



Ontario Energy Board

2012-2015 Business Plan

Ontario Energy Board

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Ontario Energy Board - 2012-2015 Business Plan

Background and Context

The Board's Business Plan for 2012-2015 continues and strengthens the Board's focus on consumers that was established in the Board's Business Plan for 2011-2014. The continuation of that focus is reflected in the Board's proposed approach to some of the key challenges presented by the 2012 – 2015 planning period. Those challenges include: planning for anticipated investment in generation, transmission and distribution required to deliver a clean, modern and reliable electricity system; implementing conservation programs designed to reduce demand, avoid capital investment and help consumers manage their energy costs; developing a framework to contain overall costs in the delivery of services; equipping consumers to understand the changes in the sector and to make informed choices about their own use of energy; and ensuring that the Board achieves a high level of effectiveness as an organization.

This strong focus on the position of the consumer is particularly appropriate since the costs of operating the Ontario energy sector, including the Board's own costs, are largely borne by the province's energy consumers.

The structure of the 2012-2015 Business Plan is different from the structure of prior business plans in several respects. The 2012-2015 Business Plan sets out the Board's own high level "vision" of the outcomes that it will strive to achieve in the Ontario energy sector over the next five years. That "vision" is derived from the Board's mandate and is the basis on which the Board has identified the work that it will undertake over the 2012-2015 planning period.

The 2012-2015 Business Plan also endeavours to connect each initiative to one or other of the Board's key stakeholder groups, namely consumers and industry, to the public policy framework established by government, or to the Board's commitment to organizational effectiveness. The Board recognizes that many of its initiatives are inter-dependent, and will engage and affect more than one of these stakeholders. For instance, the Board's work regarding the development of a Renewed Regulatory Framework for Electricity is located in the "industry" section of the plan; however, as

indicated further below, that initiative will involve consumers and well as distributors and transmitters.

The 2012-2015 Business Plan not only sets out the work the Board will be undertaking but also looks at the way the Board goes about its work. As set out further below, the Board is undertaking a comprehensive review of its applications and policy consultation processes and of the way in which the Board engages with consumers.

The 2012-2015 Business Plan focuses on strategic initiatives, that is, those initiatives that are intended to move the Board and the energy sector towards the outcomes set out in the “vision”. The Business Plan is not intended to encompass all the work that the Board regularly undertakes on a day-to-day basis. This focus on key initiatives does not in any way detract from the importance of our ongoing work in areas such as applications, consumer protection, communications, and policy development. The Board is committed to ensuring that it carries out this ongoing work in an effective manner.

The key policy initiative during the 2012-2015 planning period is the continued development of a Renewed Regulatory Framework for Electricity. The Board’s objective is to establish a framework that encourages and facilitates greater efficiency through a focus on performance-based outcomes such as reliability, cost effectiveness and customer satisfaction, while ensuring that distributors and transmitters have the ability to make necessary investments and earn fair returns, with opportunities for rewards for superior performance. The framework will reflect the maturity of the utility sector and focus on the outcomes that are valued by consumers.

This focus on outcomes is central to the direction set out in the 2012-2015 Business Plan. The Board took the first significant step towards an outcomes-based framework through the development in 2011 of a new Policy Evaluation Framework. This framework will, over time, equip the Board to assess whether its decisions and policy initiatives are meeting the goals identified at the outset.

During 2011, the Auditor General of Ontario audited the Board’s operations to assess whether the Board had adequate systems and procedures in place to protect the interests of electricity consumers and to ensure that the electricity sector provides reliable and sustainable energy at reasonable cost. The Board has accepted all the recommendations made by the Auditor General. A number of those recommendations

have already been carried out and others will be addressed in the course of the work contemplated in the 2012-2015 Business Plan.

The success of the 2012-2015 Business Plan will depend very much on the people who work at the Board. The Board strives to create an environment for its employees that offers intellectually challenging work inspires innovation and rewards collaboration. The Board has a number of initiatives underway to enhance its effectiveness as an organization and to strengthen the capabilities of our knowledge-based workforce.

Mandate and Mission

The Board's mandate is determined by the provincial government and is embodied in legislation, regulation and directives.

The Board's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at reasonable cost.

Vision for 2012-2015

- The Board regulates the electricity and natural gas sectors in a manner that focuses on outcomes that are valued by consumers.
- Under the Board's regulatory framework, distributors, transmitters and other regulated entities invest and operate in a manner that increases efficiency and productivity, and that provides consumers with a reliable energy supply at a reasonable cost.
- The Board's own processes are efficient and cost effective and are understood by and accessible to both industry and consumers.
- Energy consumers have the information they need to understand the value they receive for their expenditures on energy and to make choices regarding their own use of energy.

Consumers

Consumers are seeking reliable service at reasonable cost. When that cost changes, consumers look for answers and understanding. The Board must align the requirements of the electricity and natural gas sectors with the needs of consumers. The Board will endeavour to meet the needs and expectations of consumers by focusing on outcomes that they value.

Strategic Goals:

1. Consumers receive a reliable supply of energy at reasonable cost.
2. Consumers understand the rates and prices they are charged and are equipped to make informed choices about matters such as their consumption, conservation, and the range of energy products offered.
3. The Board's processes in respect of applications and policy consultations are understood by and accessible to consumers.
4. Consumers have confidence that distributors, unit sub-meter providers, retailers, and marketers are adhering to applicable customer service and consumer protection rules.

