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November 25, 2004

John Zych
Board Secretary
2300 Yonge Street, 26th floor
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Dear Sir

Re: Smart Meter Initiative (RP-2004-0196)

Please accept this letter in response to your invitation to interested parties to comment on the OEB's draft implementation plan for the smart metering initiative.

Woodstock Hydro submitted comments on this issue in an August 12, 2004 letter responding to a request for input on an OEB staff discussion paper. In that letter we applauded the Government on its intent to alter consumers behavior by providing them the tools and incentive to do so.

At this time we recognize the diligent work of the many individuals from all stakeholder groups that put in so many hours in a very short time frame. From the outset, everyone appreciated the need to work swiftly and remain focused and the OEB staff has done an excellent job in facilitating to that end.

Unfortunately, although with all good intent, we believe that too much focus was placed on the details of the Minister's request to the OEB for a smart metering implementation plan and not enough attention was given to the desired outcomes.

In our aforementioned August 12th letter, we described a metering/payment system that Woodstock Hydro has had deployed for 15 years. Approximately 25% of Woodstock Hydro's 11,000 residential customers have chosen to use this program over our other typical payment methods. Due to a short-term supply issue we have approximately 200 customers that have placed themselves on a waiting list to use this program as soon as it is available. I emphasize this point of consumer demand and choice to stem any notion that our "pay as you go" payment plan is designed for any particular socio-economic demographic.

Our customer base in Woodstock does not have any unusual economic characteristics that set it apart from other typical urban communities in Ontario. With 25% of our customers having chosen the system and with its popularity growing we have learned to not spend too much time wondering who or how many people will want it, rather we are more concerned with why they want it.

As was described in our earlier letter, our system provides real time information, with a visual display unit, in actual cents per hour of the consumer's costs for the electricity they are using. The analogy of a gas gauge with a litres/kilometer feature in your car is a sound one and is actually reinforced with the purchase method. As the program name implies, consumers pay for their electricity, as they need it. Purchases are made at convenient locations using a smart card technology that registers the dollar amount of the purchase on the card. The customer then takes the card home and inserts it in their display unit, which reads the card and transmits the information to the meter.

The display unit will then indicate the new balance of dollars on the system and compute and display how many days the balance will last at the recent historic daily average usage level. A warning signal, much like a low fuel level indicator in a car, will inform the consumer when they are a few days from running out. In our experience, consumers adopt routines of purchasing electricity that mimic those of purchasing auto fuel.

The combination of the awareness of ongoing cost of use and the purchasing mechanism that, in essence, places electricity in the shopping bag with other consumer commodities results in altering the consumers behavior.

As the program has grown in popularity, Woodstock Hydro's average residential consumption has dropped from being 8% below provincial average to approximately 20% below provincial average. Our "pay as you go" customers typically use 15 to 20% less electricity than their traditionally invoiced customer. This finding is typical of other jurisdictions where the same program is offered.

This program and its conservation and consumer behavior benefits were shared with the meter working group throughout the consultation process to date. There was consensus that results are totally consistent with the desired outcomes described in the Minister's July 16th, 2004 letter.

Unfortunately, as stated earlier, it seems that the attention paid to the core functional requirements listed in the Minister's letter has resulted in the recommendation of the elimination of our successful program even though it meets with the desired results.

There was discussion in the meter working group of what technical advancements would be needed to have the "pay as you go" program meet the technical requirements of the Minister's letter; specifically on the need to facilitate "critical period pricing". The problem with this train of thought is that it assumes that "critical period pricing" is compatible with the notion of the "pay as you go" program and all that is needed is a technical advancement to the existing system.

It is our contention, based on 15 years experience with the program and a focus on why it works the way it does, is that adding a technical layer to handle “critical period pricing” would not be an advancement at all because it would lessen the desired effect. The “pay as you go” program is successful because the consumer treats electricity as a commodity. There is a value connection made with the commodity due to the knowledge/predictability of what is happening in real time as well as the budgeting component. The strongest reason for the commodity treatment of electricity is that the purchasing method continually reinforces the buy and then use cycle. The desire to have your purchase last as long as possible and your ability to budget for its replacement is typical of how consumers treat most goods.

The notion of penalty pricing periods being applied to a program where consumers have demonstrated a responsible self imposed discipline is not only counter intuitive but counter productive. We are confident that it would severely lessen the desirability of the program and thus cripple a very powerful tool that would otherwise be used in building the conservation culture envisioned by this government.

To be clear, “pay as you go” programs are fully compatible and capable of delivering pre-established “Time of Use” pricing plans. We actually feel that due to the customers heightened awareness of what appliances and activities are more energy intense, these programs will have a very high degree of effectiveness. The pricing regiment and time slots are all programmable through the smart card, negating the need to visit the meter. These customers also receive face-to-face contact with customer service representatives every time they purchase electricity, which allows for additional consumer education and support on new programs.

We believe that if the Smart Meter initiative is to be successful it must be results oriented first and foremost. The technology deployed to achieve the results should be measured against its ability to do just that, achieve the results. Too often we are tempted to add the newest technical innovation to our existing programs without an examination of the value added. We would not view anything that lessens the commodity treatment and associated value connection with electricity as an advancement to our program.

We are cognoscente of the fact that the Minister’s letter of July 16th is a directive that has channeled the work of the OEB and has resulted in a draft plan that adheres to the details of the directive. We are also aware that through the deliberations of the working groups and examinations of other smart meter programs some issues have arisen that bring into question the broad benefit of some of the components of the directive. The mandatory requirement for all of the core functions in all cases will actually result in decreasing the ability to meet the desired goals articulated in the Minister’s letter.

We respectfully submit that these issues be included in the recommendations to the Minister. Specifically, we believe that the merits of our “pay as you go” program be included in the report and an explanation as to how the application of the “critical period pricing” requirement in the standard for Smart Meters will eliminate the opportunity for this successful program to continue and indeed expand in the province.

It has been our experience that customer participation through voluntary selection of a program is paramount to its success. To the extent possible, consideration should be given to having more than one base option available to customers. We would not for a minute suggest that our program is the method that all or perhaps even most customers would want to use. As stated earlier Woodstock is a typical urban community and 25% of our customers have chosen this offering over the other typical methods. We feel that should demonstrate its worthiness as a consumer accepted program that has all the desired results and therefore be in the suite of options offered by LDCs.

Thank you for this opportunity to submit this input and request that you act on our request to include our concerns in your report to the Minister.

Respectfully

Ken Quesnelle, Vice President and Assistant General Manager
Woodstock Hydro Service