Office of the Auditor General of Ontario

Value-for-Money Audit:

Ontario Energy Board: Electricity Oversight and Consumer Protection

November 2022

Ontario Energy Board

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1.0 Summary

The Ontario Energy Board (OEB) is Ontario's regulator of the electricity and natural gas sectors, and operates with about 200 employees. The OEB is empowered by statute to, among other things, set rates for rate-regulated entities, license market participants, approve applications for consolidations of Local Distribution Companies (LDCs) and approve transmission line construction. While the OEB has broad jurisdiction over Ontario's electricity sector, our audit focused on three of its legislative objectives: to protect consumer interests with respect to prices and the adequacy, reliability and quality of electricity service; to promote economic efficiency and cost-effectiveness in the sector; and to help maintain a financially viable electricity industry.

Overall, our audit found that the OEB has established a transparent adjudication process, which takes consumer interests into consideration by allowing public participation in applications and policy consultations. However, in some areas the OEB's ability to protect consumer interests is constrained. For example, the OEB is not given an active role in the Province's long-term energy planning process and does not have the authority to regulate all components of an electricity bill. The OEB has no authority to review and regulate an estimated 34% of the charges in an average residential bill, with the majority of the unregulated costs coming from the electricity charge (the commodity portion of the bill). The portions of the bill outside the OEB's oversight are largely related to electricity supply contracted by the Independent Electricity System Operator (IESO) under Ministerial direction. Without the authority to oversee these activities, the OEB's ability to protect consumer interests will decrease even further in the future if more electricity is procured through the IESO's electricity supply contracts (i.e., through procedures not subject to OEB's oversight) to meet anticipated shortfalls in supply beginning as early as 2025.

Another area where the OEB does not have sufficient authority to regulate is the fees charged by Unit Sub-Meter Providers (USMPs), companies that provide metering and billing services to occupants of multi-unit buildings (e.g., condominiums). Both LDCs and USMPs can provide individual metering and billing services to multi-unit buildings. However, unlike rates charged by LDCs, USMP fees are not subject to the OEB's regulatory review and approval. With almost 111,000 condominium and rental units under construction in Ontario's urban centres in 2021 (the highest of all provinces), the USMP market is growing and it is important that there be effective regulation to protect customers in this growing market.

With respect to the OEB's objectives to promote economic efficiency and cost-effectiveness and help maintain a financially viable electricity industry, the OEB can do more. Over the years, a number of LDCs have consolidated, with the goal to optimize efficiency in the distribution sector. While the OEB has established a framework to evaluate consolidation

applications, it does not actively monitor post-consolidation activities associated with the acquired entities to assess that the consolidations generate long-term value for customers and sustain operational efficiencies. Our audit also noted that the rate of return policy that the OEB uses to determine the appropriate rate of return for rate-regulated entities was outdated and that one major component of the policy—the deemed capital structure imposed by the OEB—has not been reviewed and updated for over 15 years. The rate of return policy directly impacts entity returns and the rates that electricity customers pay. As such, regular review and updating of the policy is important to ensure that the rate-regulated entities receive fair returns that are commensurate with their risks.

Lastly, one of the foundations of good governance is having an effective performance measurement framework. We noted that the OEB has established performance metrics in some areas (for example, customer complaints and inquiries, adjudication). However, there are no metrics or targets to measure the efficiency of the OEB's compliance and enforcement activities or the effectiveness of low-income rate subsidy programs.

The following are some of our significant observations.

Electricity Costs

- **Electricity rate subsidy programs have lessened the direct financial burden on ratepayers through taxpayer subsidization.** The government has introduced various tax-based subsidy programs to lower electricity bills for customers (that is, ratepayers). These programs do not actually reduce the true cost of electricity, however; they simply shift a portion of the costs from ratepayers to taxpayers. As of March 31, 2022, for example, we estimated that the monthly electricity bill of an average residential customer was about $121, based on an approximate usage of 700 kilowatt hours (kWh). Without the subsidy programs, we estimate that the bill would have been as high as about $166 per month.

- **The OEB does not regulate all components of electricity bills.** While one of the objectives of the OEB is to protect consumer interests with respect to electricity prices, the OEB has no authority to regulate almost 34% of charges on an average residential bill based on our estimates. The majority of the unregulated charges relate to the cost of generation. The OEB only sets the rates for electricity generated by certain assets owned and operated by Ontario Power Generation. Rates for the remaining generating assets are mostly governed by electricity supply contracts. These contracts are managed by the IESO and the OEB has no regulatory authority over them.

Long-Term Energy Planning

- **The long-term energy planning process is lacking independent oversight.** Proper long-term energy planning is essential to ensure the province has an adequate supply of energy that is also affordable to customers, especially with increasing electricity demand. Prior to 2016 the Ontario Power Authority (OPA), which merged with the IESO in 2015, was required by the *Electricity Act, 1998* to prepare a 20-year energy plan (known as the Integrated Power System Plan [IPSP]) and to update the plan every three years. There was also a legislative requirement that the IPSP be reviewed and approved by the OEB, but that legislative framework was never followed. In 2007, the OPA filed its first IPSP with the OEB, but the review process was suspended due to a Minister's Directive issued in September 2008 that ordered the OPA to revise the IPSP in response to changes to government policy regarding Ontario's supply mix. In 2011, the OPA prepared another IPSP that was not submitted to the OEB for review and was eventually abandoned. Instead, in 2010, 2013 and 2017 the Ministry issued Long-Term Energy Plans (LTEPs) in place of IPSPs. None of these LTEPs released by the Ministry so far were subject to independent review by the OEB to ensure they were

financially prudent. The Ministry last issued its LTEP in 2017 and was required by a regulation under the *Electricity Act, 1998* to issue the next LTEP by February 2021. But the regulation was revoked on January 1, 2021 and a new LTEP still has not been issued. The government has not set a definite timeline for the next LTEP release.

- **Ontario's Long-Term Energy Plan (LTEP) focuses only on electricity.** While the LTEP is referred to as an energy plan, historically its focus has been on electricity only, with little integration between electricity and other fuels (for example, natural gas, gasoline, fuel oils) to ensure the energy sector provides Ontarians with affordable options and supports the Province in achieving its climate change goals. Electricity makes up only 17% of the energy used in Ontario, whereas natural gas, gasoline, diesel and other fuels make up the remaining 83%. To meet Ontario's future energy needs, all energy sources need to be included in a long-term energy plan.

Consumer Protection for Unit Sub-Metering Services

- **USMP fees are not regulated and customers need more transparency regarding the charges.** In Ontario, buildings can obtain suite metering services from LDCs or USMPs. However, unlike rates charged by LDCs, USMP charges are not subject to the OEB's oversight. They are set based on contractual agreements with developers, building owners or condominium boards, and the contract terms vary. USMP customers have expressed concerns about the lack of transparency regarding USMP charges and the contractual arrangements. To date, limited actions have been taken by the OEB and the Ministry to address these concerns even though Ontario's USMP market is growing—having increased by about 55% over a four-year period (from about 252,000 customers in 2018 to about 391,000 customers in 2021).
- **Customers served by USMPs have less protection against disconnection compared to LDC customers.** Electricity customers who fall behind on their bills are at risk of service disconnections. In February 2017, the *Protecting Vulnerable Energy Consumers Act, 2017* was passed, giving the OEB the authority to stop the disconnection of electricity to low-volume customers (including residential customers and small businesses) during periods specified by the OEB. Accordingly, the OEB amended the LDCs' licence conditions to ban the disconnection of residential customers during winter months. USMPs, however, are not subject to this prohibition because USMPs are service providers to building owners or condominium boards. It is the building owners or condominium boards that make the decisions on disconnections for non-payments, which are then carried out by USMPs as authorized. We noted that about 12% of USMP customer complaints received by the OEB from 2016/17 to 2021/22 were related to winter disconnection.

Distribution Rate Protection Program

- **Residential customers in certain areas with high electricity distribution charges are ineligible for Distribution Rate Protection (DRP) due to outdated program criteria.** The DRP is a taxpayer-funded subsidy program that caps the monthly base distribution charges for residential customers of eight eligible LDCs that had, at the time of program implementation, among the highest distribution rates. However, we noted that in 2022 the eight eligible LDCs no longer have the highest distribution charges. Some LDCs with monthly base distribution charges above the cap remain ineligible for the DRP, while one LDC remains on the list even though its monthly base distribution charge has fallen below the cap.

Low-Income and Emergency Subsidy Programs

- **Effectiveness of low-income and emergency subsidy programs is not sufficiently evaluated.** The OEB and the provincial government have introduced a number of subsidy programs targeted at assisting customers who face financial hardship when paying their electricity bills, including the Low-income Energy Assistance Program (LEAP), the Ontario Electricity Support Program (OESP), and the time-limited COVID-19 Energy Assistance Program (CEAP). However, specific performance measures and targets are not established to determine if these programs are running efficiently and successfully assisting those who need the assistance most.
- **Funding mechanism for LEAP has not been sufficiently reviewed to optimize its benefits to eligible electricity customers.** Every LDC maintains its own LEAP budget, funded through distribution rates approved by the OEB, to support customers in its service area. LEAP funding for individual LDCs, however, does not account for demographic differences in customers between LDCs. Nor does funding consider prior years' application trends—that is, funding is not adjusted based on changing needs of the LDCs. While certain LDCs have LEAP funds remaining at year-end, others could no longer provide assistance to their customers as they have depleted their funds.

Rate Application Process

- **Regulatory cost of major rate applications for very small LDCs is disproportionately high.** When we compared the costs of adjudication with electricity rate "savings" to customers (that is, the amount of rate increases sought by LDCs that the OEB disallowed), we found that the OEB's rate-setting process imposes disproportionately higher costs on the very small LDCs (that is, LDCs with fewer than 5,000 customers). Based on our review of the 20 major rate applications filed for 2019–21, the costs of adjudicating applications from very small LDCs represented 25% of the estimated five-year customer savings resulting from adjudication. This was much higher than the amount for applications from larger LDCs, where the costs of adjudication represented only 1%–2% of avoided rate increases.
- **Review of capital structure and rate of return for rate-regulated entities is overdue.** To ensure the continued financial viability of the industry and of rate-regulated entities (including Ontario Power Generation, transmitters and LDCs), the OEB sets rates to allow regulated entities to recover their prudently incurred costs in carrying on their regulated business, including the opportunity to earn a fair return on their invested capital. Two key inputs set by the OEB that determine the allowed return are the regulatory capital structure (that is, debt-to-equity ratio) and the rate of return on equity (ROE). We found that the regulatory capital structure and the formula used to set the ROE were last subject to comprehensive review by the OEB in 2006 and 2009, respectively. These factors are due for a comprehensive review to ensure that they still reflect the risk profile of the entities and result in a fair—but not excessive—return for the entities.

Consolidations of Local Distribution Companies

- **The OEB does not sufficiently monitor LDC post-consolidation activities to confirm projected benefits are realized.** The OEB does not have a standard process in place to monitor post-consolidation activities before the consolidated entity files the next rate application, which can be up to 10 years after the closing of the consolidation transaction. Standardized monitoring is important to help confirm that consolidated entities are adhering to any conditions for approval set by the OEB. Monitoring is also necessary to confirm that post-consolidation activities are progressing as planned to generate long-term value for customers and sustain operational

efficiencies. We identified cases relating to Hydro One's acquisitions where its acquisitions failed to demonstrate value (that is, lower electricity prices) to customers of the acquired LDCs.

- **Performance metrics are not separately tracked and reported after consolidations.** Once a consolidation transaction is closed, performance metrics of the acquired or merged LDCs are combined and reported as part of the consolidated entity, instead of separately tracked in individual scorecards. This results in reduced transparency for customers and the regulator.
- **Consolidations may not necessarily translate to reduced electricity rates or improved efficiency.** Based on the view that consolidations will drive efficiencies that lead to reduced rates and improved services for electricity customers, the government is encouraging consolidation of LDCs. However, based on our review of the Cost Benchmarking Report prepared for the OEB by a third-party consultant, it appears that, on average, smaller LDCs are actually more efficient than the larger LDCs.

OEB's Complaints Process and Compliance Activities

- **Consumer education and transparency of the complaints process need improvement.** To make the complaints process effective and efficient, it is important to provide customers with clarity regarding the roles and responsibilities of the OEB, electricity service providers and customers, as well as useful information regarding how complaints are handled and resolved. In navigating the OEB's website, while we noted that such information is often provided, it is fragmented and unclear in comparison to materials provided by regulators in other jurisdictions, such as British Columbia and Manitoba.
- **Performance metrics need to be developed or updated to better assess the efficiency of complaints management, as well as compliance and enforcement activities.** The OEB has not updated the targets of the customer service metrics for its complaints and inquiries handling processes to ensure they remain relevant. The OEB also has not established metrics to measure the performance of its compliance and enforcement function. Cycle times on compliance reviews and inspections are not tracked and assessed against targets to measure the efficiency of these activities.

This report contains 12 recommendations, consisting of 26 action items, to address our audit findings.

Overall Conclusion

Our audit found that the OEB's ability to protect consumer interests (that is, access to adequate, reliable and quality electricity services at just and reasonable rates for customers) is constrained in some areas. The OEB has no authority to review and regulate an estimated 34% of the charges in an average residential bill. Of all generator-related costs, the OEB regulates only the rates for electricity supplied by certain Ontario Power Generation assets that contribute approximately 43% of generation-related charges on the electricity bill. The remaining 57% of these charges are mainly attributable to entities with electricity supply contracts over which the OEB has no oversight. As well, the OEB does not have the power to oversee the province's long-term energy planning process. Instead, its role in the planning process is limited to implementation according to Ministerial direction. The OEB also does not regulate the fees that USMPs charge their customers, who presently represent 7% of Ontario's electricity customers and are growing.

We also found that the OEB is lacking some processes that, if implemented, would allow the OEB to better fulfill its objective of maintaining a financially viable, economically efficient and cost-effective electricity sector. The OEB has not reviewed the policy that it uses to determine the appropriate return for rate-regulated entities; one major component—the deemed capital structure that the OEB imposes—has not been reviewed and updated for over 15 years. Regular review of the policy will help ensure that these entities receive fair—but not excessive—returns that are

commensurate with the risks they face. As well, after consolidation of LDCs, the OEB does not have a standardized process to actively monitor and ensure that post-consolidation activities are progressing as planned to achieve the projected long-term efficiency gains.

Lastly, the OEB has not developed metrics or targets to measure the performance of all its critical functions (specifically, the compliance and enforcement function). Metrics to measure the effectiveness of low-income subsidy programs are also insufficient.

OVERALL RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) thanks the Auditor General for her recognition of the importance of the OEB's role in regulating the electricity and natural gas sectors in the public interest and of the improvements made by the OEB to enhance regulatory efficiency and effectiveness and implement meaningful performance measures.

The *Ontario Energy Board Act, 1998* requires the OEB to balance multiple objectives. We will continue to do so as we pursue a modern and results-oriented approach to regulatory oversight focused on enhancing public trust, promoting transparency and accountability in decision-making and delivering public value for the people of Ontario, while maintaining the integrity of the independent adjudicative process.

The OEB is committed to ensuring that energy consumers have the information they need to understand their rights and responsibilities and make informed choices about their energy services, and that programs aimed at assisting those most in need are meeting their objectives. The OEB will prioritize work in this area.

The OEB will implement the Auditor General's recommendations with a focus on initiatives that are already underway and in a manner that thoughtfully balances regulatory burden, cost and OEB and stakeholder resources, in the broader context of our core adjudicative work, the ambitious policy agenda that we have set for ourselves and the priorities that the Minister of Energy has established for us.

OVERALL MINISTRY RESPONSE

The Ministry of Energy (Ministry) appreciates the work of the Auditor General and welcomes the recommendations in the report. The report addresses topics that are ongoing priorities for the Ministry, including integrated system planning, rate mitigation, and energy consumer protection. It articulates a number of areas where the Ontario Energy Board (OEB) is successfully exercising its authorities to protect the interest of consumers from the perspective of price, reliability and quality of service, including through a robust and transparent adjudicative function, which is among the core responsibilities of the OEB.

The Ministry continues to deliver rate mitigation programs such as the Ontario Electricity Support Program (OESP) and Distribution Rate Protection (DRP), and is actively engaged in monitoring program performance to support continuous improvement. The Ministry also acknowledges opportunities for continued collaboration with OEB to help ensure fairness and consumer protection objectives for these programs are met.

In Ontario's hybrid electricity market, consisting of competitive and regulated elements, the responsibility of ensuring consumers are charged fair prices is led by the government and implemented by the OEB and the Independent Electricity System Operator (IESO). The IESO promotes economic efficiency through their operation of the electricity market, while also conducting competitive procurements of electricity resources at the direction of the government. Oversight and assessment of electricity pricing in the province is undertaken by the OEB and the Market Surveillance Panel.

The Ministry will take the report's recommendations into consideration as policies and programs are refined and decisions are rendered in the interest of a stable, reliable and affordable energy system in Ontario.

2.0 Background

2.1 Role of the Ontario Energy Board

The Ontario Energy Board (OEB) is a Crown agency that regulates the province's electricity and natural gas sectors. It was originally established in 1960 with a mandate focused on natural gas. In the late 1990s, with the passage of the *Energy Competition Act, 1998*, the mandate of the OEB was expanded to include regulation of the electricity sector.

The OEB's authority is set out in a number of statutes, most significantly the *Ontario Energy Board Act, 1998* (OEB Act). The agency has broad jurisdiction in Ontario's electricity sector, including the authority to set rates for electricity distributors, electricity transmitters and some of Ontario Power Generation's assets; to license most participants in the electricity sector; to approve the construction of electricity transmission lines; and to approve changes in ownership or control of Local Distribution Companies (LDCs) and transmitters or their assets. The OEB also establishes codes that govern the practices of electricity sector participants and has the authority to enforce compliance with these codes, as well as with license conditions and relevant legislation and regulations that fall within its authority. In its work in relation to electricity, the OEB is guided by the following statutory objectives:

- to inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service;
- to facilitate the maintenance of a financially viable electricity sector and promote economic efficiency and cost-effectiveness in the sector;
- to promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario; and
- to facilitate innovation in the electricity sector.

The OEB currently has approximately 200 employees. **Appendix 1** provides an organizational chart of the OEB.

2.2 OEB's Key Operations

2.2.1 Adjudication

The OEB adjudicates applications for Ontario's electricity and natural gas industry for rate changes, consolidations or construction of new infrastructure through a quasi-judicial process, which is a court-like process that involves an oral, written and/or electronic hearing. Currently, the OEB has eight full-time Commissioners (including the Chief Commissioner) and one part-time Commissioner who have the authority to issue legally binding orders on applications that come before the OEB or on matters that are heard by the OEB on its own motion.

Under the OEB Act, the Chief Commissioner may delegate to an employee of the OEB the power to make decisions on applications, which the employee may do with or without a hearing. Approximately 80% of decisions issued by the OEB each year are currently decided under delegated authority, typically related to matters that do not raise significant factual, legal or policy issues. The OEB's Registrar has also been delegated authority to decide certain matters in the early stages of applications that will end up before a panel of Commissioners. For transparency, matters that have been delegated are listed on the OEB's website. Orders made by delegated authority are subject to appeal to a panel of Commissioners. Such occurrences, however, are infrequent. **Figure 1** provides an overview of the OEB's hearing process.

The OEB reviews and makes decisions on various types of applications, which can generally be categorized into four types (see **Figure 2**):

Figure 1: The Four Stages of the Ontario Energy Board (OEB) Hearing Process

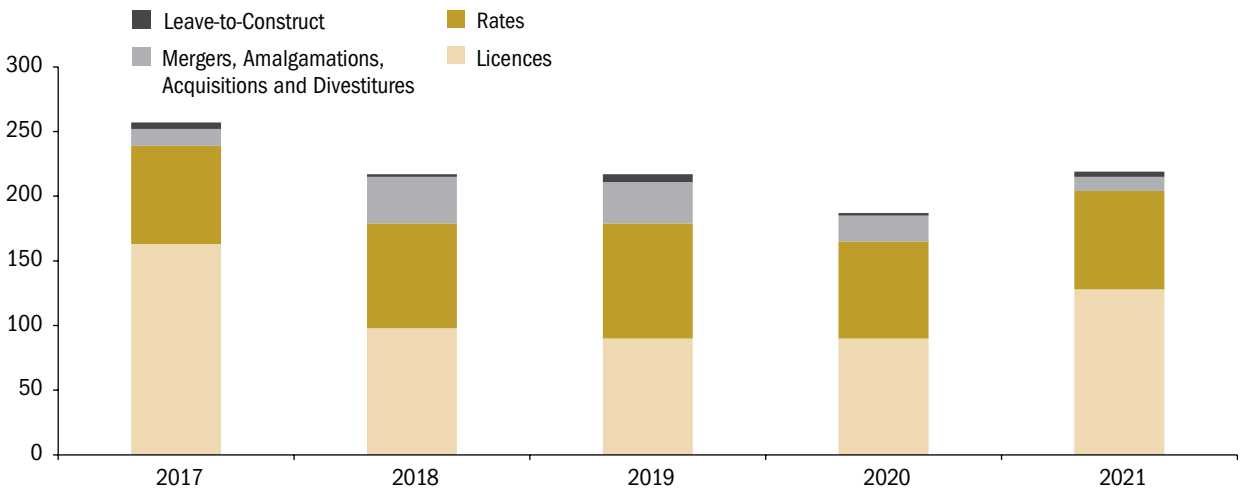
Prepared by the Office of the Auditor General of Ontario

Stage 1 Opening steps	Stage 2 Testing the evidence	Stage 3 Arguing positions	Stage 4 Issuing decisions
• Application acknowledgement, completeness check and public notification • Case assignment and scheduling • Intervention and cost eligibility status confirmed • Procedural order outlining steps	• Issues list • Interrogatories • Technical conference • Settlement conference • Cross-examination	• Applicant's argument-in-chief • OEB staff and intervenor submissions • Applicant's reply arguments • Settlement proposal (if settlement was reached)	• OEB's Decision and Order (including cost awards)

Note: The stages and steps identified may not apply to every application. Most applications decided by delegated authority do not involve a hearing. Intervenors are participants representing various customer or other interest groups (such as low-income customers, commercial and industrial customers, environmental and conservation groups) who have the OEB's approval to actively participate in a public hearing about an application.