Key Initiatives:

1. Review and enhance the ways in which the Board engages with consumers, including matters such as the Board's outreach and education programs, its consumer website, its complaint processes, and the notices and information provided to consumers in respect of pending applications and Board decisions.

The Board has many points of contact with consumers. The Board's own processes need to be understood by and accessible to consumers. The Board also recognizes that consumers need better information. In particular, consumers need better information to understand the "value proposition" inherent in the prices and rates they pay and, in particular, the relationship between the rates they pay and the level of service and reliability they receive. Consumers also need better information in order to make informed choices about consumption, conservation, and the range of

energy products and services offered. The Board recognizes that other agencies and regulated entities have and will continue to have an important role to play in providing consumers with the information they need in this regard. Accordingly, this initiative will require ongoing consultation and co-ordination between the Board and these other parties.

FY 2012 Review and identify opportunities to enhance consumer education and engagement activities. Implement based on recommendations from review.

FY 2013 Implement and monitor the revised education and engagement activities.

FY 2014 Monitor and evaluate the revised education and engagement activities.

2. Adopt a risk-based approach to the assessment of compliance by retailers, marketers, sub-meter providers and distributors with their regulatory obligations to consumers.

The Board is developing and implementing an approach to compliance and enforcement that reflects an assessment of the areas that present the greatest potential for non-compliance and for harm to consumers. This approach will enable the Board to focus its resources in a way that best serves the interests of consumers.

FY 2012 Develop and implement a risk based approach to compliance in the retail sector.

FY 2013 Develop and implement a risk based approach to compliance by distributors and sub-meter providers with applicable customer service rules.

FY 2014 Monitor compliance.

3. Continue to address the needs of low-income energy consumers.

The Low-Income Energy Assistance Program was implemented in 2010. A key component of that program, the Emergency Financial Assistance program, provides

emergency financial relief to low-income consumers in respect of their gas and electricity bills. The Board will assess the effectiveness of the Emergency Financial Assistance program on an annual basis. The first such assessment will be conducted in mid-2012 based on the 2011 results.

FY 2012 Monitor and assess the effectiveness of the Emergency Financial Assistance program.

FY 2013 Monitor and assess the effectiveness of the Emergency Financial Assistance program.

FY 2014 Monitor and assess the effectiveness of the Emergency Financial Assistance program.

Industry

The efficiency of the electricity and natural gas sectors is an important contributor to the growth of the Ontario economy. The Board will be called on to assess the ongoing need for investment in both sectors. Such investment may be needed in order to maintain the safe and reliable operation of the electricity and natural gas delivery systems and to facilitate the connection of renewable generation in accordance with government policy. The Board will endeavour to ensure that the pace at which this investment proceeds has particular regard for the impact on consumers.

Strategic Goals:

1. The Board regulates the industry in a manner that focuses on a clear set of outcomes for the sector as a whole.
2. Regulated entities (distributors, transmitters and generators) invest and operate in a manner that increases productivity and efficiency.
3. Regulated entities provide consumers with a reliable energy supply at reasonable cost.

Key Initiatives:

1. Review the regulatory framework for electricity distributors and transmitters, with particular regard to the impact on consumers.

This initiative commits the Board to develop and implement a fresh approach to the regulation of distributors and transmitters that better manages the prioritization of network investments and the pace of rate or bill increases for consumers. Such prioritization and pacing will facilitate the recovery of costs by utilities, promote efficiency and manage the impact on consumers. In this way, the Board seeks to further align the interests of utilities and consumers. This initiative is a continuation of the initiatives announced in October 2010 and, going forward, will encompass the Board's initiatives in respect of regional planning and the implementation of the smart grid.

FY 2012 Develop renewed regulatory framework policy.

FY 2013 Amend policies, guidelines, codes and reporting requirements as required.

FY 2014 Implementation dependent on the nature and scope of the new requirements.

2. Review the regulatory approach to setting payments for Ontario Power Generation.

The Board sets payments for the prescribed generating facilities of OPG. The Board decision, which set those payments for the years 2011 and 2012, recommended that consideration should be given to setting those payments under an incentive regulation mechanism, beginning with the year 2015. To that end, the Board will review the options regarding the types of incentive regulation mechanisms that may be suitable for setting payment amounts for OPG's prescribed generating facilities.

FY 2012 Assess alternative approaches to setting payments for OPG.

FY 2013 Develop filing guidelines for setting of payments, as appropriate.

FY 2014 Review OPG filing for setting of payments based on the revised guidelines.

3. Complete the designation process in respect of the East-West tie.

The East-West tie is one of the electricity transmission projects identified as a priority in the Long Term Energy Plan. In March 2011, the Minister of Energy asked the Board to consider using the Board's designation policy to select the most qualified and cost-effective transmitter to develop the East-West tie. In June 2011, the OPA reported that its preliminary assessment of the long-term supply needs of the Northwest indicated that the expansion of the East-West tie was the preferred alternative. Accordingly, the Board has initiated a process to designate a transmitter to undertake development work in respect of the proposed East-West tie. The hearing to designate a transmitter is scheduled to proceed in 2012. If the designated transmitter ultimately decides, based on its development work, to proceed with the construction of the transmission line, a leave to construct application will be required.

FY 2012 Complete the hearing phase in respect of the designation process.

FY 2013 Complete the designation process.

