

**Ministry of Energy
and Electrification**

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

**Ministère de l'Énergie
et de l'Électrification**

Bureau du ministre

77, rue Grenville, 10^e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758



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December 19, 2024

Mr. Mark White
Chair
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Mr. White:

In keeping with my responsibilities as Minister of Energy and Electrification, I am writing to provide you with a renewed Letter of Direction which includes updates on our government's 2025-2026 priorities for provincial agencies, and my expectations for the Ontario Energy Board (OEB) and the energy sector in the upcoming three-year business planning period.

As you know, agencies are a part of government and are expected to act in the best interests of the people of Ontario and ensure that they provide value for money to taxpayers. Agencies are also required to adhere to government policies and directives.

Per the requirements of the Agencies and Appointments Directive (AAD), agencies are required to align goals, objectives and strategic direction with our government's priorities and direction, to the extent that is appropriate given the need to protect the independence of the OEB's quasi-judicial functions. As Chair, you must ensure that the OEB's business plan demonstrates the agency's plans in fulfilling the expectations and government priorities below and that progress and achievements are reported through your annual report. Compliance with these requirements is reported to Treasury Board/Management Board of Cabinet annually.

Through 2025-26 and beyond, our government expects that the OEB will be innovative, sustainable and accountable through the following direction:

Innovative

1. Simplify client/customer interactions.
2. Expand and optimize digital service offerings.
3. Improve client/ customer satisfaction.
4. Share data with Supply Ontario, when requested, regarding procurement spending and planning, contract arrangements and vendor relations to support data-driven decision-making.

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Sustainable

5. Strengthen public service delivery by optimizing organizational capacity and directing existing resources to priority areas.
6. Use public resources efficiently and,
 - a) Operate within the agency's financial allocations.
 - b) Prudently and responsibly manage workforce size. Where an agency requires a material increase in workforce size, the agency must provide the Minister with a human resources plan for approval that provides the rationale based on government priorities and/or agency mandate.

Accountable

7. Develop and report on outcome-focused performance measures to effectively monitor and measure performance.
8. Protect individual, business or organization data by actively managing data and cybersecurity and reporting artificial intelligence uses.
9. Report all high risks including effective mitigation plans.
10. Align hybrid work policies with the OPS and identify and assess office optimization opportunities to reduce office realty footprint and find cost reductions.
 - a) Collaborate with the Ministry of Infrastructure (MOI) to identify office space opportunities.
 - b) Align with the MBC Realty Directive and the OPS Modern Office Space (OMOS) Standards.
11. Develop and encourage diversity and inclusion initiatives by promoting an equitable, inclusive, accessible, anti-racist and diverse workplace.

These are the government-wide commitments for board-governed provincial agencies. Please see the attached guide for further details of each priority and the accompanying performance measures that can be utilized if measurements are not currently in place.

I am also sharing several priorities specific to the OEB. The OEB's renewed role as an energy regulator has never been more important to move at the speed of the market, to ensure we serve and incentivize investment to our province. Electrification and the transition to cleaner energy sources requires strong, proactive thought leadership from the OEB, in consultation with the sector. As we build new homes, attract new investments and electrify industry and transportation, the OEB is going to play a crucial role in advancing the government's policies, including ensuring every family and business have access to clean, affordable and reliable energy.

Since the previous letter of direction, much has changed in the Ontario energy sector. On January 19, 2024, the Electrification and Energy Transition Panel's (EETP) final report, [Ontario's Clean Energy Opportunity](#), was released. It builds on the government's [Powering Ontario's Growth](#) plan and provides valuable insights and recommendations for future long-term integrated planning and the energy transition. On May 16, 2024, the *Keeping Energy Costs Down Act, 2024* was passed with the goal to make life more affordable for Ontario families and deliver policies that will power the province's growing economy.

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In previous letters, specific initiatives that the Minister viewed as critical to the health of Ontario's energy sector and necessary for the OEB to prioritize were identified. This work remains both relevant and necessary to the OEB's overall modernization agenda and should continue. I appreciate the OEB's continued efforts to advance these initiatives through its business plans.

At this time, I wish to highlight areas where I will be expecting significant progress over the coming year:

Planning for Growth

Ontario's economy and the day-to-day lives of its 15 million residents depend on a reliable energy system that delivers power on demand. As a result of the government's work over the past six years, demand on that system is growing quickly.

According to the IESO's latest forecast, demand for affordable, reliable and clean, electricity is expected to increase by 75 per cent by 2050 – an increase of 25 percent over the previous year's forecast. There is also continued demand for other fuels, like natural gas, that currently play a critical role in heating our homes and attracting new jobs in manufacturing, including the automotive industry and agriculture.

