STRATEGY CORP

2024-2025

Survey of Local Distribution Company (LDC) Chief Executive Officers

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The StrategyCorp Institute of Public Policy and Economy provides thought leadership on important public policy issues facing Canadians and their governments across the country by combining economic and policy expertise with key political insights.

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Introduction

This report represents StrategyCorp's inaugural survey of Local Distribution Company (LDC) Chief Executive Officers. It builds upon many of the energy-related insights identified over several years through our Ontario Municipal Chief Administrative Officer (CAO) Survey. as energy-related topics frequently emerged in our past CAO surveys, we concluded that it would be appropriate saw to engage directly with municipal LDC CEOs to gain their perspectives.

We also concluded that a survey of LDC CEOs would be especially useful at this juncture, given the changes underway in Ontario's energy sector. With growing electrification needs, a heightened focus on decarbonization, and increasing attention to distributed energy resources and grid modernization, LDCs face a period of significant evolution. This period of evolution, highlighted in the Electrification and Energy Transition Panel's final report, emphasizes the critical role LDCs will play in enabling the province's clean energy future. The report underscores the importance of modernizing local grids, integrating new technologies, and supporting electrification efforts to meet rising demand. Understanding how LDC leaders are approaching these changes provides valuable perspective on the opportunities and challenges ahead, particularly in the context of the Honourable Stephen Lecce, Minister of Energy and Electrification's recent policy statement, which reaffirmed the province's commitment to securing affordable, reliable energy while advancing clean electricity initiatives.

The survey results illustrate the different ways in which CEOs are navigating a complex and evolving energy landscape. It highlights the ways in which LDC CEOs and their organizations are striving to balance regulatory requirements, shareholder expectations, and emerging business opportunities – all while adapting to the demands of the energy transition.

Accordingly, we hope that this report will help advance continuing dialogue about innovation, collaboration, and the evolving role of municipally owned LDCs in Ontario's energy transition.

Survey Methodology

In 2024, StrategyCorp conducted in-depth interviews with 10 CEOs from mid-sized municipal LDCs across Ontario. Each CEO was provided in advance with a list of 12 questions to guide discussion.

Those questions covered a range of topics, including:

- The evolving LDC-municipal shareholder relationship
- Interactions and dynamics with the OEB
- Emerging opportunities and challenges tied to the energy transition and electrification
- New and innovative affiliate business opportunities

In keeping with the approach that we have refined through the successful annual StrategyCorp CAO survey, we made two commitments to the LDC CEOs who participated:

- We promise to faithfully and accurately record and report what they tell us.
- We ensure that all comments remain confidential and non-attributable.

These commitments enabled open dialogue, allowing CEOs to speak freely about their organizations, the relationship with their municipal shareholders, and the future of the electricity distribution sector in Ontario.

This report endeavours to reflect as accurately as possible the perspectives shared by participating CEOs. The report includes direct quotes to highlight key insights, with only minor edits where necessary for clarity, brevity, or to maintain anonymity.

It is important to note that this survey report presents qualitative insights rather than a statistically representative sample. The observations in the report is based on input from those participants who agreed to be interviewed.

The LDC-Shareholder Relationship

The relationship between LDCs and their municipal shareholders varies significantly across the sector. In some cases, that relationship is productive and effective, while in a few cases, it is sometimes strained. Many CEOs emphasized that the effectiveness of their relationship with their municipal shareholders is impacted governance structures, municipal priorities, and historical dynamics.