FY 2014 Monitor transmission project development activities in accordance with designation order.

4. Assess how the Board's approach to the regulation of electricity distributors may affect the ability of distributors to realize operational or organizational efficiencies that benefit consumers.

Electricity distributors have indicated that productivity and efficiency may be increased through shared service and similar arrangements among distributors and through broader scope for new service offerings. Further, as noted in the Board's 2007 report regarding Rate Making Associated with Distributor Consolidation, consolidation may be another means of increasing productivity and efficiency. Accordingly, the Board will examine how its approach to the regulation of electricity distributors may affect such business arrangements.

FY 2012 Assess whether modifications to the Board's approach to regulation are warranted.

FY 2013 To be determined based on the assessment made.

FY 2014 To be determined based on the assessment made.

5. Review the Ontario natural gas market conditions and regulatory guidelines.

The Board Staff Report regarding the 2010 Natural Gas Market Review concluded that increased North American natural gas supply, particularly increased shale gas production, would continue to influence Ontario's natural gas transportation, demand and pricing. The report committed the Board to examine the criteria used for the evaluation of pipeline transmission expansion. Given the continued and rapid evolution of the North American gas market, the Board will undertake a further review of the Ontario natural gas sector in 2014, on the third anniversary of the last review.

FY 2012 Review system expansion guidelines.

FY 2013 To be determined based on the review.

FY 2014 Natural Gas Market Review.

Public Policy

The Board must carry out its mandate having due regard to the broader public policy framework established by Government. The Board will carry out the particular responsibilities assigned to it by legislation, regulation and directive in a constructive and effective manner.

Strategic Goal:

1. The Board's approach to regulation is aligned with the long-term policy framework established by the Government.

Key Initiatives:

1. Ensure that the rules governing the connection of renewable generation to the grid are effective and are aligned with Government policy.

The Green Energy Act has accelerated the introduction of renewable electricity generation to Ontario. The ability of these new sources of generation to obtain timely access to the electricity grid is important to the expansion of the Province's renewable electricity supply. The Board's review of the connection rules will need to reflect any modifications in the OPA's FIT program.

FY 2012 Review connection rules and processes and implement changes required.

FY 2013 Monitor implementation of the revised rules and processes.

FY 2014 Monitor implementation of the revised rules and processes.

2. Review and evaluate Time of Use prices for electricity.

The Board estimates that approximately 4.7 million electricity customers have smart meters and that approximately 3.5 million customers are now being billed based on TOU prices. The implementation of TOU prices now provides the opportunity to review and assess the ways in which consumers are responding to TOU prices, the impact on electricity demand (particularly peak demand), and the implications for the

operation of the wholesale electricity market. The Board's review will be co-ordinated with the work that the OPA is also undertaking. This review will assist the Board and others in determining whether changes in the TOU pricing structure are warranted to better serve the underlying policy objectives of load shifting and conservation.

FY 2012 Collect and analyze data.

FY 2013 Collect and analyze data.

FY 2014 Assess options for modifying the TOU pricing structure.

3. Review and evaluate conservation and energy efficiency programs for consumers in the electricity and natural gas sectors.

The Board has established conservation targets for electricity distributors for the 2011-2014 period and the framework for the DSM programs to be undertaken by natural gas distributors for the 2012-2014 period. The Board will monitor and report on the results of these conservation and DSM programs each year.

FY 2012 Monitor the results of natural gas DSM programs. Evaluate and report on the achievement of conservation targets by electricity distributors.

FY 2013 Monitor the results of natural gas DSM programs. Evaluate and report on the achievement of conservation targets by electricity distributors.

FY 2014 Monitor the results of natural gas DSM programs. Evaluate and report on the achievement of conservation targets by electricity distributors.

Organization

The Board understands that its activities are funded by the entities it regulates and, ultimately, by all the energy consumers of Ontario. The Board will continue to manage its operations in a cost effective manner. The Board will endeavour to ensure that its processes are efficient, understood, and accessible to both industry and consumers. The Board will strengthen the capabilities of its workforce through leadership development, formal training and education, and on-the-job learning. The Board will also develop initiatives to attract and retain employees with the skills and knowledge needed by the Board to carry out its mandate.

Strategic Goals:

1. The Board's own processes are efficient and cost effective and are understood by and accessible to both industry and consumers.
2. The Board's employees have the skills and knowledge needed to carry out the Board's mandate effectively.

Key Initiatives:

1. Review and evaluate the applications process.

The Board has initiated a comprehensive review of its processes in respect of applications, particularly applications regarding electricity distribution rates. The project will include a review of the respective roles of applicants, Board staff and intervenors. The Board's objective is to ensure that those processes are efficient and cost effective and that they are understandable and accessible by both industry and consumers.

FY 2012 Review and identify opportunities to improve the efficiency of the adjudicative process. Implement based on recommendations from the review.

FY 2013 Complete the review of enhancements to the adjudicative process. Implement based on recommendations from the review.

FY 2014 Review the applications process in light of conclusions and recommendations arising from the Renewed Regulatory Framework for Electricity initiative.

2. Review the Reporting and Record Keeping Requirements.

The Board will review the existing Reporting and Record Keeping Requirements for electricity distributors in order to determine the appropriate frequency and scope of the data collection. The Board's objective is to ensure that the value to the Board's work of any information collected warrants the additional costs to the distributors and the Board of that collection. The Board recognizes that the recent adoption of a more robust framework for policy evaluation may impact the type of data that the Board requires in order to carry out its mandate. The type of data the Board requires may also be affected in due course by the implementation of the Renewed Regulatory Framework for Electricity.

