

Susanna Zagar
CHIEF EXECUTIVE OFFICER | PRÉSIDENT DIRECTEUR GÉNÉRAL

BY EMAIL

October 10, 2024

To: All Rate-Regulated Gas Distributors
All Licensed Electricity Distributors
All Licensed Transmitters
All Licensed Gas Marketers
All Licensed Electricity Retailers
All Licensed Unit Sub-Meter Providers
Independent Electricity System Operator
Ontario Power Generation
All Other Interested Parties

Re: Mid-Year Progress Update, Fiscal 2024/25

The Ontario Energy Board (OEB) is pleased to provide an update on work completed during the first half of fiscal year 2024/25, as it relates to the deliverables outlined in our annual Business Plan and November 2023 Letter of Direction.

During this period, we remained focused on delivering value to the people of Ontario through the core lenses of consumer protection, customer choice, regulatory leadership, innovation and adjudicative excellence. We actively engaged in initiatives to modernize the grid and facilitate an orderly energy transition, balancing affordability, reliability and service quality. Our efforts also supported Ontario's clean energy advantage through alignment with the broader government priorities of economic development, housing and electrification.

In June we welcomed Mark White as the new Chair of the OEB's Board of Directors and over the summer a number of other key changes occurred in the sector, including the appointment of a new Minister of Energy and Electrification, the Honourable Stephen Lecce. It is an exciting and busy time to be in Ontario's energy sector.

Within the context of the energy transition, our role as the independent regulator of Ontario's electricity and natural gas sectors has never been more critical. We remain committed to our strategic goals — Protect the Public, Drive Energy Sector

Performance, Facilitate Innovation and (our newest goal) Enable Ontario's Energy Advantage — and we have not done it alone.

We continue to bring an active and agile mindset to our mandate and work, collaborating across the sector to meet the expectations of those we serve — the people of Ontario. We are grateful for the valuable relationships we have built with our stakeholders and the results of our collective efforts to enable Ontario's energy advantage. Some notable highlights follow.

Enable Ontario's Energy Advantage

We operate in a province that is rich in natural resources, with a thriving energy sector supported by dedicated professionals and purposeful organizations. Enabling Ontario's Energy Advantage focuses on complex emerging issues and the need to embrace the future. It also involves leaning on our strengths, such as creating clarity, fostering innovation and providing thought leadership to support Ontario's economic growth fuelled by clean, reliable and affordable energy.

Since April, core adjudicative work has advanced in a timely and responsible way, with the OEB issuing 33 panel decisions and 90 delegated-authority decisions over six months. You can expect to hear more from our Chief Commissioner on these issues next week.

As part of our **Transmission Connections Review**, the OEB launched an examination of the Transmission System Code's connection-related sections. This work aims to enhance the effectiveness of connection processes, procedures and requirements, and support the province's Powering Ontario's Growth plan, released in July 2023.

The OEB provided guidance to electricity distributors and retailers to help industry prepare for the modernization of electricity markets as part of the **Market Renewal Program** being undertaken by the Independent Electricity System Operator (IESO).

We harnessed our **Reporting and Record Keeping Requirements (RRR)** data to create three new interactive dashboards, released updated open data files with 2023 RRR data and began preparations for our RRR review and stakeholder meeting later this fall.

To provide stakeholders with advanced tools to more efficiently and effectively search the OEB's adjudicative documents, we launched the first phase of a multi-year **Business Operations Optimization and Systems Transformation** initiative. This phase delivers iSearch, an Artificial Intelligence search tool that replaces the Regulatory Document Search system and supports a digital-first approach to the OEB's work.

Protect the Public

The OEB's commitment to protect the public from risk, not from progress, remains a key objective. To that end, we published our **2024 Compliance Report**. It demonstrates how the OEB fulfilled its mandate to protect consumer interests and deliver public value, while building a culture of compliance through self-reporting and quick correction of compliance issues.

We continued delivering against the **Intervenor Action Plan** following a request in our November 2023 Letter of Direction to expand the scope to include consideration of a dedicated consumer advocate and capping intervenor costs. The OEB's report was delivered to the Minister of Energy and Electrification in late September. We look forward to the Minister's response as we continue to enhance our adjudicative processes.

Following the recommendations in the 2022 Auditor General's Value for Money Audit, we undertook a review of our Mergers, Amalgamations, Acquisitions and Divestitures policy. We then issued a **revised Handbook to Electricity Distributor and Transmitter Consolidations**. The review leveraged our experience with consolidation-related decisions, and the updated policies will create a more predictable regulatory environment for applicants who are considering consolidation, thereby facilitating planning and decision-making.

