

2026

**LEVELLING UP:
PANEL FOR UTILITY
LEADERSHIP AND
SERVICE EXCELLENCE
(PULSE)**

REPORT TO THE MINISTER OF ENERGY AND MINES

"When you come to a fork in the road, take it" - Yogi Berra

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The Challenge

Reliable, clean and affordable electricity is foundational to Ontario's economic growth. It underpins housing supply, industrial competitiveness, electrification and emissions reduction, and is increasingly central to the province's ability to attract and retain investment. While generation and transmission are critical, these objectives also depend on the capacity and readiness of the electricity distribution system. Utilities translate provincial energy policy into real outcomes for customers and communities by enabling new housing developments, electric vehicle charging, heat pumps, industrial electrification, distributed energy resources and system innovation. Where utilities face capacity, funding or delivery constraints, these can quickly become restraints on Ontario's broader economic, housing and climate objectives.

Ontario's electricity distribution sector has evolved over the past several decades of relatively flat electricity demand. Regulatory, governance and funding frameworks were calibrated accordingly, with a strong emphasis on cost containment, incremental investment and near-term efficiency. These arrangements supported reliable service under stable conditions.

However, they are increasingly misaligned with the scale, pace and complexity of growth in electricity demand now underway across the province. The issue is no longer whether the sector can maintain reliability but whether existing governance, regulatory and funding frameworks can support the sustained expansion in capacity, connections and investment required to keep pace with increasing demand while continuing to deliver for customers.

The Government of Ontario's *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7* (Integrated Energy Plan)¹ sets out a long-term, system-wide pathway to 2050, including major investments in generation, transmission, fuels and system coordination. Critical to delivering on this plan is the readiness of the distribution sector to connect new load, accommodate growth and efficiently plan for investment as demand evolves.

While much policy attention has focused on generation and transmission, the pace at which growth can be realized increasingly turns on distribution system readiness.

¹ [Energy for Generations | ontario.ca - June 2025](#)

The Mandate

The Panel for Utility Leadership and Service Excellence (PULSE) was established in October 2025 to conduct the first comprehensive review of utilities since 2012 and to provide strategic advice and recommendations to the Minister on how best to ensure utilities are positioned to meet increasing electricity demand while maintaining high standards of safety, reliability and cost-effectiveness.

In fulfilling its mandate, the Panel focused on whether utilities have the capital access, governance structures, regulatory systems and organizational capability required to translate provincial energy policy into timely connections, reliable service, customer protection and investment-ready platforms for growth.

Research and Stakeholder Engagement

The Panel undertook a detailed review of available data and engaged in a focused program of stakeholder engagement to inform its analysis and recommendations.

This work included constructive dialogue with more than 50 representatives from across the electricity sector including:

- Electricity distribution utilities and their associations;
- Municipalities and their associations;
- Prospective Canadian investors, including pension plans, investor-owned energy companies, financial institutions and Energy Corridor First Nations (ECFN); and
- Provincial ministries and agencies.

In addition, the government posted a public consultation document from October 27 to December 15, 2025, and received 28 written submissions from a wide cross-section of stakeholders, providing further perspectives on the issues examined in this review.

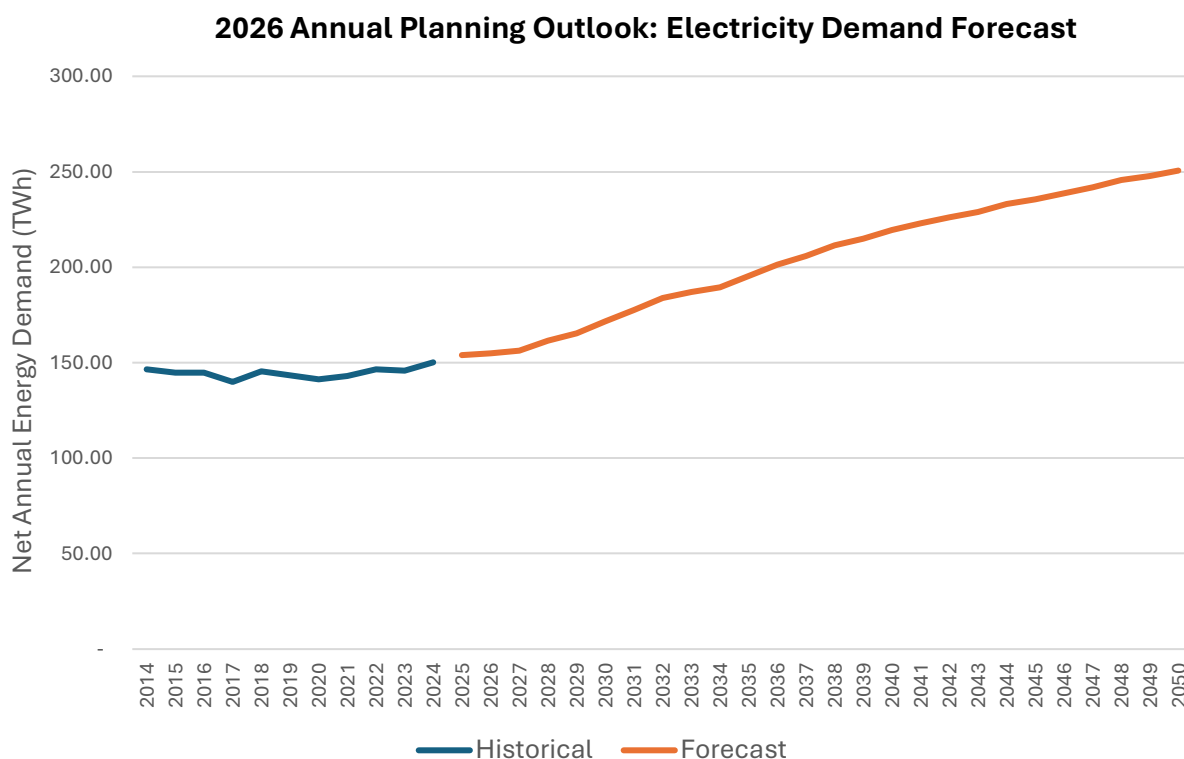
Throughout the engagement process, the Panel tested emerging themes and preliminary recommendations with affected stakeholders for discussion and feedback. This approach enabled the Panel to consider a range of perspectives and to balance the interests of utilities, customers, municipalities, potential investors and the province in shaping its recommendations.