To meet this challenge, Ontario needs planning and regulatory frameworks that are flexible and will get infrastructure and resources built quickly and cost-effectively to support the government's pro-growth agenda. This includes ensuring regulated utilities critical to Ontario's growth can earn a fair rate of return to enable rational expansion and maintenance of the electricity and natural gas systems. The OEB will play a critical role in creating that environment, while balancing the need for continued affordability for customers.

On October 22, 2024, Ontario released [Ontario's Affordable Energy Future: The Pressing Case for More Power](#), which outlines the challenges facing the province, and our priorities, as demand for energy soars. These priorities set important context for this letter of direction, and the sections that follow address many of the priorities for which the OEB has a direct role. I ask that the OEB carefully consider *Ontario's Affordable Energy Future* as context for the direction that follows.

Ontario's First Integrated Energy Plan:

The government committed to develop the province's first long-term Integrated Energy Plan, to be released in 2025. To inform the plan government has launched a consultation and engagement process to seek input from the public, stakeholders and Indigenous communities. The OEB will be a key partner in providing input on the plan and in plan implementation. In this work, I expect the OEB will:

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- Work with my ministry to support the development of the integrated energy plan, including the development of an implementation directive to the OEB that sets out the Government's expectations of the OEB and regulated utilities in relation to the plan;
- Consider outputs from the Integrated Energy Plan in its policy work to guide the sector and in improving the efficiency of the OEB's independent adjudication and regulatory activities.
- Ensure OEB regulated utilities conduct and contribute to comprehensive and reliable planning across all fuel types to ensure the system is equipped with affordable and reliable energy to support broader government objectives such as economic growth, building critical infrastructure, supporting customer choice and electrification.

Last Mile Connections:

Our government is continuing to break down barriers that slow the construction of new homes and businesses by making it easier to connect to the province's grid. Following a request from government, the OEB provided my ministry with its *Housing Connections Report*, which outlined opportunities to reduce barriers to home building. As I noted in my response to the report, I expect the OEB will:

- Implement its recommendations expeditiously to amend the Distribution System Code (DSC) to extend the connection horizon for new electricity distribution lines for multi-phased housing development projects to a maximum of 15 years and establish a capacity allocation model for these projects by March 2025. This should include specific guidance and expectations for LDCs.

Akin to this work, I ask that the OEB work with my ministry to enhance the effectiveness of Ontario's current cost responsibility framework for electricity connections enabled through the *Affordable Energy Act, 2024*. Furthermore, my ministry will be proposing regulations that would, if approved, reduce the upfront capital cost burden on first-mover connection customers and enhance site readiness and investment attraction at strategically significant (non-network asset) locations where future load is highly likely to materialize. This initiative responds to the imperative to expedite electricity system connections to meet the rapidly growing demand from housing growth, electrification, and large industrial investors siting here in Ontario.

In this work, I expect the OEB will:

- Work with the IESO, licenced transmitters, LDCs, municipalities, and other stakeholders to consider how the 'beneficiary' pays principle can best be modified or applied to ensure:
 - Transmission / distribution build decisions consider probable future users, the interests of early and later beneficiaries, and other ratepayers;
 - LDCs, transmitters, and their shareholders should be kept whole; and
 - The potential for wasted costs or under-build are minimized to protect ratepayers.

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Finally, as demand continues to grow it will be increasingly important for home builders and businesses, including EV charging companies, to have greater clarity on where there is capacity in the distribution network. In this work, I expect the OEB will:

- Continue its work to expeditiously publish, and to thereafter maintain a distribution sector capacity map, that will be a key piece of information to help make progress towards multiple objectives including ensuring that those seeking to connect to the electrical grid have information about where the closest points of connection may be located. I also ask the OEB to work with the IESO to support the development of a similar tool for the transmission system.

Affordability, Customer Choice, and Modernization

Keeping Energy Costs Down Act Implementation:

Ontario needs an economically viable natural gas network to attract industrial investment, drive economic growth, to maintain customer choice and ensure overall energy system resiliency, reliability, and affordability for families, farmers, and businesses to support a transition to a clean energy economy. In May 2024, the *Keeping Energy Costs Down Act, 2024*, received Royal Assent and amended certain portions of the *Ontario Energy Board Act, 1998*, to support the government's priorities for housing, economic development, and an affordable energy vision. In this work, I expect the OEB will:

- Continue to implement the necessary regulatory and process changes, stakeholder engagement, and streamlining approvals for leave to construct for certain pipeline projects.

