



Towards More Effective Regulation

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Regulator and Policy Development

- Energy Policy
 - government develops
 - regulator may provide advice to government
 - regulator not an advocate
- Regulatory Policy
 - regulator determines instruments and processes to implement legislative mandate
 - determines instruments and processes to implement government policy
 - determines if new instruments and processes are required

Goal-oriented Regulation

- Goal-oriented approach
 - builds confidence
 - reduces regulatory risk
 - provides greater predictability and consistency
- Starts with clear understanding of long-run objectives
- Leads to clear plan to achieve objectives



OEB Natural Gas Forum

- Context
 - Flat to declining conventional gas supply
 - Expanding gas-fired generation and increasing gas and electricity convergence
- Goal
 - Ensure right regulatory tools for the future
 - Evolve regulatory framework to address emerging issues
 - Deal with policy issues that are difficult to address in rate cases



Gas Electric Interface

- Ontario needs adequate gas infrastructure and appropriate rate design
- OEB comprehensive review to determine impact of increased gas-fired generation on storage and transportation
- Inadequate transmission and storage infrastructure and inappropriate pricing equal costlier gas-generated electricity



Gas Electric Interface

- Review of gas-fired power generation
 - storage and transportation network expansion
 - cost allocation of additional infrastructure investment
 - rate design for storage and transportation services for gas-fired generators
 - coordination mechanisms between gas and electricity system operations
- Existing system not sufficient for the market
- Board will bring natural gas and electricity sector together to identify needs to put gas-fired generation in place



Gas Electric Interface

- What infrastructure is needed?
 - As much as additional Bcf/d
 - Additional gas transmission (Dawn-Parkway)
 - Additional storage and associated transportation (inside or outside Ontario)
 - Need to know where the new generators are
- Who's going to pay for it?
 - Rolled-in vs. incremental (gas customers vs. electricity customers)



Gas Electric Interface

- What new services are needed?
 - Contracts provide incentives only to generate when profitable
 - Generators will need to buy/sell gas on short (or no) notice
 - How does the market get more flexible and who's responsible for providing these flexible services?
- Gas-electric coordination
 - Gas day vs. electricity day (no electric day-ahead market yet)
 - Managing emergencies



Gas Electric Interface

- Market can develop these needs
- Regulator has coordinating role
- Getting ahead of curve means right regulatory framework in place
- Results:
 - A more diverse and flexible gas market
 - gas-generated electricity at reasonable price with consumers' interests protected



Effective Regulation

- Forward looking and goal-oriented
- Identifying current and emerging challenges
- Implement appropriate regulatory framework