Observations

Growth

Ontario is entering a period of sustained, system-wide growth in electricity demand. Electrification of transportation, heating and industry, combined with population growth and expanding economic activity, is driving demand growth across most regions of the province.

The Independent Electricity System Operator's (IESO) 2026 *Annual Planning Outlook* reference scenario projects that Ontario's electricity demand will increase by approximately 65% by 2050. This is equivalent to adding the demand of a city the size of Toronto every 5 years.



Source: [*IESO Annual Planning Outlook \(APO\): 2026 Demand Forecasts and 2027 Demand Scenario*](#), Nov 18, 2025

This structural shift from historical patterns fundamentally alters the operating environment for the electricity distribution sector and changes the nature of the challenge facing utilities.

As demand accelerates, constraints within the electricity distribution system are increasingly influencing the pace at which growth can be accommodated. Connection timelines, available capacity and the ability to plan and deliver infrastructure in advance of realized demand are becoming more prominent factors shaping housing development, industrial investment and electrification outcomes. Distribution system readiness is emerging as a critical determinant of Ontario's broader economic and climate objectives.

Utilities

Utilities and regulators have focused on maintaining reliability through cost containment, incremental upgrades and operational efficiency. Investment, planning and governance frameworks are shaped around this operating context and have proven effective.

However, as demand conditions change, it is important to examine whether these arrangements remain fit for purpose under a sustained growth environment.

This section examines Ontario utilities in three ways:

1. Ownership;
2. Historical investment and performance; and
3. Responding to increasing demand.

1. Ownership

Ontario's utilities were incorporated between 1998 and 2000 under the *Ontario Business Corporations Act* as part of the provincial electricity sector restructuring. Prior to incorporation, most municipal utilities operated as commissions or departments of local government. Incorporation transformed these utilities into taxable, for-profit corporations owned by municipalities, subject to Payments in Lieu of Taxes (PILs) and Ontario Energy Board (OEB) regulation.²

This shift formalized utilities as commercial entities with clear shareholder relationships, enabling municipalities to receive dividends and treat their utilities as stable revenue-generating assets. The regulatory framework introduced at the same time provided predictable earnings through OEB-regulated rates, deemed capital structures and performance-based rate-setting mechanisms. While incorporation strengthened governance and improved transparency around profitability, it also embedded structural constraints that are increasingly relevant today.

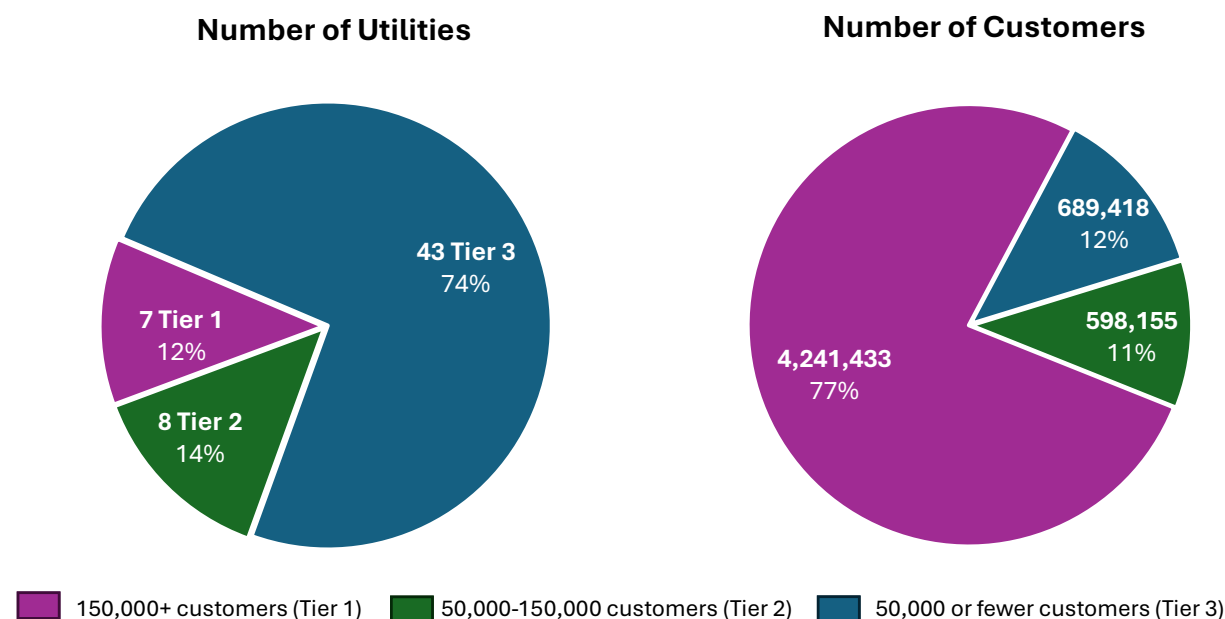
Ontario's electricity distribution sector is currently comprised of 58 utilities, the majority of which are owned through municipal holding companies. These holding companies may own both the regulated electricity distribution utility and other non-regulated businesses. References to a "utility" in this report encompass both the electricity distribution utility and its associated holding company.

