

November 26, 2004

EDA Submission to the Ontario Energy Board

Re: Comments on the OEB's Draft Implementation Plan for  
Smart Meters in Ontario – RP-2004-0196

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In June of 2004, the EDA published and publicly released a policy paper entitled *Smart Implementation of Smart Metering*. The EDA is pleased that the OEB has adopted many of the policy points outlined in that paper and included them in their draft implementation plan.

Section 2.2.1 – The EDA applauds the conclusion articulated in the OEB's paper, which recommends that distributors continue to be responsible for metering service. This conclusion recognizes the significant contribution that LDCs can bring to the process and also recognizes that LDCs are experts in the business of metering. For decades LDCs have been purchasing, installing, and maintaining metering services in the province and to alter that arrangement at such a critical time in the development of such a massive metering change would not serve the customers of the province well. The EDA agrees with the OEB that the experience in the US suggests that competitive metering has not realized significant benefits to consumers and that making meter services contestable might slow down the rate of smart metering deployment.

Section 2.2.3 – The EDA is very concerned with the recommendation for an Implementation Coordinator. The EDA does not believe another level of regulatory oversight needs to be created for this process. As recognized in section 2.2.1, LDCs have certain expertise in this area as demonstrated by decades of experience. On a day to day basis, LDCs are linked to the metering process and have been able to handle this task without any other oversight other than the regulator. LDCs already have sufficient regulatory oversight to ensure that this process goes well. The EDA is concerned that the creation of a new bureaucracy, complete with new funding on the backs of electricity customers, is not in the best interests of the OEB, the government, LDCs, and most importantly the end use customer. It is speculated by the OEB that the Implementation Coordinator would receive quarterly updates from each distributor on their progress. This seems redundant, since the OEB already receives quarterly updates from distributors on all aspects of their businesses. A simple addition on the quarterly updates that already

exist would negate the need for an entirely new bureaucracy to be created and given the contemplated legislative powers.

The OEB raises concerns of a conflict if they were take on the role of the coordinator. This is easily rectified by doing away with the coordinator and allowing regular reporting through existing channels take the logical place of this unnecessary entity.

The EDA strongly holds the position that distributors may involve third parties in this process at their sole discretion and not be subject to outside intervention which would impede the OBCA companies from pursuing their own business interests within the regulated environment.

The EDA strongly feels that the OEB has sufficient authority and oversight through existing legislative, regulatory, and binding policy ensure LDC compliance.

Section 2.3 – This section deals with the implementation timeline. The EDA is pleased that the OEB has recognized that the time lines are tight and that it will require the cooperation of all industry players to ensure success. At the outset it bears noting that one concern that was continually raised at the workgroups was the important role that Measurement Canada needs to play in this process. It is regrettable that they are not mentioned as an essential player in this process. As you know, the EDA believes that questions surrounding the approach they will take on Smart Meters need to be answered prior to any regulator mandate. The complete absence of Measurement Canada from the implementation timeline is a significant omission.

Further to the above concerns, the EDA reiterates that the section on the Implementation Coordinator within section 2.3 should be removed.

Within Section 2.3 the OEB has a paragraph on communication. While the EDA believes that both a pro-active and reactive communications plan is needed, the EDA is concerned that these plans are not recommended to start until the second quarter of 2005. In order to have a viable communications plan, there needs to be some pro-active communications by officials (governmental or regulator) in order to set the terms of discourse for this debate. The major print media (both business and political) have already started to comment on this initiative. This type of media activism needs to be addressed to ensure the public is adequately and accurately informed of the plan to ensure its success. The EDA also strongly believes that province wide consumer education should be coordinated in such a way as to allow for local customization.

Section 2.4.1 – The EDA is encouraged to see that the OEB has recognized the existence of groups of utilities that join together in order to provide benefits to customers. LDCs across the province have been strong believers in this informal grouping of like-minded utilities for some time and are pleased that the OEB now sees the value in them. The EDA is also pleased that the OEB has adopted the workgroup recommendation to allow these types of groupings to be responsible for coordinating efforts in this important

initiative, again negating the need for a further implementation coordinator. The fact that these groups have formed voluntarily without OEB direction shows that a further level of bureaucracy, such as the implementation coordinator, is not needed.

The EDA remains concerned with the OEB's references to LDCs efficiency. The OEB states that "Forming these buying groups as part of this initiative may also encourage distributors to pursue efficiencies in other areas as well" and goes on to state that "This would result in easier integration of meter systems in the event of regional distributor consolidation". The EDA encourages the OEB to review the suggestions made at the consultation on "Review of Further Efficiencies in the Electricity Distribution Sector" made by the EDA on February 19, 2004.