Upon release of the government's integrated energy plan and the government's natural gas policy statement, I expect the OEB will carefully consider these documents to ensure the OEB's policies and processes appropriately consider the role of natural gas in Ontario's energy system to manage energy system costs, ensure reliability and support customer choice as significant investments in energy infrastructure are needed to support a growing and evolving economy.

Electricity and Natural Gas Energy Efficiency Programs:

Ontario continues to be a leader in energy efficiency programming with a long history of delivering results and savings for ratepayers. The government has authorized the IESO to implement a new framework on January 1, 2025 to continue to deliver energy efficiency programming to reduce energy consumption, and save electricity customers money on their energy bills. As the government, in partnership with the IESO and in collaboration with Ontario's regulated utilities, implements this framework, I expect the OEB will ensure Ontario electricity and natural gas ratepayer interests are protected

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and that Ontario's utilities (including LDCs) take every opportunity to put customers first by simplifying and improving customer access and experience with energy efficiency programs, generating more energy savings and greater emissions reductions while ensuring electricity and natural gas costs remain affordable, stable and predictable. In this work, I expect the OEB will:

- Work with the IESO and Enbridge to deliver a customer-focused one-window platform for energy efficiency programs.
- Propose an appropriate cost-sharing mechanism, involving the Global Adjustment and distribution rates, grounded on the principle of beneficiary pays, to fund the development and operation of new energy efficiency programs that provides both system and local distribution benefits.
- Reduce barriers to LDC energy efficiency program activities by taking actions such as updating its Non-Wires Solutions Guidelines for Electricity Distributors or otherwise acting to support such programs.

Advancing Non-Wires Alternatives (NWA), Customer Enabled Solutions, and Future Utility Business Models:

As the sector evolves, innovation in both natural gas and electricity sectors is critical to meeting our goals of meeting future energy demand. As the electrification and energy transition progresses, the OEB should work to further explore how innovative projects with demonstratable value to Ontario's energy consumers can be optimized towards broader implementation where appropriate.

For instance, distributed energy resources and other non-wires / alternatives that customers use to generate or store energy for their own use and potentially for system benefit (collectively, DERs) are proliferating and are a growing interest to many customers. While this can be a challenge to aging infrastructure, it can also be an opportunity for innovation across the system – saving customers money and potentially increasing system capacity and resilience. Policy and regulatory frameworks must adapt to better support customer choice, address barriers to adoption, and optimize the use of these resources to meet provincial and local energy demands.

In 2023, I requested the OEB to evaluate potential changes to our province's utility remuneration model. I have received your report, which includes a review of models implemented in other jurisdictions. It is crucial that we sustain this momentum to ensure a resilient and adaptive energy sector. While I encourage the OEB to further explore utility remuneration reform by advancing the next steps outlined in your report, this work should complement but be independent of the necessary investment utilities must continue to make to ensure the grid is ready for an increasingly electrified economy.

With this in mind, I expect the OEB will:

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- Provide incentives to utilities to implement non-wire solutions that benefit customers (e.g., DERs/NWAs).
- Consider any further guidance, direction, or new incentives the OEB can implement to support utilities in growing the use of shared services, as appropriate.
- Supervise LDCs as they apply the Phase 1 Benefit Cost Analysis (BCA), and implement Phase 2 of the BCA Framework with a focus on broader energy system impacts and enabling grid modernization in 2025.
- Lead the work, in coordination with the IESO and my ministry, to develop and assess local and market opportunities for DER, including through alternative energy business models (e.g., Distribution System Operator capabilities).
- Further to the foregoing bullet, examine the regulatory landscape including identifying specific legislative and regulatory changes that may be required to enable future potential utility business models. This work should complement the DER Strategy my ministry is developing to address priorities like expanding use of DER to meet system needs, leveraging DER to save customers money or improve their resilience, examining broader implementation of cost-effective DER pilot projects, improving collection and sharing of DER data where it has clear benefits, and providing clarity on grid modernization investments.

Grid Reliability and Resilience:

I welcome the OEB's continued work to strengthen the resilience of the distribution sector against weather related, cyber, or other external threats. On June 30, 2023, the OEB delivered its report on improving distribution sector resiliency, responsiveness, and cost efficiency. I would like to thank the OEB for this report and ask that it continue to work with LDCs to incorporate best practices in system resilience, cost-effectively mitigate risks, and improve customer outcomes in 2025. In this work, I expect the OEB will:

- Make significant progress on implementation of its resiliency recommendations by the end of 2025.
- Working with LDCs, identify potential operational efficiencies with consideration to how total cost benchmarking can be used as a supporting assessment tool.
- Provide stakeholders with a clear plan for timing of any reforms related to the OEB's cost-effective service proposal.
- Through the Reliability and Power Quality Review working group or other appropriate means of stakeholder engagement, define resilience events and set expectations for timely communications for LDCs to communicate outages and expected return of service for customers during such events.
- Design a standard approach (e.g., through the Vulnerability Assessment and System Hardening project) to assess distribution-level infrastructure and related vulnerabilities in the face of extreme weather or cyber events and embed resilience into utilities system planning.