The current ownership structure has supported reliable electricity service across the province and reflects the historical evolution of Ontario's electricity system. Previous reviews of the sector, including the one conducted by the 2012 Distribution Sector Review Panel,³ observed that Ontario's distribution structure is unusual by Canadian and international standards and reflects historical development rather than deliberate system design. The 2012 Report stated that the 73 utilities in existence at that time "should be consolidated into 8 to 12 larger regional distributors that are large enough to deliver improved efficiency and enhanced customer focus, while at the same time

² There were limited exceptions to this structure. For example, Hydro One was incorporated as a provincially owned corporation and, at the time of its incorporation, was wholly owned by the Province of Ontario.

³ *Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First, The Report of the Ontario Distribution Sector Review Panel*. December 2012.

maintaining a strong connection with their local communities”. Since then, consolidation has occurred gradually, and the overall structure of the sector has remained largely unchanged.



Source: [OEB Open Data Portal 2.1.2 Market Monitoring Information](#), published annually⁴

At the same time, the sector remains highly fragmented; 88% of customers are served by the largest 15 utilities with the remaining 12% served by 43 utilities.

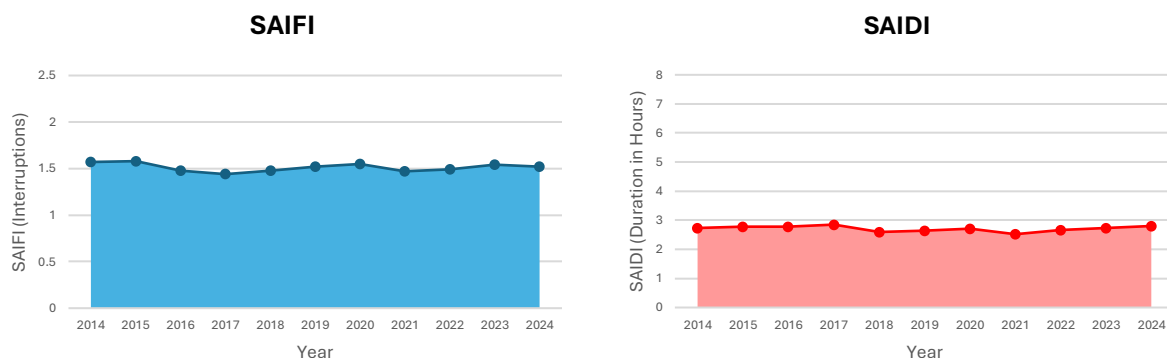
As investment requirements scale, fragmentation has the potential to constrain access to capital, and specialized human resources for some utilities. While these pressures are not uniform across the sector, even relatively modest increases in demand can have a disproportionate impact on smaller utilities, given their limited scale and financial capacity, particularly as the pace and complexity of required investment increase.

2. Historic Investment performance

Over decades of relatively flat demand, capital investment by most utilities has been largely directed toward maintaining system performance and state of good repair rather than expanding capacity for future growth.

Reliability outcomes have remained broadly stable across the province. OEB data on outage frequency (SAIFI) and duration (SAIDI), excluding major events, indicate that utilities have maintained reliability over time.

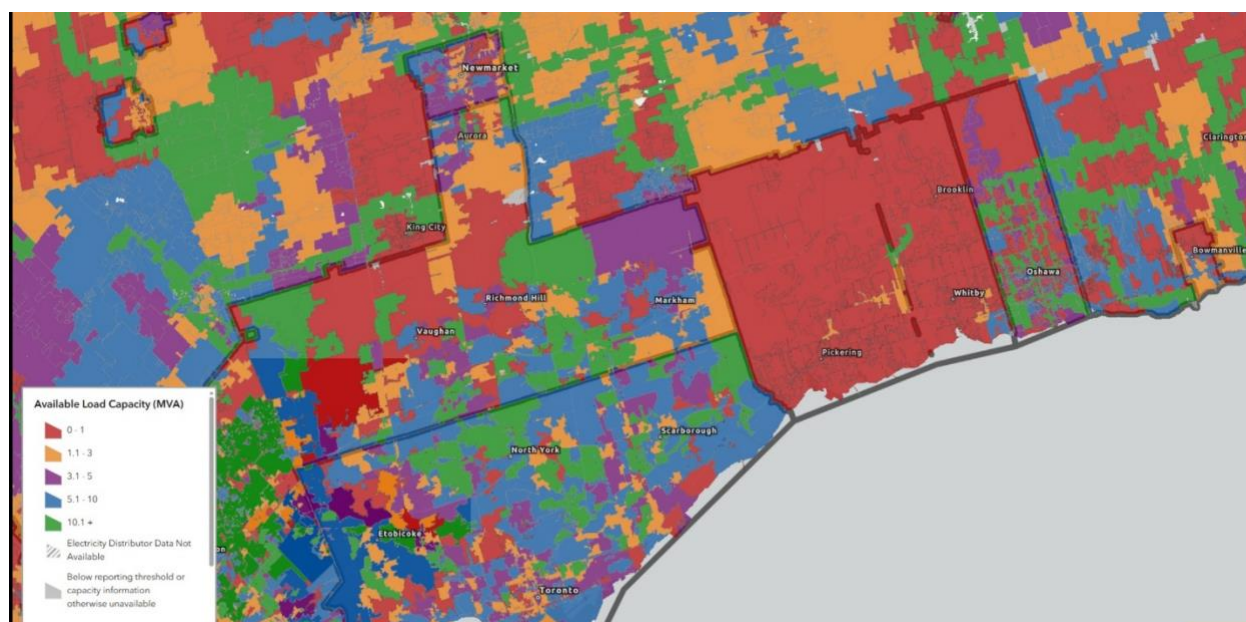
⁴ This figure includes data from 54 utilities that are covered by OEB open data as of December 2025 and 4 utilities that are not covered (Attawapiskat Power, Hydro One Remotes, Kashechewan Power, and Fort Albany Power).