01. LDCS AND THEIR SHAREHOLDERS WORK TOGETHER IN DIFFERENT WAYS

In some cases, relationships are strong, and priorities are well-aligned, with regular engagement ensuring mutual understanding and shared objectives. These LDCs actively contribute to municipal priorities, such as economic development, electrification, and infrastructure planning, and maintain open lines of communication with CAOs and Council representatives. One CEO described this alignment succinctly:

> **We are quite aligned on what our purpose is.**

However, in other cases, municipal shareholders primarily view the LDC as a financial asset, with a focus on dividends rather than its broader role in infrastructure and community development. This perspective has sometimes led to friction, particularly when shareholders are less engaged in understanding the operational and strategic challenges facing LDCs. As one CEO put it:

> **The majority shareholder is driven by the dividend... a tunnel focus, a narrow view. They see us as a line on their income statement that needs to be fulfilled.**

The governance model of an LDC also plays a key role in shaping the LDC-municipality relationship. Some LDCs operate under an arms-length structure, where a Holdco board – primarily composed of independent appointees –

ensures that decision-making is driven by industry expertise. Others adopt a municipal representation model, where elected officials serve as directors and, in some cases, comprise the majority on the board. While this latter approach might ensure that municipal shareholders maintain strong oversight over LDC activities, some CEOs have raised concerns that political considerations interfere with long-term strategic planning.

> **Having politicians on the board ensures alignment with municipal priorities, but it also means decisions can sometimes be influenced by short-term political pressures.**

02. THERE ARE OPPORTUNITIES TO IMPROVE THE LDC AND SHAREHOLDER RELATIONSHIP

The LDC CEOs identified several key areas for enhancing the LDC-shareholder relationship. There is broad recognition that deeper engagement, information sharing, and clearer expectations would further strengthen collaboration.

A recurring theme was the need for more structured information sharing opportunities for shareholders to better understand the evolving role of LDCs. The energy sector is undergoing rapid transformation, with electrification, capacity constraints, and new infrastructure demands requiring strategic decision-making. Yet, several CEOs noted that municipal leaders often lack the technical knowledge needed to fully engage in these discussions.

> **We need to educate them more, get in front of them more, and help them understand the energy transition.**

Some LDCs have found success in hosting regular updates with CAOs and elected officials, ensuring that shareholders stay informed about industry trends, upcoming investments, and policy changes.

> **We meet with the CAO quarterly, provide business updates, industry landscape insights, and use those discussions to educate our shareholders on the challenges and opportunities ahead.**

Another issue raised was the lack of clarity around what “success looks like” for LDCs from a shareholder perspective. It was mentioned that in some cases, these expectations are not clearly articulated to the utility, leading to misalignment between municipal objectives and LDC strategic planning. Several CEOs suggested that joint strategic discussions between municipal leadership and LDC executives could help define shared priorities and establish a clearer vision for the utility's role in community development.

What does success look like for the utility in five years? Is it dividends? Reliability? Economic impact? Sometimes people haven't even sat down to think about it.

Finally, several CEOs highlighted the need for LDCs to be recognized as key partners in economic development. LDCs play a crucial role in supporting regional growth by providing the infrastructure necessary to attract investment. However, some municipalities do not fully leverage their LDCs in economic planning or include them early enough in major investment discussions. Ensuring that LDCs have a seat at the table in municipal economic development conversations would allow for better coordination and more efficient infrastructure planning.

LDCs need to be in tune with economic development – thinking about future capacity and attracting industry. We need to be seen as a partner in offering critical infrastructure.

StrategyCorp's perspective

LDC CEOs – and their leadership teams – play a critical role in ensuring that municipal shareholders fully understand the changes underway in the electricity sector. As the energy transition accelerates and regulatory frameworks evolve, LDCs have a responsibility to proactively engage with their shareholders, helping them understand and navigate complex issues such as electrification, grid modernization, and emerging business opportunities.

By fostering structured, ongoing dialogue, LDCs can ensure that municipal decision-makers are well-informed about financial, operational, and strategic considerations, enabling more effective governance and investment decisions. Stronger engagement between LDCs and their shareholders will not only support better alignment on priorities and expectations but also enhance the ability of municipalities to leverage their LDCs as key partners in economic development, decarbonization initiatives, and long-term infrastructure planning.

Pursuing New Business Opportunities

New businesses, through affiliates, might provide LDCs with a strategic path to diversification and new revenue streams outside the regulated utility. While some municipal shareholders support expansion outside the regulated utility, other municipalities prioritize stable dividends and low-risk affiliate growth.