FY 2012 Evaluate and implement changes to the Reporting and Record Keeping Requirements, having regard to the new policy evaluation framework.

FY 2013 Evaluate the impact of the renewed regulatory framework on the Reporting and Record Keeping Requirements.

FY 2014 Monitor the effectiveness of the Reporting and Record Keeping Requirements.

3. Review and enhance the Board's policy consultation process.

The Board has initiated a review of its approach to and processes in respect of policy consultations. The Board's objective is to ensure that its approach to consultation remains efficient and cost effective and that it includes an opportunity for engagement with interested parties early in the development process. Such early engagement may enhance the overall effectiveness of the policy development process by helping the Board to frame more clearly the issues warranting further study and consideration. This review of the Board's policy consultation processes will take into account the Policy Evaluation Framework recently issued by the Board.

FY 2012 Evaluate the effectiveness of the policy consultation process and modify the process in accordance with that evaluation.

FY 2013 Monitor changes to the policy consultation process for continuous improvement.

FY 2014 Monitor changes to the policy consultation process for continuous improvement.

4. Review the Board's oversight role regarding the wholesale electricity market.

The Market Surveillance Panel has been a panel of the Board since 2004. With the evolution of the wholesale electricity market, it is appropriate to review the protocols governing the implementation of the recommendations made by the Market Surveillance Panel.

In addition, the Independent Electricity System Operator is in the process of adopting new transmission reliability standards because of the new North American mandatory standards developed by the North American Electric Reliability Corporation. Accordingly, the Board will develop and implement a new process regarding any review that the Board may be required to undertake in respect of those new standards.

FY 2012 Implement new Market Surveillance Panel protocols and a process for the Board's review of the IESO's transmission reliability standards.

FY 2013 Monitor the new protocols and processes.

FY 2014 Monitor the new protocols and processes.

4. Implement talent management and other initiatives to enhance the effectiveness of the Board as an organization.

The Board is a knowledge-based organization and is committed to building and strengthening the capabilities of its workforce. The Board will continue to develop the leadership and technical skills of its staff and adjudicators through ongoing formal training and learning.

FY 2012 Implement talent management and other initiatives.

FY 2013 Implement talent management and other initiatives.

FY 2014 Implement talent management and other initiatives.

Appendix A Mandate

The Ontario Energy Board (the “Board”) has regulatory oversight of the Ontario natural gas and electricity sectors. As an adjudicative tribunal, the Board carries out many of its regulatory functions through public hearings. The Board also carries out some of its responsibilities through the creation and enforcement of rules for the natural gas sector and codes for the electricity sector, as well as through the issuance of policies and guidelines to inform and guide participants in both of those sectors. All of the Board’s adjudicative and policy work is conducted through open and transparent processes, with a focus on long-term outcomes, reasoned decisions and practical solutions.

The Board performs its mandate under a statutory framework which sets out a number of objectives to guide the Board’s work. Objectives relating to pricing, energy conservation, reliability and quality of service, and the maintenance of a financially viable industry are common to both sectors. Competition, the rational development and expansion of infrastructure, and communication and consumer education are additional objectives in relation to natural gas. Additional objectives in relation to electricity are economic efficiency and cost-effectiveness, smart grid implementation and the use of renewable energy sources.

The following is by way of summary only, and reference should be made to the Board’s enabling statutes (principally the *Ontario Energy Board Act, 1998* and the *Electricity Act, 1998*) and the regulations made under those statutes for a complete and authoritative description of the Board’s mandate, including circumstances under which entities have been exempted from regulation.

Natural gas rates and facilities: The Board approves the rates that can be charged for monopoly natural gas distribution and transmission services, and through this rate-setting process also regulates the demand-side management activities of natural gas distributors. The Board also has authority to set natural gas commodity prices and approve municipal franchise agreements relating to the supply of natural gas in municipalities. Mergers and acquisitions by natural gas distributors and transmitters are also subject to Board approval, as are larger natural gas infrastructure (pipelines) projects.

Electricity rates and fees: The Board approves the rates that can be charged for monopoly electricity distribution and transmission services. The Board sets electricity commodity prices, as well as prices for the output of base load generation facilities operated by Ontario Power Generation Inc.

Electricity system planning and facilities: The Board has authority to mandate and approve electricity distribution and transmission system plans to facilitate renewable electricity generation connection and smart grid development. Mergers and acquisitions by electricity distributors and transmitters are subject to Board approval, as are larger electricity infrastructure (wires) projects. As of May 2012, Bill 75, that would substantially amend the power system planning process in Ontario, is pending before the Legislative Assembly.

Licensing of electricity and natural gas participants: Through its licensing function, the Board regulates the conduct of all participants in the electricity sector as well as the activities of marketers that sell natural gas to low-volume consumers. Through the licensing process, the Board also sets the conservation and demand management targets to be met by electricity distributors.

Electricity and natural gas conservation programs: The Board is responsible to promote energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources. It reviews the achievement of conservation targets for electricity distributors and reviews and approves natural gas conservation programs.