Source: [OEB System Reliability Dashboard](#), published annually.

An analysis of utility investment in physical assets relative to economic benchmarks by the Ivey Business School released in December 2025⁵ provides important context. On average, Ontario utilities invested slightly below benchmark levels between 2017 and 2025, with a median gap of approximately 6%. In isolation, this level of under-investment is not, of itself, concerning. However, the variation across utilities is wide, indicating uneven capacity across the sector to respond to future investment needs. When investment requirements are adjusted to reflect grid modernization and a transition from a steady-state operating environment to one characterized by elevated investment, the implied shortfall becomes more pronounced. Under these assumptions, Ivey found that approximately 88% of utilities show investment below benchmark levels, suggesting that historical investment patterns are unlikely to be sufficient in a high-growth environment.

Centralized Capacity Information Map, Portion of Southern Ontario, January 2026



Source: [OEB Centralized Capacity Information Map](#), updated quarterly

⁵ [Fiscal Cliffs and Investment Benchmarks: Evidence that Most Ontario LDCs Under-Invest - Dec 2025](#)

A Centralized Capacity Information Map (CCIM), released in January 2026 by the OEB, shows that capacity could be significantly constrained in some high-growth areas of the province, limiting economic development.

Taken together, SAIDI and SAIFI data, Ivey's 2025 findings on utility investment and the CCIM, show that many utilities are focusing investment on maintaining existing assets and system condition during a prolonged period of relatively flat demand.

In effect, most utilities have preserved reliability by deferring capacity expansion and growth-related investments that were not immediately required. While this approach was appropriate under stable demand conditions, it will become increasingly difficult to sustain as demand accelerates and connection pressures intensify.

3. Sustained growth is testing the system

Historical investment patterns are no longer a reliable guide to future requirements. When investment needs are assessed under scenarios involving electrification, grid modernization and expanding demand, both the scale and timing of required capital increase materially.

In its 2024 policy paper *Solving Grid Lock*,⁶ the Electricity Distributors Association (EDA) noted that historical annual capital spending by Ontario's electricity distribution companies averaged approximately \$2.5 billion per year, providing a useful point of reference for considering the magnitude of future investment requirements.

The EDA concludes that cumulative gross capital additions are projected to reach up to \$120 billion over next 25 years, almost double the level of capital investment undertaken by utilities over a comparable historical period. While the Panel has not independently validated these estimates, they provide a useful indication of the scale of the change now facing the sector.

At the same time, sustained growth is increasing pressure on access to skilled trades and professionals including engineers, system planners, project managers, and IT specialists. Competition for these skills is intensifying across the infrastructure economy.

Municipal Shareholders

Since incorporation in the 1990s, municipal ownership of electricity distributors has provided continuity and supported reliable service delivery under a robust regulatory framework. As Ontario enters a period of sustained growth, the role of municipal shareholders is becoming more complex and consequential.

Municipal shareholders influence utilities primarily through governance arrangements, capital structure decisions and risk tolerance. These choices increasingly shape whether utilities can access capital at the scale and pace required, manage delivery risk and invest ahead of demand where appropriate.

As the operating environment shifts from a period in which utilities have primarily paid dividends to municipal owners toward one in which additional capital investment may increasingly be required, the Panel heard that many municipalities do not have full visibility of the long-term funding requirements associated with their utilities' growth.

⁶ [Solving Grid-Lock - EDA Vision Paper - April 2024.pdf](#)

The Panel also heard that municipal fiscal priorities, borrowing limits and risk considerations can constrain flexibility in capital deployment. As debt-servicing capacity tightens, the ability of municipal owners to support large, long-term infrastructure investment through traditional balance-sheet approaches becomes more limited.

Existing ownership and governance arrangements can limit the ability to access external capital, form partnerships or pursue consolidation.

While municipal ownership introduces political and transparency-based accountability, accountability to customers in Ontario's electricity distribution sector is primarily delivered through economic regulation by the OEB, regardless of ownership structure.

An Ivey Business School report from June 2024⁷ found that in "Ontario's electricity distribution sector, municipal governments – who are usually the main shareholders of Local Distribution Companies (LDCs) – often do not have sufficient industry expertise or professional capacity to effectively monitor LDCs, making corporate governance structures and practices especially crucial."

The issue for municipal owners is therefore not whether to retain involvement in the sector, but how best to ensure that electricity distribution utilities are positioned to access the capital, capability and scale required to deliver sustained investment. While municipal equity contributions may continue where feasible, the scale and persistence of investment needs mean that a broader range of pathways will often be required. These may include partnerships with institutional investors, shared ownership models, consolidation or other arrangements that introduce additional sources of long-term capital and expertise.

Investment Community

Given the scale of capital required to support sustained growth, access to external investment, particularly from Canadian institutional investors, is likely to be a critical determinant of whether electricity distribution utilities can deliver required infrastructure on time and at reasonable cost. While municipal shareholders may continue to provide equity support where feasible, competing fiscal priorities mean that external sources of long-term capital are expected to play an increasingly important role.

