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toronto hydro corporation

November 26, 2004

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street 26th Floor
Toronto, Ontario
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Attn: John Zych
Board Secretary

HAND DELIVERED

Dear Mr. Zych:

Re: Comments of Toronto Hydro-Electric System Limited
OEB Draft Implementation Plan on Smart Meters
RP-2004-0196

I write on behalf of Toronto-Hydro-Electric System Limited ("TH Electric System") in response to the Board's draft Smart Meter Implementation Plan (the "Plan") issued for comment on November 9, 2004. Nine (9) copies of these comments are enclosed, together with a soft copy in PDF format.

The Board is to be commended on its Plan. TH Electric System contributed to the development of the Board's Plan, having provided responses to the Board-

commissioned survey of current meter inventories and practices of Ontario LDCs, and having participated on three of four Working Groups that convened to develop recommendations for the Board to consider in preparing the draft implementation plan now before the industry for comment.

TH Electric System supports many aspects of the Plan and offers the comments herein to further assist the Board in finalizing its report for approval by the Minister of Energy. These views are also generally shared by Enersource Hydro Mississauga, Hydro Ottawa, PowerStream Inc. and Veridian Connections.

1. Deployment of Interval Meters

- The Board's Plan requires the installation of interval-capable meters for all consumers, to support smart metering initiatives. TH Electric System supports this requirement, and recognizes the need to facilitate future implementation of rate structures for the promotion of conservation and demand management programs for specific groups of customers.

2. TOU/CPP Requirement

- A distributor may choose to implement metering for time-of-use and critical peak pricing ("TOU/CPP") in one of two ways: 1), have the meters directly cumulate the TOU/CPP quantities, or 2), derive the TOU/CPP quantities based on interval usage data. If TOU/CPP quantities are cumulated at the meter, the distributor's smart metering system will store only TOU/CPP data. TH Electric System recommends that distributors be allowed the option to roll out interval metering on an as needed basis since it is expected that the initial time differentiated pricing will not require hourly data. Under

such circumstances, TOU/CPP meters will need to have the capability of being remotely configured.

- TH Electric System notes that the Smart Metering System ("SMS") requirements for support of TOU/CPP vis-à-vis interval metering are not consistently clear throughout the Plan and recommends that the document be edited where necessary to remove ambiguities.
- Sections 4.1 and 4.4.1 are inconsistent and should be amended. The table at section 4.1 appears to recommend interval data requirements for residential and small commercial customers, yet Section 4.4.1 specifies interval metering as optional to support TOU/CPP metering requirements. It should be noted that the California experience has shown that TOU/CPP metering was effective in motivating customers to manage their electricity consumption.
- The Plan proposes, at the third bullet of section 4.4.1 that distributors provide daily feedback to customers in hourly intervals. TH Electric System believes that access to hourly data would result in confusion, in particular for TOU/CPP customers, whose billing is based on specific time buckets rather than hourly intervals. There may also be a resultant increased burden on distributor call centers to respond to consumer calls for clarification. TH Electric System believes that this situation can be avoided by requiring that consumption information be made available to customers or their agents in a manner consistent with the rate structure of the relevant customer group.
- The second bullet in 4.4.1 indicates that the distributor is required to provide hourly consumption data to customers. As mentioned above, TH Electric System recommends that customers be provided with information in a manner consistent with the rate structure of the relevant customer group.

2. Requirement for 10,000 Installed Meter Points

- Section 4.4.1 as proposed, requires the distributor to select a system with at least 10,000 installed smart meters in production. This proposed requirement, as it stands, requires further clarification. For example, it is not clear whether the requirement applies only to installations in Canada. That said, however, TH Electric System considers this requirement to be narrow and it interferes with a distributor's ability to manage its own distribution system. Distributors may, through rigorous pilot testing in 2005, determine that a system with fewer than 10,000 units deployed is viable and cost-effective and should be allowed to select that system based on its findings. Furthermore, a system with 10,000 units installed does not necessarily translate into scalability to hundreds of thousands of units for large distributors. TH Electric System recognizes the need for a guiding principle in this area, but would urge the Board to recommend that the 10,00 meter point minimum be a guideline rather than a requirement.

3. Hard-to-Access Inside Meters

- Section 40 of the *Electricity Act, 1998* bestows powers of entry on a distributor to enter land to "install, inspect, read, calibrate, maintain, repair, alter, remove or replace a meter" at reasonable times. However, distributors continue to experience difficulties gaining access to inside meters and it is important that the Board address the issue of hard-to-access services now, in order for smart meter deployment to be completed according to the Government's timeline. This is particularly critical for cities with a high number of old services where the meters are installed inside.

- TH Electric System recommends that the distributor be given the authority to impose some suitable financial penalty if necessary to expedite access to inside meters. One example of penalty could be the imposition of a peak rate for all hours, for the period of time the meter remains inaccessible. In any event, TH Electric System would welcome the opportunity to work with the Board to develop a practical solution to this problem.

4. Cost Recovery

- The Board has set out two options at sections 3.4.1 and 3.4.2, for the recovery of smart metering costs. TH Electric System supports the cost recovery mechanism set out at section 3.4.1, which seeks to recover 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, TH Electric System would argue that costs should be recovered in the distribution (fixed) charge only, in view of the fact that the smart meter project costs are not consumption dependent. For further certainty, TH Electric System supports option 2 set out in Appendix C-4 of the Plan.
- With respect to the proposed removal of stranded costs from rate base, the Board should provide certainty to electric distributors that these costs will indeed be recoverable. TH Electric System would also argue that LDCs should be allowed to recover interest on any remaining balance of these regulatory assets.

5. Provincial Timeline

- The timelines proposed in the Plan are ambitious and TH Electric System cautions that any timeline must take into account the tremendous logistical and system challenges that large distributors in particular will face, due to the sheer size of their respective customer bases. If a provincial timeline is deemed to be necessary, the Board should work specifically with the large distributors to work out a realistic timeframe for deployment of smart meters.
- As an alternative to a provincial timeline, distributors could be held individually accountable for the 2007 target, and be allowed to manage their own implementation and deployment projects based on their resources.

6. Role of Implementation Coordinator

- TH Electric System rejects the notion that the authority of an implementation coordinator should extend beyond that of an oversight function. Distribution utilities are proficient at managing their utility business; this proficiency will undoubtedly extend to the implementation of smart meters. Furthermore, LDCs are supportive of the Minister's mandate and binding authority is unlikely to be necessary.
- If it is determined that a Provincial implementation coordinator is desirable, its role should be confined to the monitoring and coordinating of LDC activities where necessary. Distributors could themselves also bring forward any critical issues to the implementation coordinator, where they identified a need for assistance.

- TH Electric System considers the Board to be in the ideal position to perform this oversight function. The Board has direct responsibility for setting LDC rates, it has unparalleled experience as regarding the establishment of the Smart Meter Directive and tools already exist for oversight of LDCs by it. For example, the Board could amend the existing Record Keeping and Reporting Requirements (RRR) to require LDCs to report quarterly on their progress with smart meter implementation. TH Electric System believes that retaining this role within the Board will simplify management of smart meter deployment both for LDCs and for the Board itself.

Please contact the undersigned to discuss any aspect of these comments.

Yours truly,

R. Zebrowski, Vice-President
Regulatory Services