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BY EMAIL AND WEB POSTING

February 25, 2019

**To: All Licensed Electricity Distributors and Transmitters
All Rate Regulated Natural Gas Distributors
Ontario Power Generation
All Other Interested Parties**

Re: Activity and Program Based Benchmarking (ABP) Initiative (EB-2018-0278)

The OEB is today issuing for comment an OEB Staff Discussion Paper: Activity and Program-based Benchmarking in the Electricity Distribution Sector (Discussion Paper). By letter dated October 10, 2018, the Ontario Energy Board (OEB) announced it was launching an initiative to develop an Activity and Program-based Benchmarking (APB) Framework to encourage continuous improvement by regulated utilities. This Discussion Paper is a key step in the process of developing and implementing APB as a tool for assessing the performance of regulated utilities.

Background to Activity and Program-based Benchmarking

In its *Report of the Board: A Renewed Regulatory Framework for Electricity Distributors*, the OEB signaled its intent to evolve its performance benchmarking to allow for a more meaningful review of utility operations in key areas to support the OEB's objective of ensuring that utilities deliver cost-effective outcomes that are valued by consumers. Following the RRF, the OEB implemented both a performance scorecard for electricity distributors and total cost benchmarking. The OEB wants to expand its use of benchmarking to include comparison of costs at the program (or activity) level to encourage utilities to continue to improve in those programs that drive operational excellence and reliability, and deliver customer focused service.

The detailed benchmarking of unit costs for significant activities and programs will facilitate assessment of a distributor's performance in investment planning, cost effectiveness and continuous improvement in delivering on the outcomes expected under the RRF. APB will provide enhanced information to stakeholders' about the trends in utilities' cost-efficiency and performance. The OEB expects APB to be an important input to setting just and reasonable rates for electricity distributors, including facilitating proportionate reviews of utility rate applications leading to increased efficiency in the regulatory process.

While the Discussion Paper focuses on development of an APB framework for the electricity distribution sector, the OEB intends to develop APB for all rate-regulated utilities. In subsequent phases of this initiative, APB will be implemented for electricity transmitters, gas distributors and Ontario Power Generation. It is expected that the framework developed for electricity distributors will provide a base for subsequent phases.

Staff Discussion Paper

In the Discussion Paper, OEB staff has identified the key elements of an effective APB framework. Staff has set out different approaches to identifying the activities and programs that should be benchmarked, possible benchmarking methods and the data considerations that need to be addressed as part an APB framework. Based on its assessment, staff has identified a preliminary list of activities and programs along with an approach of benchmarking and data requirements that will support an early adoption of APB. This initial approach largely relies on existing reporting and distributor data. It is expected that over time the framework can evolve to reflect other activities and programs as the robustness of the data and analysis is increased.

To support the development of a proposed framework for consultation OEB staff retained two experts. Pacific Economics Group Research LLC (PEG) has identified potential methodologies that could be used to benchmark activities/programs and to assess data availability in a [Report to the Ontario Energy Board on Activity and Program Benchmarking of Ontario Power Distributors](#). Midgard Consulting Inc. was asked to undertake specific analysis of distributors' capital accounts and distribution system plans (DSPs) to identify activities or accounts that would be significant to a distributor's operations and delivery service to customers, with the results of their analysis presented in a report [LDC Capital/DSP Programs Review – Benchmarking Candidates](#). Both reports are available on the OEB's website.

In order to inform its thinking on APB, OEB staff brought together a group of stakeholders representing industrial, institutional and residential consumers and distributors for their input to identify the significant activities and programs that could be used for performance benchmarking and feedback on the overall initiative. The advice and insights gained from the workshops have informed the proposals set out in the Discussion Paper. Details on the membership and the materials from the workshops have been posted on the [OEB's website](#).

Stakeholder Comments on the Discussion Paper

OEB staff invites stakeholders to provide comments on the Discussion Paper by **March 27, 2019**. Comments on the Discussion Paper will assist the OEB in establishing the framework for activity and program-based benchmarking for electricity distributors. While comments on all aspects of the Discussion Paper are encouraged, specific questions have been identified in each section of the Discussion Paper and these are also summarized in Appendix 1.

To assist stakeholders in their consideration of the Discussion Paper, OEB staff will hold a meeting to provide interested stakeholders with the opportunity to ask questions about the APB initiative, development of the framework and the proposals set out in the Discussion Paper. The meeting will be held at the OEB's office in Toronto on **March 5, 2019 starting at 10 am** and will be available through a webcast. Details will be provided shortly. Interested stakeholders who wish to participate in the Stakeholder Meeting should register their intent to participate with Veronica Mendes by sending an email Veronica.mendes@oeb.ca with the subject line APB Stakeholder meeting by March 1, 2019.

Cost Awards

Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1998* to those that are eligible to receive them in relation to written comments provided on the Discussion Paper. Costs will be recovered from all licensed electricity distributors and apportioned based on their respective customer numbers.

Appendix A to this letter contains important information regarding cost awards and the timelines set out in the Appendix will be strictly enforced.

Submitting Comments on the Discussion Paper

The OEB requests that stakeholders make every effort to provide electronic copies of their filings on the attached Discussion Paper in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. A user ID is required to submit documents through the OEB's web portal. If you do not have a user ID, please visit the "e-filings services" services" [webpage](#) on the OEB's website at www.oeb.ca, and fill out a user ID password request.

In addition, stakeholders are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the OEB's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@oeb.ca or by mail to the address below. Those who do not have computer access are required to file two (2) paper copies.

Filings to the OEB must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number EB-2018-0278 and include your name, address, telephone number and, where available, your e-mail address and fax number. All filings received by the OEB in relation to this consultation will be available for viewing at the OEB's offices during normal business hours and will be placed on the OEB's website.

If the filing is from a private individual (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the filing available for viewing at the OEB's offices or placing the filing on the OEB's website, the OEB will remove any personal (i.e., not business) contact information from the written comment (e.g., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the filing will be available for viewing at the OEB's offices and will be placed on the OEB's website.

ADDRESS:

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Attention: Board Secretary

Any questions relating to this letter or the Discussion Paper should be directed to
IndustryRelations@oeb.ca.

Sincerely,

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance

APPENDIX A

COST AWARDS

Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the OEB a written submission to that effect by **March 4, 2019** identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (addressing the cost eligibility criteria as set out in section 3 of the *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted by the OEB.

Rate-regulated electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity has any objections to any of the requests for cost eligibility, those objections must be filed with the OEB by **March 7, 2019**. Any objections will be posted by the OEB. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Cost Eligible Activities and Hours

Cost awards will be available in relation to the provision of comments on the Discussion Paper, to a **maximum of 12 hours**.

Eligible stakeholders that attend the Stakeholder Meeting to be held on March 5, 2019 will be eligible for an award for preparing for the meeting as well as attendance to a **maximum of 6 hours**.

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and coordinate their participation in this process. Interested parties are reminded that cost awards are made available on a per eligible participant basis, regardless of the number of professional advisors that an eligible participant may wish to retain.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a

clearinghouse for all payments of cost awards in this process. For more information on this process, please see the OEB's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's Rules, Codes, and Requirements webpage.