Figure 2: Electricity-Related Applications Decided by the Ontario Energy Board (OEB) by Type of Application, 2017–2021

Source of data: Ontario Energy Board



Note: The figure excludes interlocutory decisions made during the course of proceedings on matters such as confidentiality requests and motions within a hearing.

- **Licence Applications:** As set out in the OEB Act, a licence issued by the OEB is required for all generators, transmitters, LDCs, retailers, wholesalers and Unit Sub-Meter Providers (USMPs). In addition, the OEB also licenses the Independent Electricity System Operator (IESO), which includes the Smart Metering Entity. **Figure 3** provides a description of the roles of key market players the OEB currently licenses within the electricity sector. Licence applications (including renewals and amendments) make up the largest percentage of all applications and are mostly decided by an OEB employee acting under delegated authority without a hearing.
- **Rate Applications:** The OEB sets rates for LDCs, transmitters and Ontario Power Generation's (OPG's) prescribed generation assets (including OPG's nuclear facilities at Darlington and Pickering and most of its hydroelectric facilities). Typically, LDCs file a Cost of Service (COS) rate application with the OEB for a full review (called a "rebasing") every five years. These major rate

Figure 3: Key Players in Ontario's Electricity Sector

Prepared by the Office of the Auditor General of Ontario

Sector Participant	Number of Licenses[1]	Responsibilities	Description	Subject to OEB's Rate Regulation?
Independent Electricity System Operator (IESO)	1[2]	Operates Ontario's wholesale electricity market, directs the operation of the transmission system (high-voltage grid), performs electricity system planning, procures resources to address system needs.	The IESO is established by the *Electricity Act, 1998*.	✓[2]
	1	Maintains and operates the province's smart meter[3] data repository that stores, processes and validates hourly electricity consumption data used for customer billing by Ontario's Local Distribution Companies (LDCs).	The IESO has been the designated manager of the smart meter data repository since 2007 as a result of the introduction of Ontario Regulation 393/07 under the *Electricity Act, 1998*.	✓
Generators	455	Produces electricity for sale.	Ontario Power Generator (OPG)—owned by the Province—is the largest electricity generator in Ontario; it generates more than half of Ontario's electricity supply.	✓[4]
Transmitters	8	Transmits high-voltage electricity from generators to LDCs and directly connected industrial customers across Ontario.	Hydro One Networks Inc. (Hydro One), the largest transmitter, accounts for about 98% of Ontario's transmission capacity.	✓
Local Distribution Companies (LDCs)	64	Delivers low-voltage electricity to customers.	Three distributors—Hydro One, Alectra, Toronto Hydro—together account for about 60% of distribution customers.	✓[5]
Retailers	72[6]	Sell electricity to customers under contracts, or act as agents for other retailers or customers with respect to the sale of electricity.	About 1.3% of residential and small business customers purchased their electricity from retailers.	×
Unit Sub-Meter Providers (USMPs)	27[7]	Provides metering and billing services within multi-unit buildings.	About 7% of customers are metered and billed by USMPs.	×

1. Number of licensees based on the list of licensed companies published on the OEB website as of September 27, 2022.
2. The OEB licenses the IESO in respect of the operation of the electricity market and of directing the operation of transmission systems, and sets fees that the IESO charges to market participants to recover its administrative costs associated with these activities. The OEB does not approve the costs and payments related to procurement contracts.
3. A smart meter is a device that is able to measure how much electricity is used and when it is used.
4. Only OPG-owned and -operated nuclear generating stations and most of OPG's hydroelectric fleet are subject to the OEB's rate regulation; the remaining generation is primarily governed by contracts under the IESO, the costs of which are not set or approved by the OEB.
5. Although 64 licenses are issued, there are only 61 licensed LDCs because the three First Nations entities (Attawapiskat, Fort Albany, Kashechewan) each have two licenses. Of the 61 licensed LDCs, 58 of them are rate regulated.
6. Based on information published on the OEB website, there are seven active electricity retailers selling contracts to residential and small business customers in Ontario as at December 31, 2021. Active retailers are those that have signed at least one new contract, or renewed at least one, in the past nine months.
7. Of the 27 USMPs, 20 of them provide metering and billing services directly to customers. The remaining seven may be service providers to other USMPs and do not have direct relationships with customers, or are licensed but not yet providing USMP service to customers.

applications involve active participation from interested parties that represent consumer or other interest groups (known as "intervenors") and are decided by a panel of Commissioners. For each year in between COS applications, LDCs file annual Incentive Rate-Setting Mechanism (IRM) applications to have their rates adjusted using an OEB-approved formula that takes inflation and efficiency into account. In setting rates the OEB considers information on LDC costs, performance (including reliability) and capital planning.

- **Leave-to-Construct Applications:** These are project-specific applications filed when the construction, expansion, or reinforcement of an electricity transmission line longer than two kilometres is proposed.
- **Mergers, Amalgamations, Acquisitions and Divestures Applications:** These are applications (collectively referred to as "consolidation applications") filed when an LDC or transmitter seeks approval for a change in ownership or control of a utility or its assets—for example, a proposal to merge LDCs. The OEB applies the "no harm" test when considering a proposed consolidation. Key consideration in applying this test is whether customers would be adversely affected by the transaction as compared to the status quo.

2.2.2 Compliance and Enforcement

The OEB is responsible for ensuring that licensed entities in the electricity sector are complying with provisions under relevant legislation and regulations that fall within the OEB's compliance authority, as well as with their licence conditions, and with codes and orders issued by the OEB.

The OEB has established a system to address customer inquiries and complaints related to electricity rates, billing, disconnection practices, meter accuracy, and electricity retailers' contract management practices, among other matters. OEB staff carry out compliance reviews when they identify potential non-compliance issues or trends, for example, from customer complaints and industry inquiries. In some instances, an inspection is performed to determine whether further enforcement action is required. Inspections are formal assessments of regulated companies' compliance with legal and regulatory requirements. The OEB's compliance and enforcement activities can result in administrative penalties or other sanctions including licence revocation or suspension.

For 2021/22, 40 inspections were completed. The inspections resulted in about $235,000 in penalties, over $1 million in direct refunds to customers and about $85,000 in contributions to the Low-income Energy Assistance Program, which provides emergency financial assistance to customers who are behind on their utility bills. Examples of infractions include non-compliance with disconnection rules, overcharging customers due to billing or accounting errors, and operating with an expired licence.

2.2.3 LDC Performance Reporting

The OEB has established reporting and recordkeeping requirements (RRRs) that licensees must comply with, as applicable. RRR data is used in many of the OEB's regulatory processes, such as rate applications and reporting on LDC performance. The OEB publishes scorecards annually to track and report on the performance of each licensed LDC in Ontario. The scorecards encompass 20 measures within four performance categories: customer focus, operational effectiveness, public policy responsiveness and financial performance (see **Section 4.3.3**).

2.2.4 Policy Development

Under the OEB Act, the Minister of Energy (Minister) can issue directives, as approved by the Lieutenant Governor in Council, to require the OEB to take steps in relation to certain matters including general policies. The Minister also has the statutory authority to require the OEB to examine and advise on specific energy-related matters. As part of the accountability framework for provincial agencies, the Minister issues mandate letters outlining expectations and, from

time-to-time, other letters to the OEB articulating government policies.

Aside from government-driven policy work, the OEB also pursues its own regulatory policy development initiatives through a variety of processes, including hearings, stakeholder advisory committees or working groups and public consultations. Currently, the OEB has a number of policy initiatives and consultations (electricity or joint electricity/natural gas), several of which were launched in 2020 and 2021.

2.2.5 Market Surveillance

The OEB's Market Surveillance Panel (Panel) monitors, investigates and reports on activities and behaviour of participants in the markets administered by the IESO, specifically on issues around market efficiency and competitiveness, as well as inappropriate or anomalous market participant conduct (for example, if a market participant is suspected of gaming the market).

The Panel performs monitoring of market activities and issues semi-annual monitoring reports to the OEB's CEO. Formal investigations may also be performed based on results from the Panel's monitoring activities, at the request of the OEB's CEO, or based on a complaint or referral from a third party. In the past, the Panel investigated alleged gaming in relation to market programs and found that market defects had been exploited in some cases. While the Panel may recommend remedial actions, such as improvements in market rules, as previously identified in our 2017 audit of the Independent Electricity System Operator – Market Oversight and Cybersecurity, the Panel does not have the legislative authority to impose sanctions or require that changes be made to the market rules. In response to the 2017 audit, the Ministry of Energy is still reviewing options to enhance electricity market oversight and the OEB's authority, with a target completion date of December 31, 2023.

The Panel currently consists of three part-time members, and its work is supported by the IESO's Market Assessment Unit. Based on a protocol established between the OEB and the IESO, the Market Assessment Unit takes direction exclusively from the Panel when supporting the Panel in carrying out the aforementioned Panel-related activities.

2.3 OEB Modernization and Governance Structure

The Ministry of Energy established the OEB Modernization Review Panel in 2017. In 2018, the Panel was asked to provide recommendations on how to strengthen the OEB's governance and operations to deliver better outcomes for consumers. In October 2018, the Modernization Review Panel completed the review and submitted a final report to the Minister that identified five key characteristics a regulator should embody and made recommendations around these characteristics: independence, accountability, certainty (that is, predictability of regulatory processes), effectiveness (that is, clarity about outcomes and how success is measured) and efficiency.

Subsequent to the release of the Modernization Review Panel report, legislative changes introduced a new corporate governance structure for the OEB (effective October 2020) that increased separation between administrative and adjudication functions (see **Appendix 1**). The OEB conducted reviews to identify best practices in other jurisdictions in its Top Quartile Regulator Report as a way to identify areas for improvement. Actions the OEB has taken to date include:

- refreshed the Memorandum of Understanding (MOU) between the Minister of Energy and the OEB to establish the accountability relationships between the two parties;
- implemented actions to increase certainty for participants in adjudicative proceedings (for example, amended procedures to establish issues at an earlier stage of the application process);
- released the Chief Commissioner Plan, which identified initiatives to enhance the efficiency, effectiveness and independence of the OEB's adjudication process (for example, introduced publication of case schedules to report on the

actual status of individual cases compared to the plan, developed performance standards for different types of applications); and
- published an Adjudicative Reporting Dashboard to provide transparency of the OEB's overall adjudicative performance.

2.4 Ontario's Electricity Sector

2.4.1 Key Sector Players

Within the legislative framework for Ontario's energy sector, the Ministry of Energy (Ministry) sets overall policy. The OEB regulates the electricity and natural gas sector, guided by statutory objectives that include protecting the interests of electricity and natural gas consumers (refer to **Section 2.1** for details) and maintaining a financially viable electricity and natural gas industry. **Figure 3** describes the key market players the OEB currently licenses within the electricity sector. **Appendix 2** provides a list of key events in Ontario's electricity sector.

2.4.2 Energy Planning

Ontario's long-term energy planning framework is set out under the *Electricity Act, 1998*. Under the framework, the Ministry is responsible for issuing a Long-Term Energy Plan (LTEP) using technical reports provided by the IESO and may issue directives to the IESO and the OEB respecting the implementation of elements of the plan.

The Ministry last released a LTEP on October 26, 2017. **Section 4.2** provides further details on the history, issues and current status related to the long-term energy planning process.

2.4.3 Electricity Price

Electricity is an essential commodity for Ontario's residents, businesses and economy. Annually, the electricity system costs Ontarians over $20 billion. This includes the cost to generate and deliver electricity to households and businesses, as well as the cost to build and maintain the infrastructure.

The electricity bills of low-volume electricity customers (mostly residential and small business consumers) are made up of an electricity charge, delivery charge and regulatory charge. The bills also include the Ontario Electricity Rebate and taxes. **Figure 4** provides the bill presentation for an average residential customer. An average residential customer is defined in this report as a household that purchases electricity from an LDC with a monthly consumption of approximately 700 kilowatt hours (kWh).

Figure 4: Sample Electricity Bill for an Average Residential Customer of a Local Distribution Company (LDC)

Prepared by the Office of the Auditor General of Ontario

Monthly Bill Statement

Account Number:
000 000 000 000 0000 0

Meter Number:
0000000

Your Electricity Charges

Electricity	
448 kWh Off-peak (lowest price) @ 8.2 ¢/kWh	36.73
126 kWh Mid-peak (mid price) @ 11.3 ¢/kWh	14.24
126 kWh On-peak (highest price) @ 17 ¢/kWh	21.42
Delivery	50.25
Regulatory Charges	3.11
Your Total Electricity Charges	**125.75**
H.S.T.	16.35
Ontario Electricity Rebate	**(21.38)**
Total Amount	**$120.72**

Note: This is a hypothetical bill based on rates effective as of March 31, 2022 for a residential customer using 700 kWh of electricity.

Electricity Charge

The electricity charge is based on a customer's consumption; how this is charged to residential and small business customers on their bills depends on whether the customer is buying their electricity from an LDC or under a contract signed with a retailer.

In 2021, approximately 98.7% of residential and small business customers purchased their electricity from an LDC. Most of these customers pay Regulated Price Plan (RPP) prices, which the OEB sets once a year based on the forecasted cost to supply those customers with the electricity they are expected to use. The price that most generators receive for the electricity they produce is set either through OEB's rate-setting process or under contracts with the IESO. The electricity charge has two components: (1) a market component, which is based on electricity supply and demand; and (2) the Global Adjustment, which accounts for the major portion of the electricity charge. The Global Adjustment is mostly made up of the difference between the market price and the guaranteed prices paid to regulated and contracted generators. Guaranteed prices are paid to generators, including but not limited to, nuclear and certain hydroelectric generating stations owned and operated by Ontario Power Generation (OPG), as well as gas-fired, nuclear and renewable energy generators contracted by the IESO.

The remaining residential and small business customers who purchased their electricity from a retailer (1.3% in 2021) do not pay the RPP prices. Instead, they pay the contract price plus the Global Adjustment, which are shown as two separate line items on their electricity bills. Contract prices are not regulated by the OEB.

Delivery Charge

The delivery charge is the costs of delivering electricity from generating stations across the province to customers. This includes the costs to build and maintain the transmission (high-voltage) and distribution (low-voltage) lines, towers and poles.

The OEB sets delivery charge rates for LDCs. The rates vary across the province and are impacted by a number of factors, including the age and condition of each LDC's equipment, as well as the size of the LDC's service area, the geographical location of customers and customer density within the area.

Regulatory Charge

The regulatory charge primarily recovers the costs of administering the wholesale electricity market and maintaining the reliability of the high-voltage provincial electricity grid. Though the OEB sets the charge through which these costs are recovered, it does not set or approve all of those underlying costs.

Electricity Bill Subsidy Programs

To provide Ontarians with electricity bill relief, different rate subsidy programs have been introduced over the past decade. **Appendix 3** provides a list of electricity rate subsidy programs in effect from 2011 to 2022. The Ontario Electricity Rebate (OER), a major subsidy program within the current regime for low-volume customers, was introduced by the government in November 2019 to hold annual electricity bill increases to 2% for these customers. The OER is shown on the electricity bill as a separate credit below the Harmonized Sales Tax (HST) line.

A study conducted by Hydro-Québec of electricity prices in major North American cities shows that residential and small business customers typically pay higher prices than commercial and industrial customers that have larger consumption (see **Appendix 4**). While Ontario's electricity prices show a price gap between low- and large-volume customers, the gap is comparable to other jurisdictions in the study.

A contributor to the price gap in Ontario is the Industrial Conservation Initiative (ICI) program, which was introduced by the government to encourage large commercial and industrial customers to reduce their electricity demand during times of peak provincial demand. ICI program participants are offered a reduction in their electricity charge for consuming less electricity during those times. The reduction is accomplished through shifting a portion of the electricity charge from these large customers to residential and small business customers. Our 2017 audit on Independent Electricity System Operator – Market Oversight and

Cybersecurity recommended that the Ministry review and publicly report the impact of the ICI on low-volume customers to enhance transparency. In response to our recommendation, the Ministry is currently developing and analyzing options for changes to the ICI, with a target completion date of December 31, 2023.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ontario Energy Board (OEB) has effective systems and procedures in place to:

- inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity services;
- promote economic efficiency and cost-effectiveness of the electricity sector and facilitate the maintenance of a financially viable electricity sector; and
- measure and report on the performance of the OEB in achieving its mandate.

In planning our work, we identified the audit criteria (see **Appendix 5**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. OEB senior management reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit from January 2022 to October 2022 and obtained written representation from OEB management that, effective November 9, 2022, they have provided us with all the information they were aware of that could significantly affect the findings or the conclusions in this report.

In arriving at the audit conclusion, we carried out audit work including, but not limited to, the following:

- Interviewed management and staff members across the OEB organization.
- Interviewed experts within the electricity industry and stakeholders with whom the OEB regularly interacts, including:
  - the Ministry of Energy (Ministry);
  - the Independent Electricity System Operator (IESO);
  - the Electricity Distributors Association and over 20 of its members (that is, OEB-licensed Local Distribution Companies [LDCs]); and
  - intervenor groups.
- Examined legislation, regulations, ministerial directives and letters applicable to the OEB.
- Examined and analyzed information published externally, or internally maintained, by the OEB, such as:
  - materials related to the Board of Directors and its committees;
  - the OEB's financial statements, business plans and strategic plans;
  - codes, rules, guidelines and requirements issued by the OEB;
  - applications (such as for rate changes, consolidation or construction of new infrastructure);
  - Ministry directives, mandate letters and related communication;
  - policy consultations;
  - customer complaints and inquiries;
  - compliance reviews and inspection reports;
  - LDC data and performance scorecards;
  - market surveillance monitoring and investigation reports;
  - OEB performance reports; and
  - OEB modernization initiative documents.
- Examined and analyzed information published externally, or internally maintained, by the Ministry, including costs and program information on electricity rate subsidies, audit reports, and policy documents.
- Obtained and reviewed data from the IESO (for example, electricity consumption, generation output, generation capacity, market prices and Global Adjustment amounts) to prepare analysis on electricity prices and cost oversight.
- Observed a stakeholder consultation session.

- Conducted jurisdictional comparisons with other provincial energy regulators including the British Columbia Utilities Commission, the Alberta Utilities Commission and the Manitoba Public Utilities Board.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards of Quality Control and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

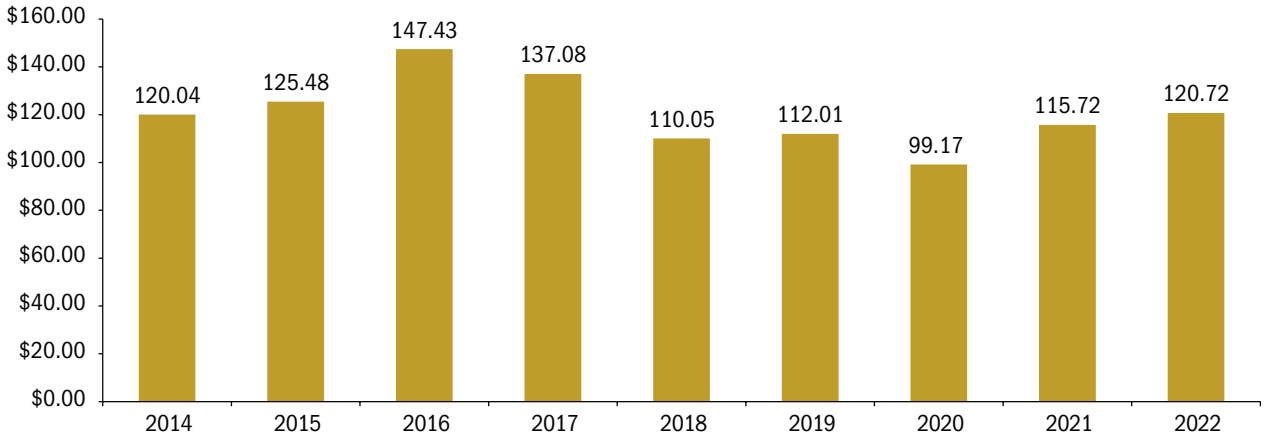
4.1 Decisions Made Outside of the OEB's Regulatory Process Have Impacted Electricity Prices and Consumers

Ontario residents have experienced significant increases in electricity prices since the restructuring of the electricity market in 1999. The increase was noted in our 2011 audit on Electricity Sector – Regulatory Oversight and the trend continued into the following decade. Based on data published by Statistics Canada for 2019, we estimate that most Ontario households spend between $600 and $1,700 on electricity annually. There was an average of over 20,000 disconnections every year from 2017 to 2021 because households were unable to pay their electricity bills.

For the purpose of this report, a residential consumer in Ontario is estimated to consume approximately 700 kilowatt hours (kWh) of electricity per month. As illustrated in **Figure 5**, the estimated monthly electricity bill for the average consumer rose by 23% from 2014 to 2016 but tapered off in subsequent years due to the expansion of provincial

Figure 5: Average Electricity Bill for Residential Customer Using 700 kWh of Electricity Per Month, 2014–2022*

Prepared by the Office of the Auditor General of Ontario



Note: Application-based subsidy programs (i.e., the Ontario Electricity Support Program; COVID-19 Energy Assistance Program; First Nations Delivery Credit) and subsidies provided in the form of grants or tax credits (i.e., Northern Ontario Energy Credit, Ontario Energy and Property Tax Credit) are excluded from the analysis, as they are either available on a case-by-case basis or are not directly applied to electricity bills.

* Average electricity bills are calculated based on rates effective as of March 31 each year using data provided by the Ontario Energy Board (refer to **Figure 4** for the components of an electricity bill). The analysis begins in 2014 due to a lack of comparable data in earlier years.

rate subsidy programs (see **Appendix 3** for a list of programs).

4.1.1 Electricity Rate Subsidy Programs Have Lessened the Direct Financial Burden on Ratepayers Through Taxpayer Subsidization

Since 2017, the Ontario government has expanded its electricity bill subsidy programs and introduced a number of new measures. While these subsidy programs have lowered the electricity bills of customers of electricity (that is, ratepayers), they do not reduce the true cost of electricity or address the root causes of cost increases. The programs simply shift a portion of the costs from electricity bills to taxes so that, ultimately, the expense is still borne by all taxpayers. **Figure 6** shows examples of major taxpayer-funded electricity bill subsidy programs.

