



Ontario
Energy
Board | Commission
de l'énergie
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BY E-MAIL and WEB POSTING

August 6, 2024

To: All Licensed Electricity Distributors

**Re: Incentive Rate Setting: 2023 Benchmarking Update for Determination of
2024 Stretch Factor Rankings - Board File No.: EB-2010-0379**

The Ontario Energy Board (OEB) is releasing this year's total cost benchmarking update. Each year, the OEB benchmarks electricity distributors' total cost performance. The rankings from the benchmarking results for the current year's electricity distributors are used to assign stretch factors. The stretch factor forms part of the annual Incentive Rate Mechanism (IRM) process and is used to determine how a distributor's rates will be adjusted. This benchmarking update using 2023 data determines the 2024 stretch factor assignments for distributors which are to be used in the 2025 rate-setting process. The stretch factor assignments are based on updated results of [the productivity and benchmarking research in support of incentive rate setting](#).

Incentive rate setting rewards distributors based on their total cost performance; i.e., the better the cost performance, the better the reward. Based on ranking, each distributor is assigned to one of five cohorts, with the best cost performers in Cohort I and the lower cost performers in Cohort V. The distributors in Cohort I as the best performers are rewarded with no rate reduction adjustment. The distributors in the lower cohorts receive reduction adjustments ranging from 0.15% in Cohort II to 0.60% in Cohort V. The stretch factors are designed to incent distributors to perform better, and as such, promote, recognize and reward distributors for cost efficiency improvements, which in turn lead to lower distribution costs and rates.

The OEB commissioned Pacific Economics Group Research to perform the benchmarking analysis according to an OEB-approved methodology. The most recent update based on 2023 data is posted on the [Performance Assessment](#) page of the OEB's website.

The OEB notes the following regarding the overall industry's cost performance:

- The electricity distributor sector has shown consistent cost performance improvement. The average level of cost performance in 2023 for the 54 distributors was 14.3% lower than forecast cost and this builds upon the cost performance improvement in previous years (i.e., costs were lower than forecast cost by 14.2% in 2022, 13.8% in 2021, and 11.6% in 2020).
- Of the three distributors whose rankings have changed from 2022 to 2023, all three have moved to a lower stretch factor ranking based on improved cost performance.
- The overall trend is indicative of improved cost performance on average. The OEB will continue to monitor to determine whether these improvements are sustained.

The table below shows the three distributors whose 2024 stretch factor assignments have changed from the previous year's update. The amounts shown in brackets represent the downward percentage adjustment to reduce the rates during the 2023 IRM rate setting process. The stretch factor assignments of all other distributors remain the same as assigned in the previous year's update results (i.e., 2022 stretch factor ranking).

Company Name	2022 Stretch factor ranking	2023 Stretch factor ranking
ENWIN Utilities Ltd.	Cohort II (0.15)	Cohort I (0.00)
Niagara Peninsula Energy Inc.	Cohort III (0.30)	Cohort II (0.15)
Westario Power Inc.	Cohort III (0.30)	Cohort II (0.15)

Any inquiries regarding the above matter should be directed to the OEB's Industry Relations hotline at 416-440-7604 or by e-mail to IndustryRelations@oeb.ca. The OEB's toll free number is 1-888-632-6273.

Yours truly,

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Registrar