



PUBLIC INTEREST ADVOCACY CENTRE

LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

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November 26, 2004

**VIA Fax, E-Mail and Courier
3 pages only**

Mr. John Zych
Board Secretary
Ontario Energy Board
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Mr. Zych:

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

On November 9, 2004, the Ontario Energy Board released its draft implementation plan regarding the smart meter initiative "plan", and invited interested parties to provide comments on this draft plan by November 26, 2004. The Vulnerable Energy Consumers Coalition represents low volume residential consumers - primarily seniors and tenants. Our submission regarding the above issue is as follows:

Implementation Time Line

The overall timeline to meet the December 2007 provincial target of 800,000 customers with smart metering is far too aggressive. The implementation plan discusses the need for the LDC to be implementing systems to support the smart meter technology, training staff, and establishing business practices in mid-2005 prior to resolving the issue of what smart meter to procure. VECC is concerned that the short time line for implementation will drive up the cost for this initiative beyond what is necessary. Hydro One in the recent Regulatory Asset Recovery proceeding noted that the tight time line associated with meeting market opening deadlines resulted in costs being higher than necessary, as the LCD paid out more to meet the tight timeline. VECC is of the view we should learn from past experience and not incur excessive costs merely to meet an arbitrary deadline.

Cost/Benefit Analysis

The smart meter initiative in our view is lacking of any overall cost/benefit analysis. This deficiency causes us serious concern, given that residential consumers with limited financial resources are not receptive to plans that may only ultimately result in additional net costs to them. Despite the lack of a conclusive cost/benefit study, the plan does, however, provide a significant amount of discussion on the individual costs and benefits. When analyzing the residential customer impacts based simply on the information

provided in the report the costs to residential customers are \$3.50 per month. The benefits available to residential customers by way of bill savings may be less than 2% of a typical bill. Given that current residential bills for 1,000 kWh are in the order of \$100, the total savings of \$2 will not offset the \$3.50 cost increase. Furthermore, the cost component of this high level analysis is conservative given that the large stranded cost burden is not taken into consideration and it also doesn't appear to take into consideration the large communication costs of providing customers with the ongoing real time prices. As a result, the only conclusion one can glean from this study is that the smart meter plan does not appear to be cost effective from to a small customer perspective as they will not be able to take sufficient advantage of the "plan" and opportunities for shifting load to offset the increased meter costs. This limited ability for small volume customers to make load savings is recognized in this report when the comment is made that "small commercial and residential customers are a lower priority because their loads are small and they may have a more limited opportunity for response. (page 24)"

A further concern with smart meters in the residential sector is the need for individual customers to invest in energy efficient equipment or automatic devices in order to achieve cost savings. The cost of such energy efficiency equipment is likely prohibitive for low-income consumers.

Given the likelihood of increased costs without offsetting benefits, for this group of low volume consumers, VECC submits that the Board should prudently make this finding known to the Government in this report. Furthermore, the OEB should indicate that the size of the financial burden to low-income consumers may require some offset from system or government sources.

Proposed Cost Recovery from Customers

The proposed recovery of the program cost from only the customers acquiring smart meters or from all customers within a class, will clearly result in the same negative outcome for a residential consumer whereby the costs override any savings. VECC submits that if the plan proceeds to installing smart meters in the residential class, regardless of the economic disadvantage to the residential customers, those costs should not be restricted solely to the residential rate class or individual residential customers. The smart meter costs should be shared by all rate classes based on a volumetric basis to reflect the claimed overall system benefits that accrue when customers shift consumption patterns.

VECC recognizes our submission to the Board on the Draft Implementation Plan questions the Minister's Directive of installing 800,000 smart electricity meters by December 31, 2007 and installation of smart meters for all Ontario customers by December 31, 2010. Furthermore, we recognize that the Ontario Energy Board's mandate was to develop the implementation plan for achieving the Government's directive. That being said, the OEB should not be mute on the potential problems of implementing the Directive. VECC submits that the OEB should use this implementation report to urge correction of the policy to a more reasonable program and to implement

practical measures to reduce potential hardship to low volume and low-income residential customers.

As requested we have also enclosed 9 hard copies and filed an electronic copy in Adobe Acrobat (PDF) format.

Yours truly,

Original signed

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