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Mr. John Zych
Board Secretary
Ontario Energy Board
2300 Yonge Street
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Toronto, ON M4P 1E4

Dear Sir:

Re: Board File No. RP-2004-0196 – Comments on Smart Meter Implementation Plan – Draft Report of the Board

We appreciate the opportunity to review and comment on the November 9, 2004 Smart Meter Implementation Plan - Draft Report of the Board For Comment. We understand and applaud the Government of Ontario for encouraging and advancing an energy conservation culture in this province. We also appreciate the efforts of the OEB in pursuing the government's direction in this regard. We also recognize that a significant effort has been expended by many stakeholders and the OEB in defining the role of smart meters in the pursuit of a conservation culture.

However, despite all the work that has been done to date we have yet to see a well defined cost-benefit analysis of a province-wide smart meter implementation program. There is no doubt that smart meters will provide consumers with more information and information is an essential component in educating consumers if we seek behavioural change. However we have to ask if the mass deployment of smart meters is the best, or only, solution? Have we explored other ways of achieving the same end result? We believe that it is incumbent on the Board and the Government to demonstrate that the mass deployment of smart meters compares favourably to other alternatives on the basis of both capital and operating cost and results.

We have reservations with respect to a province-wide mass deployment of smart metering systems. We have not seen evidence in any jurisdiction of a direct correlation between a residential interval / smart metering implementation and the benefits gained. We would welcome an opportunity to review any such study. We understand that the Minister's Directive provided in Appendix A-1: Directive very clearly states the direction given to the Ontario Energy Board, that being to "… ***implement a plan to achieve the government's objectives for the deployment of smart electricity meters***." However we would believe that a discussion on the whether the estimated $1.07 billion in capital

spending, which we believe to be low, could be spent on a number of initiatives that would achieve the same objectives of reducing demand, reducing energy use and encouraging a culture of conservation. The strategic deployment of Smart Metering could be one of the initiatives. But it may be possible to achieve the same objective by investing less capital and operating dollars. A culture of conservation on dollars expended will also be appreciated by our customers.

I have attached a copy of a report and comments prepared by our staff at GHESI which I trust the Board will find to be useful in its review. We do wish to express our concern that stakeholders are provided with just 17 days in which to respond to a matter of such great significance. The deployment of smart meters is a huge capital investment and will have huge impacts on distributor operating costs. An investment of this magnitude should be afforded more than the allotted time to allow a thoughtful and substantive discussion on the investment and the potential benefits.

I will summarize a few of our concerns below. These issues are more fully articulated in the attachment to this letter.

- The electricity consumer and the local distributors will be dependent on the communications systems employed. Communications systems, like electricity systems, can fail. Failures on meter reads and data transmittal impose a large cost on distributors to track down and correct. With an interval meter population of 131 meters we use the equivalent of about half a full-time person (0.5 FTE) on validation and editing data, and responding to communication problems. With a population of over 45,000 meters we expect a much larger commitment will be required to the meter validation process.

- Smart meters are digitally based devices and will have a higher failure rate than the current meter stock. Although the repair may be simpler (e.g. the exchange of a circuit card or processor) the repair still involves time and costs to the distributor.

- We understand that the IeMO has a meter failure rate of about 2%. If we assume a 1% to 5% failure rate on a 45,000 meter population we would have 450 to 2,250 daily exception reports to address. We do have a concern about how we resource this level of activity as well as the cost.

- At first glance most readers would agree that daily posting of data is an attractive proposition. However is this practical? Is this data that most consumers would refer to daily? Does this requirement consider the data gathering and verification processes and the time spent responding to a consumer when the data is not available and has to be edited?

- We are also concerned that Measurement Canada requirements are not fully addressed in the proposal.

In closing let me re-iterate that we are supportive of the efforts of the Board and the Government in seeking to change consumer behaviour in the use of electricity and other forms of energy. We are committed to assisting the government meet its objectives. However we are concerned that an investment in this technology could result in other options that may be effective, less costly and meet the objective of demand and energy-use reduction not being fully explored.

We appreciate the opportunity to comment and we look forward to participating further in this interesting and challenging debate.

Yours sincerely,

GUELPH HYDRO ELECTRIC
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Original signed by

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