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November 29, 2004

John Zych
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, ON, M4P 1E4

Dear Mr Zych

Re: Smart Meter Initiative (RP-2004-0196) – Draft Implementation Plan

On behalf of Hydro Ottawa Limited (“Hydro Ottawa”), I would like to commend the Board on delivering a comprehensive Smart Meter Draft Implementation Plan (the “Plan”). Hydro Ottawa supports the Minister’s directive on Smart Meters and also supports the working group process overseen by the Board that made this document possible. Hydro Ottawa will continue to be an active participant in the development of an executable plan and is working closely with other large LDCs, namely Enersource, Hamilton, PowerStream, Toronto and Veridian to create a conservation culture in Ontario through the effective and efficient deployment of Smart Meters and Conservation and Demand Management initiatives to the maximum benefit of each LDCs customers.

Hydro Ottawa has the following comments on the Plan:

2.3 Implementation Coordinator

Hydro Ottawa does not support the proposition that the authority of the Implementation Coordinator extend beyond that of providing an oversight function. LDCs are competent at managing their utility business and this proficiency will extend to the implementation of Smart Meters. Furthermore, LDCs are supportive of the Minister’s mandate and binding authority is likely only to add unnecessary complexity and cost.

If it is determined that a Provincial Implementation Coordinator is desirable, then that role should be restricted to the monitoring and coordinating of LDC activities where necessary to ensure milestones are met.

Hydro Ottawa considers the Board to be in the ideal position to perform this oversight function. The Board has direct responsibility for setting LDC rates and has developed a good understanding of the issues that LDCs and other market participants will face. Further, the tools are readily available within the Board to undertake this oversight role. For example, the Board could amend the existing Record Keeping and Reporting Requirements (RRR) to require the LDCs to report quarterly on their progress

with Smart Meter implementation. Hydro Ottawa believes that retaining this role within the Board will simplify management of Smart Meter deployment both for the LDCs and for the Board itself.

3.1.2 Distributor Operational Savings and Retailer Opportunities

Hydro Ottawa wishes to emphasize that the estimated savings in distributor operating costs from Smart Metering is an average figure for all LDCs and are based on many assumptions. Most large LDCs are able to achieve significant economies of scale in their current meter reading and billing processes. As such, Hydro Ottawa believes the true savings in operating costs will be much less than \$0.39 per residential customer per month.

3.4.1 Cost Recovery Principles

Hydro Ottawa believes the Board should consider a depreciation period for smart meters that is similar to other types of computer equipment or equal to the initial seal period of the meter (Measurement Canada currently permits a maximum seal period of ten years for certain electronic meters). Smart Meters are electronic devices that will either be obsolete at the end of their initial seal period or require significant firmware and/or hardware upgrades making replacement a likely choice especially as Smart Meter technology matures.

3.4.1 Recovery of program costs from all customers within a class

Hydro Ottawa supports the cost recovery mechanism that seeks to recover the costs of the entire smart meter program from all customers within a class. With respect to the issue of whether costs should be recovered in fixed or volumetric charges, we would suggest that costs should be recovered in the distribution (fixed) charge only, given that the smart meter project costs are not consumption related.

3.4.5 Stranded Cost Recovery

Hydro Ottawa does not support the transfer of stranded costs from the rate base into regulatory assets, in part due to the significant materiality of these costs. In order to maintain administrative simplicity amidst more complex accounting and financial protocols, we would propose that these costs remain in the rate base for the duration of the recovery period and until such time as they are scheduled to be retired.

4.1 Customer Groupings for Minimum Smart Metering System Requirements

Hydro Ottawa believes the Board should strongly consider allowing LDCs the option to include kVA/kVAR billing quantities in Customer Group 2 as a minimum requirement. Otherwise there may be significant differences in billing for similar loads at or near the 200kW threshold creating customer confusion and dissatisfaction. Also, having kVA/kVAR billing in this group will provide an incentive to increase efficiency and make these consumers more aware of their load patterns.

4.4.1 Minimum Technical Requirements

Hydro Ottawa supports a process of continuous learning and technology enhancement through pilot installations and field trials of new equipment and systems. The requirement that systems have 10,000 units installed and working is felt to be too restrictive and is ambiguous.

In closing, Hydro Ottawa would like to request that the Board engage Measurement Canada, the federal regulator in the area of electricity measurement and metering accuracy, in substantive discussions regarding the management of Smart Meter compliance in the longer term.

The majority of meters in Ontario will be changed between 2008 and 2010 creating unmanageable and unsustainable variability in operating expenses necessary to maintain compliance in the ensuing years. In the years 2011 through 2017, relatively few meters will have seals expire and LDCs will likely be forced to redeploy or lay-off trained meter technicians. However, in 2018 through 2020, as the majority of meters come up for resealing, the necessary skilled resources will not exist or at the very least be insufficient to manage the volume of work.

Planning should begin now to modify the Electricity and Gas Inspection Act and Regulations or to provide special dispensation to LDCs to modify seal periods (shorten as well as lengthen) and level out the operating effort and expenses related to meter reverification and compliance sampling.

We look forward to working with the Board to implement Smart Meters and enhancing the services we provide consumers.

Yours truly,

Lynne Anderson

Director, Regulatory Services