. This is consistent with Hydro One's submissions and participation in respect of proceeding EB 2006-0088. At this time Hydro One is developing its understanding of incentive regulation and participation in the natural gas proceeding will provide an opportunity to share ideas and learn new insights that will assist Hydro One in developing its positions on the subject matter. This is particularly important in the light of the Board's proposal to develop the 3rd Generation IRM for electricity distributors. Therefore, Hydro One's participation in the natural gas proceeding will be limited to taking a high level approach that focuses on concepts rather than details. In this respect Hydro One is pleased to offer the following summary points for the goals and parameters that might be considered in the development of incentive regulation for the natural gas distribution sector.

GOALS

- to promote efficient regulation of the natural gas distribution sector in Ontario
- to promote efficiency in the gas distribution sector
- to promote distribution performance in respect of service quality that reflects customer values, and
- to promote efficient investment in the natural gas infrastructure to meet performance targets
- to reduce the regulatory burden for natural gas distributors and stakeholders alike

PARAMETERS

- inflation factor that appropriately reflects natural gas distribution cost dependencies in relation to external changes, e.g. labour, materials, fuels, equipment costs
- productivity factors that reflect the efficiency targets most appropriate to the natural gas distributors in Ontario
- Z-factor adjustments to allow for cost recovery resulting from events beyond management's control
- Capital cost adjustment factor to allow recovery of costs associated with investment in distribution infrastructure to meet performance targets
- suitable performance targets to drive appropriate utility performance

- appropriate metrics to provide meaningful measurement of performance
- appropriate penalties and rewards that will incent utilities to perform to meet targets
- flexibility for utilities to offer additional services that respond to customer needs

Provided on behalf of Hydro One Networks by –

Dr. Andy Poray - Director - Regulatory Policy and Support, (416) 345-5888,
andy.poray@HydroOne.com

Dr. Marilyn Amobi - Sr. Advisor, Regulatory Policy & Client Support, (416) 345-5756,
Marilyn.Amobi@HydroOne.com