



April 1, 2025

**To: All Licensed Electricity Distributors
All Other Interested Parties**

**Re: Total Cost Benchmarking Update
Invitation to Participate
OEB File Number: EB-2025-0102**

The Ontario Energy Board (OEB) is initiating a consultation to engage interested stakeholders in a review of the use of Total Cost Benchmarking (TCB), including Total Factor Productivity (TFP), in the assessment of overall cost performance of rate regulated electricity distributors. This consultation is aimed at renewing the 2013 benchmarking methodology which is expected to incent distributors towards enhanced productivity. The OEB intends to collect stakeholder input on recommended changes and improvements to support the continued development of the OEB's TCB methodology and data, and the proposal to repurpose the use of TFP as a productivity measure in the "X-factor" calculation. Stakeholder feedback will also inform the OEB in its consideration of developing and using a Global Stretch Factor (GSF) as a new Ontario industry-wide productivity expectation for electricity distributors.

Background

Total Cost Benchmarking is part of Performance based regulation (PBR) which is used by the OEB to approximate a competitive marketplace¹. As part of the performance based approach referenced in the Report of the Board², "distribution rates are set on a forward test-year cost of service basis and subsequently indexed by a price cap index formula which is used to adjust the distribution rates to reflect expected growth in the distributors' input prices (the **inflation factor**) less allowance for appropriate rates of productivity and efficiency gains (the **X-factor**).” During the rate term that follows a cost of service year, distributors may apply for mechanistic rate adjustments based on the inflation minus X-factor formula.

¹ Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach Oct 18, 2012

² EB-2010-0379 Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors November 12, 2013

The X-factor is the sum of a productivity factor (X) and a stretch factor (SF). Subtracting the X-factor from inflation (I) ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income.

The productivity component of the X-factor is based on TFP, which has been set at 0% since its introduction in 2013 as a measure of the Ontario industry-wide productivity value. The SF component of the X-factor is a measure of a distributor's total cost performance as benchmarked against other distributors in Ontario. TCB, which is used to set the expected benchmarks for distributors, has also not been updated since 2013. The OEB will review and update the existing TCB methodology by including new data collected over the past decade.

The OEB proposes to update the X-factor by changing the components of X. The SF will continue to be used as a component of X to set a local market productivity expectation. Moving forward, repurposing the TFP component to assess industry performance and PBR effectiveness and the introduction of GSF will be considered.

The OEB has retained Pacific Economics Group Research, LLC (PEG) to support the TCB update and contribute to the associated consultation work. Working under the oversight of OEB staff, PEG will soon begin to engage with stakeholders for review and feedback.

Consultation Format

This consultation will involve three phases.

Phase 1 - Stakeholder Meeting Kickoff

- The consultation will begin with a virtual stakeholder meeting on **April 24, 2025**, from **9:30 a.m.** to **12:30 p.m.** During the session, PEG will deliver a presentation on the existing TCB framework and proposed improvements in the upcoming update.

Phase 2 - Surveys and Comments

- Surveys will be distributed to stakeholders who will have until **May 15, 2025**, to share their responses along with any additional written comments. Responses will be kept anonymous and used to guide the OEB in making future enhancements to the TCB methodology.

Phase 3 – Draft Report of the OEB:

- It is expected that an initial draft of a Report of the OEB, that details the proposed changes to the TCB framework and outlines stakeholder feedback will

be circulated to stakeholders by **June 15, 2025** for their review and further written feedback by **July 15, 2025**.

Invitation to Participate

Stakeholders wanting to participate in the consultation are asked to email notice of their intention to registrar@oeb.ca by **April 8, 2025**, with "EB-2025-0102 Total Cost Benchmarking Update" in the subject line. Letters should include:

- Full Name of organization/participant,
- Name(s) of attendees to register,
- A contact name, telephone number and email address, and
- A statement as to whether the participant is requesting cost eligibility.

PEG will reach out directly to registered participants with details on survey distribution.

Stay Informed

Interested stakeholders are encouraged to visit the OEB's [Total Cost Benchmarking Update](#) Engage with Us page and sign up to receive future communications regarding the consultation. Instructions on how to sign into the stakeholder meeting will be provided in due course.

Cost Award Matters

Cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* for participation in the consultation. Participants intending to request an award of costs must file a written submission to that effect by **April 8, 2025**. Costs awarded will be recovered from all licensed rate-regulated electricity distributors. Further information regarding cost awards is included in Appendix A to this letter. Any questions relating to this letter can be directed to performance_reporting@oeb.ca. You can also contact the OEB through our toll-free number: 1-888-632-6273.

Yours truly,

Kevin Mancherjee
Director, Operations Decision Support

Appendix A: Cost Award Matters

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Cost Award Matters
Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with guidelines outlined in the [Practice Direction on Cost Awards](#). Anyone seeking to request an award of costs must submit a written request to the OEB by **April 8, 2025**.

The submission must outline the reasons why the person believes they qualify for a cost award, addressing the OEB criteria for cost eligibility as specified in section 3 of the [Practice Direction on Cost Awards](#). Additionally, the submission must include an explanation of any other available funding sources accessible to the person.

Furthermore, it should include the name and qualifications of any lawyer, analyst or consultant the person intends to retain, if known.

All requests for eligibility for cost awards will be published on the OEB's [website](#). As stated above, costs for all stages of the consultation will be recovered from rate-regulated electricity distributors, therefore if a rate-regulated electricity distributor objects to any of the requests for cost eligibility, those objections must be submitted to the OEB by **April 11, 2025**. Any objections will be posted on the OEB's website. The party whose cost eligibility was objected to will have until **April 15, 2025**, to file with the OEB a reply submission as to why its cost eligibility should be approved.

The OEB will subsequently make a final determination regarding the eligibility for costs of the participants who have made requests.

Eligible Activities

The activities eligible for cost awards are:

Activities Eligible for Cost Awards	Maximum number of Hours
Preparation for the April 24, 2025 stakeholder meeting	4 hours
Attendance and participation in the April 24, 2025 stakeholder meeting	3 hours
Completion of surveys and provision of written comments (due May 15, 2025)	4 hours
Provision of written comments on the draft of the Report of the OEB (due July 15, 2025)	4 hours

Cost Award Amounts

Further information regarding any subsequent consultation activities eligible for cost awards will be communicated later.

When calculating the amount of the cost awards, the OEB will adhere to the principles outlined in section 5 of its [Practice Direction on Cost Awards](#). The maximum hourly rates set out in the Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every reasonable effort to communicate and co-ordinate their participation in this process. As per section 12 of its [Practice Direction on Cost Awards](#), the OEB will serve as the central entity for all disbursements of cost awards in this process. For further details about this process, please refer to the OEB's [Practice Direction on Cost Awards](#).

Filing Instructions

Please ensure that all materials filed include the file number **EB-2025-0102** and submit them in PDF format with a digital signature through the [OEB's online filing portal](#).

- Please ensure that the sender's name, postal address, telephone number and email address are clearly stated in the filings.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [set up an account](#) or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All process-related communication should be addressed to the Registrar and must be received by the close of business, 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Performance, Analytics and Reporting team at performance_reporting@oeb.ca and the Case Manager, Kai Hao at zekai.hao@oeb.ca.

Tel: 1-877-632-2727 (Toll-free)