The Panel heard that investors generally view Ontario's regulatory framework, including the allowed return on equity, as providing a sound foundation for long-term investment, subject to appropriate governance and risk-allocation arrangements. Investor interest varies significantly for Tier 1, 2 and 3 utilities.

For large Tier 1 utilities, pension plans and strategic energy investors expressed strong interest in direct equity participation with a consistent preference for majority ownership. Where majority ownership is not feasible, investors indicated that minority investment would require robust contractual protections, including clear rights relating to strategy, business plans, capital programs and executive appointments. In these circumstances, investors recognized that municipal shareholders, where they become minority owners, would appropriately focus on matters such as service quality, reliability and community outcomes.

⁷ [Corporate Governance Transparency: A Scorecard - Ivey Business School - June 2024](#)

For mid-size Tier 2 utilities, the Panel heard limited interest from most investors. The Building Ontario Fund (BOF) and other public sector funds were identified as potential sources of equity capital that could help catalyze investment, support consolidation or enable partnerships that improve scale, governance capability and financial resilience. Subject to mandate, transaction structure and risk profile, the BOF and other partners or funds could source capital across suitable opportunities.

For Tier 3 utilities, ECFN expressed interest in potential investment opportunities. By contrast, traditional institutional investors indicated that restructuring, consolidation into larger platforms, or alternative funding arrangements supported by municipal shareholders would likely be required before external equity investment becomes viable.

Across all investor types, the current tax system was identified as a material consideration in transaction structuring and valuation.

Investors demonstrated a clear understanding of Ontario's Payments-in-Lieu-of-Taxes (PILs) regime, under which municipal electricity utilities (MEUs) are exempt from federal and provincial corporate income tax while remaining subject to an equivalent tax levied by the province. While this framework supports public revenue objectives, investors noted that levels of private investment that result in the transitioning of a MEU into the federal Corporate Income Tax (CIT) and out of the PILs regime can trigger significant tax consequences.

Investors highlighted the impact of PILs Departure Tax⁸, which arises when private ownership exceeds the federal government-ownership threshold of 10% and loses its CIT exemption under the Income Tax Act (Canada). The utility is deemed to dispose of its assets at fair market value. While recent provincial measures have temporarily exempted the capital gains component of PILs Departure Tax and eliminated Transfer Tax⁹ for eligible transactions through 2028, investors noted that depreciation recapture remains a material consideration in transaction economics and valuation. These tax effects influence both pricing and transaction design, particularly where ownership stakes approach or exceed the 10% control thresholds.

The Panel heard that governance arrangements can give rise to legitimate conflicts of interest. Municipal representatives face competing policy and fiscal considerations that can conflict with their fiduciary duties to act, solely, in the best interests of the distribution corporation. While such arrangements may appear to operate appropriately in practice, the Panel observed that the perception of competing priorities between municipal and utility decisions are a concern for potential equity investors, including institutional investors, who place a high value on clear governance, independent decision-making and alignment of fiduciary responsibilities.

Addressing these governance perceptions is relevant not only as a matter of good practice, but also because they can directly influence investor confidence, risk assessment and the willingness of

⁸ "Departure Tax," applies when an electricity distributor or its shareholders exit the PILs regime, including through certain ownership or structural changes. The Departure Tax is designed to approximate corporate income taxes that would have been payable under standard taxation arrangements and can result in a material one-off tax liability, affecting the economics of transactions.

⁹ "Transfer Tax" may apply to certain transactions involving electricity distribution assets or shares, including changes in ownership or control. The tax is designed to capture tax value associated with the transfer of electricity property and can give rise to a significant one-off liability, which may influence transaction feasibility, pricing and structure.

external capital providers to commit long-term investment in the sector. Accordingly, a range of governance arrangements warrant consideration, including board composition, the role of independent directors, and shareholder or governance frameworks that provide clarity around fiduciary responsibilities and decision-making.

Taken together, the Panel heard that there is interest from Canadian investors in Ontario's electricity distribution sector but participation depends on ownership structures, governance arrangements, regulatory clarity and tax policy that support long-term investment.

Ontario Energy Board (OEB)

Utilities operate as monopoly service providers within a highly regulated framework. In this context, regulatory processes governing ownership changes, consolidation and partnerships are a key feature of the sector, shaping utilities' access to capital, ability to achieve scale, and capacity to deliver investment at pace. The OEB plays a central role in determining cost recovery, the allocation of risk between utilities and customers, and the incentive structures applied to long-lived infrastructure investment. Together, these regulatory settings influence both customer outcomes and utilities' willingness and capacity to undertake timely, large-scale investment under conditions of uncertainty.

Ontario's electricity distribution rate-making framework was designed to support reliable service and protect customers through performance-based regulation, productivity expectations and benchmarking. These tools were intended to encourage efficiency and cost discipline while allowing utilities a reasonable opportunity to earn the OEB's approved return on equity.

However, the Panel heard consistently that, in practice, these arrangements have not operated as intended, even during periods of relatively stable demand. Many utilities have persistently under-earned the OEB-approved return on equity, indicating that performance-based rate-setting and productivity mechanisms have functioned less as balanced performance-based regulation and more as structural constraints on cost recovery. This experience has raised concerns about whether the framework has delivered its core objective of aligning efficiency incentives with financial sustainability.

