Ontario Energy Board | Commission de l'énergie de l'Ontario

**BY EMAIL**

October 1, 2025

**To: Regulated Entities Subject to OEB Cost Assessment**

**Re: Cost Assessment - Fiscal Year (FY) 2025/2026**

Under Section 26 of the *Ontario Energy Board Act, 1998*, the Ontario Energy Board's (OEB) capital and operating expenses are recovered from regulated entities through cost assessments. Cost allocation follows a Minister-approved budget for the fiscal year and updated information outlined in the OEB's Cost Assessment Model.

The government has entrusted the OEB with an ambitious work plan, articulated through the 2024 Letter of Direction and the government's 2025 Integrated Energy Plan Implementation Directive. This directive not only sets bold policy vision for Ontario's energy future but also signals a potential further expansion of the OEB's mandate.

The OEB's Business Plan lays out our blueprint to support Ontario's clean, affordable, and reliable energy sector and to support economic growth and energy security in the province. The Minister endorsed this approach through his approval of the OEB's 2025-2028 Business Plan on August 1, 2025.

Anticipating work arising from the government's first Integrated Energy Plan, the OEB developed a strategic and resource-aligned plan to deliver on the government's direction. This includes identifying and prioritizing roles that are **business-critical** and **sector-facing**—positions essential to adjudication, regulatory policy, stakeholder engagement and protecting the public. The approved FY2025/26 budget of $70.31 million reflects this purposeful investment.

While the approved FY2025/26 budget remains $70.31 million, the OEB is applying a forecast-based approach for Q3 assessments to reflect current operational realities. This approach seeks to ensure fairness to regulated entities while maintaining alignment with the OEB's strategic objectives. As part of our continued commitment to prudent financial management, the OEB will base Q3 invoices on its $63 million expenditure forecast for the year rather than the approved $70.31 million budget.

This adjustment reflects the current pause in hiring activity, following recent direction from the government. The OEB continues to seek clarity on how this process aligns with the energy sector transformation and our Business Plan. Until further guidance is received, mindful of impacts on both regulated entities and energy customers, the OEB is basing Q3 assessments

2300 Yonge Street, 27th floor, P.O. Box 2319, Toronto, ON, M4P 1E4
2300, rue Yonge, 27e étage, C.P. 2319, Toronto (Ontario) M4P 1E4
**T** 416-481-1967 1-888-632-6273
**F** 416-440-7656 **OEB.ca**

on forecasted expenditures. The OEB will continue to monitor expenditures closely and will reassess the invoicing approach for Q4, making further adjustments if warranted. As previously communicated with our second quarter (Q2) invoices, the OEB issued first quarter (Q1) and Q2 cost assessments based on the approved FY2024/25 budget of $57.7 million.

## FY2025-2026 Assessment by Class of Payor

Cost allocations among payor classes are determined using the OEB's Cost Assessment Model. The table below presents the cost distribution by payor class for Q3.

Adjustments for the final two quarters of the fiscal year will incorporate reconciliations for Q1 and Q2 billing cycles, ensuring alignment with the approved FY2025/26 budget.

| Class of Payor | 2025-2026 Q3 Assessment | |
|---|---|---|
| | $* | % share of total cost |
| Electricity Distribution | 9,744 | 56 |
| Gas Utilities | 4,344 | 25 |
| Electricity Transmission | 1,303 | 8 |
| Independent Electricity System Operator | 727 | 4 |
| Ontario Power Generation | 594 | 3 |
| Unit Sub-Meter Providers | 432 | 2 |
| Retailers | 179 | 1 |
| Marketers | 138 | 1 |
| Total | 17,461 | 100 |

(* in thousands)

## Payment of Cost Assessment

Cost assessments are payable on a quarterly basis. Q3 covers the period from October 1, 2025, to December 31, 2025.

Enclosed with this letter, you will find your cost assessment invoice along with electronic payment instructions for the Q3 payment to the OEB. Please note that electronic payment is due within 30 days of the invoice date.

Please direct any questions you may have relating to the attached invoice to accountsreceivable@oeb.ca.

## Account 1508 Sub-account OEB Cost Assessment

The OEB is directing the reactivation of *Account 1508 – Other Regulatory Assets, Sub-account OEB Cost Assessment Variance*. This account was originally established through the OEB's letter dated February 9, 2016 (2016 Letter), to capture material differences between cost assessments embedded in rates and those arising from the cost assessment model implemented as of April 1, 2016.

Some utilities have ceased using this account in their cost-based applications following the guidance provided in the 2016 Letter. However, in light of the newly approved budget under the current cost assessment model, the OEB has determined that reactivating this account is necessary. This will ensure proper tracking and recording of material variances between the cost assessments embedded in rates and those resulting from the updated model.

Effective April 1, 2025, all applicable electricity distributors, natural gas distributors, Ontario Power Generation (OPG), and the Independent Electricity System Operator (IESO) are expected to re-establish and utilize *Account 1508 – Sub-account OEB Cost Assessment Variance*, or an equivalent account to record the cost assessment variances.

The accounting guidance for this account—including accounting entries, carrying charges, and disposition procedures—remains consistent with the instructions outlined in the 2016 Letter[1]. Regulated entities are expected to seek disposition of the account balances in their next cost-based application and generally request discontinuation of the account thereafter. If continuation of the account is requested, a clear rationale must be provided.

Please direct any questions you may have relating to the variance account to **IndustryRelations@oeb.ca** including "Account 1508 Sub-Account OEB Cost Assessment" in the subject line.

Sincerely,

*Original signed by,*

Walter Carvajalino

Manager, Finance & Risk | Ontario Energy Board

Attachments: Invoice dated October 1, 2025 & Electronic Payment Instructions

[1] The accounting guidance in Page 2 under the Section of New Variance Account in the OEB's letter Re "Revisions to the Ontario Energy Board Cost Assessment Model". issued to Regulated Entities Subject to the OEB's Cost Assessment, February 9, 2016.