As the energy landscape continues to evolve, affiliate businesses could present an opportunity for LDCs to diversify revenue streams, enhance service offerings, and strengthen their financial position. While traditional regulated utility operations remain the core focus for many LDCs, affiliates allow utilities to leverage their expertise in infrastructure, energy management, and customer service to enter new markets, provide value-added services, and capitalize on emerging business opportunities.

> "We are no longer just a poles and wires company – we are an energy management and infrastructure provider, ensuring our communities have the services they need beyond just electricity.

LDCs with successful affiliate models have developed businesses in telecommunications, engineering services, infrastructure construction, metering solutions, renewable energy, and energy management. These ventures provide financial benefits to both the LDC and municipal shareholders, allowing for long-term financial sustainability, reinvestment in grid modernization, and a stable revenue stream outside of the regulated rate structure.

> Our affiliate businesses now contribute a significant portion of our overall net income, reducing reliance on regulated operations. This diversification strengthens our financial resilience while ensuring we continue to deliver strong returns to our shareholder.

01. MUNICIPAL SHAREHOLDERS HAVE DIFFERENT PERSPECTIVES ON RISK AND INVESTMENT IN AFFILIATE BUSINESSES

The role of affiliate businesses in LDC growth is shaped significantly by the risk tolerance and financial priorities of the shareholder. Some municipalities view affiliate expansion as a strategic opportunity, encouraging their LDCs to actively pursue new business lines that align with local economic development and energy transition goals. In contrast, others prefer their LDCs to concentrate on organic growth by focusing on deepening and expanding existing business lines over time, rather than pursuing acquisitions or capital-intensive expansions. This divergence in approach impacts how aggressively LDCs can scale their affiliate operations, access capital, reinvest earnings into future business ventures.

> Some municipalities want to see aggressive expansion, while others are more cautious – they'd rather take immediate cash than invest in long-term affiliate opportunities.

Ultimately, CEOs indicated that shareholder attitudes toward risk and reinvestment significantly influence the trajectory of LDC affiliate growth. They noted that these perspectives dictate whether utilities can pursue large-scale unregulated business opportunities or remain limited to smaller, low-capital ventures. For many CEOs, the focus is on finding a balanced approach –

pursuing new business opportunities through strategic affiliate expansion while maintaining a level of dividend certainty for their shareholders. This balance is viewed as essential for seizing growth opportunities – especially those tied to the energy transition – without compromising shareholder expectations.

02. THE ENERGY TRANSITION PRESENTS OTHER UNIQUE BUSINESS OPPORTUNITIES FOR LDCS

CEOs highlighted that the ongoing changes in the energy sector are opening new business opportunities for LDCs. While utilities have traditionally focused on grid maintenance and power distribution, shifts in policy, technology, and customer expectations are now enabling LDCs to expand into areas dominated by private companies.

Many CEOs expressed that there is significant potential for LDCs to grow their role as energy advisors, helping customers navigate the energy transition. They discussed opportunities to offer services such as home energy audits, EV charger installations, energy storage solutions, and peak-demand management programs. In their view, by leveraging their deep understanding of local energy needs, LDCs can diversify revenue streams while strengthening customer relationships.

> **"How do we become the first phone call for customers when they need energy solutions? We need to move beyond poles and wires and into energy management.**

Additionally, CEOs highlighted the important role they believe LDCs can play in supporting municipal sustainability goals, an insight that reflects and builds upon findings from the 2024 edition of StrategyCorp's Ontario Municipal CAO Survey. According to the CEOs, as municipalities advance net-zero commitments and implement climate adaptation strategies, LDCs are uniquely positioned to help communities achieve their decarbonization objectives.

The CEOs identified specific opportunities where LDCs could contribute, including developing and operating EV charging networks, supporting the electrification of municipal transit and fleet operations, planning and managing district energy systems, and facilitating other carbon reduction initiatives. In their view, LDCs are well-suited to act as strategic partners in advancing local sustainability efforts, helping municipalities navigate the complexities of the energy transition while leveraging their expertise in infrastructure and community energy needs.