In particular, the Panel heard strong and consistent feedback that the productivity factor imposed on utilities is experienced primarily as a cost-cutting requirement rather than a performance-based incentive. Stakeholders indicated that the current application provides limited or no positive incentive for exceeding performance expectations. In practice, it operates largely as an asymmetric mechanism imposing downward pressure on revenues without a corresponding "carrot" to reward improved service, delivery or investment outcomes.

The Panel also heard from investors that Ontario's allowed return on equity is generally viewed as reasonable and competitive for a regulated monopoly utility. The concern raised was not the level of the allowed return, but the ability of utilities to actually achieve it in practice. Investors and utilities alike pointed to the cumulative effect of performance rate-setting mechanics, productivity and stretch factors, regulatory lag, and post-approval adjustments as making it difficult for utilities to earn the allowed return on a sustained basis, even where underlying performance is strong.

The Panel observed that persistent under-earning of allowed returns influences how utilities plan and manage investment over time. Where there is uncertainty about the timing and completeness of cost recovery, utilities tend to be more cautious in sequencing investment, particularly for discretionary, anticipatory or growth-enabling expenditure. While such behaviour may be prudent from a financial perspective, it can be misaligned with broader system objectives that increasingly require investment ahead of demand.

As the operating environment shifts to one of sustained demand growth, electrification and rising connection volumes, these issues become more consequential. Utilities are being asked to plan and deliver infrastructure at greater scale and pace, often in advance of realized load. In this context, rate-making mechanisms that have constrained utilities' ability to achieve allowed returns under steady-state conditions risk reinforcing conservative investment profiles that are not well suited to the demands of a high-growth environment.

Taken together, the Panel observed that while Ontario's rate-making framework has provided stability and customer protection, it is under increasing strain as the system transitions to a period of sustained growth, higher capital intensity and greater uncertainty. Without adaptation, regulatory settings designed for cost containment risk constraining the investment readiness, delivery capability and scale required to support long-term economic growth, electrification and system resilience.

The Panel notes that the OEB has initiated a Next Generation Rate Framework consultation Framework (EB-2026-0002)¹⁰, to consider the future design of incentive regulation, benchmarking, capital treatment and performance incentives. The Panel welcomes this work and encourages the OEB to consider the evidence and observations set out in this report, including the experience of utilities and investors under the current framework and the need to better align rate-making with sustained demand growth, investment timing and system readiness.

In a similar vein, the Panel heard that post-Mergers, Amalgamations, Acquisitions and Divestitures (MAADs) transaction rate freezes, which were developed in a low-growth context to capture near-term efficiencies, can compound the same asymmetry observed in rate-setting by imposing immediate constraints on revenues while limiting the ability of utilities to reinvest and integrate assets following transactions in a period of sustained growth.

¹⁰ [Next Generation Rate Framework | Ontario Energy Board - January 2026](#)

Recommendations

Ontario is on the cusp of the largest demand surge in its history. Electrification is creating new opportunities for business and economic development in every region of the province. Municipalities and their utilities are uniquely positioned to take advantage of this historic change to shape a prosperous, sustainable future for their communities.

The Panel's recommendations are interdependent and intended to operate as a coherent package. Implementing them in isolation or with material modification would likely reduce their effectiveness.

Timely action is critical because distribution investment lead times are long, demand is arriving quickly, and delays would risk foregone growth, higher costs for customers and a widening gap between electrification policy and delivery capability.

Utilities and Their Boards

1. Strengthen planning and board accountability.

The Panel recommends that by January 1, 2027, each utility be required to file a Certificate of Readiness with the OEB, jointly signed by the Board Chair and Chief Executive Officer. This certificate would be refreshed every five years.

In signing the Certificate of Readiness, the Board Chair and CEO would attest that the utility has:

- A 10-year comprehensive asset plan that addresses state of good repair, weather hardening, modernization and capacity growth having consideration for the IESO regional planning forecasts; and
- A funding strategy developed in consultation with municipal shareholders for this asset plan, including equity investments, debt financing, expectation of dividends and other funding tools; and
- A workforce strategy addressing access to skilled trades, engineering, project management and other specialist expertise required to deliver future investment programs.

The Panel recommends that the OEB establish a proportionate assurance framework for Certificates of Readiness. This framework should focus on confirming that reasonable, internally coherent plans are in place, rather than on re-assessing investment need or cost recovery, and may include periodic, targeted compliance reviews where risks are identified.

This recommendation is intended to provide early visibility into utility readiness and alignment, not to create a new approval process or pre-judge future rate applications or investment decisions.

2. Align dividend policies to funding strategy.

The Panel recommends that utility boards ensure that dividend policies are demonstrably consistent with their anticipated funding strategy over the planning period and are subject to regular stress-testing. Stress-testing should assess the utility's ability to fund required capital investment under a range of plausible demand and financing scenarios.

Municipal Shareholders

3. Ensure municipal recognition of funding requirements.

The Panel recommends that by July 1, 2027, all municipalities align their capital budgets with the funding strategies developed under Recommendation 1.

4. Adopt best practices for utility governance

The Panel recommends that, by January 1, 2027, utilities be required to update their governance arrangements to ensure boards are equipped to provide skilled leadership, manage risk, oversee complex and long-term investment programs and, where relevant, support access to debt and equity capital. In particular, the Panel recommends that:

- Utility boards be skills-based, with directors selected to collectively provide expertise to oversee strategy, finance, risk management, infrastructure delivery and stakeholder engagement; and
- Board size be proportionate to the scale and complexity of the utility, with boards typically comprising 7 to 11 directors as a general guide; and
- Board composition reflect ownership interests while preserving an appropriate balance between municipal representation, investor representation (where applicable) and independent directors; and
- Municipal elected officials (and their delegates) comprise no more than one-third of board membership to support a majority of directors with the independence required to oversee the operations of the utility; and
- Remuneration of members of boards should be disclosed by the utility.

