

Olameter[®]

1255 Nicholson Road, Newmarket, ON L3Y 9C3
www.olameter.com Tel (905) 853-6474 Fax (905) 853-6705

November 26, 2004

Ontario Energy Board
2300 Yonge Street
26th Floor
Toronto, Ontario
M4P 1E4

Attention John Zych, Board Secretary

Dear Sir:

Re: Comments on OEB Draft Smart Metering Implementation Plan RP-2004-0196

Over the last few months, Olameter representatives have enjoyed the opportunity to actively participate in the development of the Ontario Energy Board's ("Board") Smart Meter Implementation Plan ("SMIP"). Substantial progress has been made in identifying the key issues facing market participants and the draft Report embodies a substantial consensus from which interested stakeholders and the regulator may move forward, subject to government acceptance and direction.

Olameter is very pleased with the Board's draft SMIP. In it the Board recognizes that third-party outside contract providers can bid for and meet the needs of Ontario's LDCs as they move forward to acquire new smart metering hardware, software and load control accessories and to provide related services. **The Board should require that LDCs benchmark their in-house proposals designed in response to the Smart Metering Implementation Plan against the prices and best-practice standards available from third-party outside contractors.**

Key to the implementation of this SMIP in Ontario will be the recognition that this transition represents a substantial change for not only the electricity industry, but also its customers; it will affect directly how customers deal with their utilities and chosen service providers.

Specifically, if the final SMIP is to deliver measurable, long-term results, there will have to be regulatory scrutiny and recognition of the benefits of larger scale and scope in the acquisition, deployment and operation of the new metering (and related systems). To achieve this outcome, the draft SMIP recommends the development of voluntary buying/pooling groups by distributors. Olameter is supportive of this necessary initiative, given the number of LDCs in Ontario and the benefits of increasing standardization.

However, based on its experience in Ontario and elsewhere, Olameter believes that the Report should do more than observe, as it does at page 25 in the first full paragraph that:

It should be noted that distributors may contract out any functions including meter ownership, reading of meters, and data management and presentment to service bureaus. The distributor keeps the responsibility for the meter.

Indeed, while Olameter fully supports the LDC maintaining responsibility for the meter, Olameter believes that third-party providers of these services, engaged under competitive conditions on a larger scale (i.e. regional, provincial, national and international) are likely to be able to deliver more cost-effective and economically efficient services to the Ontario LDCs and their customers, which should mean more diverse services at lower costs.

In making its regulatory assessments of the reasonableness of LDC acquisition costs in rates proceedings, the Board would likely benefit from making comparisons between the services and related costs incurred by LDCs in providing their own services versus LDCs acquiring outsourced services on a competitive basis. The real question is: could a third-party service provider provide the same or better services on a similar or more cost-effective basis than the utility could provide for itself? This is similar to the comparisons that the Board undertakes in the gas LDC rates cases where those LDCs determine and allocate costs to deliver their own services or acquire third-party services at competitive costs.

In the section of the Report entitled: **Make Effective Resource Decisions**, on page 30, the Board recognizes as a practical matter that:

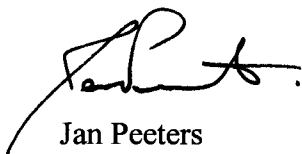
Distributors are unlikely to have sufficient resources in-house to fully deploy smart meters. Many distributors outsource meter reading and servicing and have few or no personnel to assign to the deployment. Distributors should review and understand options/agreements regarding temporary and contract labor and develop a resource plan to achieve their deployment targets. They should train resources using available training programs and facilities where appropriate, hire resources from external service providers when needed and/or develop inter-utility resource sharing arrangements or possible.

Olameter believes the Board should place more emphasis and direction on the above point in its SMIP report to the government. The earlier the LDCs embrace the appropriate level of outside competitive resources in establishing their group SMIPs, the more likely there will be cost-effective advantages for the LDCs and their customers.

In conclusion, Ontario customers should really benefit from the cost and energy efficiencies arising from the move to a SMIP. To achieve this end, there will need to be a concerted, long-term approach by the regulator and the regulatees to foster a cooperative and coordinated industry environment where available services and their costs should be transparent and measurable.

Olameter welcomes the Board placing more emphasis in the draft Report on the potential benefits that may be delivered by third-party service providers to Ontario LDCs and customers.

Yours truly,
Olameter Inc.



Jan Peeters
Chairman & CEO