> **Municipalities are trying to find their path to sustainability, and we need to be their enabler. LDCs should be leading the conversation on advancing the energy transition locally, not following it.**

StrategyCorp's perspective

While the energy transition presents new opportunities for LDCs to expand beyond regulated operations, growth outside the core utility must be carefully aligned with, among other things, shareholder risk tolerance, the LDC's core competencies, market conditions, and financial capacity. Expanding into affiliate businesses requires a structured approach to assessing risks, investment feasibility, and strategic fit, ensuring that any new affiliate ventures enhance the LDC's overall value proposition, contribute to its long-term financial health, and support broader municipal and industry priorities.

LDCs also have a responsibility to engage their shareholders early and secure their buy-in before pursuing business diversification. The process of defining risk appetite, evaluating market opportunities, and determining investment thresholds must be done in collaboration with municipal shareholders, ensuring that expansion efforts are well understood and aligned with their expectations. A disciplined, transparent approach to affiliate business growth will help LDCs balance strategic expansion with financial prudence, enabling them to pursue new opportunities while maintaining shareholder confidence and long-term stability.

The Role of LDCs in the Energy Transition

The Electrification and Energy Transition Panel's (ETTP) Ontario's Clean Energy Opportunity report and the Ministry of Energy and Electrification's recent Letter of Direction to the Ontario Energy Board (OEB) both recognize that LDCs are at the forefront of Ontario's energy transition and are expected to lead in integrating new technologies (i.e., Non-Wires Alternatives) and adapting to evolving customer needs, all while maintaining system reliability and affordability. Additionally, the Government of Ontario's recent release of Ontario's Affordable Energy Future: The Pressing Case for More Power further emphasizes the pivotal role of LDCs in ensuring a reliable, affordable, and clean energy supply to support economic growth.

While there is broad consensus that the energy transition will have a significant impact on the electricity distribution sector, LDC CEOs differ on the pace and scale of action. Some advocate for immediate investments in grid modernization, Distributed Energy Resource (DER) integration, and new business models. Others urge caution, expressing concerns that moving too quickly could strain financial resources, outpace regulatory frameworks, and compromise affordability.

01. NAVIGATING THE ENERGY TRANSITION GIVEN INFRASTRUCTURE AND TECHNOLOGY CONSTRAINTS

CEOs expressed a range of perspectives on the pace of the energy transition, with many warning that the government's goals and expectations might be too ambitious and not fully grounded in economic realities. These CEOs emphasized that government aspirations often underestimate the immediate challenges posed by limitations in current infrastructure and technology, which could slow the transition's progress in the near-term. Others argued that the focus should be on practical, incremental changes, emphasizing grid reliability, cost management, and gradual adoption over aggressive, large-scale transformations.

> **"We need to act, but we also need to be smart about it – every capital investment today must account for the demands of tomorrow.**

02. MANAGING AFFORDABILITY FOR CONSUMERS AMID THE ENERGY TRANSITION

A recurring theme expressed by the CEOs was the challenge of balancing affordability, reliability, and decarbonization objectives – CEOs stressed that any transition must carefully consider the financial burden on ratepayers and businesses, especially amid broader economic challenges such as housing affordability.

> **"We need to do things in a thoughtful and affordable way – a lot of people are struggling, and housing is already unaffordable**

Some CEOs also emphasized that affordability is critical for widespread adoption of new energy solutions, such as EVs, heat pumps, and home energy storage. Without clear financial benefits or cost-saving incentives, there is concern that adoption will lag policy ambitions, slowing the pace of the transition.

> **"If you want people to transition, you need to show a cost-saving benefit. At the end of the day, people care about their bills.**

03. REGULATORY AND INVESTMENT CHALLENGES

Many CEOs highlighted the regulatory challenges that in their view hinder LDCs' ability to invest in the infrastructure required for the energy transition. For instance, several expressed the view that the current regulatory model focuses heavily on cost containment and short-term ratepayer protection, limiting the ability of LDCs, especially smaller ones, to make long-term foundational investments in grid modernization and DER integration, among other things.