Ontario Energy Board

5. Ensure the Next Generation Rate Framework supports sustained demand growth

The Panel notes that the OEB has initiated a comprehensive review of its rate-setting framework through the Next Generation Rate Framework consultation. The Panel does not seek to duplicate or pre-empt that work.

However, the Panel recommends that, in developing the next generation rate framework, the OEB have regard to the experience of utilities and investors under the current incentive-based arrangements, including evidence that some mechanisms, most notably the productivity factor, have come to operate primarily as cost-cutting requirements rather than balanced performance incentives.

In the Panel's view, a framework that relies predominantly on downward revenue adjustments, without commensurate opportunities for utilities to earn an upside return for improved performance, timely delivery or investment readiness, risks weakening the effectiveness of performance-based regulation in a sustained growth environment. The next generation framework should therefore seek to better align incentives, capital recovery and performance outcomes so that utilities have a credible opportunity to earn the allowed return on equity while delivering the infrastructure, service quality and system capacity required to support electrification and economic growth.

Ensuring that the rate framework can accommodate scale, uncertainty and investment timing will be critical to mobilising capital, supporting diverse ownership and partnership models, and maintaining customer protection over the long term.

6. Enabling Scale and Capacity Through a Fit-for-Purpose MAADs Framework

Timely progress on changes to the MAADs framework will be necessary to ensure that the benefits of tax reform can be realized in practice, and that governance, regulatory and tax settings operate together to support scale, investment and infrastructure delivery.

i. Apply a more proportionate, risk-based MAADs framework

The Panel recommends that the OEB update its MAADs framework to better support scale, investment and delivery capability in a period of sustained growth, while maintaining customer protection and public-interest oversight.

The framework should more clearly distinguish between transactions that raise material public-interest risks and those that do not, with the depth of review calibrated to the nature and potential impact of the transaction. This recommendation does not alter the statutory requirement for the OEB's approval under section 86 of the Ontario Energy Board Act but addresses how that discretion is exercised.

ii. Introduce a streamlined pathway for low-risk transactions

The Panel recommends establishing a streamlined, notice-based MAADs pathway for prescribed low-risk transactions, supported by targeted legislative or regulatory changes.

Transactions meeting defined eligibility criteria would proceed through a proportionate review unless specific escalation triggers are present, in which case a full MAADs review would apply. This would improve timeliness and predictability while allowing the OEB to focus regulatory effort on transactions where genuine risks arise.

iii. Reframe the application of the “no harm” test in low-risk cases

For prescribed low-risk transactions, the Panel recommends replacing speculative counterfactual analysis with a risk-based public-interest assessment.

Applicants would continue to bear the onus of demonstrating that a transaction is in the public interest, but the assessment would focus on identifying material risks rather than proving precise future outcomes relative to a hypothetical baseline.

iv. Explicitly recognize scale and investment readiness in the public-interest test

The Panel recommends that MAADs guidance more clearly recognize scale, financial capacity and long-term investment readiness as relevant public-interest considerations, consistent with recent amendments to the Ontario Energy Board Act emphasising economic growth.

Transactions that strengthen a utility's ability to finance and deliver infrastructure in a timely and resilient manner may advance the public interest with customer protection continuing to be provided through ongoing economic regulation.

v. Align post-transaction expectations with investment realities

The Panel recommends refining post-transaction efficiency expectations to better reflect the investment realities of utilities.

In particular, the OEB should clearly distinguish between shareholder-borne transaction costs and necessary incremental capital investment required following consolidation to avoid discouraging timely and prudent investment during post-transaction periods.

Government of Ontario

The province has a central role in enabling a distribution sector that can support sustained growth while maintaining affordability, reliability and public accountability. Provincial policy, particularly in taxation, capital mobilisation and workforce development, materially influence whether utilities and their owners can access capital, form partnerships and deliver infrastructure at the pace required.

7. Create tax policy that incentivises long-term investment

The Panel recommends that the province put in place a clear and permanent Departure Tax framework by July 1, 2026, to support long-term investment, partnerships and consolidation in the electricity distribution sector.

Under this framework:

- When a utility raises new equity from external (non-municipal) investors to fund its own operations, up to 50% new ownership by those investors should be exempt from the Departure Tax.
- If an external investment results in ownership above 50%, the Departure Tax should apply only to the portion above 50%, not to the full investment.
- Where a municipality sells its existing ownership interest, the Departure Tax should continue to apply proportionally, with no exemption.

The Panel also recommends that the provincial government retain flexibility to agree to alternative arrangements with investors where appropriate and in the public interest.

This approach supports utilities in raising new equity from external investors to fund growth, while ensuring tax applies only where ownership and control meaningfully shift.

8. Mobilize public capital to catalyze private investment

The Panel recommends that the province actively use public investment vehicles to catalyze private capital and support transformation in the electricity distribution sector. This includes:

- making capital available through the Building Ontario Fund (BOF), subject to its governance and investment processes, to crowd in institutional investment in utilities' infrastructure investment, consolidation, expansion, and other activities that strengthen long-term financial sustainability; and

- exploring opportunities for BOF to partner with other public sector funds to increase the scale, reach and impact of investments in electricity distributors.

9. Strengthen workforce and skills capacity.

The Panel recommends that the province work with utilities to expand workforce and skills initiatives to meet increased demand for skilled trades, engineers, system planners and project managers in an era of sustained growth in demand.