Figure 7 shows the annual costs of taxpayer-funded electricity bill subsidy programs that residential customers have been eligible for since the introduction of the Fair Hydro Plan in 2017. For 2021/22, these subsidies cost over $6.3 billion, which is more than double the $2.8 billion spent in 2017/18. Two programs—the Ontario Electricity Rebate (OER) and the Comprehensive Electricity Plan (CEP)—account for approximately 85% of the 2021/22 taxpayer-funded electricity subsidy costs. Without the subsidies from these

Figure 6: Major Taxpayer-Funded Electricity Bill Subsidy Programs

Prepared by the Office of the Auditor General of Ontario

Taxpayer-Funded Subsidy Program	Implementation Date	Description
The Fair Hydro Plan	Jul 2017	It resulted in an approximately 25% reduction in residential bills since July 2017 by: • providing residential ratepayers an 8% Provincial Rebate; • refinancing a portion of the Global Adjustment (as defined in **Section 2.4.3**); • transferring the cost of certain existing electricity subsidy programs (for example, the Ontario Electricity Support Program and the Rural or Remote Electricity Rate Protection Program) from ratepayers to taxpayers; and • providing additional subsidies to ratepayers living in areas with high distribution costs (for example, areas that qualify for the Distribution Rate Protection Program).
The Ontario Electricity Rebate (OER) Program	Nov 2019	It replaced the 8% Provincial Rebate and Global Adjustment Refinancing previously provided to ratepayers through the Fair Hydro Plan. It is an on-bill credit that offers similar bill relief as the Fair Hydro Plan, but for an extended time period.
The Comprehensive Electricity Plan (CEP)	Jan 2021	It funds a portion of renewable energy contract costs (mostly wind and solar) through taxes, rather than passing those costs to ratepayers through the Global Adjustment.
Suspension of Time-of-Use (TOU) Rates	Three periods from 2020 to 2022: • Mar 24–May 31, 2020 • Jan 1–Feb 22, 2021 • Jan 18–Feb 7, 2022	It was implemented to provide Ontarians with financial relief during the COVID-19 pandemic when they consumed more electricity as a result of staying at home. The TOU rates (off-peak, mid-peak, and on-peak) were suspended and electricity prices for all hours were subject to the off-peak rate (the lowest rate). Customers under a tiered price plan (with a lower price for electricity consumption below a set amount in a month, and another higher rate for consumption above that set amount) were also paying off-peak rates starting from the second suspension period.

Figure 7: Annual Costs of Taxpayer-Funded Electricity Bill Subsidy Programs Available to Residential Customers, 2017/18–2021/22 ($ million)

Source of data: Ministry of Energy

Tax-Funded Electricity Bill Subsidy Programs	2017/18	2018/19	2019/20	2020/21	2021/22
Comprehensive Electricity Plan (CEP)	-	-	-	774	3,122
COVID-19 Energy Assistance Program (CEAP)[1]	-	-	-	15	17
Distribution Rate Protection (DRP) Program[2]	-	254	285	306	354
Global Adjustment Refinancing[2]	1,639	2,761	2,364	21	29
On-Reserve First Nations Delivery Credit[2]	15	24	24	23	26
Ontario Electricity Rebate (OER)	-	-	1,809	3,961	2,276
Ontario Electricity Support Program (OESP)[3]	20	172	185	182	168
Provincial Rebate of 8%[2]	810	764	498	-	-
Rural or Remote Electricity Rate Protection Program (RRRP)[3]	325	241	256	244	245
Time-of-Use Rate Suspension[1]	-	-	34	449	98
Total	**2,809**	**4,216**	**5,455**	**5,975**	**6,335**

Note: The table excludes programs that are only available to non-residential customers and programs that provide financial relief through tax credits (such as the Northern Ontario Energy Credit and the Ontario Energy and Property Tax Credit).

1. These programs were intended to provide additional relief to customers during the COVID-19 pandemic and so were available for a limited time.
2. These programs were introduced as part of the 2017 Fair Hydro Plan.
3. These programs were funded by ratepayers (i.e., electricity customers) when they were introduced, but subsequently switched to being fully or substantially tax-funded.

programs, the monthly electricity bill of an average residential customer would have been as high as about $166 in 2021/22 based on our estimates, as compared to about $121 with these subsidies (refer to **Figure 5**).

4.1.2 The OEB Does Not Regulate All Components of Electricity Bills

One of the objectives of the OEB is to protect consumer interests with respect to electricity prices. However, the OEB does not have the authority to regulate the entire electricity bill. As illustrated in **Figure 8**, we estimated that approximately 34% of charges of an average residential bill are not regulated by the OEB, with the majority of the unregulated costs coming from the electricity charge (that is, the commodity portion of the bill). This percentage would rise to above 40% without the impact of the Comprehensive Electricity Plan (CEP), which shifts a portion of the electricity charge related to non-hydro renewable energy contracts to be funded through taxes (as discussed in **Section 4.1.1**).

The electricity charge portion of the bill is mostly made up of the amounts payable to generators for the supply of electricity to customers. Of the three key components (that is, the electricity charge, delivery charge, and regulatory charge) on the electricity bill (as discussed in **Section 2.4.3**), the electricity charge is the largest component and was one of the key drivers of rising electricity bills over the past decade. The OEB does not review or approve all costs within the electricity charge. Specifically:

- The OEB regulates the rates of electricity supplied by Ontario Power Generation (OPG) generating assets that are prescribed in O. Reg. 53/05 under the *Ontario Energy Board Act, 1998*. This includes all of the OPG-owned and -operated nuclear generating stations and most of its hydroelectric fleet. The rates for these prescribed OPG assets contribute to approximately 43% of the total electricity charge portion of the bill.
- The OEB does not regulate the electricity charge attributable to electricity supply contracts

Figure 8: Breakdown of Average Electricity Bill for Residential Customer Using 700 kWh Per Month, as at March 31, 2022

Prepared by the Office of the Auditor General of Ontario

	Billing Amount ($)			Percentage of Bill (%)		
Bill Component	**Regulated**	**Unregulated**	**Total**	**Regulated**	**Unregulated**	**Total**
Electricity (or Commodity) Charge	31.45	40.94	**72.39**	25.0	32.5	**57.5**
Delivery Charge	50.25	–	**50.25**	40.0	–	**40.0**
Regulatory Charge[1,2]	1.55	1.56	**3.11**	1.2	1.3	**2.5**
Total Electricity Bill Before Tax and Rebate[3]	**83.25**	**42.50**	**125.75**	**66.2**	**33.8[4]**	**100.0**

1. Amounts regulated by the OEB include the rate-funded portion of the Rural or Remote Electricity Rate Protection (RRRP) charge, which is set according to the regulation under the *Ontario Energy Board Act, 1998*. The remainder of the program has been tax funded since July 1, 2017.
2. Amounts to recover costs incurred by utilities to connect renewable generation are determined by the OEB. This has not been allocated to the regulated portion, as the charge per residential customer is not available. However, its impact on individual residential customers' bills and hence on the percentage of bills under OEB oversight is estimated to be immaterial.
3. As noted in **Figure 5**, the total electricity bill after tax and rebate is $120.72.
4. This would increase to above 40% without the impact of the Comprehensive Electricity Plan (CEP).

managed by the Independent Electricity System Operator (IESO). The unregulated amount is about 57% of the entire electricity charge portion of the bill.

As of June 30, 2022, the IESO was managing 33,583 electricity supply contracts with a combined capacity of almost 27,000 megawatts (MW). A large number of these contracts were signed after the enactment of the *Green Energy Act, 2009* under which renewable energy (mostly wind and solar) was sourced in accordance with ministerial directives. The OEB does not set the prices for such contracted generation and has no mandate to oversee the IESO's procurement activities. These contracts contributed to rising electricity charges through the Global Adjustment at a time when the province was experiencing a surplus in electricity supply. As discussed in **Section 2.4.3**, the Global Adjustment is mostly made up of the difference between the market price and the guaranteed prices paid to regulated and contracted generators.

The Global Adjustment has increased by about 120% over a 10-year period, from $5.3 billion in 2011 to $11.7 billion in 2021. In 2021, wind and solar generation made up approximately 30% (that is, $3.5 billion) of the Global Adjustment, despite supplying just 9% (that is, 12.75 terawatt hours [TWh]) of Ontario's transmission grid-connected electricity. Included in the amount of Global Adjustment was $180 million compensation to wind and solar energy generators for curtailing (or reducing) approximately 1.3 TWh of energy generation (that is, the electricity was available but not generated because there were surpluses in the province's electricity supply). As discussed in **Section 4.1.1**, the government introduced the Comprehensive Electricity Plan (CEP) to fund a large portion of the Global Adjustment in relation to these wind and solar renewable contracts through taxes. With the CEP, $3.1 billion of the total Global Adjustment cost in 2021 was funded through taxes and borne by taxpayers, instead of being passed on to ratepayers through electricity bills.

Besides renewable energy contracts, the Ontario Power Authority (which merged with the IESO on January 1, 2015) had also procured gas-fired electricity generation at different points in time. Between 2010 and 2011, the Province decided to cancel the construction of two natural gas electricity plants—previously procured under Ministerial direction—in Mississauga and Oakville, respectively, due in part to local opposition. In our 2013 special reports on Mississauga Power Plant Cancellation Costs and Oakville Power Plant Cancellation Costs, we estimated that the decisions to cancel and relocate these two power plants would cost the public about $950 million. This further illustrates

the importance of establishing regulatory oversight over procurement activities to ensure that power plant construction projects and energy purchase agreements are in the public interest, taking into consideration both economic and environmental impacts.

RECOMMENDATION 1

To enhance consumer protection over electricity prices and strengthen public trust in the regulatory system, we recommend that the Ministry of Energy:

- evaluate options within an established timeline (for example, within a year) that will increase the Ontario Energy Board's oversight role over electricity procurement activities so that future decisions impacting electricity rates are financially prudent and consistent with the anticipated demand for electricity; and
- consult with stakeholders during the evaluation process and implement the selected option with an established timeline.

MINISTRY RESPONSE

The Ministry of Energy (Ministry) thanks the Auditor General for these recommendations.

As noted in the report, the Ministry is currently reviewing the long-term energy planning framework. Following its 2021 public engagement, the Ministry established the Electrification and Energy Transition Panel, which will engage with stakeholders and Indigenous partners and examine long-term energy planning in the province. The Panel will offer recommendations in 2023 for effective integrated energy planning, including the role of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB). The Panel's review will help to inform any potential legislative, regulatory, or policy change.

The Ministry notes that Ontario currently has a hybrid electricity market, consisting of competitive and regulated elements. The OEB has full oversight over the regulated elements of the market.

The IESO is responsible for maintaining a reliable electricity system. It procures electricity supply, based on government directives under the *Electricity Act, 1998*, with a focus on competitive procurements where possible. When procuring electricity resources, the IESO balances system reliability and ratepayer impact, within the constraints of government policy (e.g., environmental commitments).

The OEB's Market Surveillance Panel (MSP) has an oversight role and provides regular assessments of the functioning of Ontario's electricity market and procurement matters.

4.2 The Long-Term Energy Planning Process Lacks Independent Oversight and Does Not Include Non-Electricity Energy Sources

As mentioned in **Section 2.4.2**, the Ministry of Energy is responsible for issuing Ontario's Long-Term Energy Plan (LTEP). Proper long-term energy planning is essential to ensure that the province has an adequate supply of energy that is also affordable to ratepayers. However, our audit found that there are gaps in the Province's current long-term energy planning process, specifically around the lack of OEB regulatory oversight and insufficient integrated energy planning.

4.2.1 Lack of Independent Regulatory Oversight of Long-Term Energy Planning

With no authority to provide oversight on the Province's long-term energy planning process, the OEB has no opportunity to address any planning activities or issues in order to pursue its objectives, which include protecting consumer interests with respect to prices and the adequacy, reliability and quality of electricity service.

The recent history of energy system planning in Ontario began with the *Electricity Restructuring Act, 2004*. The *Electricity Restructuring Act, 2004* amended the *Electricity Act, 1998* and established the Ontario Power Authority (OPA) (which merged with the IESO on January 1, 2015) to perform energy system planning for the province. The *Electricity Act, 1998* required

the OPA to prepare a 20-year energy plan, known as the Integrated Power System Plan (IPSP), every three years. The *Electricity Act, 1998* also required the OPA to submit the IPSP to the OEB for review and approval to ensure that the plan was economically prudent, cost effective and compliant with directions issued by the Minister of Energy. The legislative requirements were ignored in the following ways:

- The OPA filed its first IPSP with the OEB in 2007, but the review process was suspended due to a Minister's Directive issued in September 2008 that ordered the OPA to revise the IPSP in response to changes to government policy regarding Ontario's supply mix.
- In 2011, the OPA prepared another IPSP that was not submitted to the OEB for review and was eventually abandoned.
- In the absence of an approved IPSP, the Ministry of Energy (Ministry) published a Long-Term Energy Plan (LTEP) in November 2010. Though there was no legislative requirement for the Ministry to prepare such a plan, the Ministry published an updated LTEP in 2013. Compared to the LTEPs, the IPSPs prepared by the OPA included more technical analysis and presented detailed cost-benefit analyses of different planning scenarios and alternatives. In any event, the OEB did not review or approve these LTEPs, because unlike the OPA's IPSPs, the LTEPs were the Ministry's policy plans issued outside of legislation and the OEB was not authorized to review them.

In 2016, the energy planning process was changed with the passing of the *Energy Statute Law Amendment Act, 2016*. The Act formalized changes to the long-term energy planning framework and officially put the Ministry in charge of provincial energy planning. The Ministry issued an LTEP in 2017 under the new framework, taking into consideration technical analysis from the IESO and input from stakeholders through public consultation. As with the 2010 and 2013 LTEPs, the 2017 LTEP was also not subject to the OEB's review. Instead of reviewing and approving the LTEP, the OEB's current role in the legislative framework is developing implementation plans in response to Ministerial directives after LTEP release.

In 2021, the Ministry began a public consultation to review the long-term energy planning process. In response to comments received from the consultation, the Ministry announced in April 2022 that it was establishing an Electrification and Energy Transition Panel to review and advise the Minister on energy planning. The review would also examine the roles played by the Ministry, the IESO and the OEB in long-term energy planning and address stakeholders' feedback on the need to establish independent planning oversight. A Panel report aimed at helping the Ministry assess the next steps in energy planning is expected to be completed by March 2023.

In the meantime, however, the issuance of a new LTEP has been delayed to accommodate the review. The last LTEP was issued on October 26, 2017. While the Ministry was required by a regulation under the *Electricity Act, 1998* to issue another LTEP by February 2021, that regulation was revoked on January 1, 2021, and the government has not set a definite timeline for the next LTEP release. The Ministry informed us that the work of the Electrification and Energy Transition Panel will help inform the content and timing of the next LTEP. **Figure 9** summarizes the history of Ontario's energy planning process.

4.2.2 Ontario's Long-Term Energy Planning Focuses Only on Electricity

Another gap within the existing energy planning process is its lack of consideration in the LTEP of energy sources other than electricity. While the LTEP is referred to as an "energy" plan, its framework is set out under the *Electricity Act, 1998* and its focus has historically been on the electricity system only.

Currently, Ontario does not have an integrated energy plan that provides a co-ordinated approach that considers all energy sources. An electricity plan is to be developed by the Ministry of Energy (Ministry) and executed by the IESO and the OEB through implementation plans submitted in response to Ministerial

Figure 9: History of Ontario's Energy Planning Process

Prepared by the Office of the Auditor General of Ontario

Prior to 1998	Ontario Hydro, which was replaced by five entities in 1998, was responsible for energy planning prior to 1998.
2004	*Electricity Restructuring Act, 2004* requires the Ontario Power Authority (OPA) to prepare an Independent Power System Plan (IPSP) and the Ontario Energy Board (OEB) to review and approve the plan.
2007–2008	OPA files IPSP with OEB but review stops when Minister of Energy (Minister) asks the OPA to revise the IPSP. Revised IPSP is not filed with OEB.
2010	Ministry of Energy (Ministry) releases Long-Term Energy Plan (LTEP) after public consultation. LTEP is not subject to OEB's review or approval.
2011	OPA is directed by the Ministry to prepare another IPSP but does not file any documents with the OEB for review and approval.
2013	Ministry releases the second LTEP. LTEP is not subject to OEB's review or approval.
2016	*Energy Statute Law Amendment Act, 2014* is passed to formalize LTEP process. Ministry is now responsible for energy planning.
2017	Ministry releases another LTEP. OEB's role is developing implementation plans in response to Ministerial directives after LTEP release, as opposed to reviewing and approving the LTEP.
2021	Ministry begins review of LTEP process. Ministry revokes requirement in regulation to release an LTEP every three years to allow more time for review.
2022	Ministry announces Electrification and Energy Transition Panel to advise Minister on how to co-ordinate energy planning for Ontario.

directives. Natural gas planning is undertaken by gas utilities, subject to direction and oversight by the OEB.

Improvements were noted in the 2017 planning process, when the Ministry commissioned a third-party consultant to prepare a Fuels Technical Report to look at the supply and demand of other energy sources (for example, natural gas, gasoline, fuel oils) to complement the IESO-produced report on Ontario's electricity system. However, the outcome—the 2017 LTEP—was still an energy plan that largely focused on electricity, with little consideration of the integration of electricity and other fuels (especially natural gas).

As mentioned in **Section 4.2.1**, the Ministry is currently reviewing the long-term energy planning process. One of the key themes that emerged from the public consultation phase of the review was the importance of having integrated, co-ordinated planning across all energy sectors, not just electricity. The Ministry also informed us that in response to the feedback received from the public consultation, it is undertaking an independent study that will include all energy sources and a planning period up to at least 2050. A Request for Bids for the study was issued on September 6, 2022.

Electricity makes up only 17% of the energy used in Ontario whereas natural gas, gasoline, diesel and other fuels make up the remaining 83%. To meet the province's future energy needs in an affordable, reliable and environmentally responsible manner, all energy sources need to be factored into long-term energy planning to help ensure that existing assets are leveraged

and that the different energy sources complement each other to deliver optimal solutions.

In our 2020 audit report titled Reducing Greenhouse Gas Emissions from Energy Use in Buildings, we also recommended the Ministry of Energy "develop an integrated long-term energy plan that aligns plans for the use of Ontario's major sources of energy (including natural gas) with the government's emission-reduction target. The energy plan could incorporate and consider long-term industrial, commercial and housing development." However, in our 2022 follow-up review of that audit, we noted that as of October 2022 the Ministry has not implemented this recommendation but indicated that any changes to Ontario's long-term planning process will require additional direction from government. The Ministry, nevertheless, expects that this recommendation will be implemented by December 2023.

RECOMMENDATION 2

So that energy planning better protects the interests of energy consumers, we recommend that the Ministry of Energy:

- develop an expedited timeline to complete its review of the long-term energy planning process within 12 months;
- develop an expedited timeline to release the next Long-Term Energy Plan within 12 months;
- include all major energy sources in the planning process; and
- recognize and assign the Ontario Energy Board (OEB) a role in long-term energy planning that reflects the OEB's role and expertise as the regulator of the energy sector, including protecting the interests of consumers.

MINISTRY RESPONSE

The Ministry of Energy (Ministry) thanks the Auditor General for these recommendations. The Ministry is currently reviewing the province's long-term energy planning framework following significant concerns with the previous approach. Following its 2021 public engagement, the Ministry established the Electrification and Energy Transition Panel, which will engage with stakeholders and Indigenous partners and examine long-term energy planning in the province. The Panel will offer recommendations in 2023 for effective integrated energy planning. The Panel's review will help to inform any potential legislative, regulatory, or policy change.

The government has also asked the Independent Electricity System Operator (IESO) to report back on an achievable pathway to zero emissions in the electricity sector to support job growth and economic development. This report will be delivered in late 2022. The Ministry believes both of these actions are critical to responsible long-term energy planning.

While the review is underway, the Ministry, IESO and OEB retain their current authorities for planning and energy decisions. The IESO is continuing its ongoing planning activities, including releasing planning outlooks regularly and consulting and developing regional plans with stakeholders.

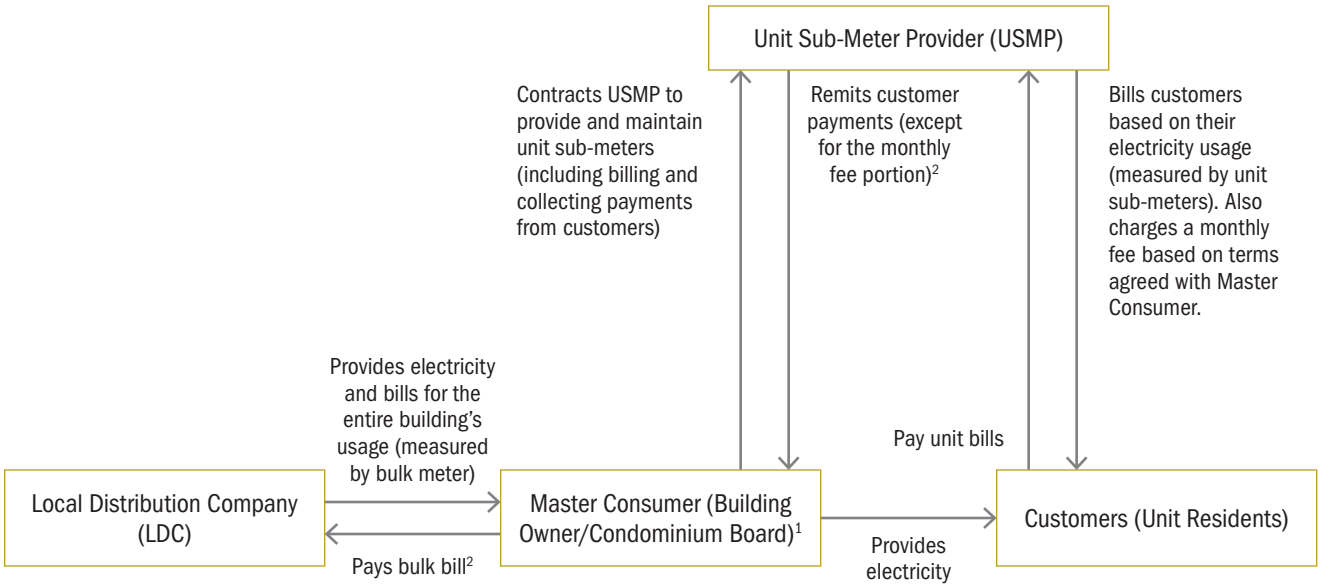
4.3 Price and Service Protection for Local Distribution Companies (LDCs) and Unit Sub-Meter Provider (USMP) Customers Varies

Suite metering is required in multi-unit residential buildings built in Ontario after January 1, 2011, as stipulated in O. Reg. 389/10 under the *Energy Consumer Protection Act, 2010*. Unlike bulk-metered buildings where residents share the electricity costs of the building, suite metering gives residents greater control over their electricity spend because residents are billed based on their individual consumption. This user-pay system is intended to encourage conservation.