> **"The current regulatory construct doesn't allow a majority of LDCs to make foundational investments – government funding has focused on transmission, but distribution has been ignored to some degree.**

In this context, the CEOs also addressed whether further consolidation among municipally-owned LDCs could enhance their capacity to make necessary investments. There were differing perspectives on this issue.

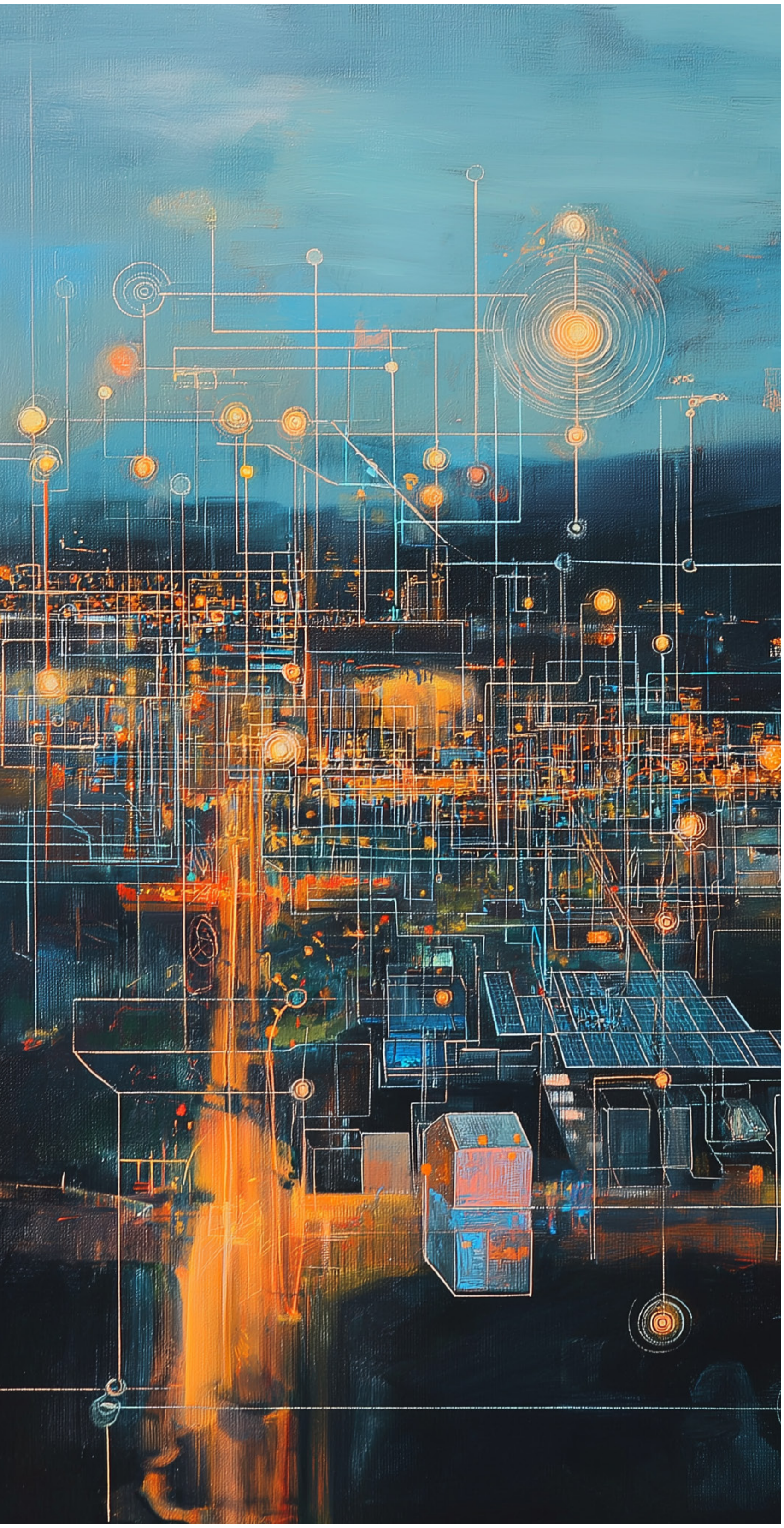
"Consolidation could give LDCs the scale they need to invest in the future grid – without it, some utilities may be left behind.