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- It is of the upmost priority to safeguard security systems and grid reliability. Continue to implement a cyber security strategy for the sector, including consideration of the need for additional requirements on utilities and other key sector participants, recognizing that resilience in the networks also requires utilities to secure their systems against cyber security threats.
- Develop a prioritized plan to review the Distribution System Code and OEB policies to identify opportunities to strengthen the governance, transparency, and accountability of LDCs and their corporate governance and risk management structures, and to improve reliability, and support investments in serving future customer needs.

Regulatory Support to Implement Ontario's Affordable Energy Vision

Regulatory Efficiency to Enable Growth:

Ontario has a pro-growth vision that will take an all-of-the-above approach to energy planning that will ensure all Ontarians have access to affordable and reliable energy. As the regulator of Ontario's energy sector, the OEB plays a vital role as a vehicle to implement government policy, including regulation that is transparent, certain and relies on independent adjudication to balance the public interest and the interests of regulated entities. In recent years, significant work has been undertaken at the OEB to modernize existing processes, support innovation, and prepare for growth and electrification.

While this continuous improvement is essential, acting within its mandate, the OEB needs to consider how it can be accelerated to ensure planning and approvals can best serve high-growth areas and to support Ontario's journey to a clean energy economy and its ability to attract future investment. With this need for efficiency and effectiveness in mind, I ask the OEB to work with my ministry in an assessment of its current and potential regulatory tools, including non-adjudicative tools, that can be used to ensure the OEB remains efficient and effective in carrying out its role as regulator of a fast-evolving energy sector. In this work, I ask the OEB to:

- Identify new opportunities to use non-adjudicative regulatory tools (such as consultations, guidance (guidelines), codes and rules) to implement government policy objectives to thereby support my Ministry and give regulated entities and other stakeholders greater certainty and predictability.
- Keep my office and ministry informed on the progress of implementing the 10-point action plan outlined in the OEB's Report Back dated September 27, 2024 on Intervenor and Regulatory Efficiency. I also expect that OEB management and staff will provide assistance, as appropriate, to Commissioners by being proactive and diligent in ensuring that such report recommendations – and other good practices for ensuring intervenors are cost effective, efficient and in the public interest – are followed, and that Commissioners are transparently advised, as appropriate given the independence of their adjudicative role, where staff believe improvements are required, or intervenors need to be limited or directed.

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In addition, I expect the OEB will continue to:

- Identify opportunities to enhance and support Indigenous communities' participation in the adjudicative process; and
- Keep my ministry informed of efforts to reduce utility burden, which will remain crucial to making it easier for consumers to interact with the energy system in this period of transition. Please highlight your progress in the next Business Plan and provide me with updates as needed, including for Ontario's annual burden reduction reporting.

Next Steps

Please continue to provide quarterly updates on the OEB's progress against these expectations. If, in executing any of these priorities, the OEB identifies that legislative or regulatory barriers are preventing it from delivering on expectations, please engage my Ministry with analysis and potential solutions to resolve the barriers. As I have made clear throughout this letter, the Ministry is prepared to take action to ensure the OEB has the tools and authority it needs to advance the government's vision for the energy sector, and support our growing population and economy.

At our next meeting, I would be pleased to discuss these priorities, and I look forward to hearing how they will be reflected in the agency's upcoming business plan and in ongoing agency operations.

My thanks to you, the Board of Directors, and all OEB executives, Commissioners, and staff for the work they do in support of Ontarians. I look forward to receiving the OEB's next business plan and continuing to work together in support of an affordable, reliable, and clean electricity system.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Stephen Lecce', with a stylized flourish at the end.

Stephen Lecce
Minister

Attachment: Government Priorities for Agency Sector chart

c: Matt Hiraishi, Chief of Staff to the Minister of Energy and Electrification
Susanna Laaksonen-Craig, Deputy Minister of Energy and Electrification
Karen Moore, Assistant Deputy Minister, Ministry of Energy and Electrification
Susanna Zagar, Chief Executive Officer, Ontario Energy Board
Jennifer Kacaba, Corporate Secretary, Ontario Energy Board