Retail electricity and natural gas markets: The Board's regulation of the competitive retail market sector includes establishing rules to govern the conduct and business practices of electricity retailers and natural gas marketers, particularly in relation to low-volume consumers in keeping with enhanced consumer protection objectives inherent in the *Energy Consumer Protection Act, 2010*.

Wholesale electricity market: The Board's oversight of the wholesale electricity market includes the review of amendments to the market rules and of electric reliability standards. The Board also houses the Market Surveillance Panel, which monitors the wholesale market and has authority to investigate activities related to that market or the conduct of wholesale market participants.

Appendix B

Factors that may affect achievement of the Board's goals

Internal and external factors may influence the Board's success in achieving the individual objectives outlined in this Business Plan. These risks have remained constant over the last several years, and the Board has a number of mitigation strategies in place. The assessment of risk, further detailed in the Board's risk assessment for 2012-2015, has identified the following factors that may affect the achievement of the Board's goals:

- *Change in government policy*
- *Change in market dynamics*
- *Effectiveness of stakeholder Involvement*
- *Availability of staff with market expertise*

Additional information on these factors can be found in the risk assessment section of the Business plan package.

**Appendix C Performance
Assessment
For the 2012-2013 Fiscal Year**

The “Targets” in the Balanced Scorecard below identify the work or activities to be completed by the end of the 2012-2013 fiscal year.

Consumer – 20%

Initiative	2012-13 Target
Review and enhance the ways in which the Board’s engages with consumers.	Review and identify opportunities to enhance consumer education and engagement activities. Implement based on recommendations from review.
Adopt a risk-based approach to the compliance by retailers, marketers, sub-meter providers and distributors with their regulatory obligations to consumers.	Develop and implement a risk based approach to compliance in the retail sector.
Continue to address the needs of low-income energy consumers.	Monitor and assess the effectiveness of the Emergency Financial Assistance program.

Industry – 35%

Initiative	2012-13 Target
Review the regulatory framework for electricity distributors and transmitters, with particular regard to the impact on consumers.	Develop renewed regulatory framework policy.
Review the regulatory approach to setting payments for Ontario Power Generation.	Assess alternative approaches to setting payments for OPG.
Complete the designation process in respect of the East-West tie.	Complete the hearing phase in respect of the designation process.
Assess how the Board’s approach to the regulation of electricity distributors may affect the ability of distributors to realize operational or organizational efficiencies that benefit consumers.	Assess whether modifications to the Board’s approach to regulation are warranted.
Review the Ontario natural gas market conditions and regulatory guidelines.	Review system expansion guidelines.

Public Policy – 15%

Initiative	2012-13 Target
Ensure that the rules governing the connection of renewable generation to the grid are effective and are aligned with government policy.	Review connection rules and processes and implement changes required.
Review and evaluate Time of Use prices for electricity.	Collect and analyze data.
Review and evaluate conservation and energy efficiency programs for consumers in the electricity and natural gas sectors.	Monitor the results of natural gas DSM programs. Evaluate and report on the achievement of conservation targets by electricity distributors.

Organization – 15%

Initiative	2012-13 Target
Review and evaluate the applications process.	Review and identify opportunities to improve the efficiency of the adjudicative process. Implement based on recommendations from the review.
Review the Reporting and Record Keeping Requirements.	Evaluate and implement changes to the Reporting and Record Keeping Requirements, having regard to the new policy evaluation framework.
Review and enhance the Board’s policy consultation process.	Evaluate the effectiveness of the policy consultation process and modify the process in accordance with that evaluation.
Review and enhance the Board’s oversight role regarding the wholesale electricity market.	Implement new Market Surveillance Panel protocols. Implement a process for the Board’s review of the IESO’s transmission reliability standards.
Implement talent management and other initiatives.	Implement talent management and other initiatives.

Process Metrics – 15%

Initiative	2012-13 Target
Market Operations Hotline response within metrics.	90% of responses within 10 days.
Consumer calls metric for the Consumer Relations Centre.	80% of calls answered within 20 seconds, voice mail the next day, and consumer correspondence within 10 days.
Board & delegated review of applications by staff within established metrics.	75% for Board decisions, 80% for delegated staff decisions and 90% within 60 days for cost award decisions.

Ontario Energy Board
Section 26 and 12.1
2012-13 Budget

	\$ 2012-13
REVENUES	
General Cost Recovery (s.26)	33,086,113
Licence Fees (s.12.1)	343,600
Investment Income	161,904
Miscellaneous Income	10,000
Amortization of Deferred Revenue related to Capital Assets	1,369,673
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TOTAL Revenues	34,971,290
 EXPENSES	
Salaries and Benefits	25,998,513
Consulting and Professional	2,250,000
Meetings, Seminars and Travel	590,306
Publications, Media and Publishing Premises	982,500
	2,591,678
Information Technology	634,000
Office, Administration and Other	554,620
Amortization	1,369,673
	<hr/>
TOTAL Expenses	34,971,290
 SURPLUS / (DEFICIT) OF REVENUES OVER	 0
 EXPENSES GENERAL COST RECOVERY	 33,086,113
CAPITAL EXPENDITURES	450,000
	<hr/>
TOTAL ASSESSMENT BEFORE	33,536,113
RESERVE OPERATING RESERVE****	<hr/> (69,172)
	<hr/>
TOTAL ASSESSMENT AFTER RESERVE	33,466,941

Budget Assumptions

Due to the OEB's self-financing status, the Board established an operating reserve. The operating reserve is used for cash flow management and to support working capital requirements as the Board has, aside from its cost assessments, no access to credit or other means of financing its ongoing operations. The operating reserve is 10%.

