

# Streamlining the Regulatory Process for Electricity Distributors

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Recommendations  
July 2011

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- In early 2011, the EDA Board established a Board Committee to develop recommendations to streamline regulation in the sector that would benefit LDCs, customers and shareholders.
  - The process to develop the recommendations included broad consultation with the local electricity distributors
  - The EDA Board of Directors finalized the recommendations at its June 2011 Board meeting.
  - These recommendations reflect the first phase of work of the Board Committee which focused exclusively on OEB's regulatory processes – the next phase will include recommendations on oversight agencies.

# Key Areas of Focus

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- Revise IRM Application Process
- Revise Cost of Service Application Process
- Revise Intervenor Process
- Other Recommendations

## Revise Capital Module

- Allow LDCs to obtain approval for multi year capital investment plans in cost of service proceedings - and then scrutinize applications for capital module during IRM period based on the approved multi year capital investment plans
- All capital investments made during IRM period should be incorporated into rates during the same period.

# Revise IRM Application Process

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## Revise Productivity Factor and Inflation Factor

- Use Industry specific Inflation factor to reflect changing labour costs in the industry rather than using Canada GDP-IPI in the IRM formula.
- Lower the current Productivity factor in the IRM formula to reflect existing productivity in the industry impacted by constant ongoing changes to regulatory requirements.

## Advantages

- Gradual rate changes avoid sharp increases caused by the current approach.
- Reduced financial burden on LDCs.
- A more reasonable IRM process would allow longer periods before having to file for a cost of service application

# Revise Cost of Service Application Process

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- Develop/revise standardized templates for filing Cost of Service Application (COS) to make the filing process as standardized as possible. Limit the textual component of the application to explaining cost increases or just variances in general, and reduce administrative paperwork by 30%-50%.
- Develop metrics to evaluate LDC's application provided in standardized format.
- OEB should provide updates or revisions to filing requirements well before the application deadline (i.e., in Jan but not in June – just 2 months before the application is due for filing)

# Revise Cost of Service Application Process

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- Evaluate LDC's COS application based on the metrics developed:
    - If within a permissible range - limited review of the application.  
(Note: Range should be LDC specific and be based on defined variables / cost drivers such as urban/ rural mix, geography, underground plant etc )
    - If beyond the permissible range – review of the application.
  - Advantages – reduces administrative cost and regulatory burden on both the regulator and LDCs.
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# Revise Intervenor Process

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- Reduce duplication of effort between OEB staff and intervenors in raising interrogatories.
    - OEB staff to take the leadership role and issue the first round of interrogatories.
    - Intervenors to review OEB staff interrogatories and only then raise their own interrogatories without duplicating the staff effort.
    - OEB staff should screen interrogatories from intervenors before sending to LDC for duplication, relevance and materiality.
  - Intervenors should represent a clearly definable/distinct interest that is relevant to the issue being reviewed and OEB should be more strict in providing intervenor eligibility

# Revise Intervenor Process

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- Establish a cap on cost awards provided to intervenors so that costs and benefits of their review are balanced.
- Revise cost award eligibility rules so that parties with access to financial resources are not eligible for total cost recovery e.g. only 80% recovered through cost awards
- Intervenors could act jointly in order to qualify for joint funding.

# Other Recommendations

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- Conduct periodic review (every 2 to 3 years) of the reporting requirements to examine relevance and to avoid duplication.
- Remove Social Agency Role for LDCs.
- New requirements that involve significant implementation efforts should be coordinated between agencies and government to reduce overlapping implementation timelines that impact on LDC workload.

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- LDCs are experiencing increasing resource pressures associated with the increasing regulatory burden year over year.
  - The current regulatory process needs to be streamlined and simplified to reduce regulatory/administrative burden in the interest of customers, LDCs and shareholders.
  - Implementation of proposed recommendations will:
    - Avoid sharp rate increases caused by the current regulatory approach and will move to gradual rate changes.
    - Reduce administrative/regulatory burden on both the regulator and LDCs.
    - Reduce financial burden on LDCs