However, other CEOs expressed the view that consolidation is not a silver bullet. One CEO cautioned that consolidation can present challenges regarding integration and governance. As alternatives to consolidation, several CEOs highlighted co-operation and shared service arrangements among LDCs, as well as opportunities for non-municipal investment in the LDCs and any affiliate businesses. Despite these different perspectives, there was a consensus among most of the CEOs that the best way of equipping LDCs, whether they be big or small, to manage the energy transition is through regulatory reform that better incentivized investment and allowed LDCs to capture value from grid modernization efforts.

"Without changes to the regulatory framework, even big LDCs will struggle to make the necessary investments.

04. THE POTENTIAL OF THE DISTRIBUTION SYSTEM OPERATOR (DSO) MODEL

For some CEOs, the Distribution System Operator (DSO) model represents a significant opportunity. The DSO model envisions LDCs evolving from passive electricity distributors to active system operators, responsible for managing and coordinating distributed energy resources (DERs), such as rooftop solar, battery storage, and electric vehicle (EV) charging networks, alongside traditional grid assets. Under the traditional structure, LDCs have primarily focused on delivering power from the provincial grid to end consumers, but with the increasing deployment of DERs, EV charging networks, and microgrid solutions, some CEOs see the DSO model as a path to modernize LDCs' role, improve system efficiency, and open up new business opportunities.



> We are the interconnection between people, their generation assets, and the grid. The DSO model gives us the tools to actively coordinate these changes instead of just reacting to them.

While the DSO model might present a compelling opportunity for municipal LDCs, several CEOs emphasized that the existing regulatory framework would need to be reformed. They noted that the current regulatory framework does not clearly define the role of LDCs in managing DERs and market transactions, leaving many utilities uncertain about what level of involvement by an LDC is permissible. Additionally, the cost of DSO digital infrastructure, advanced grid management tools, and workforce training would require substantial investments – a cost which many LDCs would struggle to finance under existing rate structures.

> The transition to a DSO model makes sense – but we need regulatory clarity and investment frameworks to make it a reality

> We can't be expected to manage a modern grid with outdated tools. If we're going to take on a DSO role, we need the financial flexibility to invest in the systems and people that will make it work.

StrategyCorp's perspective

LDC CEOs acknowledge the importance of the energy transition but appear to be urging policymakers to consider the practical challenges of implementation, including infrastructure readiness, affordability, and regulatory barriers to investment. While committed to modernization, many CEOs emphasize that an overly aggressive transition could strain utilities and ratepayers, highlighting the need for a measured, financially sustainable approach.

Policymakers should take note of the concerns raised by LDC CEOs, especially regarding affordability and investment capacity. The transition to electrification, grid modernization, and distributed energy integration will require substantial long-term investment, and LDCs will need clearer regulatory frameworks and supportive funding mechanisms to fulfill their role effectively. Without these considerations, the pace of transition could outstrip the financial and operational capacity of many LDCs, ultimately impacting reliability and affordability for consumers.

The LDC-OEB Relationship

All the CEOs acknowledged the OEB's essential role in safeguarding ratepayers with respect to rates and service standards, but there was also a strong interest in pursuing opportunities to enhance flexibility, streamline processes, and foster more constructive compliance protocols at the OEB. Many LDCs see potential for a more collaborative and forward-looking approach, with recent OEB efforts to engage more openly viewed as positive steps toward building trust and supporting the sector's evolving needs.