The current existence of voluntary groups of distributors that have already formed to enhance efficiencies for the benefit of customers demonstrates that "regional distributor consolidation" is not a prerequisite to achieving efficiencies. In addition, it should be kept in mind that LDCs are OBCA companies with all the shareholder rights that go along with that. Any consolidation discussions should happen between willing participants and this public policy process should not be used an instrument to usurp shareholder rights.

Section 2.4.1 also states that four to six buying groups across the province should maximize the savings in each group from economies of scale. The work group tasked with looking at this issue seemed to believe that the number of voluntary LDC groups would likely be higher than this. The EDA is concerned that the OEB has not only decided that there should be fewer groups, but have also made them mandatory through the Implementation Coordinator. Throughout the course of the workgroup meetings on this important issue, we heard from various individuals that there was not the economies of scale that were envision at the outset once a buyer hits a few thousand units. The OEB should make available studies it has completed that demonstrate the economies of scale they have found that have lead them to the conclusion on the number of work groups.

Although it has been stated above, the comments on the Implementation Coordinator overseeing the formation of distributor groups as stated on page 22 further typifies its redundancy. The OEB freely acknowledges that these groups are already forming on their own in the absence of this increased bureaucracy.

Section 2.7 – The EDA would like to applaud the OEB for recognizing the importance of a clear and consistent regulatory framework to ensure financial stability. As the OEB is aware, the EDA has long advocated for a framework that will allow LDCs to make necessary investments and regulated changes in a way that provides certainty and predictability. An investment of this size necessitates clear and stable guidelines to ensure cost recovery. This type of regulation will mitigate the concerns listed in section 2.7 in which the OEB expresses their belief that distributors are unlikely to have sufficient resources in house to deploy smart meters. The EDA does not see evidence of this, rather what we do see is a lack of available funds due to delays in the implementation of the 3<sup>rd</sup> phase of the MBRR and the recovery of the majority of \$550M

in un-recovered regulatory assets as a result of costs incurred years ago. These accounts can and should be cleared, and a stable regulatory environment with financial incentives established.

Section 3.1.2 This section attempts to discuss LDC operational savings. The EDA appreciates that workgroups took the time to look into what savings might materialize as a result of this program and notes with interest that the majority of the “cost savings” section deals with increased costs. The noted exception is the savings the OEB has identified of \$0.38 per customer as a result of smart metering which pales in comparison to the OEB stated increased costs of \$3-\$4 a month.

Section 3.4.1 Related to the section above, the EDA appreciates the OEB recognizing that recovery of these increased costs will be recoverable though rates starting in 2006. This will ensure that LDCs will not be burdened with carrying all of the upfront system changes costs until the initiative is complete. On a related note, the EDA also agrees with the OEB that deferral accounts should be avoided wherever possible and, if they do occur, should be cleared annually. This acknowledgement is welcome and the EDA applauds that OEB for it.

Section 4 – This section deals with minimum system requirements. The EDA would like to draw attention to its Smart Implementation of Smart Metering paper which states that a) base functionality should be set and (b) individual LDCs should be able to choose which technology works best for their communities. While the OEB has set this base functionality and provided a method for approval of enhanced functionality, the EDA is concerned about other statements throughout the paper that will limit local choices and innovation.

The OEB has stated previously in the document that it sees mandated buying groups totaling no more than six groups in the province (page 21). Further, participation in these groups would be mandatory as ensured by the province coordinator (page 22) with legislative authority. In addition, the coordinator would be tasked with ensuring the “appropriate level of uniformity” in technology (page 15). The combination of these statements would severely limit the ability of distributors to find the right solution for their communities. Local community knowledge and business self determinations are beneficial to this program and have previously been listed as benefits for DSM programs. It would seem that, while the intent of the OEB is to allow this innovation at the local level, the actions and new bureaucracy might impede this good intent.

Section 4.4.1 The EDA is concerned that having a requirement of 10,000 installed units in order to be an eligible technology will unnecessarily limit innovation and creative solutions. It will also limit technological advancements. LDCs currently evaluate business risk in each endeavor they undertake, knowing that poor decisions will make it difficult to recover costs from a regulator. In addition, Measurement Canada has one of the most rigorous testing and approval processes across North America. By placing this restriction on Ontario Smart Meters the OEB may be excluding Measurement Canada approved meters that have yet to be deployed on a large scale.

In addition, section 2.4.1 of the paper directs LDC buying groups to conduct more than one contract over the life of the Smart Meter initiative to ensure emerging technologies are considered in later years. The 10,000 unit deployment would ensure that these emerging technologies could not be considered and would place Ontario at a competitive disadvantage in contracting with the same suppliers, creating virtual monopolies.