In Ontario, buildings can obtain suite metering services from their Local Distribution Company (LDC) as part of their licensed distribution activities (referred to as unit smart metering) or from Unit Sub-Meter Providers (USMPs). Currently, there are 20 USMPs providing sub-metered billing services to customers directly. USMPs require a licence from the OEB to operate and

Figure 10: An Example of Unit Sub-Metering Arrangement for a Multi-Unit Residential Building

Prepared by the Office of the Auditor General of Ontario



Note: This figure shows one common form of unit sub-metering arrangement. Actual arrangements could differ depending on contract terms agreed between the master consumer and the USMP.

1. For new condominiums, the property developer enters into a sub-metering agreement with the USMP during the construction phase. Post-construction, the condominium board assumes the sub-metering contract from the developer. The newly elected condominium board can cancel contracts signed by the developer within 12 months of being elected.
2. The bulk bill could include amounts that are not apportioned to the customers (for example, electricity consumption in common areas), for which the master consumer is responsible. Depending on the contract, some USMPs pay the bulk bill first and then invoice the master consumer for the amount owed.

are subject to the service standards specified in the OEB's Unit Sub-Metering Code. However, the fees that USMPs charge their customers are not regulated. Refer to **Figure 10** for an example of a unit sub-metering arrangement.

The number of customers receiving suite metering services from USMPs has increased by about 55% over a four-year period (from about 252,000 customers in 2018 to about 391,000 customers in 2021). While USMP customers only make up approximately 7% of electricity customers in Ontario, 33% of electricity-related complaints received by the OEB in 2021 were regarding USMPs. Many of these complaints were related to billing and disconnection practices. **Figure 11** shows the growth in USMP customers and complaints from 2018 to 2021.

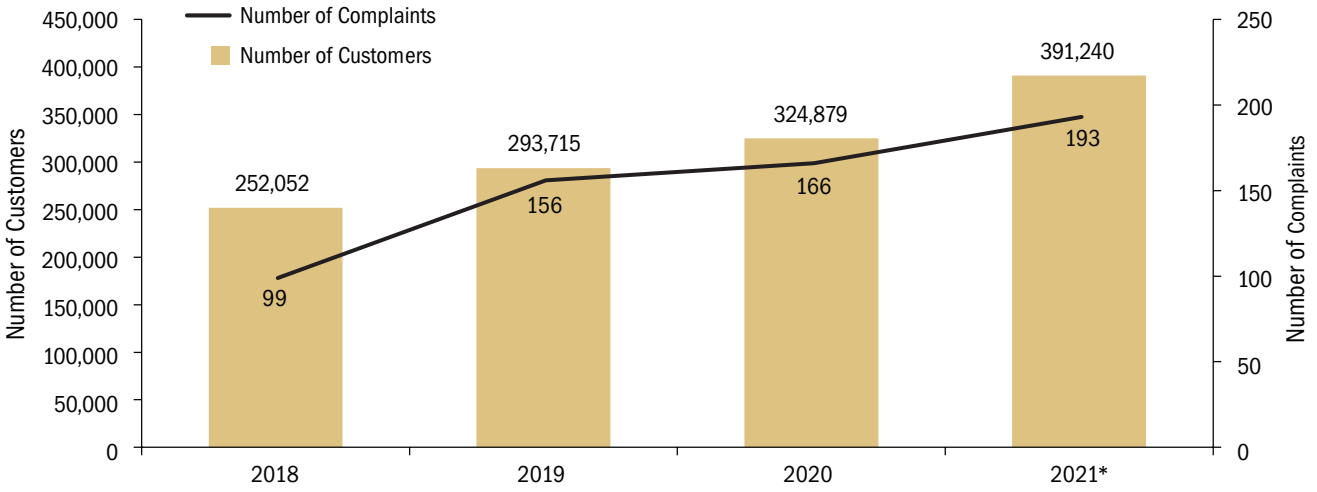
4.3.1 USMP Fees Are Not Regulated and Customers Need More Transparency Regarding the Charges

USMPs charge rates based on contracts with developers, building owners or condominium boards (collectively referred to as "master consumers"). Residents (referred to as "customers") inherit the pricing arrangements agreed to by the master consumers, which vary. While the industry is competitive before the contract is entered into, given the long-term nature of most contracts (generally between 10 and 20 years), once a contract is signed, the USMP essentially operates as a monopoly within a building.

USMPs not only bill their customers based on individual customer usage, they also charge a monthly fee in return for providing metering and billing services. This monthly service fee, as well as some other service charges (for example, account setup fee, disconnection fee, meter dispute charge), are not regulated by

Figure 11: Total Number of Unit Sub-Meter Providers' (USMPs') Customers and Number of Complaints, 2018–2021

Source of data: Ontario Energy Board



Note: Customer numbers prior to 2018 are not available because USMPs began providing such data to the OEB for 2018. Customer numbers shown are as of calendar year-end.

* 2021 customer numbers for five USMPs were unavailable at the time of the audit. For these five USMPs, customer numbers reported for 2020 were used as estimates.

the OEB. USMP monthly service fees are affected by a number of factors, such as the complexity of the sub-metering setup, the number of services and units, the level of risks assumed and other competitive considerations, and can range from under $10 to over $30 per month per residential customer.

The 2017 LTEP identified better protection for USMP customers as a priority, citing customer concerns about lack of clarity over charges (for example, what is being billed and who is billing). Consequently, the Ministry directed the OEB to examine ways to strengthen consumer protection in relation to USMP activities. On October 27, 2017, the Ministry posted a regulatory proposal that indicated its intention to provide the OEB with authority to regulate USMP charges and effective April 1, 2018, the necessary legislative instruments to give effect to that intention were put into place.

In anticipation of that change, the OEB initiated a policy consultation in late-2017 and performed preliminary analyses to identify rate-regulating alternatives to govern USMP charges. However, this regulatory work was stopped on April 3, 2019, when the government passed the *Restoring Ontario's Competitiveness Act, 2019*, which repealed the OEB's authority to regulate USMP charges. In the end, USMP customers were still not afforded price protection.

The government cited the following reasons for repealing the OEB's rate regulating authority over USMPs:

- development of the regulatory framework would take time, and uncertainty about the ultimate design of the regulatory framework created a barrier to investment in the USMP industry;
- rate regulation would increase the regulatory burden on the industry by an estimated $1.3 million per year, which wwould likely be passed on to customers; and
- market competition would protect USMP customers from being charged higher rates.

However, we noted that some of these reasons were largely based on claims and information from the USMP industry, rather than the Ministry's own analysis. For example, the competitiveness assessment of Ontario's sub-metering industry was performed by a consultant engaged by an association that represents the province's largest USMPs. The Ministry did not conduct a study to assess whether USMP prices were fair in comparison to those charged by LDCs and whether an alternative to rate regulation would provide an improved level of protection for USMP customers.

Our research found that electricity sub-metering is currently not permitted in some provinces in Canada (for example, Manitoba, Saskatchewan and Québec). In Alberta and British Columbia, electricity sub-metering is permitted but, as in Ontario, the service fees charged by sub-metering service providers are also largely unregulated.

RECOMMENDATION 3

So that Unit Sub-Meter Provider (USMP) customers' interests are sufficiently protected, we recommend that the Ministry of Energy:

- perform its own analysis immediately to verify customer concerns and assess whether prices charged by USMPs are fair; and
- use results from these studies to develop and implement options to improve price protection and transparency for USMP customers.

MINISTRY RESPONSE

The Ministry of Energy (Ministry) thanks the Auditor General for these recommendations. The Ministry agrees with the importance of fair and transparent pricing for all energy consumers, and will continue to work with the Ontario Energy Board (OEB) and Unit Sub-Meter Providers (USMPs) to gather relevant data and information for performing its analysis and protect consumers.

4.3.2 USMP Customers Have Less Protection Against Disconnection in Comparison to LDC Customers

Despite not being rate-regulated, like LDCs, USMPs are licensed by the OEB and are subject to the OEB's compliance and enforcement processes (refer to **Section 2.2.2**). However, the OEB's current customer service requirements offer less protection to USMP customers than to LDC customers.

The OEB issues the Unit Sub-Metering Code and the Distribution System Code to set out minimum customer service requirements for USMPs and LDCs, respectively. While the requirements between the two codes are similar in many aspects, there are a few differences, particularly in the area of service disconnection (refer to **Figure 12** for comparison).

Residential customers who fall behind on their electricity bills are at risk of disconnection. On February 22, 2017, the *Protecting Vulnerable Energy Consumers Act, 2017* was passed, giving the OEB the authority to stop the disconnection of electricity supply to low-volume customers (including residential customers and small businesses) during periods specified by the OEB. In response, the OEB amended the LDCs' licence conditions to prohibit the disconnection of residential customers from February 24 to April 30 in 2017, and from November 15 to April 30 every year thereafter. This same ban, however, does not apply to USMP customers. As long as the disconnection standards prescribed in the Unit Sub-Metering Code are observed, USMPs are not in violation of any code or legislation for disconnecting their customers during the winter because of non-payment.

USMPs are service providers to master consumers (for example, building owners and condominium boards). It is the master consumers that make decisions about disconnection for non-payment, which are then carried out by the USMPs as authorized. However, since master consumers are exempt from licensing by regulation, the OEB informed us that it is unable to use license conditions as a regulatory tool to impose a winter disconnection ban on master consumers, as that legislative authority applies only to licensed entities.

We examined complaints filed with the OEB from 2016/17 to 2021/22 and noted that there were approximately 100 complaints from USMP customers related to winter disconnections, which represents approximately 12% of all USMP customer complaints during that time period. Although USMP customers file these complaints to seek help from the OEB, the OEB can only take limited action—for example, ensuring that USMPs have followed the disconnection rules in the Unit Sub-Metering Code (see **Figure 12**) and advising customers to seek emergency funding from the Low-income Energy Assistance Program (see

Appendix 3). Complaint data also shows that some USMP customers were unaware of the fact that they are not entitled to protection against winter disconnection.

Apart from disconnection, a number of these complaints further indicated that some customers had been asked by the USMPs to pay a reconnection fee (which could be over $200) in addition to the overdue amount before their service would be reconnected. In contrast, while LDC customers also have to pay a reconnection fee, they can arrange to pay this fee after being reconnected.

Figure 12: Comparison of Key Customer Service Requirements Applicable to Customers of Local Distribution Companies (LDCs) and Unit Sub-Meter Providers (USMPs)

Prepared by Office of the Auditor General of Ontario

	LDCs	USMPs
Security deposit		
Waive security deposit for eligible low-income customers upon request.	✓	✓
Cap deposit at 2.5 times customer's average monthly bill.	✓	✓
Provide residential customers at least six months to pay the deposit (four months for small business customers).	✓	✓
Return deposit to residential customers with one year of good payment history (three years for small business customers).	✓	✓
Pay interest on deposits every 12 months, based on Bank of Canada's prime business rate less 2%.	✓	✓
Equal payment plans		
Offer customers the option to join an equal monthly payment plan.	✓	
Late payment charges		
Cap charges at 1.5% per month.	✓	
Do not impose charges within 20 calendar days of bill issuance.	✓	✓
Arrears payment agreement		
Offer customers that are in arrears a payment option before proceeding with disconnection.	✓	✓
Provide residential customers at least five months to pay off arrears if amount owed is less than twice the average bill (10 months if the amount owed exceeds twice the average bill).	✓	✓
Disconnection		
Provide seven calendar days' notice of account overdue status, followed by 14 calendar days' notice of pending disconnection.	✓	✓
Complete disconnection within 14 calendar days after the end of notice period.	✓	✓
Do not disconnect electricity for residential customers during winter months (i.e., between November 15 and April 30).	✓	
Reconnect customers within two business days once bill is paid in full, or once payment agreement is reached.	✓	

RECOMMENDATION 4

So that electricity customers are entitled to similar service levels and benefits regardless of their service providers, we recommend that the Ontario Energy Board identify mechanisms to align service standards that apply to Unit Sub-Meter Provider customers with those that apply to Local Distribution Company customers, especially with respect to protection against winter disconnections and reconnections.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) will undertake a review of the service standards for Unit Sub-Meter Providers (USMPs) in order to assess the potential for alignment with Local Distribution Companies, and determine next steps having regard to the OEB's legislative authority and the different circumstances of USMPs as competitive businesses and service providers to unregulated master consumers that make decisions regarding matters such as disconnection.

4.3.3 The OEB Does Not Provide Sufficient Information to Educate Electricity Customers About USMPs

As mentioned in **Section 4.3.1**, USMP customers are seeking clarity about the prices they pay for electricity services. While the OEB does not have the authority to regulate USMP charges, it could provide customers with more education and information about USMPs so customers can have a better understanding of the services provided by USMPs, their charges and performance.

Consumer Education

We noted that the OEB website provides limited educational materials about USMPs. For example:

- The "Overview of Energy Sector" page provides a description of major players (for example, generators, transmitters, LDCs, retailers) and the OEB's regulatory role over these players. USMPs, however, are not mentioned nor described there.
- In the section that helps customers understand their electricity bill, no information has been provided about USMP billing. Since USMP bills and LDC bills look similar, it may not be clear that delivery charges for USMP customers also include monthly service fees that are not subject to rate regulation.

Providing more educational materials about USMPs would be significantly beneficial to inform current and prospective USMP customers. This is particularly important given the growing number of customers that are being serviced by USMPs (see **Figure 11**).

USMP Performance

The OEB publishes performance scorecards for LDCs on an annual basis that include 20 measures over four performance areas (see **Figure 13**). Although not all of these measures are relevant to USMPs, given the distinct nature of their business, some performance measures related to customer service (for example, billing accuracy, first contact resolution) can apply to USMP customers. A scorecard would provide USMP customers with useful information about their providers' performance (individually or in comparison with the rest of the industry) and supplement the complaint statistics that the OEB shares with the public on its website.

RECOMMENDATION 5

To educate the public about Unit Sub-Meter Providers (USMPs), we recommend that the Ontario Energy Board immediately:

- develop educational materials about USMPs to help customers understand their services, their commercial relationships with building owners and tenants, their billing practices, and the extent of regulation over their business practices and pricing; and
- develop and publish performance metrics for USMPs to provide customers with insight into USMP performance.

Figure 13: Scorecard Measures for Local Distribution Companies

Source of data: Ontario Energy Board

Customer Focus
Service Quality
• New residential/small business services connected on time
• Scheduled appointments met on time
• Telephone calls answered on time
Customer Satisfaction
• Billing accuracy
• First contact resolution
• Customer satisfaction survey results
Operational Effectiveness
Safety
• Level of public awareness
• Level of compliance with Electrical Distribution Safety Regulation
• Serious electrical incident index
System Reliability
• Avg. # of times power disrupted
• Avg. duration (in hours) of power disruptions
Asset Management
• Distribution system plan implementation progress
Cost Control
• Efficiency assessment
• Total cost per customer
• Total cost per km of power line
Public Policy Responsiveness
Connection of Renewable Generation
• Renewable generation connection impact assessment completed on time
• New micro-embedded generation facilities connected on time*
Financial Performance
Financial Ratios
• Liquidity: Current Ratio (i.e., the proportion of current assets to current liabilities)
• Leverage: Total Debt to Equity Ratio
• Return on Equity: deemed vs. achieved

* Micro-embedded generation facilities refer to renewable energy generation (such as wind and solar) with an installed capacity of not more than 10 kilowatts (kW) connected to a distribution network rather than the transmission network.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) appreciates the Auditor General's focus on the importance of making information available to consumers, which is aligned with the OEB's objectives and strategic goals. The OEB will develop customer information and education materials regarding the Unit Sub-Meter Provider (USMP) sector addressing the areas that the Auditor General has identified, subject to confidentiality or commercial sensitivity concerns.

We will also consider the kinds of performance reporting that should be obtained from USMPs and reported on by the OEB, in order to support and enhance customer understanding of the USMP sector while balancing regulatory burden and cost.

4.4 Eligibility Criteria and Cap-Setting Methodology for the Distribution Rate Protection (DRP) Program Are Outdated

The Province implemented the Distribution Rate Protection (DRP) program on July 1, 2017 to provide electricity bill relief to residential customers who live in areas that, at the time of the program's introduction, had among the highest billed distribution rates. Under the DRP program a cap is set based on the monthly base distribution charges paid by these residential customers. However, due to structural limitations in its design, over time the program has failed to effectively respond to changes in distribution rates. This has led to the exclusion of residential customers in some service areas with high distribution charges and a stagnant monthly cap for years after implementation. **Appendix 6** shows the monthly base distribution charges of all LDC residential customers.

4.4.1 Residential Customers in Certain Areas with High Electricity Distribution Charges Are Ineligible for Bill Relief Due to Outdated Program Criteria

Since the program's inception, residential customers served by eight LDCs are eligible for the DRP (see **Figure 14**). These eligible LDCs are specified in the DRP regulation (O. Reg. 198/17). Changing which LDCs are eligible for the DRP would require an update to the DRP regulation.

In examining the monthly base distribution charge for all residential customers in 2022, we noted that there is one case where the residential customers of an LDC (Lakeland Power's customers in the Parry Sound service area) remain eligible for the DRP, even though their monthly base distribution charge ($36.55) has fallen below the current DRP cap effective July 1, 2022 ($38.08), and are therefore not benefiting from the program. On the other hand, we noted certain cases where LDC residential customers (for example, residential customers of Toronto Hydro and Hydro One's Norfolk Power service area) are ineligible under the DRP even though their monthly base distribution charges are above the current DRP cap (see **Section 4.4.2** for details on the cap-setting methodology). As shown in **Figure 14**, the customers served by six LDCs are not provided with DRP bill relief, even though they are paying monthly base distribution charges above the current DRP cap.

Figure 14: Number of Customers Served by Local Distribution Companies (LDCs) with Monthly Base Distribution Charges Above the Monthly Distribution Rate Protection (DRP) Cap of $38.08 (Effective July 1, 2022)

Prepared by the Office of the Auditor General of Ontario

LDCs		Monthly Base Distribution Charge ($)	Monthly Base Distribution Charge in Excess of $38.08 DRP Cap ($)	Number of Residential Customers Served	Eligible for DRP
1	Algoma Power Inc.	60.27	22.19	9,173	✓
2	Atikokan Hydro Inc.	50.73	12.65	1,371	✓
3	Canadian Niagara Power Inc.	40.16	2.08	26,944	
4	Chapleau Public Utilities Corporation	55.21	17.13	1,054	✓
5	Espanola Regional Hydro Distribution Corporation	40.00	1.92	2,900	
6	Halton Hills Hydro Inc.	39.43	1.35	20,401	
7	Hydro One Networks Inc. (R1 class)[1]	64.44	26.36	473,917	✓
8	Hydro One Networks Inc. (R2 class)[1]	76.44	38.36	330,498	✓
9	Hydro One Networks Inc. – Norfolk Power	39.10	1.02	18,365	
10	Innpower Corporation	46.55	8.47	18,199	✓
11	Northern Ontario Wires Inc.	40.32	2.24	5,093	✓
12	Sioux Lookout Hydro Inc.	51.26	13.18	2,425	✓
13	Toronto Hydro-Electric System Limited	40.70	2.62	607,011	
14	Wellington North Power Inc.	41.98	3.90	3,341	

Note: The analysis is based on data from the OEB. Apart from these 14 LDCs and their respective customer classes, Lakeland Power (Parry Sound service area) customers are also eligible for the DRP. Lakeland Power is not included in the figure because its monthly base distribution charge ($36.55) is below the DRP cap. Hydro One Remote Communities Inc., which has a monthly base distribution charge above the DRP cap, is also excluded from this figure as the majority of its customers are eligible for the On-Reserve First Nations Delivery Credit. Delivery charges are waived entirely for customers receiving the On-Reserve First Nations Delivery Credit.

Appendix 6 shows the monthly base distribution charges of all LDC residential customers.

1. Hydro One Network Inc. divides its residential service areas into three classes as below. Only R1 and R2 are eligible for the DRP.
   - UR: Urban density zone, which are areas that contain 3,000 or more customers, with at least 60 customers for every kilometre of power line used to supply energy in the zone. These customers are not eligible for the DRP.
   - R1: Medium density zone, which are areas that contain 100 or more customers, with at least 15 customers for every kilometre of power line used to supply energy in the zone.
   - R2: Low density zone, which are areas not covered by (UR) Urban or (R1) Medium density zones.

The Ministry completed a review of the DRP program in 2021 that also identified the need for more dynamic eligibility criteria. As a result, the Ministry anticipates it will conduct an analysis of options for more robust eligibility criteria in 2022/23. There is currently no timeline set for completing the assessment and implementing any suggested changes.

4.4.2 Despite Distribution Charge Increases, the Monthly DRP Cap Remained Unchanged for Four Years

The monthly DRP cap is set by the OEB once per year based on parameters set out in the DRP regulation (O. Reg. 198/17). The regulation provides that the cap is the greater of the lowest monthly base distribution charges among eligible LDCs and the previously approved cap.

At the program's inception on July 1, 2017, the DRP cap was set at $36.43, which was the lowest monthly base distribution charge among eligible LDCs at the time. The cap was raised to $36.86 on July 1, 2018 but remained unchanged over the next three annual reviews because the monthly base distribution charge for Lakeland Power (Parry Sound service area) has dropped and stayed below the DRP cap since July 1, 2018.