01. BALANCING OVERSIGHT WITH FLEXIBILITY

A recurring theme was the tension between regulation and the need for flexibility, especially as LDCs work to adapt to evolving energy demands. While the OEB plays a critical role in ensuring just and reasonable rates and protecting consumers, many LDCs expressed concerns about the rigidity of current regulatory frameworks, which can hinder their ability to invest dynamically and proactively.

> **"Sometimes it feels like regulation is focused on past performance rather than future needs. We need the flexibility to plan for future growth while still meeting today's expectations**

The five-year cost-of-service model was frequently cited as a significant barrier to flexibility. CEOs noted that this model forces adherence to long-term plans, even when business needs change, leading to missed opportunities and inefficiencies.

> **"The current cost-of-service model makes it hard to adapt. Business needs change, and we need to pivot at times, but the system doesn't always allow for that.**

02. COMPLEX ADJUDICATIVE PROCESSES

The intervenor process was highlighted by the CEOs as both an important safeguard and a source of administrative burden and delays. LDCs recognized the importance of incorporating diverse voices in rate applications but expressed frustration with how intervenor participation can sometimes lead to proceedings that are longer and more costly than they need to be. There was a strong call for streamlining the process, reducing administrative overhead, and focusing more on substantive issues that impact ratepayers.

"We recognize the important role of intervenors, but sometimes the process can become overly complex and drawn out, leading to delays and additional costs that ultimately impact ratepayers.

03. COMPLIANCE AND ACCOUNTABILITY: A CALL FOR A MORE CONSTRUCTIVE APPROACH

All the CEOs acknowledged the importance of compliance with regulatory standards but raised concerns about the approach sometimes taken by the OEB in managing compliance issues. Specifically, many CEOs noted that the "naming and shaming" strategy – publicly identifying LDCs for minor errors – can damage trust and create a punitive atmosphere. Some CEOs advocated for a more proportional and constructive compliance approach, one that distinguishes between honest mistakes and systemic shortcomings. There was also a desire for the OEB to focus more on preventative compliance—working with LDCs to avoid errors through guidance and support rather than addressing issues only after they occur.

> **If it’s an honest mistake with no harm, why are we being hauled out and fined? There needs to be respect and proportionality.**

04. OTHER OPPORTUNITIES EXIST FOR PROCESS MODERNIZATION AND ENHANCED DIALOGUE

Despite the challenges, many LDCs expressed optimism about the future of their relationship with the OEB and identified specific areas where collaboration could be strengthened. Particularly, there was strong support for ongoing modernization efforts, such as the Benefit-Cost Analysis (BCA) Framework, which provides a structured methodology for electricity distributors to assess the economic feasibility of non-wires solutions to system needs. CEOs expressed a desire to see these reforms extended into adjudication and rate-setting processes, allowing for more flexible and forward-looking decision-making.

> **The BCA Framework is a great start, but it rarely gets tested because we settle cases before adjudication, which is disappointing.**

CEOs also expressed a desire for more open and proactive dialogue with the OEB, beyond formal rate applications and compliance reviews. They suggested regular roundtables or forums where LDCs and the OEB could discuss challenges, share insights, and consider solutions.

> **We want to move from a reactive relationship to a proactive partnership, where we’re working together to solve challenges before they escalate.**

Many CEOs praised recent efforts by OEB leadership to engage more directly with the sector, noting the value of ongoing dialogue in building mutual understanding and trust.

> **There’s been progress in how the OEB engages with us – it’s clear they want to understand our challenges better. Continuing that dialogue will help us all succeed.**

StrategyCorp's perspective

LDC CEOs raised important considerations about the OEB's regulatory framework – particularly regarding whether it provides sufficient incentives for investment – and its approach to compliance enforcement. Related to the former, many CEOs noted that the current system does not fully encourage proactive investment in grid modernization and emerging technologies, which may impact LDCs' ability to support the evolving needs of the sector. Additionally, there were concerns that certain aspects of the OEB's compliance approach may not always foster the most constructive outcomes.