Section 30 costs are not included in the S. 26 and S.12.1 budget numbers above. Section 30 encompasses those costs related to Board-initiated hearings, Board-initiated regulatory policy development processes, and applicant-initiated hearings. The Board estimates a section 30 budget of \$1.5M for each fiscal year. A separate report disclosing actual Section 30 costs is made in the annual report.

Revenue from administrative penalties assessed against individual market participants under s. 112.5 of the OEB Act, 1998 cannot be used to reduce the general cost recovery as per the OEB Cost Assessment Model and will be internally restricted to support activities relating to consumer education, outreach and other activities in the public interest.

A blended interest rate of 1.6% has been assumed generating interest revenue on the operating reserve. No inflation has been assumed for non-compensation expenses and expenditures.

Human Resources Assumptions

In the 2012-13 budget, full time headcount remains at 188 positions.

A new four year Collective Agreement with the Society of Energy Professionals was ratified on June 9, 2011 and expires on March 31, 2015.

There is no net increase in compensation for represented staff budgeted for 2 years (2011/12 & 2012/13) consistent with the Government's Policy Statement. The budgeted increase in salary in 2012 is offset by an equal decrease in incentive pay in 2011.

There is also no increase in benefits for the same period.

The salary structure and benefits budget for non-bargaining unit employees will remain frozen for the second year ending March 31, 2012, consistent with Government legislation. Salary progression based on merit has been budgeted for base salaries to reach the maximum of the salary band. Incentive pay for eligible bargaining and non-bargaining unit staff has been budgeted.

Information Technology Assumptions

The IT Plan identifies projects that are needed to maintain internal services to staff and appointees plus interface with IT systems of stakeholders. The future IT projects are:

1. Annual Desktop replacement - each year $\frac{1}{4}$ of the desktops are replaced to maintain user computers that are compatible with network services
2. Applications management and consumer dispute system upgrades – the two main IT applications use software called Pivotal and Trim. Both are required to be upgraded to be compatible with Microsoft Office 2010. This cost covers three phases. Phase one is the underlying server software replacement in FY 2011. Phase two is the Pivotal and Trim software upgrade in FY 2012. Phase three is the web module of Trim to be implemented in FY 2013. Once implemented the Board will conduct an evaluation to determine whether Trim will continue to be used or a new software program Open Text will replace it.
3. Performance monitoring software – this project will enhance the reliability of the system by allowing IT staff to proactively monitor operations. This project is being rolled out over a 3 year period.
4. Microsoft Office 2010 upgrade – this is planned to occur in FY 2012.
5. Upgrade to the data retrieval software – this project, to be implemented in 2013, will allow for faster back-ups of data, ensuring that the back-ups do not consume system resources when needed by staff. It will also allow for faster and more targeted restoration in case of system failures.
6. Upgrade to the financial system software - This is planned for FY 2013.

**Ontario Energy Board
2012 – 2015 Business Plan**

Risk Assessment and Mitigation

Risks are events that could prevent an organization from meeting its objectives. Risks are both internal and external to an organization. Once specific risks are identified management determines the appropriate means of mitigating either the probability of the risk occurring or its impact on the organization. The risks to the Board have not changed in recent years, and the mitigation strategies continue to be implemented.

Internal risks can include:

- Infrastructure (assets, capital, complexity)
- Personnel (capability, fraud, judgment, safety)
- Process (capacity, execution, dependencies)
- Technology (data, availability, capacity, reliability)

External risks can include:

- Economic (credit, liquidity, market, capital availability)
- Business (brand, fraud, competition, publicity)
- Technological (external data, emerging technology)
- Natural environment (waste, energy, fire, natural disaster)
- Political/social (laws, regulations, demographics, change)

Annually the Board completes a formal risk assessment relative to achieving its key objectives. This process involves:

1. confirming existing and identifying new or emerging inherent risks relative to key objectives;
2. assessing these risks and their implications;
3. determining risk response or mitigation strategies; and
4. implement the strategies and monitor their effectiveness.

In conducting the risk assessment, risks are evaluated on a high, medium and low basis with respect to (a) the probability of an event occurring; and (b) the impact should the event occur. The evaluated risk of an event is the combination of the

likelihood of it occurring multiplied by its estimated impact on the Board's ability to deliver on the initiatives in the plan.

An event assessed as a high probability and high impact represents the largest risk faced by the Board in implementing the plan. This means that the risk assessment should focus on mitigation measures for the higher risks first, then the moderate ones and, finally, the lowest risk events. In most cases, standard business practices, such as ongoing operational governance, offset risks. However, higher risks will require additional attention to ensure appropriate mitigation measures are implemented.

Internal and external risks may influence the success of individual projects or initiatives and policy outcomes. The risks the Board faces have remained constant over the last several years and a number of mitigation strategies remain in place to deal with them. The four highest level risks associated with the 2012-15 Business Plan are:

1. High Impact, High Probability (HI, HP): Change in government policy
2. High Impact, High Probability (HI, HP): Change in market dynamics
3. High Impact, Moderate Probability (HI, MP): Stakeholder involvement
4. High Impact, Moderate Probability (HI, MP): Availability of staff with specific expertise.