The monthly base distribution charges for all other eligible LDCs (besides Lakeland Power) have increased since the introduction of the program. However, because of the limitations imposed by the cap-setting mechanism set out in the DRP regulation, the DRP cap cannot be adjusted to keep up with the rising distribution rates or, at a minimum, to align with inflationary increases. The result is an increase in DRP program cost by about 40%, from $254 million in 2018/19 to $354 million in 2021/22, all of which was borne by taxpayers because the DRP is a taxpayer-funded subsidy program.

As a result of the DRP program review conducted in 2021, the Ministry introduced an amendment to the DRP regulation, which came into force on April 5, 2022, to allow for a gradual increase in the DRP cap by applying an inflationary adjustment to the previously determined cap. Without the inflationary adjustment, the July 1, 2022 DRP cap would have remained at $36.86 as this was greater than Lakeland Power's monthly base distribution charge. However, based on the amended parameters, after applying a 3.3% inflationary adjustment to the previously determined cap, effective July 1, 2022 the DRP cap was set at $38.08 (see **Figure 15**). This recent change in DRP cap-setting methodology helps contain program costs, which in turn will alleviate the burden on taxpayers.

RECOMMENDATION 6

So that the Distribution Rate Protection (DRP) program continues to meet the intent of protecting Local Distribution Company customers in areas with comparatively high distribution costs, we recommend that the Ministry of Energy, with input from the Ontario Energy Board, within the next year:

- complete the DRP program analysis to identify and evaluate options that can improve the robustness of the mechanism in determining program eligibility; and
- implement changes identified from the analysis.

MINISTRY RESPONSE

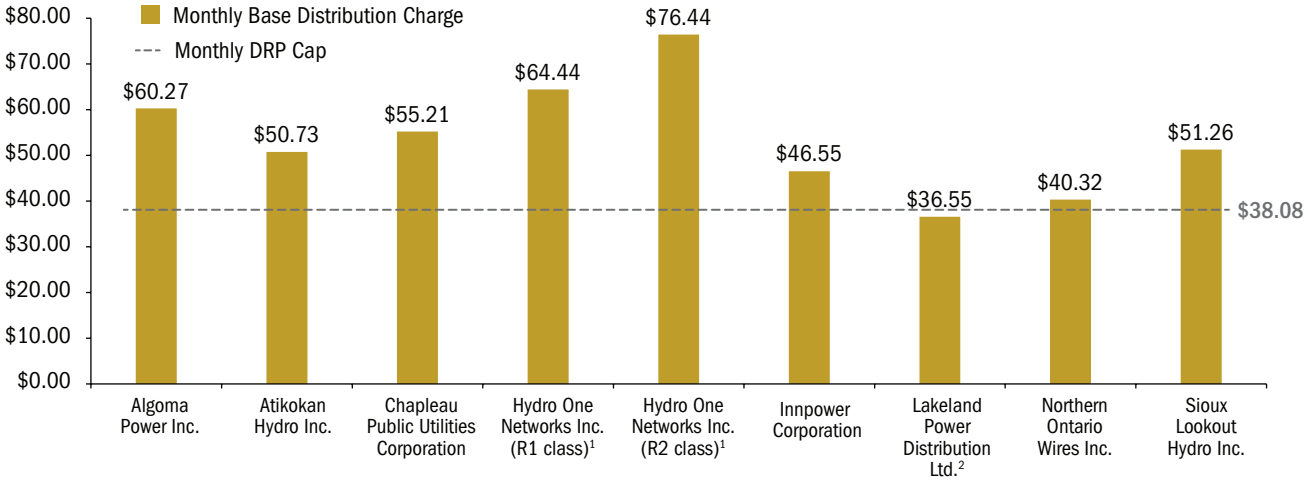
The Ministry of Energy (Ministry) thanks the Auditor General for these recommendations. The Ministry recently amended O. Reg. 198/17: *Distribution Rate-Protected Residential Customers*, to include an annual inflationary adjustment to the methodology for setting the Distribution Rate Protection cap.

The Ministry intends to study the impact of the 2022 regulatory amendment through additional cap setting cycles, before finalizing any recommendations relating to program eligibility.

The Ministry will continue to work collaboratively with the Ontario Energy Board to interpret trends that could impact the program's performance and cost, as well as analyze options for future program reform.

Figure 15: Comparison of Monthly Distribution Rate Protection (DRP) Cap and Monthly Base Distribution Charge of Eligible Local Distribution Companies (LDCs), 2022

Source of data: Ontario Energy Board



Note: The portion of the monthly base distribution charge, as billed, in excess of the DRP cap, represents the cost borne by taxpayers.

1. Hydro One Network Inc. divides its residential service areas into three classes as below. Only R1 and R2 are eligible for the DRP.
   - UR: Urban density zone, which are areas that contain 3,000 or more customers, with at least 60 customers for every kilometre of power line used to supply energy in the zone. These customers are not eligible for the DRP.
   - R1: Medium density zone, which are areas that contain 100 or more customers, with at least 15 customers for every kilometre of power line used to supply energy in the zone.
   - R2: Low density zone, which are areas not covered by (UR) Urban or (R1) Medium density zones.
2. Parry Sound service area.

4.5 Use and Effectiveness of Low-Income and Emergency Subsidy Programs Are Not Sufficiently Evaluated

The OEB and the provincial government have introduced a number of subsidy programs targeted at assisting customers who face financial hardship when paying their electricity bills. These special programs, which customers must apply for, include the Low-income Energy Assistance Program (LEAP), the Ontario Electricity Support Program (OESP) and the time-limited COVID-19 Energy Assistance Program (CEAP). **Figure 16** provides a description of these programs.

4.5.1 Funding Mechanism and Eligibility Criteria for LEAP Have Not Been Sufficiently Reviewed to Optimize Its Benefits to Eligible Electricity Customers

LEAP is a grant program that provides emergency financial assistance to eligible low-income customers that are behind on their electricity bills. Electricity customers whose accounts are in arrears and who have met certain "low-income" criteria (see **Figure 17**) may be eligible for LEAP.

Every LDC maintains a LEAP budget to support its own customers, as well as USMP customers who live within the area it serves. Each LDC's annual budget for LEAP is funded through the distribution rates that must be approved by the OEB. In addition to the annual budget, each LDC can also make additional contributions (for example, donations from its shareholders) to its LEAP funds in any given year. Unused funds in a calendar year are rolled over to the following year.

Figure 16: Low-Income and Emergency Financial Assistance Programs

Sources: Ontario Energy Board and Ministry of Energy

Program	LEAP	OESP	CEAP
Who establishes the program?	OEB	OEB (Ministry of Energy took over funding and decision-making for the program)	Ministry of Energy
Source of funding	Ratepayer-funded (through distribution charges collected by each Local Distribution Company to fund the program in its service area)	Taxpayer-funded	Taxpayer-funded
How does the program support electricity ratepayers?	Provides eligible low-income customers with emergency grants to pay off electricity bill arrears to avoid service disconnections.	Provides eligible low-income electricity customers with on-bill credits (ranging from $35/month to $113/month).	Provided eligible customers with emergency grants to pay off electricity bill arrears that arose during the COVID-19 pandemic (limited-time program from July 2020 to October 2021).
Who is eligible?	Residential electricity customers whose household size and after-tax income meet program requirements.	Residential electricity customers whose household size and after-tax income meet program requirements.[1]	Residential and small business electricity customers. Eligibility requirements changed over time but, at a minimum, to qualify for the program a customer's electricity bill had to be in arrears since the provincial COVID-19 emergency was declared.
How does it apply on the bill?	Applies directly to the balance in arrears. Not an ongoing support and it is subject to an annual cap per customer as well as funding availability.	Monthly credit applies directly on customer's bill. Re-apply every two years or as personal circumstances change. If a customer is 65 years or older, or receiving a Canada Pension Plan disability pension, re-apply every five years.	Applied directly to balance in arrears. Not an ongoing support and it is subject to a cap per customer as well as funding availability.
Number of recipients	5,534[2]	218,418[2]	65,995[3]
Total amount disbursed	$2,481,353[2]	$159,040,323[2]	24,793,163[3]

Note: LEAP and CEAP also apply to natural gas customers. However, information and statistics indicated in **Figure 16** (for example, number of recipients and total amount disbursed) relate to electricity customers only.

1. OESP benefits vary depending on household size and income.
2. LEAP and OESP numbers are based on information available for 2021.
3. CEAP numbers cover the full length of the program from July 2020 to October 2021.

LEAP's funding mechanism is based on each LDC's distribution revenue. The prescribed funding formula does not account for demographic differences in customers between LDCs, nor does funding consider prior years' application trends—that is, funding is not adjusted based on changing needs or differences in need. While LDCs may propose for a higher funding amount if greater need could be justified, the OEB informed us that most LDCs have adopted the prescribed funding formula. Our analysis of LEAP fund usage between 2016 and 2021 indicated that while certain LDCs have LEAP funds remaining at year-end, others deplete their funds in some years (see **Figure 18**). Also, based on the 2019 LEAP report on program results (the most recent one published by the OEB), two LDCs had depleted their annual funds as early as February and about 25% of LDCs ran out of funds by end of June. This indicates that customers

Figure 17: Eligibility Criteria for Ontario Electricity Support Program (OESP) and Low-income Energy Assistance Program (LEAP)

Sources: Ontario Energy Board and Ministry of Energy

	Household Size						
Household Income (After-Tax)	1	2	3	4	5	6	7+
$28,000 or less							
$28,001–$39,000	✓						
$39,001–$48,000	✓	✓					
$48,001–$52,000	✓	✓	✓	✓			
Over $52,000	✓	✓	✓	✓	✓	✓	✓

Eligibility criteria apply to both OESP and LEAP applicants.

Eligibility criteria that apply to OESP applicants but not to LEAP applicants.

✓ Eligibility criteria that apply only to those OESP applicants who have been approved for support under the Ontario Works or the Ontario Disability Support Program.

served by different LDCs may not have the same opportunity to access LEAP funds. Specifically, a customer of one LDC could have their LEAP application approved while another customer with similar needs who also meets program eligibility criteria but who lives in an area served by a different LDC could be denied due to a lack of available funds.

As shown in **Figure 18,** the number of LDCs that had fully depleted their LEAP funds has been decreasing (from 39 LDCs in 2016 to 3 LDCs in 2021). The decrease in the level of depleted funding may have been affected by certain short-term COVID-19 relief measures that were available to electricity customers in recent years. For example:

- In 2020, the OEB extended the winter disconnection ban from April 30 to July 31 for residential customers.
- From July 2020 to October 2021, the Ministry of Energy introduced a time-limited COVID-19 Energy Assistance Program (CEAP). Although CEAP was primarily intended to help those customers who suffered financially due to pandemic-driven job losses, its rollout may well have reduced the demand for LEAP due to certain overlaps in the two programs' eligibility criteria.

The lifting of these temporary measures may increase the demand for LEAP funding.

Since the introduction of LEAP in 2011, other programs have also been introduced to aid low-income electricity customers. For example:

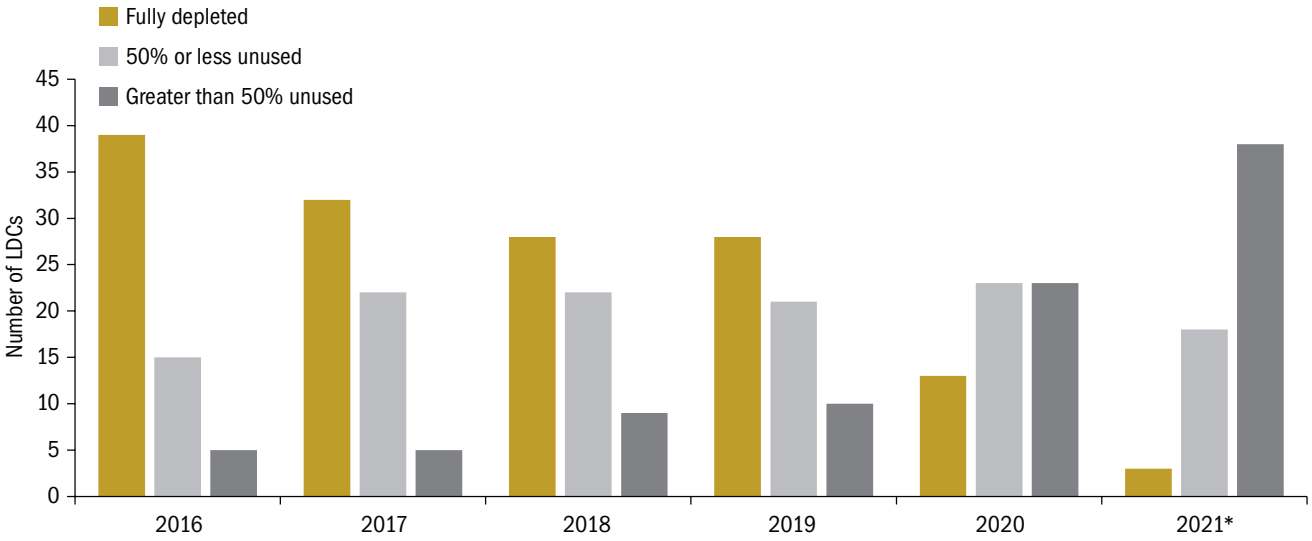
- OESP was implemented in January 2016 to provide continued financial assistance to eligible low-income electricity customers through on-bill credits.
- A disconnection ban was implemented since February 2017 to prohibit LDCs from disconnecting residential customers due to non-payment during winter months.

Figure 19 shows that the number of LEAP applicants has declined since the implementation of OESP and the winter disconnection ban, indicating that these new measures have reduced the need for customers who are eligible for LEAP grants to seek them.

Given the significant changes that have occurred over the past few years, it is important for the OEB to perform a LEAP review to ensure that the program remains effective in benefiting its target audience, and that the current LEAP criteria are still appropriate and operate optimally with other low-income assistance programs, such as OESP. For example, when the OESP was introduced in 2016, it has the same eligibility criteria as LEAP. However, the program's eligibility has expanded since 2017 and is now benefiting a greater population (see **Figure 17**).

Figure 18: Availability of Low-income Energy Assistance Program (LEAP) Fund at Year-end, by Number of Local Distribution Companies (LDCs), 2016–2021

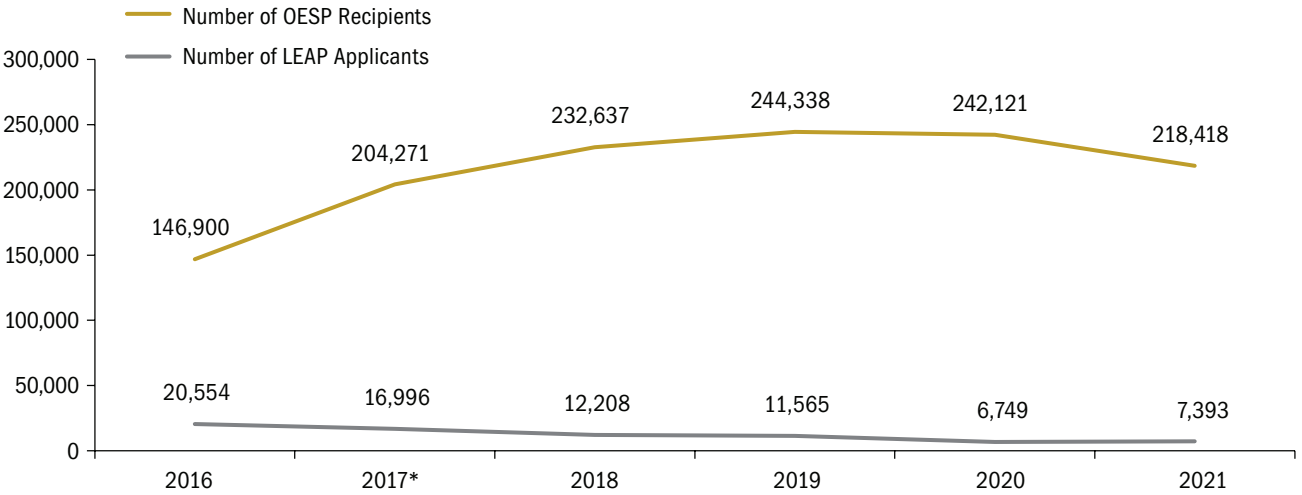
Source of data: Ontario Energy Board



* In 2021, LDCs supplemented their LEAP budgets by the one-time credit amount that the OEB applied against each LDC's cost assessment invoice (total of $1.6 million). The credit amounts were provided to the LDCs in light of the COVID-19 pandemic and were funded by the administrative monetary penalties the OEB collected over time from licensees through its compliance and enforcement activities. The credit amount applied to each LDC was determined based on two criteria: (i) each LDC's proportion of the overall 2019 LEAP budget; and (ii) an additional amount provided to LDCs that generally run out of LEAP funds before year-end, based on the LDC's history of depletion of LEAP funds. This increase in LEAP budgets, along with other factors (for example, the time-limited COVID-19 Energy Assistance Program) may have contributed to more LDCs having unused LEAP funds by year-end in 2021.

Figure 19: Ontario Electricity Support Program (OESP) Recipients and Low-income Energy Assistance Program (LEAP) Applicants, 2016–2021

Source of data: Ontario Energy Board



* Introduction of winter disconnection ban in February 2017.

While we noted that OEB staff performed a LEAP review in 2019, the review was not finalized (that is, not published for consultation) and no follow-up actions were taken because the Ministry planned to conduct its own review of all low-income energy programs at that time. The OEB informed us that it is planning to resume the review in due course.

RECOMMENDATION 7

To assess and confirm whether the Low-income Energy Assistance Program (LEAP) effectively benefits those who need assistance most while containing program costs, we recommend that the Ontario Energy Board:

- evaluate LEAP's funding mechanism and historical trends in funding availability, and implement changes as warranted to ensure that the program is meeting its objectives; and
- review LEAP's eligibility criteria and implement changes as warranted, taking into consideration program objectives and implementation costs.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) thanks the Auditor General for this recommendation. We have already commenced planning to resume the Low-income Energy Assistance Program (LEAP) emergency financial assistance review that was suspended in 2019. The OEB's review had considered the issues identified by the Auditor General, including the funding and eligibility criteria for emergency financial assistance along with other aspects of the program. Any program changes will be considered with regard to the purpose of the program in supporting low-income customers facing disconnection for non-payment, historical trends in funding availability, and the cost implications for ratepayers who fund the program through their distribution rates in each service area.

4.5.2 Effectiveness of Low-Income and Emergency Subsidy Programs Has Not Been Sufficiently Evaluated

While OESP, LEAP and the COVID-19 Energy Assistance Program (CEAP) have clearly stated intentions, they do not have specific performance measures and targets. Such measures and targets would allow for ongoing assessment of the programs' performance and effectiveness in achieving desired outcomes.

Ontario Electricity Support Program (OESP)

Although the OESP was launched by the OEB in 2016, we found that no performance measures and targets have ever been developed to assess its effectiveness. It was not until 2021 that the Ministry of Energy reviewed the effectiveness of the OESP as part of the Ministry's 2021/22 Multi-Year Plan. The review noted that the OESP did not have a performance measurement framework. Based on the outcomes of the review, the Ministry developed a preliminary framework that sets out the OESP's intended outcomes, key performance indicators and targets.

However, in its report back to the Treasury Board Secretariat as part of its 2022/23 Multi-Year Plan, the Ministry of Energy indicated that the framework had not yet been implemented due to issues with data availability. The Ministry informed us that the program's partners (including the OEB) are engaged to obtain the essential data to implement the performance framework.

Low-income Energy Assistance Program (LEAP)

The OEB collects information related to LEAP from LDCs and publishes program results on an annual basis. The annual report includes trends on program funding, applications, payments, rate of depletion of funds, average grant per recipient and administration costs. However, apart from this statistical data, there is no reporting of program targets or performance against targets.

In the LEAP review performed in 2019 (refer to **Section 4.5.1**), the OEB staff evaluated the design and delivery of LEAP and drafted recommendations on ways to improve the program (for example, increasing the grant amount for certain eligible customers, better training for LDC and USMP customer service staff on LEAP-related tasks). The need to develop performance targets, however, was not identified in the recommendations.

COVID-19 Energy Assistance Program (CEAP)

When the Ministry introduced the CEAP in July 2020 to provide relief during the COVID-19 pandemic, the CEAP's eligibility criteria required applicants to be laid off (or receiving the Canada Emergency Response Benefit), have accounts in good standing pre-pandemic, and have been unable to pay off multiple bills during the pandemic while also not receiving OESP or LEAP assistance. The uptake rate for CEAP was lower than expected in the first three months, with only 1,705 electricity customer applications approved across the province.

To expand the program's eligibility to a larger population, at the Ministry's request, the OEB amended the eligibility criteria twice: first in September 2020 and again in January 2021. This eventually extended coverage to also include any customer whose account was in arrears after the Province declared a state of emergency due to COVID-19. These amendments increased the CEAP's uptake rate, as evidenced by the noticeable increase in approved applications following each amendment—there was a 265% increase from September–October 2020 and a 155% increase from January–February 2021 (see **Figure 20**).

During the time-limited offer of the CEAP from July 2020 to October 2021, about $24.8 million was disbursed to almost 66,000 electricity residential and small business customers. While the CEAP's uptake rate increased significantly each time the eligibility criteria were amended, no analysis has been done to assess the effectiveness of the program after its wrap-up to determine whether the CEAP benefited those hit hardest by the pandemic.