As Ontario's energy landscape continues to evolve, ensuring a balanced approach to regulation will be critical. LDCs require a stable and predictable framework that enables proactive investment while maintaining strong oversight. At the same time, a compliance approach that prioritizes collaboration and continuous improvement will better support both sector accountability and operational efficiency.

With leadership changes forthcoming at the OEB, there may be an opportunity to redouble the effort to strengthen engagement between the regulator and the sector, fostering a regulatory environment that better supports investment planning and the sector's evolving responsibilities.

Looking Ahead

A sincere thank you to LDC CEOs for their contributions

Throughout this survey, the thoughtfulness and strategic approach of LDC CEOs were evident in their perspectives on the challenges and opportunities shaping Ontario's electricity distribution sector. Their commitment to maintaining and strengthening relationships with municipal shareholders, their interest in responsible business growth, and their understanding of the complexities of the energy transition all reflect a deep engagement with the issues at hand. CEOs also shared their perspectives on regulatory matters, recognizing the OEB's efforts to evolve the regulatory framework while identifying opportunities to further enhance its effectiveness and adaptability.

We hope that the insights shared by CEOs in this survey will contribute to stronger, more structured engagement between LDCs and their municipal shareholders, ensuring that discussions around investment, growth, and long-term planning are well informed. Likewise, ongoing dialogue between LDCs, the OEB, and other sector stakeholders will be essential, particularly given the several regulatory initiatives recently introduced or underway, many of which are outlined below. As the sector continues to evolve, enhanced dialogue and collaboration will be key to supporting effective decision-making, adapting to change, and ensuring the long-term success of Ontario's electricity distribution system.

01. KEY DEVELOPMENTS IMPACTING ONTARIO'S LDCS

Since interviewing CEOs for this survey, Ontario's energy sector has continued to evolve, with new regulatory initiatives, policy changes, and strategic planning efforts emerging, while existing ones continue to advance. Some of these initiatives – which are outlined on the next page – respond directly to challenges raised in CEO interviews, while all underscore the importance of continued dialogue among LDCs, their shareholders, and the regulator to ensure alignment and long-term sector stability.

Recent notable developments include:

1. **Regulatory reforms**: The OEB released the **Intervenors and Regulatory Efficiency** report, outlining a 10-point plan to streamline adjudicative processes and reduce regulatory burdens.
2. **Cost of capital generic hearing:** The OEB launched a **review** of how it determines return on equity and debt costs, which will likely impact LDC financial structures and shareholder returns.
3. **DSO model consultation:** The OEB is exploring the feasibility of the Distribution System Operator model through a **consultation process**, which could redefine LDC roles in managing distributed energy resources and grid optimization.
4. **Review of performance-based regulation:** The OEB is also **consulting on changes to rate regulation** to better align utility earnings with consumer-valued outcomes, though some sector stakeholders – including the Electricity Distributors Association (EDA) – have **expressed reservations** regarding the implementation and potential impacts of this approach.
5. **Transfer tax changes:** The Government of Ontario recently **extended the transfer tax exemption** for LDC acquisitions until December 31, 2028, and introduced a zero transfer tax rate for all acquisitions, seemingly seeking to encourage sector consolidation.

The future of this survey

Building on the insights gathered in this inaugural survey, StrategyCorp intends to establish this survey as a recurring forum for LDC CEOs to share their perspectives, providing a platform for ongoing dialogue on the issues shaping Ontario's electricity distribution sector. To further expand this conversation, we will conduct the next LDC CEO Survey in the latter half of 2025, broadening participation to include a wider range of municipal LDCs, including both smaller and larger utilities across the province.

By incorporating perspectives from a more diverse set of LDCs, the next survey will offer a more comprehensive understanding of sector-wide challenges and opportunities, fostering a deeper dialogue on policy, regulation, business strategy, and the evolving role of LDCs. The findings will continue to serve as a foundation for discussions on how LDCs can drive innovation, investment, and long-term success in Ontario's energy future.

For Further information

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