

Hydro One Comments

On

OEB's Draft Smart Meter Implementation Plan

Hydro One offers comments that cover the following areas:

- Scope and timing of Smart Metering project
- LDC accountabilities
- Implementation coordinator, and
- OEB accountabilities

Scope and Timing

1. The level of effort and the attention to detail that will be required to achieve the objective should not be underestimated. The OEB has done a commendable job in assembling a document, which describes in fair detail the massive undertaking associated with implementing the government's directive for smart metering in Ontario. However, the implementation of smart metering systems for all electricity consumers in Ontario will be a complex and time-intensive process.
2. The scope of the smart metering system project will require coordination at a level unprecedented in Ontario between the key players involved in the process (LDCs, vendors, OEB, Provincial coordinator, etc)
3. Resources necessary to implement the aggressive smart meter timeline may be scarce. Currently there is an effort underway to replace wholesale metering for those entities that participate in the IMO administered markets. This need comes about as a result of the compliance requirements set out by the IMO's Market Rules. The timing of the smart metering implementation plan is coincident with the timing of this large-scale replacement of wholesale metering installations in Ontario. It is likely that this wholesale metering effort will call upon the same LDC resources and the same metering system vendors as are involved with the smart metering implementation program and could impact negatively on the smart metering implementation plan schedule and ultimately cost.
4. The scope and timing of the smart metering project will exert upward pressures on costs that LDCs will expect to recover through rates. It is assumed that because the LDCs are mandated to implement the government's directive for smart metering that the risk of non-recovery should be minimized to the extent possible.

LDC Accountabilities

1. The implementation project is large, involving meters, computer systems and telecommunication systems for almost 100 utilities. There is substantial risk that timelines will change for events that are beyond a particular LDC's control. The aggressive implementation timeline set out in the plan could cause costs to be higher than the estimates provided in the draft report. Mitigation strategies and contingency plans should be prepared to address major risk areas and to ensure the dependencies of project steps and the impact of risks are fully understood and to ensure that the highest priority initiatives in the plan can be completed even if significant risks materialize.
2. Hydro One is in agreement with the OEB's proposal that LDCs should be in charge of the implementation of smart metering. In this respect there is clearly a need to carry out a number of specific pilot projects in 2005. It is imperative that LDCs have the opportunity to test smart metering

system options so that they may determine which system best fits the characteristics of their respective service territory and customer mix.

3. Hydro One agrees with the OEB's proposal that LDCs be able to outsource the accountability for data collection and the data repository (warehousing) that will accumulate all of the data that will result from the implementation of smart metering in Ontario. Care must be taken to ensure that appropriate standards are put in place for data collection and data warehousing so as to minimize costs, improve speed of access and ensure all customers receive the appropriate information as required by the government's directive. Consolidation of data collection and data warehousing maybe considered by LDCs when there is a business case to do so.

Implementation Coordinator

1. The draft report proposes to "...establish an independent body that would manage the implementation process, monitor progress, and coordinate activities of the LDCs over a number of years". This approach would essentially introduce another body between the LDCs and the OEB that the LDCs will have to interact with, increasing the bureaucracy, complexity of the process and the possibility of greater confusion as to the respective roles. Nor is the possibility of OPA taking on the role a good idea, given that this entity does not yet exist and that significant effort will be required in 2005 to plan the implementation process.

Hydro One believes that there should be minimal additional oversight role to that which already exists for LDCs. The key elements that would provide the necessary pressures for the LDCs to move forward on their implementation plans are the approval of costs, the approval of procurement plans for prudency, and the requirement for LDCs to provide regular progress reports on the status of their implementation plans. The OEB is in the best position to fill that important role. First, it has acquired sufficient knowledge to understand smart metering and the requirements to implement the government's directive. Second, the OEB has oversight for approving rates and this project will require adjustment to rates to ensure cost recovery. Third, the OEB has oversight for prudency review. Any move away from this arrangement by creating more intrusive oversight through adding another oversight body would add more complexity to an already complex process.

2. The report proposes that LDCs should form into buying groups and that the Implementation Coordinator will have oversight of LDC buying groups. This requirement may not be practical for all LDCs. Hydro One, for example, has sufficient size and scope to be a buying group on its own and has acquired experience in this respect. Similarly, other large LDCs may prefer to go it alone. Therefore, sufficient flexibility should be included in the implementation plan to allow LDCs to assess the business case on whether to form a buying group or go it alone.

OEB Accountabilities

1. As a result of smart metering implementation, the LDCs will be in a position to provide the relevant information to customers on consumption. The OEB will have accountability for setting province-wide standards for data presentment. The OEB should establish a "no later than" date by which customers should receive the relevant information from LDCs, but LDCs which are ready before that date may proceed to provide to their respective customers the necessary information.
2. The report suggests that once a meter is installed the customer will obtain the price signal. Some allowance will have to be made for instances where the meter installation may precede the rollout of the required communication system, e.g, in rural areas where implementing required two-way communications will be more challenging.
3. The draft report allows LDCs to submit business cases to the OEB in support of increased functionality above the minimum standard provided by the smart metering system. This increased functionality may entail voltage monitoring, advanced bill payment, load limiting etc. In the case that the enhanced functionality will provide overall benefits that offset the costs to the LDC's

customers, it is not clear from the draft report whether this would reduce that LDC's cost recovery. It is also not clear whether there is an expectation that such an LDC might set a precedent for other LDCs in respect of implementing enhanced functionality. Hydro One recommends that implementation of enhanced functionality should be considered on a case-by-case basis without there being any expectations for setting standards for other LDCs. Clarification is also required as to how LDCs would be required to recover costs associated with the provision of these enhanced functions.

4. Hydro One agrees with the OEB's draft plan which proposes that costs associated with the implementation and operation of the smart metering systems should be included in the LDCs delivery rates that are charged to all customers. Hydro One believes that given the directive of the smart metering implementation project all LDCs should be held harmless to the extent practicable in respect of the costs incurred for implementing the smart metering implementation plan. In this respect every effort should be made to ensure that the OEB approves the LDCs' rates in a prospective manner such that LDCs can proceed to execute their accountabilities for implementing their respective smart metering facilities. For this and other changes that respond to government or OEB direction, rate changes should be approved for the projected costs coincident with the date when costs begin to be incurred.