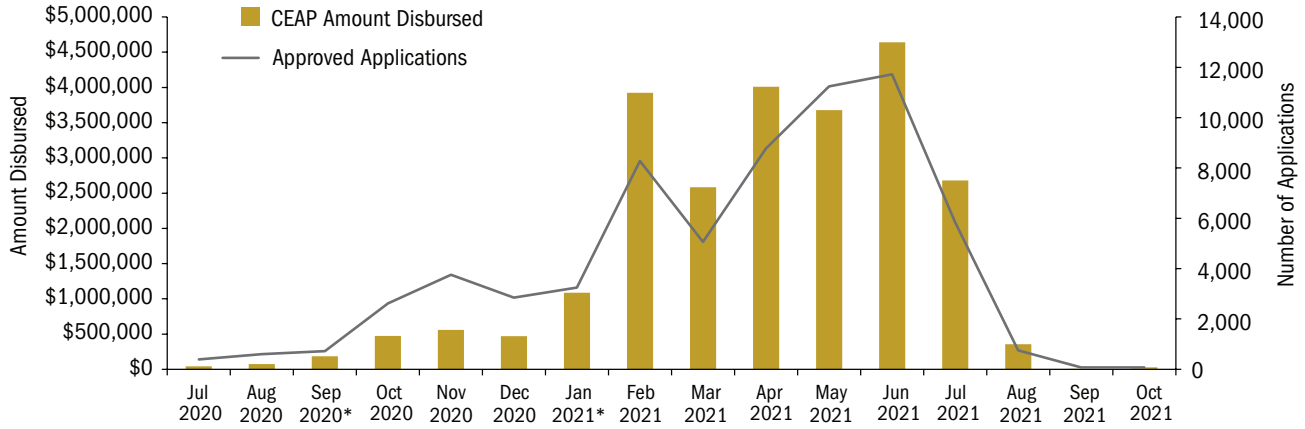
RECOMMENDATION 8

To assess and confirm whether low-income energy programs effectively benefit those who need assistance most while containing program costs, we recommend that the Ministry of Energy and Ontario Energy Board:

- develop performance metrics and targets to evaluate the effectiveness of the programs within their responsibility; and

Figure 20: COVID-19 Energy Assistance Program (CEAP) Uptake and Disbursement, July 2020–October 2021

Source of data: Ontario Energy Board



* Months when CEAP eligibility criteria were amended.

- measure program performance against established targets at defined intervals and develop action plans if performance targets are not met.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) will develop performance targets for the Low-income Energy Assistance Program (LEAP) as part of the review of the program discussed in our management response to **Recommendation 7**, and thanks the Auditor General for this related recommendation. Following the completion of the review, the OEB will monitor and report on the LEAP performance targets.

MINISTRY RESPONSE

The Ministry of Energy (Ministry) thanks the Auditor General for these recommendations. The Ministry is committed to continuous program improvement. The Ministry has developed a preliminary performance measurement framework, and will continue to refine performance metrics and targets for the Ontario Electricity Support Program and commits to measuring performance regularly.

4.6 Regulatory Cost of Major Rate Applications for Very Small LDCs Is Disproportionately High

One of the core functions of the OEB is the adjudication of rate applications. The OEB is mandated under the OEB Act to set "just and reasonable rates," guided by its statutory objectives, which include protecting consumer interests and maintaining a financially viable electricity industry. However, our review of the OEB's rate-setting process found that the costs associated with this process may outweigh certain benefits when it comes to very small LDCs (that is, those LDCs with fewer than 5,000 customers).

As detailed in **Section 2.2.1**, rate-regulated LDCs typically file a Cost of Service (COS) rate application with the OEB every five years. LDCs are required to provide information about their historical financial and operational performance, forecasts of electricity demand, estimated costs and capital assets required to service this demand. COS rate application decisions are made by a panel of Commissioners, based on evidence that is examined by both OEB staff and intervenors (that is, participants that represent consumers or other interest groups, and in some cases individuals) during the proceedings.

The OEB surveyed industry stakeholders in 2020 and 2021 to solicit feedback on its performance in various areas. Results from both surveys indicated that stakeholders have concerns over the amount of documentation required for rate applications and the efficiency of the intervenor process. The survey results in 2020 showed that only about 19% of respondents were satisfied with the amount of documentation required and 27% were satisfied with the efficiency of the OEB's management of the intervenor process. The latest survey results in 2021 showed only very slight improvements, with about 22% and 28% of respondents satisfied with the OEB's performance in these two areas respectively. The largest category of respondents to the OEB's stakeholder survey were rate-regulated electricity distributors.

We performed a cost-benefit analysis of the adjudication process by reviewing the COS rate applications from 2019 to 2021. During this period, 20 LDCs of varying sizes filed COS rate applications. In adjudicating these applications, the OEB denied about $70 million in revenue sought by these LDCs. This represents an estimated $350 million of avoided costs to customers over the typical five-year term covered by the COS applications. **Figure 21** shows the costs and benefits associated with COS adjudication for LDCs of different sizes, based on these 20 applications. Costs include identifiable expenses related to the proceedings (such as intervenor costs and regulatory process costs incurred by the OEB in relation to specific proceedings); benefits are measured by rate increases avoided through revenue disallowance as a result of adjudication. While we acknowledge that the OEB's rate-setting process brings various qualitative benefits to customers (for example, to incentivize rate-regulated entities

to prudently manage their costs and to improve on operational performance), our cost-benefit analysis is focused on certain quantitative aspects of the process.

As **Figure 21** illustrates, the costs related to the proceedings for all 20 applications represent only 1% of the total estimated five-year avoided rate increases (or savings) resulting from the OEB's adjudication process. However, the costs related to applications of very small LDCs (those with fewer than 5,000 customers) are disproportionately high. For these very small LDCs, the costs represent 25% of the total estimated consumer savings resulting from the proceedings. In one case involving an LDC with only about 1,200 customers, the costs of the proceeding represented 130% of the estimated consumer savings. **Figure 21** only includes the costs related to the proceedings without including the separate costs incurred by LDCs (for example, in preparing the applications) and the costs incurred for OEB staff and Commissioner time (for example, in reviewing the applications), because this cost data is not available. If these additional costs were included in the analysis, the cost-to-benefit ratio of the adjudication process would have been even less favourable for very small LDCs. LDCs pass these costs on to customers.

In the past, the OEB had one set of filing requirements for rate applications regardless of the LDC's size—whether it is Hydro One, the largest LDC with over 1.4 million customers, or an LDC with fewer than 5,000 customers. To help alleviate the regulatory burden of rate applications on LDCs with fewer than 30,000 customers, with the resulting costs passed on to customers, the OEB has undertaken various initiatives, including reviewing and amending filing requirements for COS applications and the intervenor process, as described in **Figure 22**. However, the impact of these initiatives is not known yet, as they are either recently implemented or still in progress.

Figure 21: Cost-Benefit Analysis of Cost of Service (COS) Adjudication Process by Size of Local Distribution Company (LDC), 2019–2021[1]

Prepared by the Office of the Auditor General of Ontario

		5-Year Savings	Costs		Costs as a Percentage of 5-Year Savings (%)
LDC Size[2]	Number of Applications	Total Avoided Rate Increases[3] ($)	Total Intervenor Costs ($)	Total OEB Expenses[4] ($)	
Large	1	232,950,340	827,228	776,904	1
Medium	9	100,663,277	1,142,953	392,637	2
Small	5	15,363,857	265,324	75,680	2
Very Small	5	585,130	108,420	35,263	25
All	20	349,562,604	2,343,924	1,280,484	1

1. These are rate years (that is, the years for which rates are set), which may be different from the year the applications are filed or decided.
2. "Large" LDCs are defined as those with distribution revenue >$500 million. "Medium" LDCs are those with more than 30,000 customers, but distribution revenue <$500 million. "Small" LDCs are those with fewer than 30,000, but at least 5,000 customers. "Very Small" LDCs are those with fewer than 5,000 customers.
3. This represents the 5-year projected customer savings. Avoided rate increases represent revenue requirement disallowances.
4. OEB expenses include certain limited expenses incurred by the OEB that are specific to proceedings (for example, consulting and publication expenses) and do not include overall OEB costs (for example, Commissioner and OEB staff time spent on proceedings), which are not tracked.

Figure 22: Selected Ontario Energy Board (OEB) Regulatory Efficiency Initiatives

Prepared by the Office of the Auditor General of Ontario

Initiative	Updates to Filing Requirements for Electricity Distribution Cost of Service Applications for Smaller Local Distribution Companies (LDCs)	Review of Intervenor Processes and Cost Awards
Purpose	• Improve regulatory efficiency for rate applications filed by smaller LDCs (i.e., those with fewer than 30,000 customers). • Update filing requirements to allow smaller LDCs to focus on evidence the OEB requires to set just and reasonable rates.	• Improved the intervenor processes and cost award practices to ensure that the cost of intervention is commensurate with the value that is brought to the OEB's proceedings.
Status	• Completed consultation and updated filing requirements for small LDCs in December 2021.	• Completed jurisdictional review of intervenor processes and cost awards in December 2021. • Developed a "Framework for Review of Intervenor Processes and Cost Awards" in March 2022 and received stakeholder comments on the Framework in April 2022. • Identified projects to be undertaken. Projects have target completion dates ranging from 2022/23 to 2023/24.

RECOMMENDATION 9

To help reduce the regulatory burden of filing major rate applications on very small Local Distribution Companies (LDCs), we recommend that the Ontario Energy Board:

- evaluate the impact of its relevant regulatory efficiency initiatives on very small LDCs as soon as sufficient information is available and identify areas for improvement within an established timeline; and
- develop procedures to continuously monitor the impact of relevant regulatory efficiency initiatives on very small LDCs, and implement further actions as warranted.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) will assess and monitor the impact of its amendments to filing requirements and its review of the Intervenor Framework on very small Local Distribution Companies (LDCs) and will continue to balance regulatory requirements against the need to ensure that the OEB has the evidence it needs to fulfil its statutory and administrative law obligations in setting just and reasonable rates. Based on this assessment, the OEB will take further actions if there is opportunity to reduce the regulatory burden of major rate applications for very small LDCs.

4.7 Review of Capital Structure and Rate of Return for Rate-Regulated Entities Is Overdue

As noted in **Section 2.2.1** and **Figure 3**, the OEB sets rates to allow the rate-regulated entities, including Ontario Power Generation (for the nuclear stations that it owns and operates and most of its hydroelectric fleet), transmitters and LDCs, to recover their

prudently incurred costs in carrying on their regulated business and provide them with the opportunity to earn a fair return on their invested capital. These entities are allowed to earn a fair return to support their continued financial viability and the viability of the electricity industry as a whole.

The OEB determines the allowed return for rate-regulated entities through rate applications. Among other factors, the return is affected by: the capital structure of the entity (that is, its debt-to-equity ratio) and its permitted rate of return on equity (ROE). An increase in the level of equity or the ROE rate would result in increased earnings for the rate-regulated entities and their shareholder(s), all else being equal. And the converse is true: a decrease in the level of equity or ROE would result in a decrease in earnings for the rate-regulated entities and their shareholder(s), all else being equal.

Given the large number of rate-regulated entities in Ontario's electricity industry, the OEB has simplified the process by establishing for rate-setting purposes a common deemed capital structure (60% debt and 40% equity). Currently, rate-regulated electricity entities have adopted the common deemed capital structure, with the exception of Ontario Power Generation and a small number of LDCs that serve customers in the First Nations and remote communities. These entities have their own deemed capital structures, customized based on their unique risk profiles and operating circumstances. The same ROE rate applies to rate-regulated entities and it is implemented for each at the time of rebasing (that is, a more extensive review that typically takes place every five years) and then held constant until the next rebasing. The OEB sets the ROE rate annually based on a pre-established formula.

The deemed capital structure and ROE rate, as part of the OEB's cost of capital policy, were first established for rate-regulated LDCs in 1999. Since then, the policy has undergone several reviews and was also adopted, with modifications, by rate-regulated transmitters and Ontario Power Generation. Specifics of each review, in relation to the capital structure and ROE rate, are summarized below:

- In 2006 the OEB performed a policy review to address all components of the cost of capital methodology, taking into consideration staff's research, expert advice and stakeholder comments. The review concluded that the formula used in setting the ROE rate was appropriate, but updated the deemed capital structure to 60% debt and 40% equity for all LDCs.
- In 2009 the OEB initiated another consultation to review the cost of capital policy, as the existing ROE rate formula was producing anomalous results in light of the global economic crisis (for example, it lowered the allowed ROE when market risk was increasing). The review resulted in changes to the ROE rate formula. The deemed capital structure (60% debt and 40% equity), however, was not the primary focus of the consultation and remained unchanged.
- In 2016 the OEB issued a report on its staff's review of the cost of capital policy. The review concluded that the cost of capital policy issued in 2009 was producing expected outcomes with respect to rate-regulated entities' opportunities to earn allowed returns. However, the review was not meant to be a comprehensive review of individual components within the cost of capital policy.

The deemed capital structure and ROE formula were last subject to comprehensive review in 2006 and 2009, respectively. Given the amount of time that has passed and changes that have occurred, these factors are due for a comprehensive review to confirm that they still reflect the risk profile of electricity transmitters and LDCs in Ontario, and that they result in a fair—but not excessive—return for these rate-regulated entities. For example, the OEB introduced changes in 2015 on how distribution charges were calculated by moving to a fixed distribution charge for residential customers for each LDC, as opposed to having part of the charge based on consumption. The changes were intended to, among other things, provide greater revenue stability—and less risk—for LDCs.

Keeping the deemed capital structure and the ROE formula current is critical, as even a slight adjustment

to these factors would have a significant financial impact on the rate-regulated entities and electricity ratepayers. For example, if applied to all rate-regulated electricity distributors and transmitters in the same year, a 1% change in the deemed equity level could result in an estimated aggregate change of $30 million in annual revenue to electricity transmitters and LDCs (or annual cost to customers).

We noted that the cost of capital policy is examined more frequently in certain other jurisdictions. For example, the Alberta Utilities Commission initiates a proceeding and sets the deemed capital structure and ROE rate for its regulated entities every two to three years. The British Columbia Utilities Commission sets the benchmark for these parameters every three to five years.

RECOMMENDATION 10

To regularly confirm that rate-regulated entities are financially viable and earn a fair—but not excessive—return, we recommend that the Ontario Energy Board:

- review the deemed capital structure and return on equity (ROE) formula and thereafter at defined intervals (for example, every three to five years); and
- adjust the deemed capital structure and ROE formula as informed by the review, so that they reflect the risk profile of rate-regulated entities.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) supports this review, and notes that the cost of capital policy is already on the OEB's draft work plan for 2023–2025. As determined by the outcome of the review, the OEB will update or confirm the validity of the deemed capital structure and the ROE formula (along with other components of the cost of capital policy) and define the frequency of future reviews. The OEB appreciates the Auditor General's reference to the practices of other regulators and their approaches within their unique regulatory contexts.

4.8 The OEB Does Not Sufficiently Monitor Performance of LDCs After Approving Consolidations

While the number of LDCs in Ontario has decreased over the years through a series of mergers and acquisitions (collectively referred to as "consolidations"), Ontario still has a large number of LDCs: 61 as of September 2022. **Appendix 7** provides a list of consolidations of LDCs with separate distribution systems since 2011.

LDCs file a Mergers, Amalgamations, Acquisitions and Divestitures application (referred to as a "consolidation application") with the OEB to seek approval for consolidation. The OEB uses a "no harm" test in deciding consolidation applications. In applying the "no harm" test, the OEB primarily focuses on impacts of the proposed transaction on price and quality of service to customers, and the cost-effectiveness, economic efficiency and financial viability of the electricity distribution sector. As discussed in **Section 4.6**, LDCs typically file a Cost of Service (COS) rate application every five years to "rebase" their rates (that is, to re-establish the distribution rates they bill customers based on updated forecasts of costs and electricity consumption profiles). To encourage consolidations, beginning 2015, consolidated entities have been permitted to defer rebasing for up to 10 years from the closing of the transaction (up to five years prior to 2015) so that they have a longer period to recuperate the transaction costs of consolidation. To balance customer interests, consolidated entities that chose to defer rebasing for greater than five years are required to implement an earnings sharing mechanism to share the benefits from consolidation with customers for the period beyond five years.

4.8.1 The OEB Does Not Sufficiently Monitor Post-Consolidation Activities to Confirm Projected Benefits Are Realized During the Deferred Rebasing Period

Proactive monitoring is important to confirm that after consolidation, LDCs are adhering to any conditions of approval set by the OEB and that post-consolidation

integration activities are progressing as planned to generate long-term value for customers. However, the OEB's existing framework does not include standardized monitoring of post-consolidation activities before the end of the deferred rebasing period, which can be up to 10 years after transaction close. Instead, specific filing or tracking requirements during the deferral period are imposed on consolidated entities on a case-by-case basis only.

Hydro One's Acquisitions from 2013 to 2015

Hydro One made successive acquisitions from 2013 to 2015 to take ownership of three LDCs: Norfolk Power, Woodstock Hydro and Haldimand County Hydro. In its consolidation applications, Hydro One proposed for customers of the acquired LDCs a 1% rate reduction, with rates frozen at that level for a period of five years. Evidence in the proceedings also included analysis of the potential operational and capital savings for the 10 years following the acquisitions. Based on the evidence presented, the OEB concluded that Hydro One had satisfied the "no harm" test and in turn approved the consolidations.

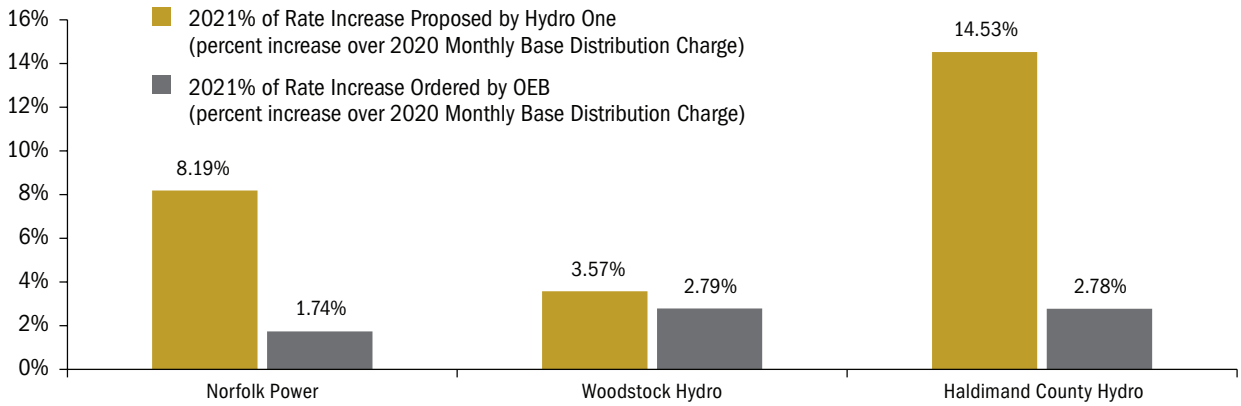
In 2017 Hydro One filed a Cost of Service (COS) rate application for the period from 2018 to 2022, which included proposed new rates for its acquired customers from Norfolk Power, Woodstock Hydro and Haldimand County Hydro for 2021 and 2022, as their rates were up for rebasing. In the COS application, however, Hydro One could not provide sufficient evidence to demonstrate that the acquisitions had led to a lower cost structure and that the acquired customers were unharmed.

As illustrated in **Figure 23**, Hydro One's proposed base distribution rates for 2021 were higher than the rates in effect in 2020 by 8.19%, 3.57% and 14.53% for residential customers of Norfolk Power, Woodstock Hydro and Haldimand County Hydro, respectively. Hydro One also failed to separately track and report costs incurred to serve customers of the acquired LDCs post-consolidation to justify the proposed rate increases, when the separate tracking of costs was one of the key conditions the OEB imposed when it approved Hydro One's consolidation applications.

In the end, the OEB upheld the "no harm" principle in its rate decision, ultimately limiting the rate increases for customers of the three acquired LDCs to below 3% (see **Figure 23**), and ordered Hydro One to absorb any revenue shortfall associated with the cost to operate the acquired LDCs to avoid passing those costs to its customers. However, this shows a need for more active monitoring from the OEB before acquired entities are up for rebasing.

Figure 23: Proposed and Approved Increase in 2021 Monthly Base Residential Distribution Charges for Hydro One's Norfolk Power, Woodstock Hydro and Haldimand County Hydro Customers

Source of data: Ontario Energy Board



Hydro One's Acquisitions in 2018

In 2018, Hydro One filed consolidation applications to acquire Orillia Power and Peterborough Distribution respectively. The OEB approved both acquisitions, with a number of conditions imposed on Hydro One to protect customers. For example, one of the conditions requires that actual costs in excess of projected costs subsequent to the deferred rebasing period be borne by the shareholders of Hydro One and not the ratepayers. Though these conditions helped minimize the negative rate impact for customers of the acquired LDCs, the OEB still lacks a standardized process to consistently monitor post-consolidation integration activities during the deferred rebasing period to assess that these activities were progressing as planned to generate long-term value to customers.

The OEB informed us that while there are no standard filings required specifically of consolidated entities to enable regulatory monitoring, it can require a consolidated entity to file information during its deferred rebasing period and has done this in the past on a case-by-case basis. However, given the government's priority in advancing efficiency in the electricity distribution sector (see **Section 4.8.3**), it is necessary to develop a standardized monitoring process to assess in a timely manner that approved consolidations are delivering long-term value for customers through sustained operational efficiencies.

4.8.2 Performance Metrics Are Not Separately Tracked and Reported After Consolidations

As noted in **Section 2.2.3**, the OEB annually publishes scorecards to report the performances of individual LDCs. However, once a consolidation transaction is approved and closed, performance of the involved entities is no longer required to be tracked and reported separately. Instead, their individual performance is merged and reported as part of the consolidated entity.

Given the size differential between entities involved in acquisitions, as well as the expanded and potentially more geographically dispersed service areas created by mergers, reporting performance at the consolidated level may not provide customers with adequate insight into the service quality and reliability of the local distribution networks that directly support them. It would also make it difficult to assess whether the projected benefits have materialized post-consolidation.

4.8.3 Consolidations Do Not Necessarily Translate to Reduced Electricity Rates or Improved Efficiency

In its mandate letter to the OEB in November 2021 (publicly available on the OEB website), the Ministry of Energy asked the OEB to have small LDCs (that is, LDCs with fewer than 30,000 customers) report in their COS rate applications on the extent to which they have investigated potential opportunities for consolidation or collaboration, as the Ministry noted that efficiencies were found in the past through consolidations and innovative partnerships between LDCs. However, as discussed in **Section 4.8.1**, Hydro One's acquisition of three LDCs—Norfolk, Haldimand and Woodstock—shows that consolidation may not lead to lower cost structures that translate to reduced electricity rates or efficiency gains.