In particular, the Panel recommends that:

- Trades training and retraining programs be expanded to explicitly include electricity distribution-related skills, including line workers, electrical trades, protection and control specialists and project delivery roles; and
- Targeted pathways be developed for workers transitioning from other sectors, including automotive and steel manufacturing, where skill adjacencies are strong; and
- Indigenous-led training and workforce programs be supported, including initiatives designed and delivered by First Nations organisations, to strengthen participation across both employment and investment pathways in the electricity sector.

These measures would support timely infrastructure delivery, reduce project risk and help ensure that capital availability translates into real-world outcomes.

10. Monitor progress and adapt policy settings.

The Panel recommends that the province undertake a follow-up review by December 31, 2029. This review should assess whether existing measures have been sufficient to unlock capital, support consolidation and partnerships, and deliver infrastructure at pace and whether further changes are required.

Final Thoughts

Ontario's electricity distribution sector is entering a materially different operating environment. Rising electricity demand driven by electrification, population growth and economic development will place new expectations on utilities, their owners and the regulatory framework. While existing arrangements have supported reliable service under stable conditions, they are not consistently designed to deliver infrastructure at the pace and scale now required.

The Panel's recommendations are intended to ensure the sector is ready for this shift. Taken together, they strengthen governance, expand investment pathways and align regulatory settings with sustained growth while maintaining customer protection and public accountability. Early, coordinated action will be critical to ensuring Ontario's distribution system can support economic growth, housing supply and electrification outcomes over the coming decades.

Acknowledgements

The Panel would like to thank Minister Lecce for this opportunity to provide our input to Ontario's electricity sector at such a pivotal moment in the growth of the province.

We wish to thank all the stakeholders who met with us and provided feedback through numerous meetings and candid conversations.

We would also like to thank the dedicated staff at the Ministry of Energy and Mines for their commitment and responsiveness in supporting the Panel in preparing this report over the last 100 days.

APPENDIX A: PANEL MEMBERS

Anthony Haines is an experienced Director and veteran CEO in the energy sector. He currently serves in Canada as Director of Ontario Power Generation and Chairman of Elexicon Corporation. In addition to these boards, he also serves in the USA as Director of Alphagen and AP Company Group (Advanced Power) and Advisor to ArcLight Capital. From 2009-2024, Anthony was President & CEO at Toronto Hydro Corporation and from 2005-2009 served as the company's Chief Administrative Officer and President of the utility. From 2003-2005, Anthony served as Chief Operating Officer at Hydro Ottawa, and prior to that was President & CEO at Enlogix Inc. (a subsidiary of Westcoast Energy). At Toronto Hydro, Anthony oversaw the commercial transformation of the company, exponentially growing its profitability and taking it to high investment-grade credit ratings. At the same time, he oversaw the company's largest capital build-out in history, dramatically improving customer service and grid performance at a time when Toronto was the fastest growing city in North America. Anthony served as past Chair of both Electricity Canada and the Ontario Energy Association. He has won numerous awards including Canadian Energy Person of the Year (Energy Council of Canada), Leader of the Year (Ontario Energy Association), the first Canadian to win the North American Sustainability Leader of the Year (Corporate Responsibility Association), Leadership on Sustainability (Electricity Canada), and recently Lifetime Achievement (Ontario Energy Association). In addition to his commitment to the energy sector, Anthony has been actively involved in philanthropic activities. He is most proud of his fundraising efforts for the Ross Tilley Burn Centre at Sunnybrook Hospital, overseeing fundraising of millions of dollars for electrical injury rehabilitation research.

Paula Conboy is an internationally recognized energy-sector leader with more than 25 years of experience spanning regulation, market design, transmission, policy development and governance across multiple jurisdictions. She currently serves on the Board of PJM Interconnection in the United States and on the Board of Singapore's Energy Market Authority. In 2025, she was appointed to an expert panel reviewing Australia's National Electricity Market. Previously, Paula served as Chair of the Australian Energy Regulator and as a member of the Energy Security Board, where she contributed to major reforms supporting Australia's energy transition. Earlier in her career, Paula worked at the Ontario Energy Board, contributing to the development of Bill 35 in 1998, before moving to PowerStream as Vice President, Regulatory and Government Affairs. She later served as a board member of the Ontario Energy Board. Paula is a member of the National Association of Corporate Directors and the Australian Institute of Company Directors.

Alexander Nuttall serves as the 47th and current mayor of Barrie and Vice-Chair of Ontario Big City Mayors. Previously, he served on Barrie City Council from 2006 until 2014, and as the member of Parliament for the federal electoral district of Barrie—Springwater—Oro-Medonte from 2015 to 2019. During his tenure as Member of Parliament, Mayor Nuttall held the roles of Shadow Minister for the Sharing Economy, Deputy Shadow Minister for the Innovation, Science and Technology, Shadow Minister for Economic Development in Southern Ontario, Shadow Minister for Youth, Sports and Persons with Disabilities. Prior to entering federal politics, Mayor Nuttall had a successful career in banking, beginning with retail banking at TD Canada Trust, followed by Small Business at RBC, and Commercial Banking with Meridian Credit Union. Mayor Nuttall is a proud father to Caleb and Anabella Nuttall, and husband to Meg Nuttall.

David MacNaughton is a Canadian diplomat, political advisor, strategy consultant and former president of AI software development company Palantir Technologies Canada. Between 2016 and 2019 he worked in public office as the Canadian ambassador to the United States. He is a former

Director of TC Energy, a former Principal Secretary to the Premier of Ontario, and former advisor to the Federal Minister of Transport. He was also the President of Hill and Knowlton, and the former CEO of Public Affairs International. He is also a former President of Strathshore Financial.