Change in Government Policy (HI, HP)

The primary factor that could affect the achievement of our Business Plan is provincial government policy. Further policy developments by the government, particularly policies that introduce significant change, could require subsequent changes to the Board's goals and objectives. Significant policy change is more likely in the electricity sector than in the gas sector given the greater level of control the provincial government has over the electricity sector.

Government policy could change the direction the Board takes with respect to consumer protection, oversight of the retailers and marketers and energy infrastructure.

Ongoing risk-mitigation activities include the internal review and assessment of new legislation and regular liaison with both the Ministry of Energy and other government agencies.

Change in Market Dynamics (HI, HP)

Economic conditions in provincial, national and international markets, such as those experienced during the last three years, can change the focus and operation of both the electricity and natural gas sectors. Technology development also plays a role in market dynamics, from how energy is sourced to how it is stored and how the distribution networks function. Operational effectiveness and profitability of the Ontario energy sector participants can change with changes in technology.

Ongoing risk-mitigation activities include regular monitoring of economic market conditions; energy market developments; and developments in energy technology allowing for new approaches to sourcing to storing energy. The Board also conducts reviews of the financial viability of distributors, a formal review of the natural gas market and meetings with stakeholders to receive updates on the energy market.

Stakeholder Involvement (HI, MP)

Industry representatives, consumer groups, environmental organizations and energy companies have an important role to play in policy development and adjudicative processes. Effective involvement of stakeholders is necessary to ensure the Board renders decisions and develops policies with comprehensive input from the parties most affected by the issues.

Ongoing risk-mitigation activities include: ensuring public consultation occurs with appropriate stakeholders in the appropriate manner on matters of public interest; using multiple approaches to reach stakeholders (i.e. consultation paper and request for comments; workshops; internet; meetings; sectoral meetings; liaison groups; government meetings) as appropriate. The Board is also working to improve its stakeholder processes through a review of the applications process and the policy consultation process.

Availability of Staff with Specific Expertise (HI, MP)

The Board is a knowledge-based organization that depends on the active engagement of its highly qualified economists, engineers, lawyers, industry analysts, information technology experts, accountants, administrative staff and other experts. Learning and development of our staff is vital to the long-term health and productivity of the organization. The Board endeavours to ensure there is a balance between the number of staff available with specific expertise and the work they are assigned to complete.

Ongoing risk-mitigation activities include: regular review of the workforce plan; measurement of employee engagement and effectiveness of engagement improvement plans; commitment to building and strengthening the capabilities of its staff through learning and development in technical competencies for staff and leadership competencies for management; and the assessment of leadership talent against new competencies. Other mitigation activities include a regular review of Board priorities in light of staff resources available.

Risk Assessment and Mitigation Strategies

As the assessment of risk is measured by the combination of its probability of occurring and the impact on the organization, a matrix is best suited to show how the various risks compare. In the table below (Table 1) probability is assigned low moderate and high. The impact on the organization is also assigned that ranking. The matrix shows that the four risks identified earlier are situated in the red zone – where the overall risk is highest. Moderate risks are coded yellow and low risk is coded green.

Table 1: RISK ASSESSMENT MATRIX

		PROBABILITY		
		Low	Moderate	High
IMPACT	High	<ul style="list-style-type: none"> Facilities availability in emergency scenario IT systems availability 	<ul style="list-style-type: none"> Availability of staff with specific expertise Stakeholder Involvement 	<ul style="list-style-type: none"> Change in government policy Change in market dynamics
	Moderate	<ul style="list-style-type: none"> Compliance with legal, regulatory, license, codes or agency directives obligations 	<ul style="list-style-type: none"> Lack of coordination among energy sector institutions Staff resource constraints 	
	Low	<ul style="list-style-type: none"> Adequacy of funding and cash flow management 		

Mitigation strategies are identified in Table 2. Again the same colour coding is used: red is highest risk, yellow is moderate, and green is lowest. While the Board has

identified four high level risks, mitigation strategies have been developed and are being implemented for all risks.

Table 2: RISK MITIGATION ACTIVITIES

Risk Identified	Risk Mitigation Activities
Change In government policy	<ul style="list-style-type: none"> • Regular liaison with government as per the Memorandum of Understanding.
Change in market dynamics	<ul style="list-style-type: none"> • Regular monitoring of <ul style="list-style-type: none"> • Economic market conditions • Energy market developments; • Developments in energy technology allowing for new approaches to sourcing to storing energy • Review of financial viability of distributors • Natural gas market review • Market update meetings with stakeholders
Stakeholder Involvement	<ul style="list-style-type: none"> • Ensuring public consultation occurs with appropriate stakeholders in the appropriate manner on matters of public interest; • Using multiple approaches to reach stakeholders (i.e. consultation paper and request for comments; workshops; internet; meetings; sectoral meetings; liaison groups; government meetings) as appropriate • Review of the applications and policy consultation processes.
Availability of staff with specific expertise	<ul style="list-style-type: none"> • Annual review of workforce plan • Succession Planning • Knowledge Management
Staff Resource Constraints	<ul style="list-style-type: none"> • Monitor priorities, and adjust as required • Develop & monitor operational plans including required staff resources • Assess the appropriateness of the organizational structure as part of the business planning cycle
Facilities availability in emergency scenario	<ul style="list-style-type: none"> • Emergency Response Plan
Lack of Coordination	<ul style="list-style-type: none"> • Work with Government Agencies on coordination of issues