Furthermore, the 2021 Cost Benchmarking Report, prepared for the OEB by a third-party consultant, showed a greater percentage of small-sized LDCs received higher efficiency ratings in comparison with the larger LDCs, suggesting that smaller LDCs tend to be more efficient (see **Figure 24**).

RECOMMENDATION 11

To protect electricity customers from negative impacts of Local Distribution Company (LDC) consolidations, and to facilitate the maintenance of a cost-effective and economically efficient electricity distribution sector, we recommend that the Ontario Energy Board:

- implement effective and timely monitoring of post-consolidation activities during deferred rebasing periods to obtain periodic status updates from LDCs on steps taken toward integration and to verify that consolidated entities are adhering to approval conditions for consolidations and maintaining necessary records; and

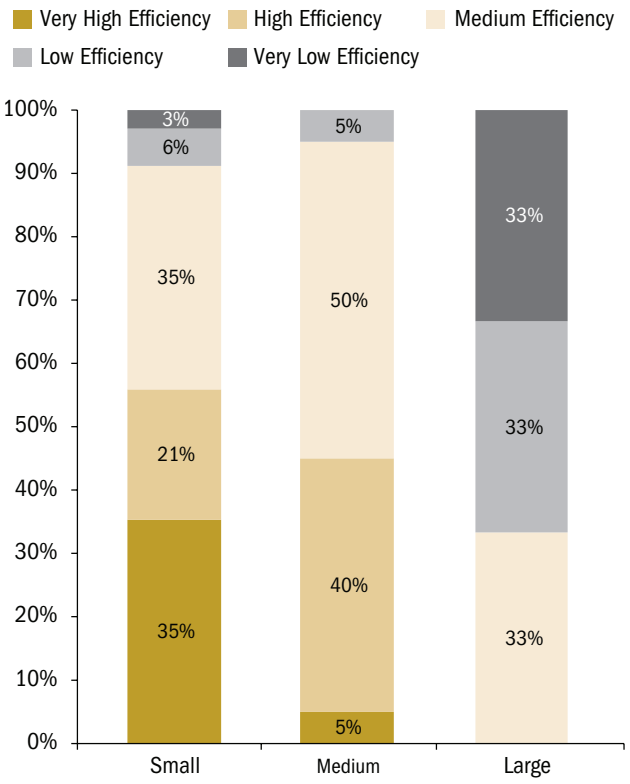
- require acquired and merged entities to continue to report on key performance measures (for example, reliability metrics) separate from the consolidated entities during deferred rebasing periods to create greater transparency.

RESPONSE FROM THE ONTARIO ENERGY BOARD

The OEB will establish a minimum standard for reporting requirements during deferred rebasing periods that will balance the regulatory and financial requirements on utilities with increased transparency for customers. Subject to further analysis and consultations with stakeholders, those requirements might include steps taken toward integration of the consolidating Local Distribution Companies and performance reporting for legacy service areas. The OEB notes that conditions of approval and certain reporting requirements may be key issues in consolidation applications adjudicated by independent panels of OEB Commissioners.

Figure 24: Efficiency Rating by Local Distribution Company (LDC) Size, 2021

Source of data: Ontario Energy Board



Note: "Large" LDCs are defined as those with distribution revenue of >$500 million. "Medium" LDCs are those with 30,000 or more customers, but distribution revenue <$500 million. "Small" LDCs are those with fewer than 30,000 customers.

4.9 Transparency and Performance Monitoring of the OEB's Compliance Program Can Be Improved

In general, from 2017/18 to 2021/22 greater than 90% of the respondents to OEB surveys were satisfied with the OEB's inquiries and complaints handling process (refer to **Figure 25** in **Section 4.9.2**). The OEB's compliance and inspection activities have also resulted in refunds to customers of almost $3 million from licensed electricity entities over the same period. While the OEB's actions have resulted in positive results, more should be done to improve awareness, efficiency and oversight of these processes.

4.9.1 Consumer Education and Transparency of the Complaints Process Need Improvement

A critical element in the OEB's consumer protection regime is a complaints process that provides customers with assistance when their electricity service providers (such as LDCs, USMPs and retailers, as noted in **Figure 3**) fail to resolve issues satisfactorily. To make the complaints process effective and efficient, the OEB needs to provide electricity customers with clear information regarding the roles and responsibilities of the OEB, electricity service providers and customers, as well as the process of handling and resolving complaints. In navigating the OEB's website, we noted that while such information is often provided, in some instances it is fragmented and unclear.

Roles and Responsibilities of the OEB, Electricity Service Providers and Customers Regarding Complaints Can Be Better Clarified

Before reaching out to the OEB, electricity customers are encouraged to first contact their service providers (for example, their LDC or USMP) to work through their issues, as those providers are primarily tasked with handling customer complaints in a fair, reasonable and timely manner. It is also the most direct and efficient way to resolve issues, allowing the OEB to dedicate its resources to systemic cases that require the regulator's assistance.

The fact that electricity service providers should serve as the customers' first point of contact, however, is not clearly communicated on the OEB's "Make a complaint" web page. Our review of customer inquiries also showed that some customers have mistakenly called the OEB when they meant to call their electricity service providers. These inquiries made up about 3% of all the OEB's electricity-related customer interactions over the five-year period from 2017/18 to 2021/22.

The OEB has developed a Consumer Charter, which summarizes the rights and responsibilities of customers, the responsibilities of different electricity service providers and ways to reach out to the OEB for information or to file a complaint. It also lays out the expectation for customers to contact their electricity service providers first. The Consumer Charter is a useful document for consumer education, but it is not placed in an obvious spot on the OEB's website to catch customers' attention. The "Make a complaint" page, for example, does not provide a link to this document.

In contrast, we noted that the British Columbia Utilities Commission's website makes it clear that customers should "contact the regulated entity" as the first step in the complaints process. In Manitoba, the Public Utilities Board's online complaint form starts by asking if the customer contacted the electricity service provider and directs customers to contact the service provider if they answered "no" to the question.

Complaints Resolution Process Can Be Clearer

The complaints process described on the OEB's "Make a complaint" web page indicates that the OEB sends complaint information to the customer's electricity service provider, and provides the timeline as to when customers can expect to hear from them. It further indicates that if a complaint is resolved, no further action is required and the file will be closed. It is unclear, however, when and how the OEB will consider a complaint "resolved." More transparency is necessary to help customers understand the complaints process and what they can expect from the OEB.

As a comparison, we noted that the British Columbia Utilities Commission has published a Customer Complaints Guide that clearly outlines the entire complaints process and what the Commission staff do with a complaint.

4.9.2 Performance Metrics Need to Be Developed or Updated to Better Assess the Efficiency of Complaints Management, Compliance and Enforcement Activities

Complaints and Inquiries

The OEB has established customer service metrics to measure the performance of its complaints and inquiry intake and handling processes, with a focus on the timeliness of response and customer satisfaction. Performance against these metrics is published in the OEB's annual report.

The OEB has maintained the same customer service metrics for a number of years, until 2021/22 when it made some changes based on review by its management. As illustrated in **Figure 25**, the OEB has consistently exceeded the target set for each metric. In most categories, the performance was above target by a margin of more than 10%. While it is important to set achievable goals and recognize performance, it is also important to ensure that targets are providing sufficient challenge to drive improvements. Except for new measures introduced in 2021/22, the customer service targets had not been raised for at least five years.

Figure 25: Customer Service Metrics, 2017/18–2021/22

Source of data: Ontario Energy Board

Metric	Target (%)	2017/18	2018/19	2019/20	2020/21	2021/22
Answer incoming calls within 20 seconds	90	99	98	97	95	96
Respond to general correspondence within 10 business days	85	100	100	100	100	n/a
Answer incoming online chats within 90 seconds	90	n/a	n/a	n/a	n/a	95
Respond to voicemail received by 12:30 p.m. within the same day	80	100	97	98	94	94
Respond to voicemail received after 12:30 p.m. by the next business day before 12:30 p.m.	80	98	98	100	96	n/a
Respond to voicemail received after 12:30 p.m. by the next business day	80	n/a	n/a	n/a	n/a	97
Overall satisfaction survey score	80	97	92	92	92	n/a
Overall consumer satisfaction survey score – post-call	80	n/a	n/a	n/a	n/a	93
Overall consumer satisfaction survey score – post-chat	80	n/a	n/a	n/a	n/a	90
Send complaint follow-up letters to consumer within two business days	80	99	92	97	94	97
Send follow-up letter to consumer after receiving licensee response within two business days	80	97	97	92	89	94
Send answer or acknowledgement letter to consumer in response to enquiry within two days	80	98	98	97	98	97
Respond to Industry Relations enquiries within 10 days	90	92	95	94	93	93

Note: The reference to n/a reflects changes to the metrics introduced in 2021/22.

Compliance and Enforcement

Other than setting internal goals on the number of compliance reviews and inspections to complete in a year, the OEB has not established any metrics to measure the performance of its compliance and enforcement function. Cycle times for compliance reviews and inspections are not tracked and assessed against explicit targets to measure the efficiency of these activities.

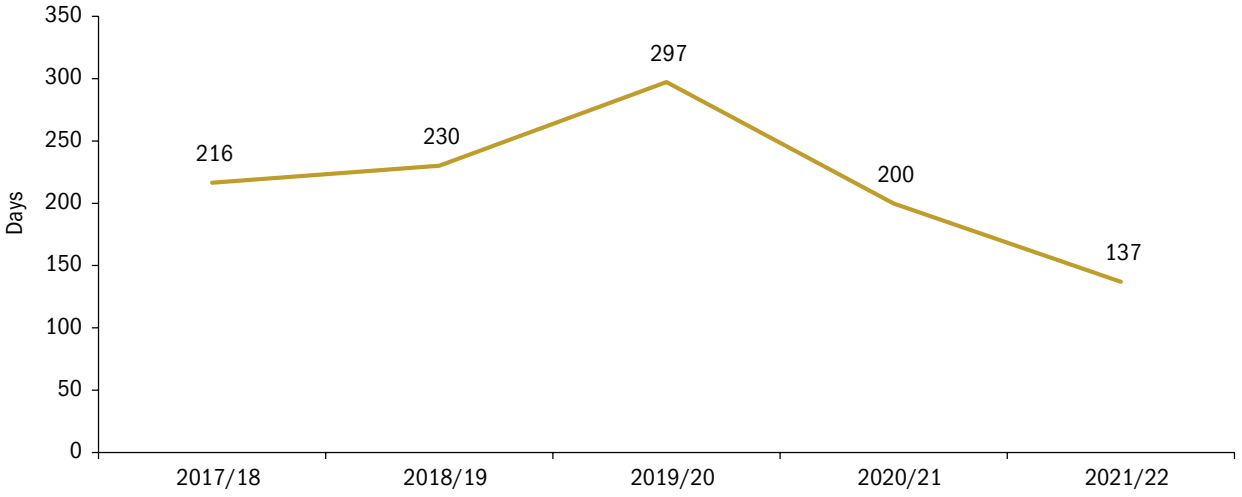
The last traceable and publicly reported metric in relation to compliance and enforcement was noted in the OEB's Chief Compliance Officer Report for 2007/08, where a target was set to have 85% of compliance cases closed within 150 days. Since then, the OEB has stopped issuing the quarterly Chief Compliance Officer Report and no measures on compliance and enforcement activities have been reported on for 12 years. It was not until 2020/21 that the OEB issued the Holding Utilities to Account – OEB Compliance and Enforcement Activity Report, which provides information similar to what used to be included in the Chief Compliance Officer Report (for example, statistics related to compliance activities and highlights of selected compliance issues).

Based on available records, we calculated the annual average cycle time for inspections completed within the five-year period from 2017/18 to 2021/22 (see **Figure 26**) and found that it took from about 130 days (2021/22) to 300 days (2019/20), on average, to complete inspections.

OEB staff informed us that they are currently working toward the development of metrics for compliance reviews and inspections to be proposed for approval for 2022/23.

Figure 26: Average Length of Time for Completing Inspections, 2017/18–2021/22

Source of data: Ontario Energy Board



Note: Inspections are formal assessments of regulated companies' compliance with legal and regulatory requirements. This figure only includes inspections where information on completion time is available. Completion time information is unavailable for some inspections conducted prior to 2018/19 when a different system was used to maintain records.

RECOMMENDATION 12

To improve the transparency and performance monitoring of its complaints and inquiries process, as well as its compliance and enforcement activities, we recommend that the Ontario Energy Board:

- reorganize and update its website to provide customers with clearer information regarding the complaints process;
- review the customer service metrics and targets and update them as needed to ensure they remain relevant and appropriate; and
- develop performance metrics to measure the efficiency of compliance activities.

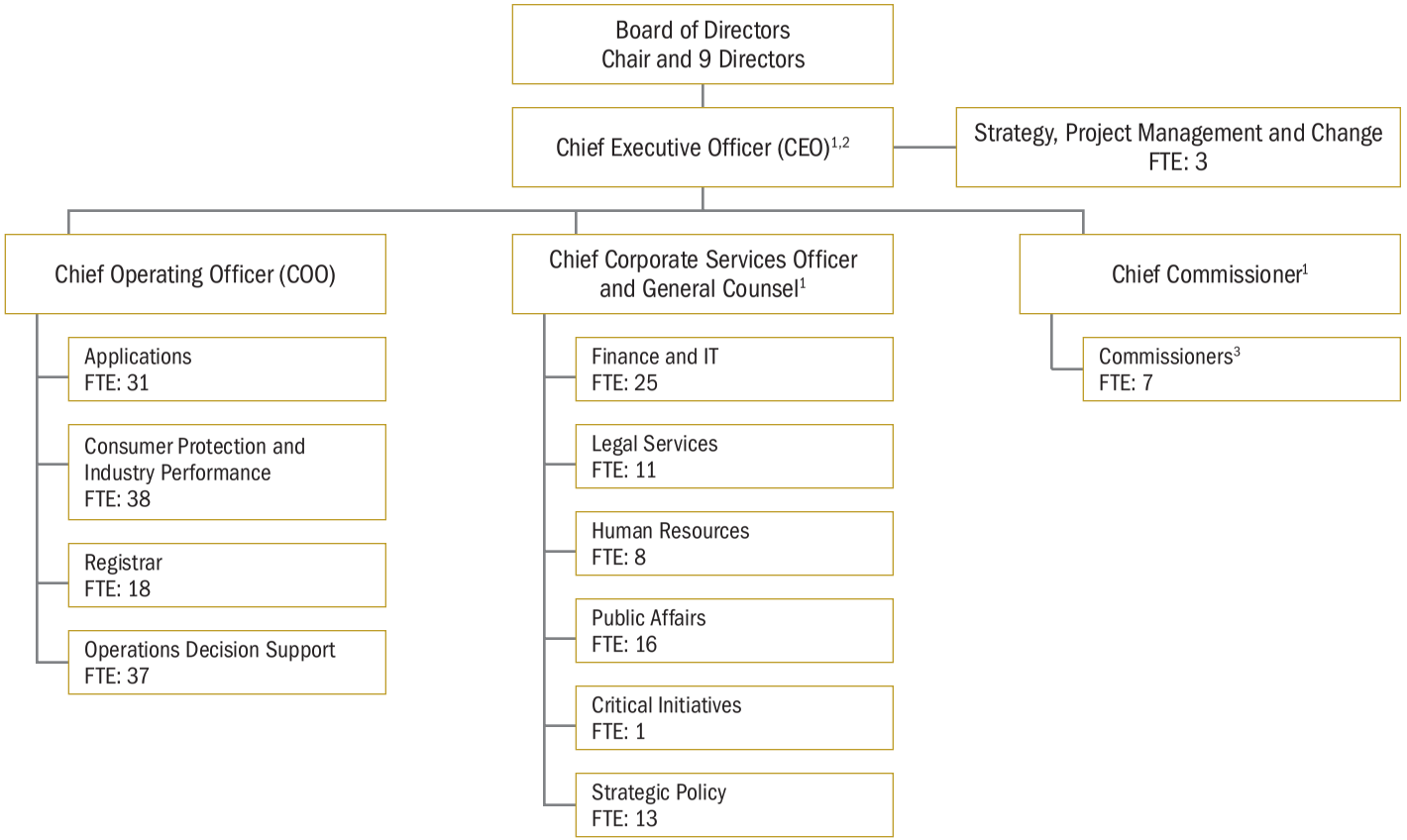
RESPONSE FROM THE ONTARIO ENERGY BOARD

The Ontario Energy Board (OEB) appreciates the Auditor General's recommendation, which is aligned with the OEB's objectives and strategic goals. The OEB strongly supports the goal of increasing consumer awareness and understanding regarding the complaints process and will make the necessary improvements to its website.

The OEB's Strategic Plan highlights the importance of a strong performance measurement framework for all of the OEB's activities, and the OEB commits to a review of existing consumer service metrics to ensure they remain appropriate. We have already commenced the work to develop metrics and measures for the efficiency of our compliance and inspections activity and will complete that work.

Appendix 1: Organizational Chart of Ontario Energy Board

Prepared by the Office of the Auditor General of Ontario



Note: FTE stands for Full-Time Equivalents. This appendix reflects the new governance structure that came into force on October 1, 2020 through changes in legislation in response to the OEB Modernization Review Panel's recommendation (see **Section 2.3**). Under the old structure, the OEB did not have a Board of Directors and the CEO and Chair roles were combined and assumed by the same individual. Under the new structure, a Board of Directors (led by the Chair and made up of members independent of OEB management) is responsible for governance of the OEB and for overseeing the management of the OEB's business and affairs, including approving the OEB's strategic direction and priorities. The CEO is responsible for efficient and effective management of the operations of the OEB. The Chief Commissioner, a position created as part of the governance changes, is responsible for the efficiency, timeliness and dependability of the OEB's adjudicative work and reports to the CEO in that capacity. Directors are appointed by the Lieutenant Governor in Council, who was also responsible for appointing the Chief Commissioner and Commissioners until the end of a two-year transition period after the October 1, 2020 governance changes. Thus, effective October 1, 2022, the Board of Directors, on the recommendation of the CEO, is responsible for appointing the Chief Commissioner and Commissioners.

1. There are three Executive Assistants: one reporting to the CEO, one to the Chief Corporate Services Officer and General Counsel, and one to the Chief Commissioner.
2. There is a Corporate Secretary reporting to the CEO.
3. In addition to the seven FTEs, there is one part-time Commissioner.

Appendix 2: Key Events of Ontario's Electricity Sector

Prepared by the Office of the Auditor General of Ontario

Period	Key Events
1900–1970s	The Hydro-Electric Power Commission of Ontario, a publicly owned electricity utility in the Province of Ontario, was established in 1906 and renamed Ontario Hydro in 1974.
1970s–1980s	Ontario Hydro constructed the Bruce, Pickering and Darlington Nuclear Generation Stations. Construction delays stretched to 10 years and cost overruns reached billions of dollars.
1990–1992	Ontario experienced a recession that reduced electricity demand. Electricity rates increased by 40%, while generation capacity exceeded demand by 50%.
1993	The Ontario government froze electricity rates for almost the next 10 years, causing Ontario Hydro's debt to rise.
1995	The government embarked on a program to transform the electricity industry from a government-owned Ontario Hydro to a competitive market-based structure. The program coincided with what was happening in several jurisdictions around the world, including the United States, with electricity wholesale markets starting to be created as electricity became viewed as a commodity that could by bought and sold. The vision was that private-sector involvement in these competitive markets would lead to efficiencies, which in turn would result in lower electricity prices.
1996	The government's Advisory Committee on Competition in Ontario's Electricity System delivered a report recommending the breakup of Ontario Hydro and a move toward a competitive electricity market.
1998	With the passage of the *Energy Competition Act, 1998*, Ontario Hydro ceased to exist and was replaced by five entities: • Ontario Power Generation (OPG), an electricity generator; • Hydro One Inc., responsible for the transmission and distribution of electricity to consumers; • the Ontario Electricity Financial Corporation (OEFC), responsible for retiring Ontario Hydro's debt; • the Independent Electricity Market Operator (IMO), the Independent Electricity System Operator's (IESO's) predecessor, responsible for operating the new electricity market; and • the Electrical Safety Authority, responsible for regulating electricity inspections.
1999	The Ontario Energy Board (OEB), established in 1960, was mandated to regulate the electricity sector. Prior to 1999 the organization's mandate focused on the province's natural gas sector.
2002	Ontario's electricity market opened on May 1, 2002. Following market opening, with a shortage of supply and an increased demand for electricity during the summer of 2002, electricity rates began to increase significantly. The government passed the *Electricity Pricing, Conservation and Supply Act, 2002* on December 9, 2002 to freeze electricity rates for most consumers until 2005.
2003	The Electricity Conservation and Supply Task Force was set up to create an action plan to attract new generators in Ontario. The task force projected that as early as 2006, Ontario might not have enough power to meet peak demand. It recommended a future electricity sector that relied less on the competitive market price of electricity and more on long-term contract pricing.
2004	The government passed the *Electricity Restructuring Act, 2004*, to create the Ontario Power Authority (OPA), which became responsible for long-term planning and procurement of power under long-term contracts. The Act required the OPA to prepare an Independent Power System Plan (IPSP) and the OEB to review and approve the plan.*
2005	In May 2005 the government ended the electricity price freeze and the OEB's Regulated Price Plan took effect; the plan was designed such that the rate charged to residential and small-business consumers approximately reflected the full cost of electricity.
	The government established the Global Adjustment, which is mostly made up of the difference between the market price and the guaranteed prices paid to regulated and contracted generators.