To support the government's expansion of the **Ontario Electricity Support Program (OESP)**, we launched a consumer-awareness campaign with the Ministry of Energy and Electrification to inform Ontarians about changes to eligibility thresholds for financial relief from electricity costs. We also deployed our new and enhanced OESP central service provider application system, providing an improved user experience for customers.

Drive Energy Sector Performance

A high-performing energy sector is essential to successfully navigating the energy transition. Through the first half of this fiscal year, many of the OEB's highest-priority initiatives were devoted to driving energy sector performance in Ontario.

Electric Vehicle (EV) Integration is a multi-pronged OEB initiative that has been very active in the past two quarters. It is focused on providing clarity for sector participants on rapidly evolving issues. Deliverables since April include the publication of **streamlined EV connection requirements** and a **proposed new delivery rate for public EV charging stations**.

We also carried out stakeholder consultations on **proposed opt-in price plans for Class B consumers who are not eligible for Regulated Price Plans**. The resulting Price Design Report will be submitted to the Ministry later this year.

As part of ongoing work related to Distribution Sector Resilience, Responsiveness and Cost Efficiency, the OEB **developed a new definition of High Impact Low Frequency events** that will guide utilities in addressing severe weather incidents. Additionally, and with gratitude to LDCs for their participation, we completed an **extensive and detailed survey on their current practices and operations regarding restoration and system hardening**. This information will form part of a **report on Distributors' Current Practices on Restoration and System Hardening**, to be issued this fall.

Our **Vulnerability Assessment and System Hardening project**, launched in June, aims to develop policies and a framework to address three items in the Minister's 2023 Letter of Direction: incorporating climate resiliency into regulated entities' asset and investment planning, engaging in regular assessment of vulnerabilities in their distribution system and operations in severe weather, and prioritizing value for customers when investing in system enhancements for resilience. The OEB intends to explore a vulnerability assessment methodology and include system hardening into distributor system planning processes. This will culminate in a report by June 2025, followed by enhancements to the OEB's cost-of-service filing requirements by fall 2025.

Finally, with the Ontario government committed to building and servicing 1.5 million new homes by 2031, the OEB was pleased to submit to the Minister our **report on System Expansion and Cost Benchmarking for Housing Developments**. As part of drafting the report, we conducted a stakeholder consultation with more than 150 participants, reviewed 19 stakeholder comments, and conducted surveys and interviews with distributors and developers. The report was in response to the 2023 Letter of Direction and includes several recommendations demonstrating the OEB's commitment to a clear, sustainable, equitable cost-recovery framework that is adaptive to Ontario's goals and the evolving energy landscape.

Facilitate Innovation

Facilitating innovation in the energy sector remains a key goal for us. We recognize that new ways of thinking and doing are critical to solving Ontario's energy challenges efficiently and cost effectively.

In that vein, the OEB issued **Phase One of the Benefit-Cost Analysis Framework for Addressing Electricity System Needs** early in the spring. The document offers much-needed clarity to the sector by providing guidance, methodologies and tools to assist electricity distributors in identifying full distribution-level impacts of non-wires solutions.

With collaboration from the IESO and Enbridge, we submitted the **report on Integrated Delivery of Residential Energy Conservation Programming** to the Minister. It marked a significant milestone for the energy transition, as it laid out another step toward fully integrated system planning. The report's "one-window" approach to conservation will provide consumers with streamlined energy management programming and solutions in the home.

The 2023 Letter of Direction asked the OEB to consider changes to the existing approach to how utilities are remunerated to ensure timely investments that support favourable ratepayer outcomes. In response, in September we provided the Minister with a **review of innovative utility remuneration models** that are used in other jurisdictions. This overview will be the basis for further discussion with stakeholders to advance this initiative.

September also marked the **issuance of an updated OEB Innovation Handbook**, a reference guide for energy sector innovators. The Handbook provides broader awareness of the OEB's work in enabling innovation and may inform distributors in preparing applications that propose innovative approaches to meeting customer or system needs. The latest version covers OEB decisions, staff bulletins, rule and code amendments, non-wires solutions guidelines and support available through our Innovation Sandbox.

As we look back on these accomplishments, we are mindful that there is more to be done. Through the second half of our fiscal year, we will advance many of the initiatives we are already engaged in and start new projects as outlined in our annual Business Plan. We will remain agile and flexible, mindful that as Ontario's independent energy regulator, we must provide value to the people of Ontario.

Please do not hesitate to contact me directly if you have any questions or would like to discuss anything in this update or any other matters related to our work together. Collective action and open communication are key to success in our sector.

Sincerely,



Susanna Zagar
Chief Executive Officer
Ontario Energy Board