Risk Identified	Risk Mitigation Activities
Among Energy Sector Institutions	and processes
IT Systems Availability	<ul style="list-style-type: none"> • Systems availability • Software and hardware evolution to keep pace with technology advances • Maintain Firewalls and encryption • Data integrity
Compliance with Legal, Regulatory, Licence, Codes or Agency Directives Obligations	<ul style="list-style-type: none"> • Maintain timely and accurate response to Information requests • Maintain and support Joint Health and Safety Committee • Monitor and analyze directives for appropriateness to implement or seek adjustment or exemption • Summarize all legal, regulatory, license, codes or agency directives that the OEB is subject to and recommend a monitoring and reporting process
Adequacy of Funding and Cash Flow Management	<ul style="list-style-type: none"> • Prepare cash flow projections monthly • Review and adjust cost assessment model as needed

Ontario Energy Board 2012-15 Business Plan

Communications Plan

Context

The Ontario Energy Board has a mandate to regulate the energy sector in the public interest. The Board carries out its mandate within the context of the long-term policy framework established by the government of Ontario.

Regulating in the public interest is a complex undertaking that requires the Board to objectively consider and weigh the interests of different stakeholder groups to ensure a viable, sustainable and efficient energy sector in which consumers obtain reliable energy services at reasonable cost.

The 2012-2015 Business Plan sets out how, over the next three years, the Board will enhance its own processes to become more consumer-focused. The key initiative during that period is the continued development of a Renewed Regulatory Framework for Electricity. This Framework commits the Board to regulating distributors and transmitters in a manner that better manages the pace of rate and bill increases for consumers.

The plan is structured around three key areas: Consumers, Industry and Public Policy. The plan continues to reflect the Board's approach to business planning with a focus on outcomes. This outcome-based framework will, over time, enable the Board to assess how well its work is meeting the goals identified at the outset.

Target Audiences

Communication of the 2012-2015 Business Plan is directed toward the following audiences:

Internal audiences:

- Board members
- Employees

External audiences:

- Minister of Energy and ministry staff

- Consumers
- Entities that the Board directly regulates and/or licenses
- Other public agencies in the energy sector
- Industry associations
- Intervenors
- Members of the public who express an interest in the Board's work

Communications Objectives

The objectives are:

- Prepare stakeholders for the regulatory challenges in the coming year
- Demonstrate that the OEB is transparent, accessible and responsive to its stakeholders and consumers
- Demonstrate that the OEB is committed to improving its own processes and increasing its focus on consumers
- Convey that the Board is reviewing and renewing its communications efforts to consumers by examining the Board's consumer touch-points, the Board's role in communicating its work and broader energy sector information to consumers. This includes:
 - electronic and social media plans
 - consumer outreach
 - plain-language, accessible Board materials

Core Communication Areas

Consumers need information to understand the rates and prices they are charged to help them make informed energy choices and to better manage their costs. It is important that consumers are confident that they are being adequately protected in the energy marketplace with respect to cost, reliability and the practices of energy companies, and that the Board's processes are accessible to them.

Regulated entities are responsible for providing consumers with a reliable energy supply at reasonable cost. As the sector matures, the Board's outcome-based approach to regulation will be less prescriptive, and should be seen to facilitate the operational and organizational efficiencies that benefit consumers.

The Board regulates the energy sector within the long-term policy framework of the government. The Board's work must be seen to be supportive of the government's broader goals and priorities through the development of effective regulation.

Key Messages

1. We are committed to operating a regulatory framework that promotes the interests of consumers and helps the energy sector deliver a clean, reliable supply of energy at reasonable cost.
2. For the next three years, we are going to focus our efforts even more closely on helping transmitters, distributors and generators realize efficiencies that benefit consumers.
3. We are going to work harder to provide consumers with easy-to-understand information about energy pricing so they can make informed decisions regarding their rights, responsibilities and choices.
4. We will continue to improve our own processes to ensure they are accessible, clear and efficient.

Plan Launch

- Plan is finalized and sent to government for approval late January
- Subject to approval by the Minister, the Board will publish its final Business Plan and budget for 2012-2015 on its website and notify stakeholders that it is publicly available.
- The plan will be published as a web page on the Board's website to increase accessibility.

Post-launch

The following activities present opportunities to reinforce Business Plan messages:

- Consumer and Industry Chair Advisory Roundtables
- Policy consultations
- Webinars

The Board will also incorporate the key messages in this plan into its narrative for delivery to its target audiences through a number of communication channels, including:

- Speeches and presentations by Chair and senior management
- Media relations
- Consumer website
- Community outreach programs
- Corporate reports
- Internal communications (Messages from the Chair and COO, Intranet, staff information sessions)

The first measure of acceptance and understanding of the objectives set out in the business plan will be on the quantity and quality of feedback we receive from stakeholders during rollout of the plan. Employee and ministry feedback are other important measures.

Stakeholders will demonstrate their understanding and acceptance of the Board's overall objectives through the content their applications (i.e., do they reflect the Board's objectives as stated in the plan?), and the focus of intervenor submissions.

Other opportunities to gauge stakeholder understanding and acceptance of the Board's business plan objectives are: biennial stakeholder survey; stakeholder and consumer advisory council, and face-to-face meetings with Chair, Board Members and senior executive.