Period	Key Events
2006	The Ministry of Energy (Ministry) instructed the OPA to plan for coal phase-out at the earliest practical time, but still ensure adequate system capacity and reliability.
2007–2008	Through the passage of the Cessation of Coal Use Regulation, the government ordered the closing of coal-fired plants by December 31, 2014.
	The OPA filed the IPSP with the OEB but review stopped when the Minister of Energy (Minister) asked the OPA to revise the IPSP. The revised IPSP was not filed with the OEB.*
2009	The *Green Energy and Green Economy Act, 2009* empowered the OPA in the renewable energy field.
2010	The government announced the cancellation of a proposed Oakville gas-fired electricity power plant.
	The Ministry released a Long-Term Energy Plan (LTEP) after public consultation. The OEB had no authority to review the LTEP.*
2011	The OPA was directed by the Ministry to prepare another IPSP but the OPA did not file any documents with the OEB for review and approval.*
	The government announced its intention to relocate a Mississauga gas-fired electricity power plant, which was under construction, if re-elected.
2013	In April and October 2013 the Auditor General reported that the decisions to cancel and relocate the Oakville and Mississauga power plants would cost an estimated $950 million (Oakville: $675 million; Mississauga: $275 million). The reviews were performed at the request of the Premier of Ontario and the Standing Committee of Public Accounts for the cancellation in Oakville and Mississauga, respectively.
	The Ministry released the second LTEP. The OEB had no authority to review and approve the plan.*
2014	The last coal-fired plant, Thunder Bay Generating Station, was closed.
2015	The IESO merged with the OPA and assumed responsibility for long-term planning, procurement and conservation efforts.
	The *Ending Coal for Cleaner Air Act, 2015* was passed, stipulating that coal cannot be used in future to generate electricity in Ontario.
	The *Building Ontario Up Act, 2015* was passed, permitting the sale of up to 60% of the Province's common shares in Hydro One (that is, privatization). The first phase of sale began in November 2015, with Hydro One and the Province of Ontario completing an initial public offering on the Toronto Stock Exchange of 15% of Hydro One's common shares.
2016	The *Energy Statute Law Amendment Act, 2016* was passed to formalize the LTEP process. The Ministry became responsible for energy planning.*
2017	The Ministry released another LTEP. The OEB's role is developing implementation plans in response to Ministerial directives after LTEP release, as opposed to reviewing and approving the LTEP.*
	Privatization of Hydro One completed with the final offering from the Province in May 2017. Following the completion of the offering, the Province directly held approximately 49.9% of Hydro One's common shares.
2021	The Ministry began its review of the long-term energy planning process. The Ministry revoked the requirement to release an LTEP every three years to allow more time for review.*
2022	The Ministry announced the Electrification and Energy Transition Panel to advise the Minister on how to co-ordinate energy planning.*

* Key events related to Ontario's energy planning process are also shown in **Figure 9**.

Appendix 3: Electricity Rate Subsidy Programs, 2011–2022

Prepared by the Office of the Auditor General of Ontario

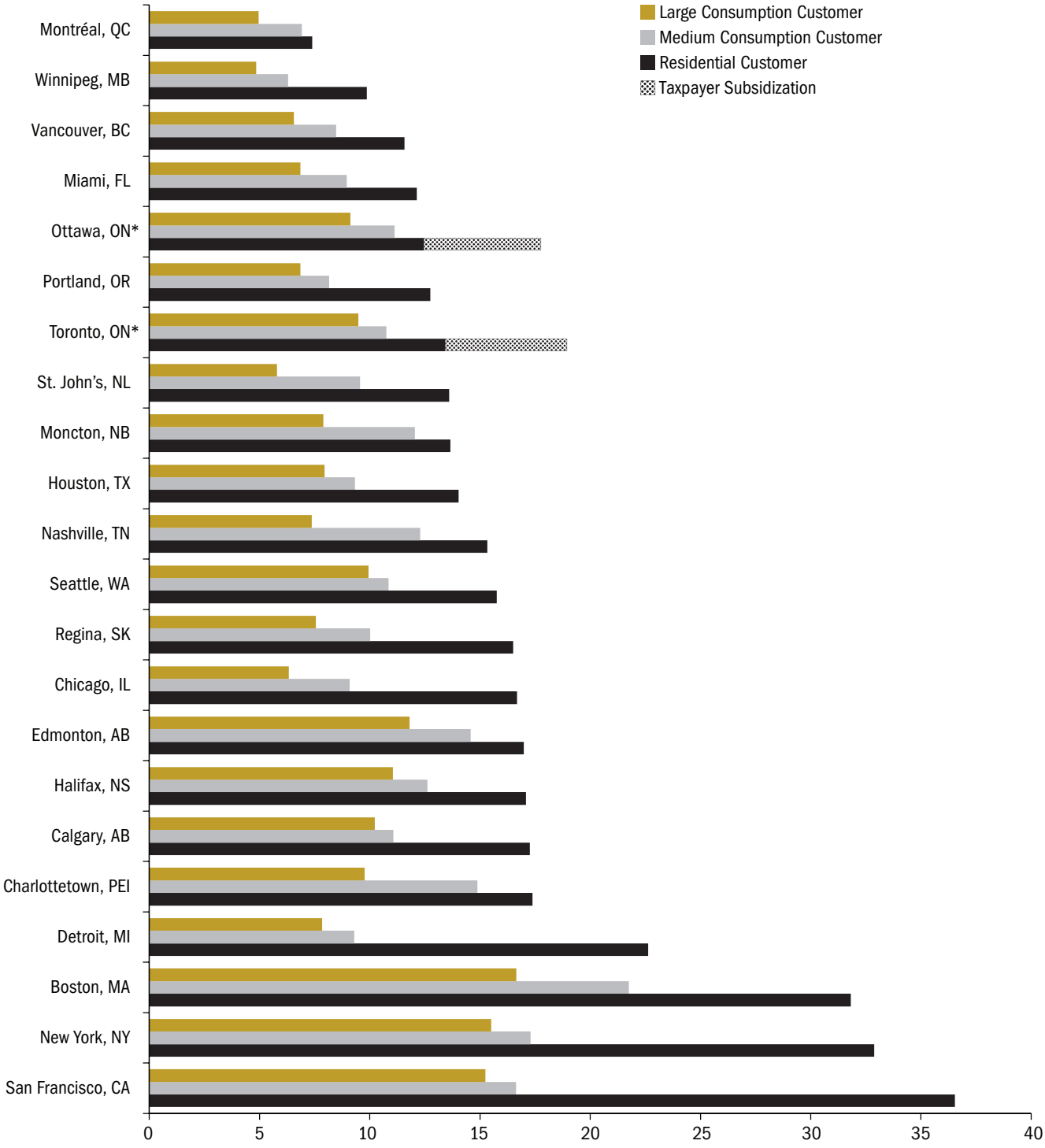
Program	Effective Period	Eligibility	Benefit
Broad-based Programs—No Application Required			
Ontario Clean Energy Benefit (OCEB)	Jan 2011 to Dec 2015	Residential, small business and farm customers.	10% rebate on total bill, including HST. Effective Sept. 1, 2012, the rebate was applied to the first 3,000 kilowatt hours (kWh) of electricity consumption per month.
Ontario Rebate for Electricity Consumers (OREC)	Jan 2017 to Oct 2019	Residential customers, farms, most small businesses, long-term-care homes and condominiums.	8% rebate on pre-tax electricity bill (i.e., equivalent to the provincial portion of the HST).
Fair Hydro Plan – Global Adjustment Refinancing	Jul 2017 to Oct 2019	Residential, farm and small business customers.	Lowered, on a temporary basis, the Global Adjustment (a component of electricity charge), thereby limiting increases in electricity bills to the rate of inflation.
Ontario Electricity Rebate (OER)	Nov 2019 onwards	Residential, small business, farm and long-term-care home customers.	A rebate that limits the increase in electricity bills, which is capped at 2% annually based on current government policy. The OER was initially set at 31.8% of the pre-tax electricity bill and it has been adjusted several times to align with changes in electricity prices. Current rebate is set at 11.7%.
Comprehensive Electricity Plan (CEP) (previously named the "Renewable Cost Shift")	Jan 2021 to 2040 (when the last contract expires)	All customers.	Removes approximately 85% of the costs of non-hydro renewable energy contracts (i.e., wind, solar and bioenergy resources) from customer electricity bills.
Targeted Programs—No Application Required			
Rural or Remote Electricity Rate Protection (RRRP)	2002 onwards	Residential customers living in rural or remote areas, as outlined in regulation.	A fixed credit of $60.50/month off distribution costs for Hydro One R2 customers and rate reductions for other eligible customers.
Distribution Rate Protection (DRP)	Jul 2017 onwards	Residential customers served by eight Local Distribution Companies (LDCs), as prescribed in regulation, that have higher distribution rates. Refer to **Figure 15** for the eight LDCs.	Monthly base distribution charge cap set based on parameters outlined in regulation. The current monthly cap set at $38.08.

Program	Effective Period	Eligibility	Benefit
Targeted Programs—Application Required			
Low-income Energy Assistance Program (LEAP)	2011 onwards	Low-income residential customers with overdue electricity and/or natural gas bills.	Currently, and on a temporary basis for 2022, annual maximum of $1,000 each for electricity and gas accounts (or $1,200 for electricity accounts for electrically heated homes). Normally, the annual amount of the credit is half that amount. Applies directly against balances in arrears. Funding for LEAP is limited and is available on a first-come first-served basis.
Ontario Electricity Support Program (OESP)	Jan 2016 onwards	Low-income residential customers, determined based on after-tax household income and number of household members.	On-bill credit determined based on household size and after-tax income. Credits increased by 50% in May 2017 and now range from $35 to $75. Consumers with electrically heated homes, those who rely on certain energy-intensive medical devices, and lower-income Indigenous Ontarians also qualify for a higher level of assistance.
On-Reserve First Nations Delivery Credit	Jul 2017 onwards	On-reserve customers who are part of a band within the meaning of the *Indian Act (Canada)* who hold a residential rate account with an LDC.	Eliminates delivery charges from electricity bills of eligible ratepayers.
Time-Limited Pandemic Relief Initiative—No Application Required			
Time-of-Use (TOU) Suspension	Three separate suspensions from 2020 to 2022	Initially all Regulated Price Plan (RPP) Time-of-Use customers, later extended to include RPP Tiered customers.	Temporary electricity rate relief available for RPP customers who paid the off-peak price during the suspension periods, regardless of the time of day or consumption volume.
Time-Limited Pandemic Relief Initiatives—Application Required			
COVID-19 Energy Assistance Program (CEAP) – Residential	Jul 2020 to Oct 2021	Residential customers with overdue electricity and/or natural gas bills during the COVID-19 pandemic.	On-bill credit changed over time and at the end of the program provided up to $750 toward electricity and natural gas bills (i.e., maximum $1,500 combined). Funding for the subsidy was limited and was available on a first-come first-served basis.
COVID-19 Energy Assistance Program (CEAP) – Small Business	Aug 2020 to Oct 2021	Small business customers with overdue electricity and/or natural gas bills during the COVID-19 pandemic.	On-bill credit changed over time and at the end of the program provided up to $1,500 toward electricity and natural gas bills (i.e., maximum $3,000 combined). Funding for the subsidy was limited and was available on a first-come first-served basis.

Note: All programs are funded through taxes, except for Low-income Energy Assistance Program, Ontario Electricity Support Program (tax-funding enabled in February 2018), Rural or Remote Electricity Rate Protection (pre-July 2017 and a small portion subsequent to that). Subsidies provided in the form of grants or tax credits (such as Northern Ontario Energy Credit, Ontario Energy and Property Tax Credit and COVID-19 Business Supports – Energy Rebate Grant) were excluded because they are not applied on electricity bills.

Appendix 4: Comparison of Electricity Prices in Major North American Cities for Residential, Medium and Large Consumption Customers, 2021 (¢/kWh)

Source of data: Hydro-Québec



Note: Prices are in Canadian currency (excluding taxes) based on a monthly consumption of 1,000 kWh, 1,170,000 kWh and 30,600,000 kWh for residential, medium consumption and large consumption customers, respectively.

* Prices in Ottawa and Toronto are adjusted to reverse the impact of taxpayer subsidization based on our estimates. The electricity prices for residential customers were 12.45 ¢/kWh and 13.43 ¢/kWh for Ottawa and Toronto, respectively. If there had been no taxpayer subsidization the electricity price for residential customers would have been higher: approximately 17.77 ¢/kWh and 18.95 ¢/kWh for Ottawa and Toronto, respectively. (See **Figure 6** for Major Taxpayer-Funded Electricity Bill Subsidy Programs.)

Appendix 5: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1.	Non-adjudicative decisions and rules are made to ensure that consumers (customers) are treated fairly and receive reliable and sustainable electricity service at a reasonable cost.
2.	Electricity rate subsidy programs are administered in accordance with applicable legislation and made available to eligible customers on a timely basis. Communications are provided to raise awareness of the subsidy programs as needed, including to help eligible customers understand the impact of these programs for their electricity bills.
3.	The adjudication process is supported by sufficient staff with the right competencies and by robust guidelines, procedures and policy guidance that support timely decision-making and regulatory efficiency.
4.	Accurate and relevant data is regularly collected and analyzed to monitor the performance of rate-regulated utilities against expected service levels and continuous improvement targets.
5.	Customer complaints and compliance issues are resolved in a fair, consistent and timely manner.
6.	Monitoring of the wholesale electricity market is regularly performed to identify anomalous outcomes. Anomalous outcomes are identified and reported in a timely manner.
7.	Governance structures and processes enable the Ontario Energy Board (OEB) to act in the public interest and make decisions in an independent and transparent manner.
8.	Appropriate performance measures and targets are established for the OEB, published and continuously monitored against actual results to promote the achievement of desired outcomes. Timely corrective actions are taken when issues are identified.

Appendix 6: Monthly Base Distribution Charges of All Local Distribution Company Residential Customers, July 1, 2022

Prepared by the Office of the Auditor General of Ontario

Local Distribution Companies (LDCs)	Monthly Base Distribution Charge ($)
Hydro One Remote Communities Inc.[1]	151.13
Hydro One Networks Inc. – R2[2]	76.44
Hydro One Networks Inc. – R1[2]	64.44
Algoma Power Inc.	60.27
Chapleau Public Utilities Corporation	55.21
Sioux Lookout Hydro Inc.	51.26
Atikokan Hydro Inc.	50.73
Innpower Corporation	46.55
Wellington North Power Inc.	41.98
Toronto Hydro-Electric System Limited	40.70
Northern Ontario Wires Inc.	40.32
Canadian Niagara Power Inc.	40.16
Espanola Regional Hydro Distribution Corporation	40.00
Halton Hills Hydro Inc.	39.43
Hydro One Networks Inc. – Norfolk Power[3]	39.10
Hydro One Networks Inc. – Urban (UR)[2]	38.03
Cooperative Hydro Embrun Inc.	37.44
Hydro One Networks Inc. – Haldimand County[3]	37.31
Lakeland Power Distribution Ltd.[3]	36.55
Lakeland Power Distribution Ltd. - Parry Sound[3]	36.55
Niagara Peninsula Energy Inc.	36.37
Fort Frances Power Corporation	36.01
ERTH Power Corporation – Godrich[3]	35.57
Bluewater Power Distribution Corporation	34.18
Hydro 2000 Inc.	34.12
PUC Distribution Inc.	33.72
Waterloo North Hydro Inc.	33.71
ERTH Power Corporation – Main[3]	33.65
North Bay Hydro Distribution Limited	33.62
Elexicon Energy Inc. – Whitby[3]	33.41
Toronto Hydro-Electric System Limited – Competitive Sector Multi-Unit	33.39
Newmarket-Tay Power Distribution Ltd. – Midland Power[3]	33.12
Synergy North Corporation – Kenora[3]	32.50
Rideau St. Lawrence Distribution Inc.	31.49
Hydro One Networks Inc. – Woodstock Hydro[3]	31.42
Centre Wellington Hydro Ltd.	31.23
Alectra Utilities Corporation – Guelph Hydro[3]	31.19
Oakville Hydro Electricity Distribution Inc.	31.19
Greater Sudbury Hydro Inc.	31.01
Niagara-on-the-Lake Hydro Inc.	30.87
Hydro Ottawa Limited	30.77

Local Distribution Companies (LDCs)	Monthly Base Distribution Charge ($)
Westario Power Inc.	30.27
Grimsby Power Incorporated	30.08
Newmarket-Tay Power Distribution Ltd.[3]	29.95
Festival Hydro Inc.	29.93
Milton Hydro Distribution Inc.	29.88
Alectra Utilities Corporation – PowerStream[3]	29.84
Tillsonburg Hydro Inc.	29.82
Energy+ Inc.	29.78
Welland Hydro-Electric System Corp.	29.77
Hearst Power Distribution Company Limited	29.44
Burlington Hydro Inc.	29.12
Entegrus Powerlines Inc. – St. Thomas Energy[3]	28.70
Essex Powerlines Corporation	28.66
Alectra Utilities Corporation – Horizon[3]	28.50
Elexicon Energy Inc. – Veridian[3]	28.41
Orangeville Hydro Limited	28.28
Hydro One Networks Inc. – Orillia[3]	27.93
Brantford Power Inc.	27.84
ENWIN Utilities Ltd.	27.55
London Hydro Inc.	27.46
EPCOR Electricity Distribution Ontario Inc.	27.24
Kingston Hydro Corporation	27.24
Renfrew Hydro Inc.	27.01
Entegrus Powerlines Inc. – Main[3]	26.70
Oshawa PUC Networks Inc.	26.58
Synergy North Corporation – Thunder Bay[3]	26.40
Alectra Utilities Corporation – Hydro One Brampton[3]	25.94
Alectra Utilities Corporation – Enersource[3]	25.88
Ottawa River Power Corporation	25.57
Wasaga Distribution Inc.	24.72
Lakefront Utilities Inc.	24.66
Kitchener-Wilmot Hydro Inc.	23.66
Hydro One Networks Inc. – Peterborough[3]	22.62
Hydro Hawkesbury Inc.	18.72
E.L.K. Energy Inc.	18.16

☐ These 15 LDCs have monthly base distribution charge above the distribution rate protection (DRP) cap $38.08 (see **Figure 14**).

Note: Monthly base distribution charges may be affected by a number of factors, such as the age and condition of each LDC's equipment, as well as the size of the LDC's service area, the geographical location of customers and customer density.

1. Hydro One Remote Communities Inc. is a subsidiary of Hydro One Network Inc., serving customers in remote areas. The majority of these areas are First Nations communities.
2. Hydro One Network Inc. divides its residential service areas into three classes as below. Only R1 and R2 are eligible for the DRP.
   - UR: Urban density zone, which are areas that contain 3,000 or more customers, with at least 60 customers for every kilometre of power line used to supply energy in the zone. These customers are not eligible for the DRP.
   - R1: Medium density zone, which are areas that contain 100 or more customers, with at least 15 customers for every kilometre of power line used to supply energy in the zone.
   - R2: Low density zone, which are areas not covered by (UR) Urban or (R1) Medium density zones.
3. These LDCs (including Alectra Utilities Corporation, Elexicon Energy Inc., Entegrus Powerlines Inc., ERTH Power Corporation, Hydro One Network Inc., Lakeland Power Distribution Ltd., Newmarket-Tay Power Distribution Ltd. and Synergy North Corporation) have more than one base distribution charge to serve customers in different service areas subsequent to consolidations.

Appendix 7: Consolidations of Local Distribution Companies (LDCs) With Separate Distribution Systems, 2011–2022

Prepared by the Office of the Auditor General of Ontario

Year of Application	Application Description	Year of Decision	OEB Decision	Deferred Rebasing Period*
2010	Amalgamation of Erie Thames Powerlines Corporation with West Perth Power Inc. and Clinton Power Corporation to continue as Erie Thames Powerlines Corp.	2011	Approved	n/a
2011	Amalgamation of Chatham-Kent Hydro Inc. and Middlesex Power Distribution Corporation to form Entegrus Powerlines Inc.	2011	Approved	2 years
2011	Port Colborne Hydro Inc. sale of its distribution system to Canadian Niagara Power Inc.	2012	Approved	n/a
2013	Amalgamation of Lakeland Power Distribution and Parry Sound Power Corporation to continue as Lakeland Power Distribution	2014	Approved	5 years
2013	Hydro One acquisition of Norfolk Power Inc.	2014	Approved	5 years
2014	Acquisition of Brant County Power by Cambridge and North Dumfries Hydro Inc. to form Energy+ Inc.	2014	Approved	4 years
2014	Hydro One acquisition of Haldimand County Hydro	2015	Approved	5 years
2014	Hydro One acquisition of Woodstock Hydro	2015	Approved	5 years
2016	Formation of Alectra Utilities as a result of amalgamation of Horizon Utilities, Enersource Hydro and PowerStream and acquisition of Hydro One Brampton	2016	Approved	10 years
2016	Hydro One acquisition of Orillia Power Distribution Inc.	2018	Denied	n/a
2017	Amalgamation of Entegrus Powerlines Inc. and St. Thomas Energy Inc. to continue as Entegrus Powerlines Inc.	2018	Approved	8 years
2017	Amalgamation of Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation to form NT Power	2018	Approved	10 years
2018	Amalgamation of Veridian Connections Inc. and Whitby Hydro Electric Corporation to form Elexicon Inc.	2018	Approved	10 years
2018	Amalgamation of Thunder Bay Hydro and Kenora Hydro to form Synergy North	2018	Approved	5 years
2018	Amalgamation of ERTH Power Corporation with West Coast Huron Energy to continue as ERTH Power Corporation	2018	Approved	9 years
2018	Amalgamation of Guelph Hydro and Alectra Utilities and continued as Alectra Utilities	2018	Approved	10 years
2018	Dubreuil Lumber Inc. sale of its distribution system to Algoma Power Inc.	2019	Approved	n/a
2018	Hydro One acquisition of Peterborough Utilities	2020	Approved	10 years
2018	Hydro One acquisition of Orillia Power Distribution Inc.	2020	Approved	10 years
2021	Amalgamation of North Bay Hydro and Espanola Regional Hydro to continue as North Bay Hydro	2022	Approved	5 years
2021	Amalgamation of Energy+ Inc. and Brantford Power and operate as Grandbridge Energy	2022	Approved	10 years
2022	Amalgamation of Kitchener-Wilmot Hydro and Waterloo North Hydro to form Enova Power Corp.	2022	Approved	10 years

* Local Distribution Companies (or distributors) typically file a Cost of Service (COS) rate application every five years to "rebase" their rates (that is, to re-establish a distributor's rate based on updated forecasts on costs and electricity consumption profiles). Consolidated entities are allowed to defer rebasing in order to have sufficient time to recuperate the transaction costs of consolidation. The maximum deferral period was extended to 10 years starting in 2015.

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